

ASX Announcement

G8 Education Limited
(ASX:GEM)



20 February 2017

G8 places shares at premium to raise \$212.8 million to fund growth opportunities

G8 Education Limited (**G8**) (ASX:GEM) is pleased to announce that it has entered into a binding Term Sheet with CFCG Investment Partners International (Australia) Pty Ltd (“CIP”) in its capacity as the Manager of First Capital Australia Education Master Fund (the “Investor”) in relation to a share placement. CIP is a wholly owned subsidiary of China First Capital Group Limited (“CFCG”).

About CFCG

CFCG is a Hong Kong-based company listed on the Hong Kong Stock Exchange (stock code: 1269) with a market capitalization of approximately HKD13 billion (A\$2.2 billion). CFCG Group is focusing on investment across the education industry and is licensed to carry out regulated securities activities in Hong Kong. It has made a series of investments over the last two years to build its presence in the education sector in China.

Further details about CFCG are contained in Appendix One, including details of CFCG’s website.

Details on the Placement

The Investor has agreed to invest circa \$212.8 million by subscribing for 54,846,894 ordinary shares in G8 at an issue price of \$3.88 per share. The issue price represents a premium of approximately 8% to the last 30 day volume weighted average price of G8 shares and a premium of approximately 9% to the last closing price of G8 shares on 17 February 2017.

The placement will be conducted in two tranches, as set out in the table below.

Tranche No.	Expected Completion Date	No. Shares to be Issued	Funds Raised
1	24 February 2017	16,454,068	\$63,841,783.84
2	17 May 2017	38,392,826	\$148,964,164.88
	Totals	54,846,894	\$212,805,948.72

Following the allotment of G8 ordinary shares under Tranche 2, the Investor will hold an interest of approximately 12.45% of G8’s issued capital. The placement is subject to customary terms, including that there are no material adverse changes in the business or business performance of G8 prior to completion of Tranche 2.

Following completion of the second tranche of the placement, a representative of the Investor will join the G8 Board as a non-executive director. The Investor will also be offered the opportunity to participate in future G8 equity offerings, subject to any necessary regulatory approvals, while its shareholding remains above 10%.

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Use of Placement Proceeds

The proceeds of the placement will be used as follows:

1. Paying down the \$50 million A\$ bond facility that is due for repayment in February 2018, as well as \$40 million of the Bankwest working capital facility that was utilised to fund acquisitions in the second half of 2016; and
2. Assisting in the funding of committed child care centre acquisitions in Australia totaling approximately \$200 million that are due for settlement over the next two years.

Following repayment of the A\$ bond and Bankwest facilities, the Group's reported Net Debt to EBITDA ratio (calculated on a historical basis) will reduce from 2.2 times to 1.7 times.

During the second half of 2016, G8 Education completed the acquisition of 12 centres for a total cost of \$52 million. It also provided \$15 million of deposits for acquisitions that are due to settle in 2017, bringing the total capital spent on acquisition activity during the second half of 2016 to \$67 million. The acquisition level was significantly above the \$32 million forecast provided to the market in August 2016, and was primarily driven by the earlier-than-scheduled settlement of centres related to the 2014 Sterling acquisition. Due to the timing of these acquisitions, the additional centres did not make a meaningful contribution to the 2016 profit results, but are expected to be good profit contributors in 2017 and beyond.

The \$200 million in acquisitions that have been identified comprise 49 centres throughout Australia. They are predominantly development centres, sourced from the Group's existing development partners. At around 25 centres per year, the level of activity is broadly in line with 2016 levels, but being a higher proportion of premium developments, the total capital spend is higher than prior years. Importantly, the acquisitions are covered by existing development agreements that specify purchase prices of around 4 times forecast EBIT, to generate approximately \$50 million of annualized EBIT upon completion.

Managing Director, Gary Carroll, said "The Group has been successful in closing a number of quality acquisitions in the fourth quarter of 2016. We also have a significant pipeline of currently committed acquisition and development transactions and other potential network opportunities. Raising capital will enable G8 to deliver on an additional \$100 million of network growth opportunities above that possible from internally generated cash flows alone, whilst maintaining prudent gearing levels. This additional \$100 million of acquisition activity should add \$25 million in annual EBIT upon completion, which when combined with repayment of the relevant debt facilities noted above, would mean that the placement is forecast to add circa 2c to earnings per share."

Chairman of G8 Education, Mark Johnson, said, "We are pleased to welcome the CIPI team as a significant shareholder in G8 Education. Their investment recognizes the leadership role that G8 Education has in the Australian market, and the potential to assist CFCG as they seek to grow their presence in the early education market in China."

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Mr Carroll added "My thanks to Mr Chris Scott, other members of the team and Investorlink who have assisted in this transaction. Over the next few months, we will evaluate whether there are viable opportunities for G8 to utilise its expertise to collaborate with CFCG in the child care and early education market in China. Mr Scott will be the key resource from G8 Education in this effort and if viable opportunities are identified, then Mr Scott will play a leading role in the implementation of any such arrangement."

Investorlink Securities Limited acted as Sole Lead Manager and Financial Advisor for the Placement.

ENDS

Gary Carroll
Managing Director

Mark Johnson
Chairman

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Appendix One

China First Capital Group Limited

China First Capital Group Limited ("CFCG") is a Hong Kong-based company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1269) with subsidiaries in China's main cities, including Shenzhen, Beijing, Shanghai, Chengdu, Kunming, Nanchang and Wuxi. It also has regional subsidiaries in countries around the world with strong educational resources such as Singapore, Australia, the United States, and the United Kingdom.

CFCG Group is focusing on investment across the education industry and is licensed to carry out regulated securities activities in Hong Kong. It has been diversifying its business since the end of 2014, beginning with asset management, financial credit, securities brokerage and offshore financial services. More recently, CFCG has actively expanded into the domestic and international education investment business. It believes that through optimization of the business portfolio and with its main business in education project investment, it can build its integrated business powered by its "Education Investment plus Financial Services" platform.

These efforts can facilitate CFCG Group's dedication to investment in and integration of high-quality education enterprises, and provide education institutions with investment and financing channels and advisory services thereby connecting the education industry to capital markets and discovering and adding to the value of education companies.

In terms of investment in education, CFCG Group is actively exploring high quality education investment opportunities both domestically and abroad and making direct investment covering the entire education industry. In 2016, CFCG Group has successively invested in K-12 education sector, such as Virscend Education Co., Ltd. (HKEx stock code: 1565), Jinan Shijiyinghua Experiment School, Fuqing Xishan School, Jiangxi Xishan School, Nanchang Baishu Education Group and Bojun Education Investment Co., Ltd., higher education sector such as Kunming Professional College of Arts, and also vocational education sector such as Meten English International Education Technology Co., Ltd. and Fuqing Xishan Vocational and Technical School. In terms of international cooperation, CFCG has collaborated with Kingswood School, a famous British school with a history of 268 years, to work together to operate international schools in China. CFCG Group has also become a limited partner of GSV Acceleration Fund I, L.P., which is a leading learning and talent technology fund in Silicon Valley. CFCG Group is increasing its investment in education industry, in an effort to integrate international and domestic educational resources and build a world-renowned brand in education sector.

For further details on CFCG Group, please access CFCG's website:

www.cfcg.com.hk