



REDHILL EDUCATION

2015 Annual General Meeting

Chairman's Address

26 November 2015

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GREENWICH
English College



Creative
Technology
Educators



GO STUDY Australia*



Our CEO, Glenn Elith, will take you through the RedHill summary financial metrics for FY2015. All are pleasing and are heading in the right direction.

Glenn will also provide some colour and detail on our new initiatives.

I should like to reflect on 3 broader values behind several of his themes.

1. **FY2015 laid strong organic growth foundations**

Acquisitions are exciting and can provide a growth turbo-boost, so we spend a great deal of time running our ruler over potential targets. However, we are more careful than excited, and we will not undertake a transaction unless we:

- have undertaken thorough due diligence
- are confident we are buying sustainable earnings
- know the cultures and values will be fully aligned
- have prepared an effective post-acquisition integration plan
- can demonstrate that the acquisition will be earnings accretive for RedHill

Many consider us boring because of this approach, but the reason lies in the financial literature. Research consistently demonstrates that up to 50% of acquisitions fail in the first year; and up to 70% or more within 3 years.



The usual stumbling block for RedHill is unrealistic pricing by vendors in a market that has been hot for several years because of an indulgent IPO market and the lure of VET FEE-HELP payments from the Commonwealth. Both factors may diminish with time.

Because we had not found a suitable target in several years, we made a determined strategic move in FY2015 to invest in strong organic growth. The problem is that you need to make significant investments at the outset without a fully visible payoff for at least a year or two.

Glenn will cover the detail, but we are pleased by the potential of our initiatives and are confident of the payoffs. Opening in Melbourne has been particularly important and it will be the start of a national footprint.

2. RedHill is a Quality Provider

We take quality and reputation very seriously. It is a major point of differentiation.

We insist on high-quality materials and teaching and we retain face-to-face teaching where it makes sense and provides student benefits.

We provide fulsome student support, strong community bonds and welcoming activities outside the classroom.

We assess students to ensure they are likely to finish their courses successfully.

We create and maintain wide business networks to enhance employment opportunities.

We will never induce enrolments by gifts or deceit; and we are careful in sourcing students and enrolments.

We place great store in ethical and fair behaviour at all levels.



3. RedHill has outstanding Management, Staff and Facilities

Since its inception, RedHill has invested in the best available staff and facilities.

And it shows from Glenn Elith down. In attitudes, in dynamism and in esprit de Coeur.

We are proud of the quality of each of RedHill's campuses and we are expanding and investing in them to provide a pleasant and fulfilling student experience.

Well, that's enough reflection from me. Let us turn to Glenn Elith, our CEO, for some detail and nuts and bolts.



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FY2015 performance

Good morning,

RedHill delivered another strong performance in FY2015. We improved our financial results and undertook a range of exciting expansion initiatives.

RedHill's directors were pleased to report FY2015 financial results which featured:

- **Revenues of \$22.8 million**, a 19% increase over the previous financial year
- **EBITDA* of \$3.0 million**, a 11% increase over the previous financial year
- **Profit before income tax of \$2.4 million**, a 11% increase over the previous financial year
- **NPAT** of \$1.7 million**, a 65% decrease against the previous financial year
- Positive net cash from operating activities of \$3.0 million

REVENUE AND EBITDA



During FY2015, RedHill incurred approximately \$600,000 of incremental expenses in relation to the establishment of its new Melbourne campus and in course range expansions at two of its Sydney schools. We considered this spend to be a sensible investment in future growth. I will comment further on these initiatives shortly.

As explained in the 2015 Annual Report, the reason for a significant percentage decrease in NPAT in FY2015 over FY2014 is that RedHill re-recognised as a one-off adjustment in FY2014 its deferred tax asset of \$2.661 million that it had previously written off.

The FY2015 profit before income tax increased in line with the FY2015 increase in EBITDA, and net cash generated from operating activities in FY2015 was pleasing.

* - Earnings before interest, taxation, depreciation and amortisation

** - Net profit after tax

Expansion initiatives to support strong growth

RedHill invested in a range of organic expansion initiatives in FY2015, which we believe will deliver material future revenue and profit growth.

These initiatives include:

1. Opening our Melbourne campus
2. Launching Greenwich Management College
3. Launching inStudio
4. Launching The Left Bank School

1. Opening our Melbourne campus

RedHill's new Melbourne campus commenced operations in September 2015. Interest expressed by prospective students and early student enrolments have been pleasing.

The new campus provides a major opportunity for RedHill to penetrate the Melbourne tertiary education market using its proven blend of quality face-to-face teaching, online learning and strong student support.

The campus has a student capacity of 450 at any one time across 23 classrooms. It is located at 120 Spencer Street in the Melbourne central business district and has a high quality fit-out.

I am pleased to announce our Melbourne campus gained Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) accreditation from The Australian Skills Quality Authority (ASQA) in early November 2015.

English language and interior design classes are currently being delivered in Melbourne. From early 2016, a broader range of courses will be delivered by each of RedHill's schools.

We do not expect the Melbourne campus to achieve positive EBITDA results until the fourth quarter of FY2016.

2. Launching Greenwich Management College



Greenwich Management College (GMC) was launched in September 2015 to deliver business curriculum Vocational Education and Training (VET) Certificate and Diploma qualifications to overseas students. The number of overseas students undertaking VET courses in Australia is increasing, and we see excellent potential for RedHill to grow revenues and profits in this sector of the tertiary education market.

GMC will recruit students into its courses predominantly via the strong overseas student agency network that already exists at its sister school Greenwich English College.

3. Launching inStudio



The International School of Colour and Design launched its inStudio brand in March 2015 to deliver a range of new VET Diploma and Advanced Diploma qualifications to domestic and overseas students.

VET FEE-HELP tuition loans are available to domestic students undertaking these qualifications.

The VET Diploma of Interior Design and Styling qualification will be delivered online from December 2015.

4. Launching The Left Bank School



RedHill launched The Left Bank School as its online education brand in May 2015, with our first pure online VET Diploma qualification.

The VET Diploma in Business (Digital Marketing) was developed and launched by RedHill in partnership with The Digital Industry Association of Australia, who are also a source of quality students into The Left Bank School's courses.

A second online VET Diploma will be launched by The Left Bank School in early 2016, and VET FEE-HELP tuition loans are available to domestic students undertaking these qualifications.

Why we have not made any acquisitions

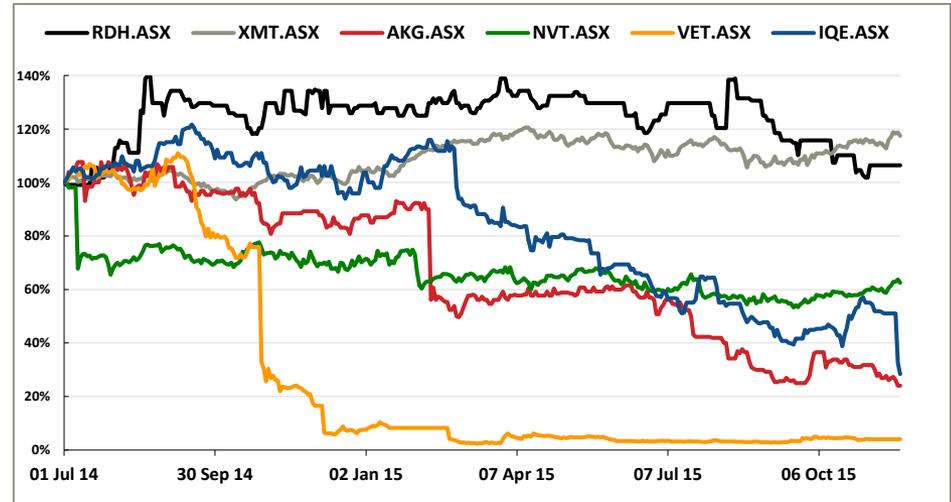
RedHill did not identify an earnings accretive acquisition in FY2015, because vendors of suitable targets sought such excessive prices that any transaction would have been earning decreative for RedHill.

When assessing possible acquisitions, we carefully consider:

- the complexity of integrating operations and achieving cost synergies
- the sustainability of earnings forecasts
- risk profiles of operating models
- the likely cultural fit with RedHill
- impact on RedHill's earnings

We have observed that a range of other recent acquisition and roll-ups have not been accretive for shareholders, including for a number of RedHill's ASX peers.

Share Price Movements Rebased from 1 July 2014



Name	Code	Cur	Movements 1 July 14 to 24 November 15				Change %
			Open	High	Low	Close	
Vocation Limited	VET	AUD	3.02	3.40	0.068	0.12	(96.03)
Navitas Limited	NVT	AUD	7.17	7.305	3.78	4.48	(37.52)
Intueri Education Group Limited	IQE	AUD	2.45	3.01	0.68	0.695	(71.63)
Academies Australasia Group Limited	AKG	AUD	1.2271	1.3215	0.2926	0.295	(75.96)
Redhill Education Limited	RDH	AUD	1.08	1.51	1.07	1.15	6.48
S&P/ASX MIDCAP INDUSTRIALS	XMT	AUD	4,644.62	5,600.81	4,351.69	5,455.68	17.46

Source: Australian Securities Exchange

Regulatory changes are urgently required

We are appalled by recent media coverage about VET FEE-HELP abuses by some tertiary education participants in Australia. Some have employed outrageously unfair business and marketing practices to disadvantaged and unsuitable students without genuine investment in delivering quality educational experiences and outcomes.

These unscrupulous participants have taken advantage of extremely vulnerable people and have manipulated Australian and State Government funding and tuition loan frameworks.

RedHill never has, and never will, engage in these types of practices. We do not target vulnerable people; we do not give away free laptops or tablets; we focus on delivering quality educational outcomes to our students.

RedHill welcomes the Australian Government Department of Education and Training's tertiary education reforms agenda, and we support expulsion of these unscrupulous participants from the industry.

We urge immediate regulatory scrutiny and legal sanctions for education industry participants who:

- target vulnerable people directly or indirectly through brokers or agents
- offer enticements and incentives, including non-existent promised job opportunities
- fail genuinely to engage with prospective students before enrolment to ensure that courses are appropriate to their needs and capabilities
- yield very low student progression and course completion rates
- lack genuine educational expertise in their course curricula
- permit other non-RTO organisations to deliver qualifications on their behalf and 'clip the ticket'
- are overly-reliant upon Australian or State Government subsidies or tuition loan frameworks

Why RedHill stands out in the industry

RedHill actively differentiates itself as a high-quality tertiary education provider, and applies quality-based criteria when making operational and strategy decisions.

RedHill's quality differentiation includes:

Quality student experiences and outcomes

- employing only ethical marketing and student recruitment techniques, ensuring student satisfaction and excellent progression and completion rates
- having purpose-built premium campuses in prime CBD locations, with excellent teaching staff and student facilities
- maintaining control of our course development and delivery; not delivering courses under licence from other education providers; not permitting external organisations to deliver our courses
- assisting students achieve appropriate job outcomes through extensive industry engagement

Expertise in curriculum specialisations

- delivering courses in specialist industries where there is growing demand for graduates
- actively working with industry participants continually to improve and enhance courses
- employing industry relevant qualified teachers and academics

Regulatory compliance focus

- maintaining a positive reputation with regulators of ELICOS, VET and Higher Education sectors
- protecting valuable tertiary education provider accreditations: VET-FEE HELP, FEE HELP and SVP
- not receiving any form of subsidy or funding from any State or Territory Government

Overseas student expertise

- nurturing an extensive international student agent network
- operating our own international student recruitment business unit (Go Study Australia)
- providing a positive and supportive learning environment and experience

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We are optimistic about the future

The first half financial results for FY2016 will be impacted by start-up costs and early stage operational expenses associated with the various organic growth initiatives I have discussed today. These costs include new employees and additional leased campus space at Greenwich English College and International School of Colour and Design in Sydney, along with our new Melbourne campus.

We expect material revenue and profit results will be achieved from these growth initiatives in the future.

We expect to report first half FY2016 financial results which feature:

- **Revenue growth of approximately 16%** against the corresponding previous half year (FY2015 H1 Revenue: \$11.1 million)
- **EBITDA of approximately \$0.6 million** (FY2015 H1 EBITDA: \$1.25 million)

We expect financial performance to significantly improve in the second half of FY2016.

We will continue to pursue sensible acquisitions in FY2016, although we will remain cautious in assessing business quality, valuation expectations, and earnings sustainability.

We believe that RedHill is well positioned to benefit from the current regulatory scrutiny of low quality operators and a clean-out of the private tertiary education sector.

Our RedHill employees remain positive and enthusiastic. They are proud of the achievements of their businesses in recent years and excited about opportunities to develop their careers as RedHill continues to expand.

Thank you for attending today's annual general meeting.

I will now hand proceedings back to our Chairman.