



UCW Limited (ASX:UCW)
ACN 108 962 152
Level 5, 137-139 Bathurst Street
Sydney NSW 2000
P: 02 8072 1400
F: 02 9283 1970
UCWLimited.com.au

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The Manager
Company Announcements
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ACQUISITION OF EDUCATION BUSINESS AND ASSOCIATED CAPITAL RAISING

UCW Limited (ASX:UCW) (**UCW** or **the Company**) is pleased to announce that it has entered into a binding share sale and purchase agreement in respect of all of the issued capital in Australian Learning Group Pty Limited (**ALG**), a leading provider of accredited education to the international and domestic student market in the areas of Fitness, Sport and Recreation Management and Massage.

Highlights

- Acquisition of all of the shares in ALG, a leading provider of accredited education to the international and domestic student market
- ALG has recorded revenue growth of circa 20% per annum (CAGR) over the past 3 years and has recently had approval for a significant increase in its international student capacity
- The board of UCW will not change as a result of the acquisition. UCW's current board has significant experience in the vocational education and training sector
- The purchase price is 5 x normalised FY16 EBITDA, subject to a minimum of \$8.5m and maximum of \$11m. An upfront amount of \$5m is payable at completion and the balance based on ALG's FY16 earnings
- 20% of the upfront amount and up to 41.6% of the deferred consideration may be satisfied by the issue of shares in UCW
- To fund the cash component of the acquisition, UCW plans to undertake a capital raising of between \$5m and \$10m by way of an issue of ordinary shares in UCW
- The transaction is conditional on UCW shareholder approval, successful completion of a capital raising and re-compliance with Chapters 1 & 2 of the ASX Listing Rules by UCW

About ALG

Founded in 2005, ALG is a Registered Training Organisation and national CRICOS provider. It operates two colleges, the Australian College of Sport & Fitness and the NSW School of Massage, and offers Certificate III, Certificate IV and Diploma level courses. It has campuses in Sydney, Melbourne, Brisbane and Perth.

ALG principally services the international student market, with an approved capacity of 1,175 students across its four campuses. Students are sourced through a wide network of more than 400 agents, the majority from low-risk assessment countries, making it easier for students to meet visa requirements. ALG also services the domestic student market with the same course set with both distance education and on-campus study options.

Revenue is derived from student fees and, at present, there are no government funding or VET-FEE HELP arrangements in place. ALG has a strong compliance history and consequently a low-risk rating from the Australian Skills Quality Authority, the national regulator of the vocational education and training sector.

The business has recorded revenue growth of circa 20% per annum (CAGR) over the past 3 years¹. The board believes further growth can be achieved through filling its recently increased capacity, ongoing campus expansion, the introduction of new complementary courses and an increased focus on the domestic market.

ALG unaudited accounts (\$000s) ¹	Year Ended 30-Jun-13 (actual)	Year Ended 30-Jun-14 (actual)	Year Ended 30-Jun-15 (forecast)
Revenue	4,580	5,504	6,558
Gross Margin	2,970	3,696	4,320
EBITDA *	1,094	1,469	1,580
Accounting Adjustments **	-116	10	-143
Adjusted EBITDA	978	1,479	1,437

** EBITDA has been normalised for commercial lease and royalty transactions with the owners and is the basis of determining the purchase price*

*** Indicative revenue recognition accounting adjustments to account for unearned income on an accrual basis*

The board believes ALG to be an excellent initial asset for UCW in the education market given its established leading position with several growth levers already in place, including the opening of the Brisbane campus in 2015 and an increase in capacity of international students in the Sydney campus (+280 students approved) and Melbourne campus (+200 students pending).

In addition the depreciation of the A\$ makes ALG's offering more compelling for international students and expansion into the domestic market is supported by

¹ The information contained herein has been provided by the vendors of ALG to UCW. The directors of UCW have not independently audited the information and do not accept any responsibility for its inaccuracy, misstatement or any omission of any nature whatsoever in relation thereto.

Government policies in the vocational education and training sector (including VET-FEE HELP).

Revised focus on the vocation education and training sector

Subject to shareholder approval, UCW intends to revise its corporate strategy, focusing on the education sector and in particular the vocational education and training sector. The board has extensive experience in education and believes the timing is opportune for the Company to enter the market, which has the following characteristics:

- \$9.6b revenue market, growing at 2.1% per annum
- Fragmented with approximately 5,000 providers
- Highly regulated with a framework of legislative requirements
- Government policies in place to support increased vocational enrolments with bipartisan support
- Privatisation underway with private providers doubling their share of enrolments during the period 2008 to 2012
- Domestic enrolments supported by introduction of minimum qualification requirements in many markets, existing workforce participants up-skilling and cross-skilling to enhance employability and the acceptance of VET qualifications as a pathway to higher education courses
- International student enrolments supported by the low A\$ and streamlined visa processing. Australia is a top 5 global destination for international students and education is Australia's largest service export
- Competition driving up quality and together with increasing compliance costs, making it harder for niche players with limited access to investment capital to compete, creating consolidation opportunities

The Company's revised strategy within the education market is to acquire campus-based businesses with international and or domestic students enrolling into high demand or niche accredited courses, that it can add value to and grow through strategies including product expansion, geographic expansion and the addition of different delivery modes such as online.

Transaction terms

The key transaction terms are as follows:

- Purchase price of 5 x normalised FY16 EBITDA (Earnings Before Interest Tax Depreciation and Amortisation), subject to a minimum purchase price of \$8.5m and a maximum purchase price of \$11m
- \$5m of the purchase price is payable on completion of the acquisition, of which \$1m (20%) is payable in shares in UCW at the capital raising price
- The balance of the purchase price, up to a maximum of \$6m, is payable following release of the Company's FY16 audited accounts on the following terms:

- A minimum of \$3.5m is payable in cash; and
- The vendors and UCW may each, at their discretion, elect for up to 50% of the remaining deferred consideration to be paid either in cash or by the issue of shares in UCW. For the portion elected by the vendors, the shares will be issued at a 5% discount to the 30-day VWAP and the portion elected by UCW will be issued at a 15% discount to the 30-day VWAP.

such that up to 41.6% of the deferred consideration may be payable in shares in UCW

- In certain limited circumstances, UCW may be required to pay the maximum deferred consideration of \$6m to the vendors of ALG
- In the event UCW defaults on the deferred payment, UCW will be required to return ALG to the vendors for a nominal amount
- Subject to ASX imposed escrow requirements, the UCW shares issued to the vendors will be voluntarily escrowed for 24 months from issue for the upfront consideration and 12 months from issue for the deferred consideration
- The vendors will remain employees of ALG in their current capacity for a minimum period of 2 years post completion
- The transaction is conditional on (amongst other things) UCW shareholder approval, successful completion of a capital raising of at least \$4m and re-compliance with Chapters 1 & 2 of the ASX Listing Rules by UCW

Capital raising

The cash component of the transaction is to be funded by UCW undertaking a capital raising of between \$5m and \$10m by way of an issue of ordinary shares.

The capital structure of the Company post completion of the proposed capital raising and acquisition is as follows, assuming an issue price of 2 cents per share:

	In the event \$5m is raised	Diluted %	In the event \$10m is raised	Diluted %
Shares currently on issue	337,280,024	47.4%	337,280,024	35.1%
Proposed capital raising	250,000,000	35.1%	500,000,000	52.0%
Shares issued to vendors of ALG	50,000,000	7.0%	50,000,000	5.2%
Total shares	637,280,024	89.5%	887,280,024	92.2%
Options	75,000,000	10.5%	75,000,000	7.8%
Fully diluted	712,280,024	100.0%	962,280,024	100.0%

Post the capital raising and completion of the acquisition UCW will have cash reserves of approximately \$1.5m (in the event \$5m is raised) and \$6.25m (in the

event \$10m is raised) after the costs of the transaction. Cash reserves will be used to fund the cash component of the deferred consideration, which will be at least \$3.5m, for working capital and for growth investment.

Shareholder approvals

The acquisition, capital raising and a number of other items concerning the transaction are subject to shareholder approval, including a significant change to the nature and scale of the Company's activities per ASX Listing Rule 11.1.2 and 11.1.3.

A notice of general meeting containing further details of the approvals being sought will be released shortly.

The board of directors is unanimous in its support of the revised corporate strategy and the acquisition of ALG and each director intends to vote in favour of the resolutions contemplated in respect of their shareholding.

Indicative timetable

An indicative timetable for completion of the transaction described herein is as follows:

Action	Date
Notice of meeting dispatched to shareholders	29 June 2015
Prospectus lodged with ASIC / ASX	20 July 2015
Extraordinary general meeting of shareholders	29 July 2015
Company suspended	29 July 2015
Open of capital raising offer	27 July 2015
Close of capital raising offer	9 August 2015
Reinstatement application approved by ASX	19 August 2015
Completion of the transaction	21 August 2015
Issue and allotment of shares	21 August 2015
Resumption of trading on ASX	25 August 2015

Please note the above dates are indicative only and are subject to change. The Company's securities will be suspended from official quotation on the ASX on the day of the shareholder meeting until such time as the transaction has completed and the Company has complied with the requirements of the ASX, including re-compliance with Chapters 1 & 2 of the ASX Listing Rules.

For further information, please contact:

Adam Davis
Executive Chairman
UCW Limited
0408 400 888
adam@ucwlimited.com.au

Andrew Whitten
Company Secretary
UCW Limited
(02) 8072 1400
awhitten@whittens.com.au

Disclaimer

The announcement may contain certain forward-looking statements. Words 'anticipate', 'believe', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of UCW, its officers, employees, agents and associates, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. Actual results, performance or outcomes may differ materially from any projections or forward-looking statements or the assumptions on which those statements are based, which include changes in market conditions, demand for UCW's product and services, future exchange rate fluctuations, technology advances and capital requirements. You should not place any undue reliance on forward-looking statements and neither UCW nor its directors, officers, employees, servants or agents assume any responsibility to update such information.