

## **ASX ANNOUNCEMENT**

14 October 2016

Company Announcements Office  
ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

### **Proposed Acquisition of Evolution Academy**

The Board of Arowana International Limited (ASX:AWN) is pleased to announce that AWN and one of its wholly owned subsidiaries, Everthought Academy Holdings Pty Limited (“Everthought” or “the Company”), signed a Share Sale Agreement (“SSA”) on 13 October 2016 with Evolution Road Maintenance Group Limited (“ERMG”) and Evolution Traffic Control Pty Limited (“ETC”) to acquire all of the issued share capital in ERMG’s wholly owned subsidiary, Evolution Academy Pty Ltd (“Evolution Academy”) (together the “Transaction”).

Evolution Academy is a Perth-based registered training organisation (“RTO”) providing courses in traditional construction-related industries including bricklaying, tiling, plasterboarding and carpentry, which have consistently been skills shortage areas through various national and state construction cycles. The acquisition of Evolution Academy will be a complementary fit to AWN’s prior acquisition, Keystone Training, given its location and scope of qualifications. Brisbane-based Keystone Training delivers training in building and construction trades including carpentry, bricklaying and tiling and was acquired for \$2.0m in July 2016. These acquisitions have been consummated on an aggregate historic EBIT multiple of 3.6x<sup>1</sup> and are consistent with AWN’s strategy to rebuild a vocational education group that is run in accordance with our modus operandi and tempo. Further details of AWN’s education strategy are set out in the attached presentation.

Pursuant to the SSA, AWN has agreed to purchase all of the issued share capital of Evolution Academy for a maximum purchase price of \$8 million payable in instalments as follows:

- (a) \$2 million payable upon completion, scheduled for 30 November 2016;
- (b) \$4 million conditional and payable upon the renewal of Evolution Academy’s RTO registration on or before 30 June 2017, but not before 29 December 2016; and
- (c) up to \$2 million as an earn out, based on Evolution Academy’s results for the year ending 30 June 2017.

Completion of the Transaction is subject to the satisfaction or waiver of conditions consistent with market practice including approval of the Transaction by Shareholders for all purposes including Listing Rule 10.1 and receipt of third party and regulatory consents.

---

<sup>1</sup> Includes initial and interim payments for Evolution Academy only, given earn out payment is triggered on earnings higher than FY16 level

#### **AROWANA INTERNATIONAL LIMITED**

ABN 83 103 472 751

Level 11, 153 Walker Street  
North Sydney NSW 2060

Level 11, 110 Mary Street, Brisbane QLD 4000  
PO Box 15575, City East QLD 4002

Tel: +61 (0)2 8083 9800 Fax: +61 (0)2 8083 9804

Tel: +61 (0)7 3182 3200 Fax: +61 (0)7 3182 3299

The SSA contains customary warranties, limitations and restraints for a transaction of this nature.

*Impact of Transaction upon ERMG*

The proceeds of sale from the Transaction will be utilised by ERMG to pay down existing debt facilities and allow management of ERMG to refocus attention and investment on its core business including traffic control, ancillary road maintenance services, safety and training as well as fleet management.

As a note holder in ERMG via the Arowana Australasian Special Situations Fund I (“AASSF I”), AWN will indirectly benefit from the reduction in ERMG’s senior debt facility and a refocus on its core business

*Shareholder Approval*

ETC and ERMG are not a party to whom Listing Rule 10.1 strictly applies. However, as AWN has a number of commercial and contractual relationships with ERMG the Independent Directors of AWN considered it appropriate that Shareholders have the opportunity to consider the Transaction and to have the benefit of an independent report regarding the Transaction in deciding whether to approve its implementation.

A detailed Explanatory Memorandum for AWN shareholders is being prepared, which will include an independent expert’s report and will be distributed as soon as it is available. AWN anticipates that the AWN shareholder meeting to approve the Transaction will be held in November 2016.

On behalf of the Board of AWN



**Tom Bloomfield**  
Company Secretary

**AROWANA INTERNATIONAL LIMITED**

ABN 83 103 472 751

Level 11, 153 Walker Street  
North Sydney NSW 2060

Level 11, 110 Mary Street, Brisbane QLD 4000  
PO Box 15575, City East QLD 4002

Tel: +61 (0)2 8083 9800 Fax: +61 (0)2 8083 9804

Tel: +61 (0)7 3182 3200 Fax: +61 (0)7 3182 3299



**AROWANA INTERNATIONAL LIMITED  
(AWN.AX)**

**EDUCATION STRATEGY OVERVIEW**

**14 October 2016**

# AWN IS REBUILDING A VOCATIONAL EDUCATION UNIT...

## Why re-enter the VET sector?

- ◆ Australian VET sector fundamentals (ex VET FEE HELP) are stable to positive across domestic and international students
- ◆ VET FEE HELP regulatory “noise” and response is “groundhog day”: same thing happened with international VET sector in 2010
- ◆ As with international VET sector from 2010, negativity presents a buying opportunity if focussed on long term fundamentals
- ◆ Capacity to apply AWN’s investment & operational experience to rebuild a VET franchise in line with Arowana modus operandi

## What is AWN’s education strategy?

- ◆ Focus on Australian VET sector opportunities that are non VET FEE HELP and do not compete with Intueri
- ◆ Prioritise sectors with strong employment opportunities and/or strong appetite for fee for service provision
- ◆ Only acquire companies that have at least 5 years operating history, a strong reputation, culture & compliance track record
- ◆ Build shared services platform covering accounting, finance, IT, sales and marketing (as we did for Intueri in pre IPO years)
- ◆ Invest effectively in technology to modernise student learning experience and teacher delivery efficiency and outcomes
- ◆ Expand into key global markets once business has scaled up and is operating optimally generating surplus free cash flows

## How will AWN execute its strategy?

- ◆ AWN will be in control of execution and iteration of strategy with AWN team members seconded to key leadership positions
- ◆ Executive leadership team will be supported by an education advisory board, including government liaison
- ◆ Gazelles Rockefeller Habits will be implemented immediately and cascaded across the enterprise

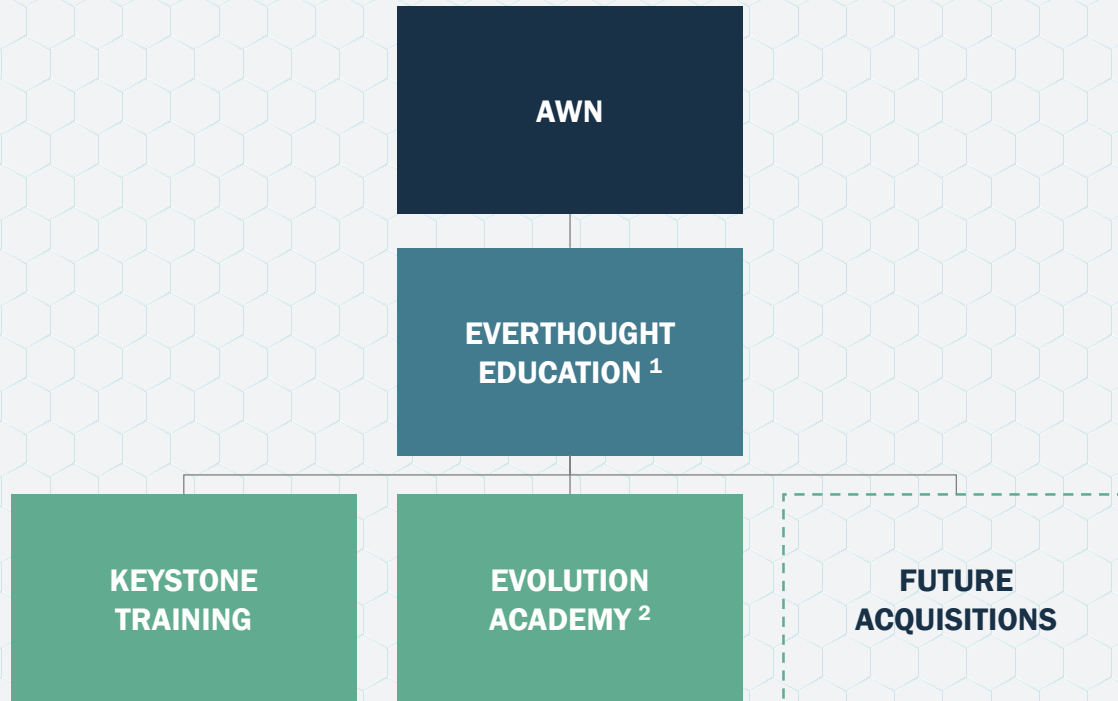
## What does this mean for Intueri ?

- ◆ AWN entered into a right of first refusal (ROFR) agreement with Intueri’s board as a condition of Intueri’s IPO
- ◆ AWN’s intention was to hold on to its 24.9% stake in Intueri and help it grow sustainably including by referring bolt-ons
- ◆ Intueri’s current leverage ratio and share price prevent it from engaging in growth initiatives, including acquisitions
- ◆ AWN’s ROFR with Intueri expired on 31 December 2015; however pre- clearance was sought from Intueri’s board on above
- ◆ AWN will continue to assist Intueri through its board representative who was invited to be an Executive Director in July 2016



# ...WHICH IS TO BE CALLED EVERTHOUGHT EDUCATION

## Corporate Structure



## Progress To Date

- ◆ 1 July 2016: acquired Keystone Training, a Brisbane-based registered training organisation (RTO) that delivers qualifications in building and construction related disciplines
- ◆ 13 October 2016: agreed to acquire Evolution Academy, a Perth-based RTO that delivers building, construction and management related qualifications to domestic and international students; subject to shareholder approval, the transaction is expected to complete on 30 November 2016
- ◆ Aggregate acquisition enterprise value of \$8m delivering a combined FY2016 EBIT of \$2.2m<sup>3</sup>
- ◆ AWN is undertaking due diligence on a number of other education providers that meet its acquisition criteria
- ◆ As with Intueri Education (before its IPO), AWN is focussed on “operational engineering” and building the common enterprise platform (as distinct from a “roll up” strategy)

### Notes:

1. Everthought Education Pty Ltd is a wholly owned subsidiary of AWN
2. Evolution Academy will be renamed Everthought Education post completion of acquisition
3. Includes initial and interim payments for Evolution Academy only, given earn-out payment is triggered on earnings higher than FY16 level

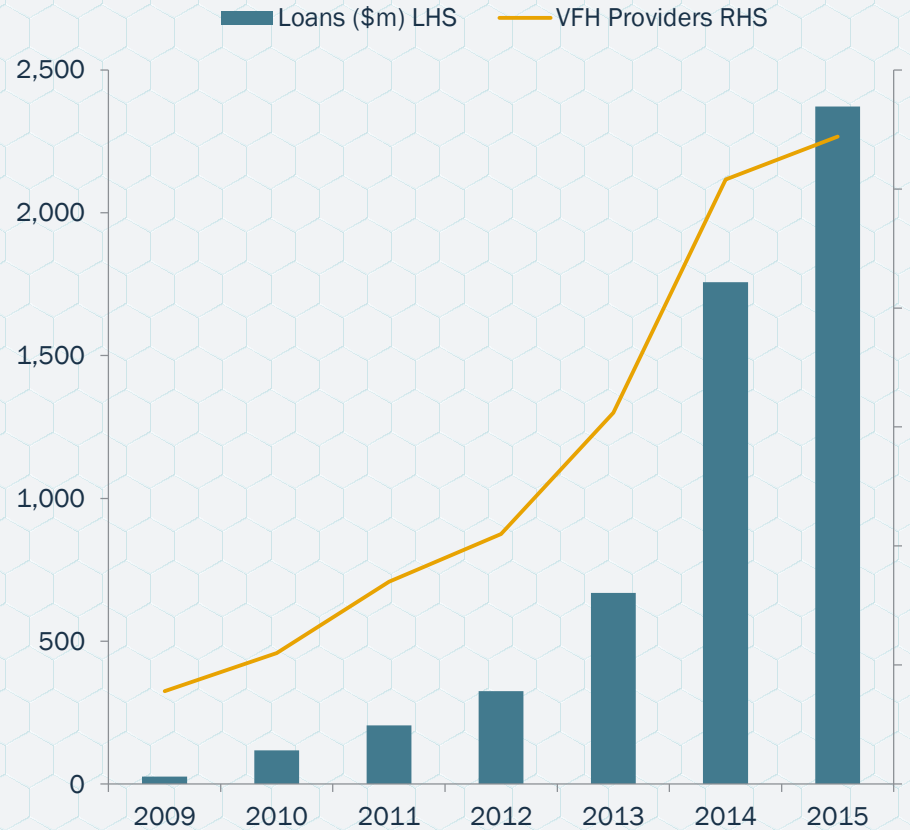


# CURRENT VET FEE-HELP WOES ARE “GROUNDHOG DAY”

**Groundhog Day: we saw this happen in 2010 with the international VET sector**

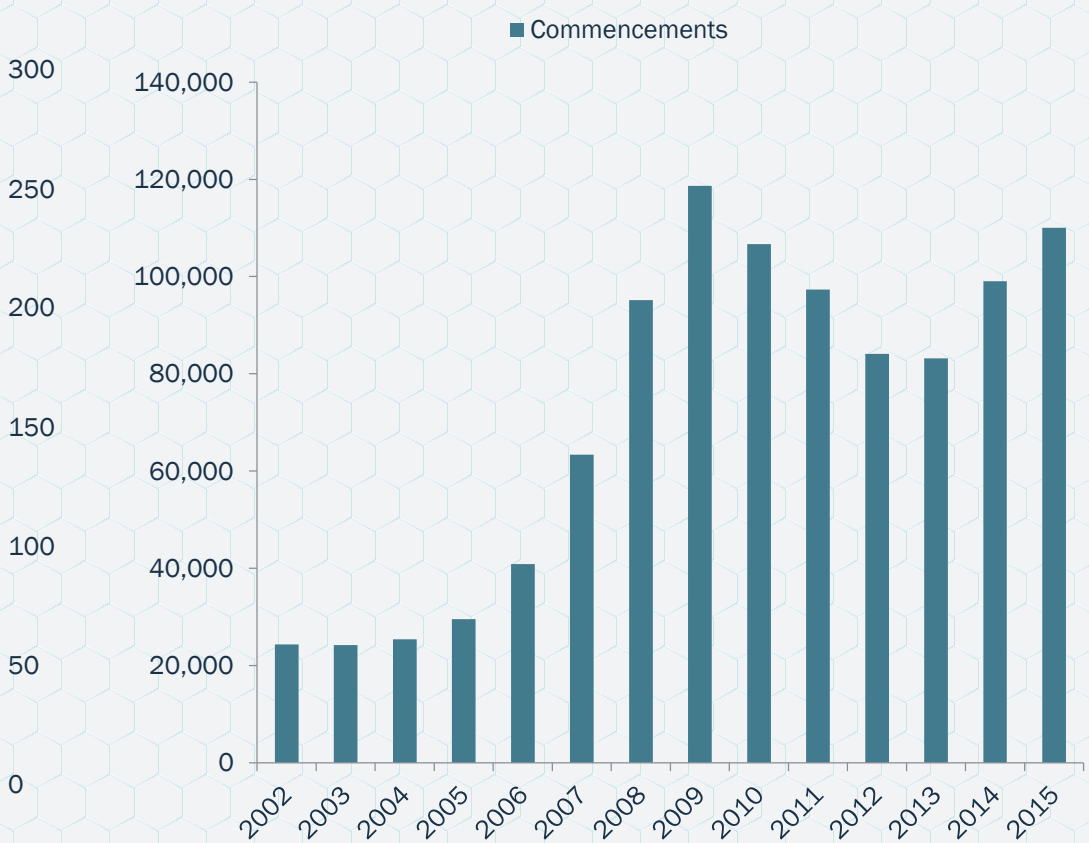
In 2010, the Federal Government clamped down hard on Permanent Residency pathway scam colleges & courses, resulting in a rapid contraction. In 2016, its happening in domestic VET FEE-HELP segment; a hard lined regulatory response will likely cause a sharp contraction before normalising

**Rapid growth in VET FEE HELP Funding was unsustainable...**



Source: Commonwealth Department of Education and Training

**..and it will contract like the International VET sector post 2010**



Source: Commonwealth Department of Education and Training, Australian Education International Statistics

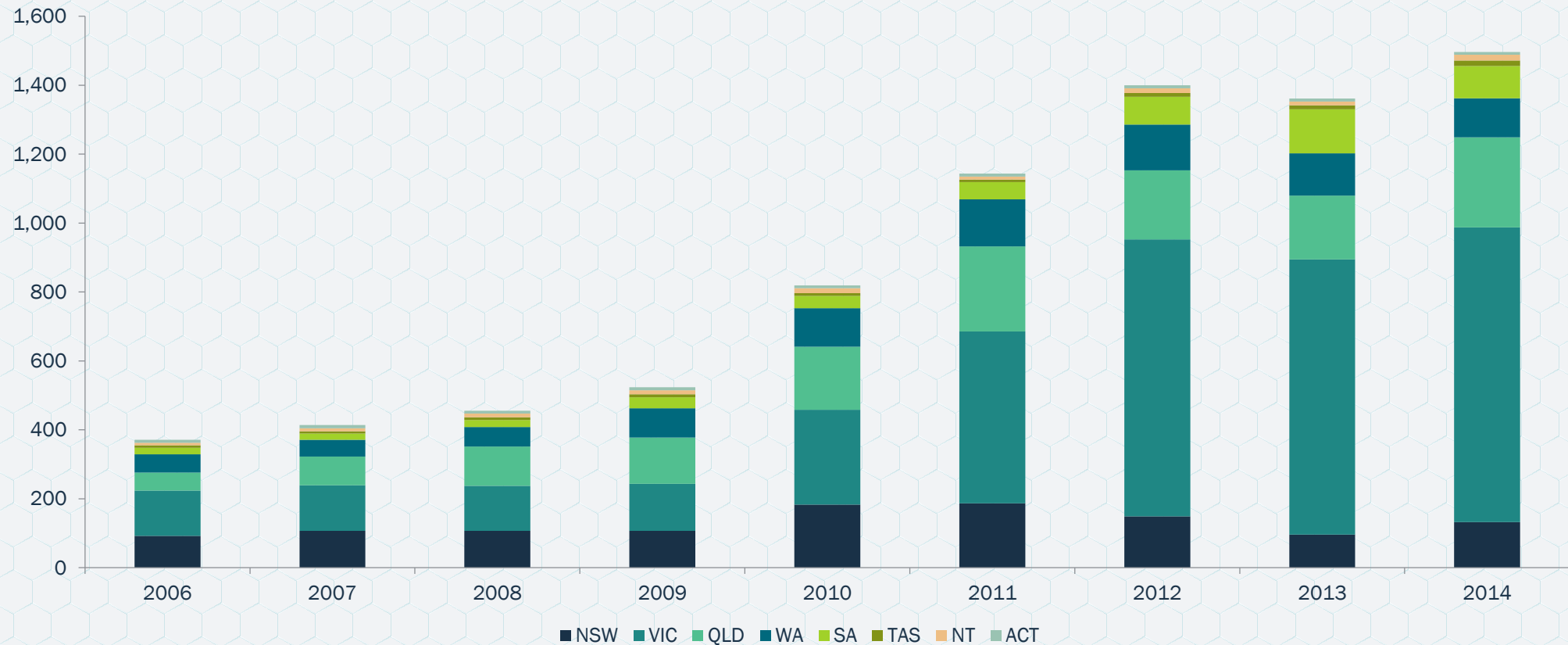


# STATE VET FUNDING (EX VICTORIA) REMAINS STABLE...

## State & Territory Funding

State and territory funding of non-TAFE VET providers (excluding Victoria) has been relatively stable for a long period of time, reflecting a commitment from state governments to promote VET as a means of upskilling

## State & Territory Funding of non-TAFE VET Providers (\$m)



Source: National Centre for Vocational Education Research

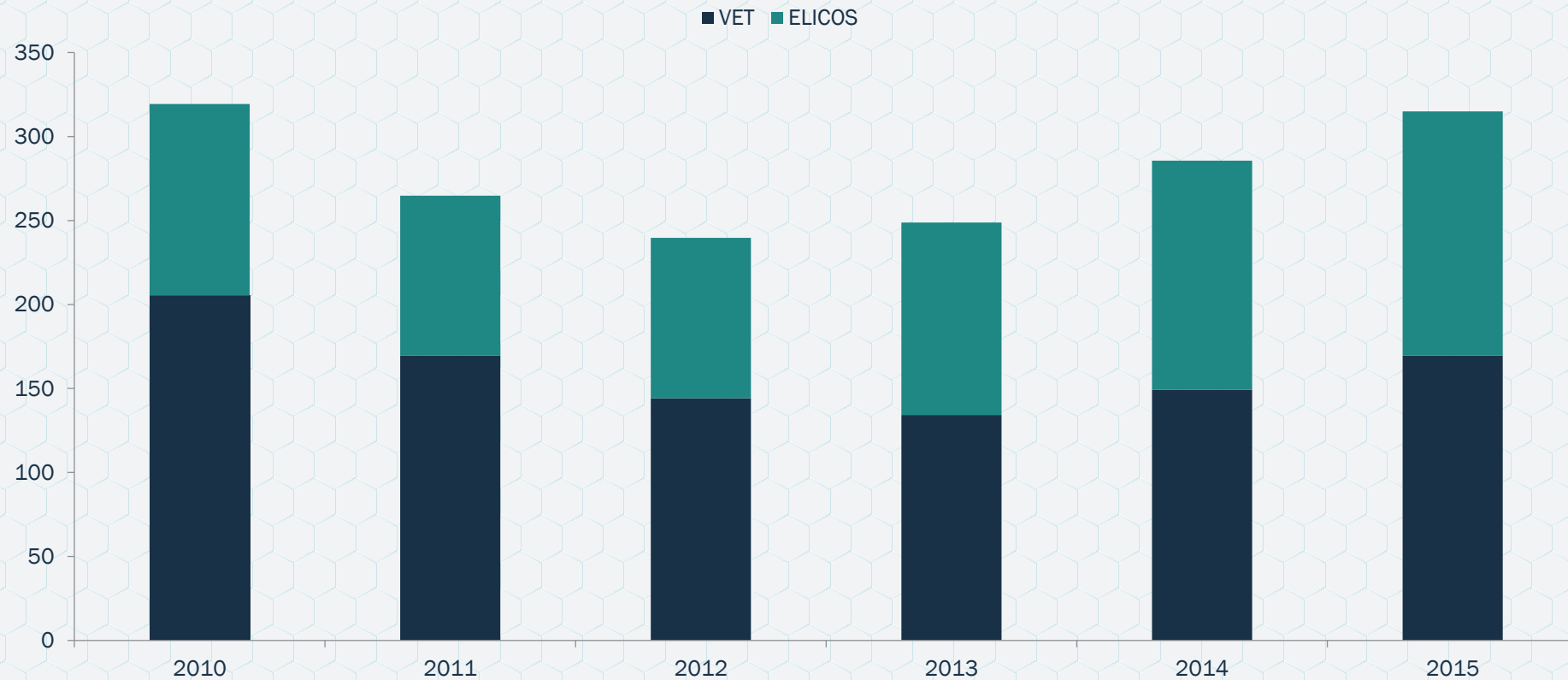


# ...WHILE INTERNATIONAL VET STUDENTS ARE GROWING

## International Student Commencements in VET

Following a change of regulations in 2014, the decline in international students coming to Australia for VET has stopped and a recovery has commenced with further growth expected to continue going forward with student numbers expected to exceed the previous high set in 2010

## International Students in VET & ELICOS ('000s)



Source: Australian Department of Education and Training



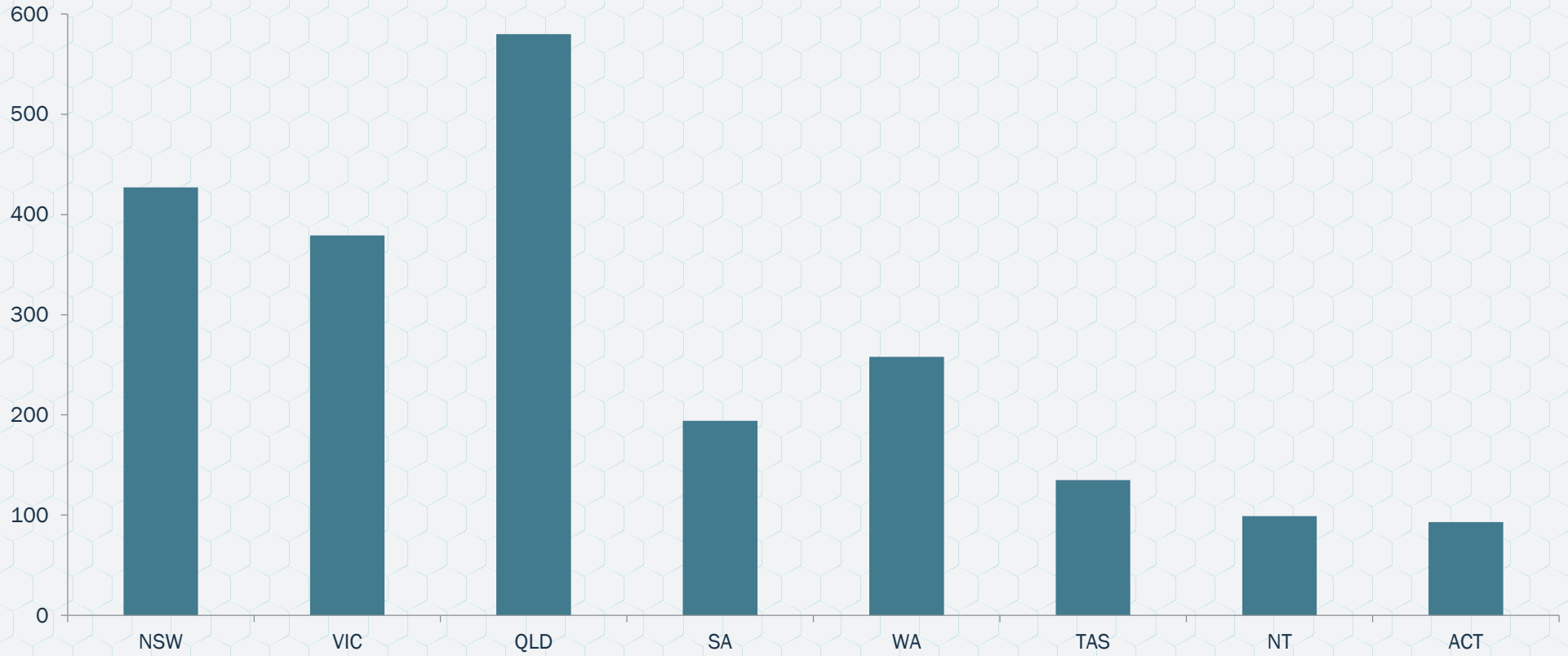


# THE AUSTRALIAN VET MARKET IS STILL FRAGMENTED...

## VET Sector Ripe for Consolidation

There are over 4,600 RTOs in Australia and over 2,100 received some form of government funding in 2015

## Private VET Providers that received Government Funding 2015



Source: National Centre for Vocational Education Research



# ...PRESENTING AN OPPORTUNITY TO BUILD A STRONG FRANCHISE

## Domestic Tailwinds

Skills shortages always emerge in various blue and white collar segments; key is to be agile enough to identify and adapt delivery

## International Tailwinds

International student market for VET is rebounding strongly with improved regulatory settings and recovery in Australia's reputation

## Diversified Revenue Profile

Sources of revenue comprising fee for service domestic students, international students and state-based funding

## Low Working Capital

VET provider business model typically involves low, if not negative working capital requirements

## Predictable Cash Flows

Timing of enrolments and course delivery provides for visible and predictable cash flows



# DISCLAIMER

The information contained in this Presentation or subsequently provided to the recipient whether orally or in writing by, or on behalf of Arowana International Limited (AWN) or any of its directors, officers, employees, agents, representatives and advisers (the Parties) is provided to the recipient on the terms and conditions set out in this notice.

The information contained in this Presentation has been furnished by the Parties and other sources deemed reliable but no assurance can be given by the Parties as to the accuracy or completeness of this information.

To the full extent permitted by law:

(a) no representation or warranty (express or implied) is given; and

(b) no responsibility or liability (excluding in negligence) is accepted,

by the Parties as to the truth, accuracy or completeness of any statement, opinion, forecast, information or other matter (whether express or implied) contained in this Presentation or as to any other matter concerning them.

To the full extent permitted by law, no responsibility or liability (including in negligence) is accepted by the Parties:

(a) for or in connection with any act or omission, directly or indirectly in reliance upon; and

(b) for any cost, expense, loss or other liability, directly or indirectly, arising from, or in connection with, any omission from or defects in, or any failure to correct any information, in this Presentation or any other communication (oral or written) about or concerning them.

The delivery of this Presentation does not under any circumstances imply that the affairs or prospects of AWN or any information have been fully or correctly stated in this Presentation or have not changed since the date at which the information is expressed to be applicable. Except as required by law and the ASX listing rules, no responsibility or liability (including in negligence) is assumed by the Parties for updating any such information or to inform the recipient of any new information of which the Parties may become aware.

Notwithstanding the above, no condition, warranty or right is excluded if its exclusion would contravene the Competition and Consumer Act 2010, or any other applicable law or cause an exclusion to be void.

The provision of this Presentation is not and should not be considered as a recommendation in relation to an investment in AWN or that an investment in AWN is a suitable investment for the recipient.





**AROWANA INTERNATIONAL LIMITED**  
**(AWN.AX)**

**EDUCATION STRATEGY OVERVIEW**

**14 October 2016**