
ASX Announcement

20 October 2014

Australian Securities Exchange Limited

Via e-lodgement – ASX Code ICT

ACQUISITION OF DYNAMIC LEARNING SERVICES SETS iCOLLEGE ON TRACK FOR RAPID GROWTH

- iCollege has signed a binding Heads of Agreement (HOA) to acquire 100% of the issued capital in Dynamic Learning Services Pty Ltd (“DLS”)
- DLS is a Vocational Educational and Training (VET) accredited Registered Training Organisation (RTO) which is currently delivering education courses in Australia, Singapore, India, Malaysia and Vietnam
- DLS achieved an EBIT (unaudited) for FY14 of \$1m on \$2.98m revenue
- Initial upfront acquisition payment of \$1.5m cash represents 1.5x FY14
- Remaining consideration of \$2.5m is based on specific EBIT performance hurdles over the next 3 financial years payable in a combination of cash and shares
- iCollege board to be strengthened by the appointment of Mr Ross Cotton as Executive Director

iCollege.net (ASX:ICT) is pleased to announce that it has entered into a binding Heads of Agreement (“HOA”) to acquire 100% of the shares in Dynamic Learning Services Pty Ltd (“DLS”).

DLS is an accredited Vocational Education and Training (VET) Registered Training Organisation (RTO), which provides educational courses across Australia, Singapore, India, Malaysia and Vietnam. The courses are currently 100% classroom-based and upon completion of the acquisition will be integrated onto iCollege’s mobile optimised online platform.

Enhances iCollege’s course portfolio and corporate client base

The strategic acquisition of DLS is highly complementary and enhances iCollege’s course portfolio offering to include Hospitality, Business Administration, Management, Real Estate, Aged Care, Retail, Process & Competitive Manufacturing, Workplace Health & Safety, Training & Assessment and courses specific to the mining sector and career transition.

Furthermore, the acquisition brings across a solid corporate client base, which includes leading brand names such as LJ Hooker, PRD Nationwide, St George Illawarra Dragons, Raine and Horne, Belle Property Group, McGrath Real Estate, Eastern Suburbs Rugby League Football Club and Anytime Fitness, to name a few.

Highly value accretive acquisition with further opportunities for growth

DLS brings significant turnover and EBIT, generating \$2.98m in revenue and \$1m in EBIT for the financial year ended 30 June 2014.

In addition, DLS has established an international footprint with proven success of implementing education and training programs across a number of countries including: China, India, Sri Lanka, Malaysia, Vietnam, Australia, and Russia.

Acquisition Funding

iCollege will acquire 100% of the shares in DLS for a total consideration of AUD \$4 million.

The acquisition is expected to be funded via a combination of existing cash reserves and an equity raising to meet the initial upfront payment of \$1.5m (representing 1.5x FY14 EBIT) payable upon satisfaction of due diligence and conditions precedent.

The remaining consideration of \$2.5m will be based on specific EBIT performance hurdles over the next 3 financial years to be paid in a combination of cash and shares. Refer to a summary of terms at the end of this announcement.

Managing Director of iCollege, Victor Hawkins commented:

"This acquisition represents an important step for the company in the execution of its strategy of expanding through the acquisition of profitable value accretive Registered Training Organisations."

Dynamic Learning Services provides iCollege with a profitable platform to further grow its course offering and to expand into international markets."

Appointment of Mr Ross Cotton as Executive Director

Non Executive Chairman, Hans de Back commented: "We are pleased to announce the appointment of Mr Ross Cotton as Executive Director of the Company effective today. Mr Cotton's experience will bolster the Company as we move into a strategic acquisition phase. Mr Cotton will focus on acquisitions, financing and promotional activities for the Company which will allow Mr Hawkins to focus on operational matters and the implementation of our new acquisitions."

Mr Cotton has extensive experience in both equity capital markets and corporate finance. As a corporate advisor, he has been advising both public and private companies on strategy, financing, acquisitions and corporate re-structuring across the technology, industrial and resource sectors for over 10 years.

Mr Cotton has raised significant capital (via both equity and debt arrangements) for a wide range of companies in the small to mid-cap market and has a strong network of contacts in the investment industry throughout Australia, Asia and the US.

The terms of the acquisition of DLS are:

Total purchase price of AUD \$4m to be paid as follows:

- (i) \$1.5m cash at settlement
- (ii) Deferred consideration of \$2.5m to be paid over three performance hurdles:
 - (a) DLS reaching EBIT of \$1.3m for the financial year ending 30 June 2015, a payment of \$500,000 cash;
 - (b) DLS reaching EBIT of \$1.8m for the financial year ending 30 June 2016, a payment of \$500,000 cash and \$500,000 in ICT Shares (calculated at a VWAP of ICT shares for the 21 days preceding issue);
 - (c) DLS reaching EBIT of \$2.2m for the financial year ending 30 June 2017, a payment of \$500,000 cash and \$500,000 in ICT Shares (calculated at a VWAP of ICT shares for the 21 days preceding issue);

The issue of the consideration shares will be subject to shareholder approval at the time these hurdles are met. If shareholder approval is not granted, settlement will occur by way of cash.

Conditions Precedent

The Parties acknowledge that Completion will be subject to the following key conditions and a more detailed Share Sale Agreement will follow due diligence.

- (i) ICT successfully completing a placement for a minimum of \$500,000 at 15 cents;
- (ii) ICT obtaining all required shareholder and regulatory approvals to enable the Transaction to achieve Completion (if required);
- (iii) Both parties completing their due diligence on the other to their absolute satisfaction within 45 days of the Execution Date or such later date as agreed by the Parties in writing;
- (iv) Each of ICT and DLS obtaining all third party consents, approvals or waivers to the Transaction contemplated (if any);
- (v) Confirmation from ASX that ICT will not be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules pursuant to ASX Listing Rule 11.1.3;
- (vi) Greg McCullough entering into a service agreement on terms to the satisfaction of ICT; and
- (vii) the RTO Registration remains valid and in force.

END

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