



UCW Limited (ASX: UCW)
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29 April 2016

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

March 2016 Quarter Update

Q3, FY16 marks the commencement of a new chapter for UCW Limited (**Company**), with the completion of its transition to an education provider.

Highlights

- Completed a capital raising of \$11.74m, in order to fund the acquisition of its initial education business, Australian Learning Group Pty Limited (**ALG**)
- Completed the acquisition of ALG and relisted on the ASX with \$9.7m in cash (prior to a deferred consideration payment of not less than \$3.5m and working capital adjustment due to the ALG vendors)
- ALG is a national provider of accredited vocational education with a focus on the international student market (with no VET FEE-HELP or Government funding)
- ALG has invested in growing the business and international enrolments for FY16 are estimated at 3,170, up 27.8% on the prior year
- Welcomed Mr Gary Burg to the Board as its Non-Executive Chairman and Mr Adam Davis to the position of Chief Executive Officer and Managing Director

The acquisition of ALG is UCW's first step in building a fee-for-service private education business in the Vocational Education and Training (**VET**) sector, with a focus on the international student market.

The VET sector is highly regulated and is undergoing a structural shift towards privatisation. It is a fragmented market with many niche providers, presenting opportunity for consolidation. International education is benefiting from a low A\$, government policy supportive of growing Australia's education exports, increasing student mobility and Australia's positioning as a destination of choice for international students.

The Company's strategy is to acquire campus-based businesses that offer high demand or niche accredited courses, that it can add value to and grow through strategies including product expansion, geographic expansion, broadening distribution and the addition of new learning modes such as online.

The Board includes Directors with extensive corporate development experience and a successful track record in building private education businesses.

Completion of capital raising and acquisition of ALG

Following the successful raise of \$11,739,340 and completion of the acquisition of ALG, the Company has the following capital structure:

| | Number |
|---|-------------|
| Fully paid ordinary shares | 296,642,396 |
| Options exercisable at 4c per share expiring 30 June 2018 | 18,750,000 |
| Options exercisable at 6c per share expiring 30 June 2018 | 70,774,115 |
| Total | 386,166,511 |

The Company's securities were reinstated to official quotation on ASX on 31 March 2016.

As at 31 March, the Company had cash of \$9.7m prior to the working capital adjustment due to the ALG vendors and a deferred consideration payment of not less than \$3.5m, which is due in November 2016.

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

100% of ALG's revenue is derived from a fee-for-service offering (i.e. with no VET FEE-HELP or Government funding).

The vendors of ALG, Mr Matthew Smith and Ms Margaret Armstrong, intend to remain with the business for a minimum of 2 years in the roles of ALG's Chief Executive Officer and Director of Studies respectively.

Adam Davis, CEO said:

"ALG is our first acquisition and our strategy is to concurrently support the growth of ALG and to acquire other established education businesses, with a focus on the international student market.

We were attracted to ALG not only for its profitability and growth profile, but equally as important, for its positioning as a quality education provider. This is a credit to Matt, Margaret and all of the ALG team. We see potential to grow ALG by broadening its course offering within current and new fields of study, developing additional agent relationships in Australia and offshore, and expanding its campuses and CRICOS capacity."

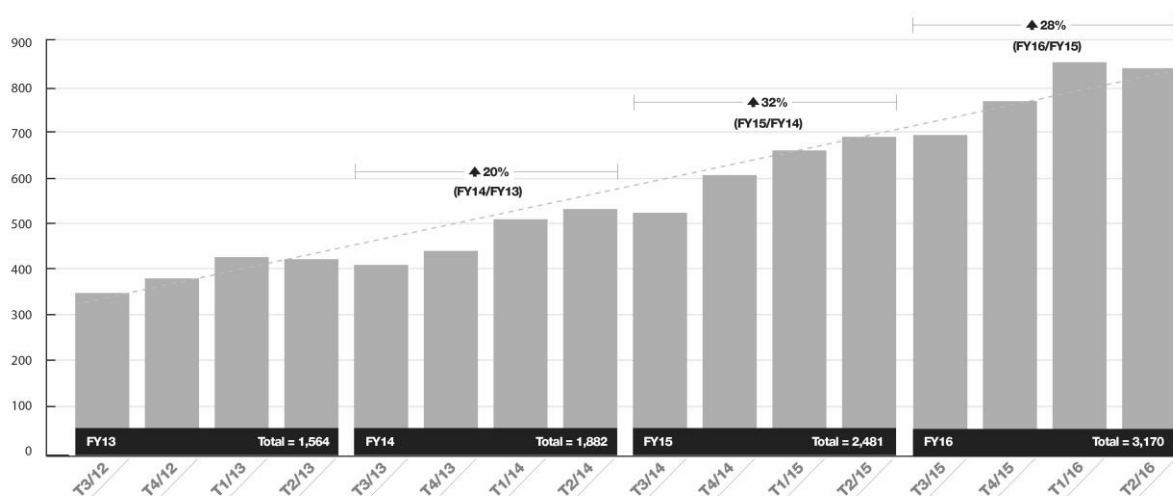
Please refer to the accompanying presentation for further information concerning ALG.

ALG performance

ALG offers courses to both international and domestic students. The international offering consists of campus-based courses, which are delivered over 4 terms per year. The domestic offering consists of the same course set, delivered both by way of distance education and on-campus.

ALG has experienced ~28% CAGR in international enrolments and ~20% CAGR in revenue over the past 3 years.

International enrolments



Q3, FY16 international enrolments were 860, up 31.1% on the previous corresponding period (PCP). As a result of the term structure and international students paying in advance of commencement of each term, the business has good visibility on the next quarter. Q4, FY16 international enrolments are estimated at 846, up 21.9% on the PCP. FY16 full year International enrolments are estimated at 3,170, up 27.8% on the PCP.

The share of ALG's revenue derived from international enrolments continues to increase and is now over 80%. This is in part due to the strength of ALG's international offering and pressure on domestic enrolments due to increased competition from VET FEE-HELP providers.

During Q3, FY16 ALG had a strong rebound in domestic enrolments in fitness courses, however continued to come under pressure in massage courses as recent changes to the structure of the course allowed VET FEE-HELP providers into the market and impacted the attractiveness of the distance education format. A number of initiatives are under consideration with respect to growing ALG's domestic offering.

In the past 12 months ALG has invested in expanding the business by opening the Brisbane campus, developing new courses and a third college brand (The Australian College of Dance) and offering a broader set of courses at its interstate campuses.

The Company intends to continue to invest in growth initiatives and building a platform to scale up the business. This may impact earnings in the short term as the payback on such investment may not be immediate.

As the acquisition of ALG was completed on 24 March 2016, only the last 3 trading days of the quarter are reflected in the Company's Appendix 4C for March 2016.

For further information, please contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

UCW LIMITED

ABN

85 108 962 152

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date \$A'000 |
|---|----------------------------|-------------------------|
| 1.1 Receipts from customers | 63 | 63 |
| 1.2 Payments for (a)staff / supplier costs (b)advertising and marketing (c)research and development (d)leased assets (e)other working capital | (153) | (765) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 9 | 15 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Other (provide details if material) | | |
| Net operating cash flows | (81) | (687) |

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

| | Current quarter \$A'000 | Year to date \$A'000 |
|--|----------------------------|-------------------------|
| 1.8 Net operating cash flows (carried forward) | (81) | (687) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | (4,000) | (4,000) |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | | |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.11 Loans to other entities | | |
| 1.12 Loans repaid by other entities | | |
| 1.13 Other (provide details if material) | | |
| Cash on Acquisition of ALG | 1,590* | 1,590 |
| Net investing cash flows | (2,410) | (2,410) |
| 1.14 Total operating and investing cash flows | (2,491) | (3,097) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | 11,103 | 11,674 |
| 1.16 Proceeds from sale of forfeited shares | | |
| 1.17 Proceeds from borrowings | | |
| 1.18 Repayment of borrowings | | |
| 1.19 Dividends paid | | |
| 1.20 Other (provide details if material) | | |
| Costs of capital raising | (53) | (53) |
| Net financing cash flows | 11,050 | 11,621 |
| Net increase (decrease) in cash held | 8,559 | 8,524 |
| 1.21 Cash at beginning of quarter/year to date | 1,113 | 1,148 |
| 1.22 Exchange rate adjustments to item 1.20 | | |
| 1.23 Cash at end of quarter | 9,672 * | 9,672 |

Includes consolidated cash flows from ALG for the 3 trading days that UCW owned ALG during the quarter.

* A proportion of the Cash on the Acquisition of ALG which is included in the closing cash at the end of the quarter will be payable to the ALG vendors in accordance with the working capital adjustment mechanism in the Share Sale Agreement, however the amount has not been finalised as yet.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | (36) |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | |

1.26 Explanation necessary for an understanding of the transactions

The amount shown in section 1.24 above relates to directors salaries/fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | | |
| 3.2 | Credit standby arrangements | | |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| Current quarter \$A'000 | Previous quarter \$A'000 |
|----------------------------|-----------------------------|
| | |

+ See chapter 19 for defined terms.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

| | | | |
|--|--------------------------|--------|-------|
| 4.1 | Cash on hand and at bank | 9,672 | 1,113 |
| 4.2 | Deposits at call | | |
| 4.3 | Bank overdraft | | |
| 4.4 | Other (provide details) | | |
| Total: cash at end of quarter (item 1.23) | | 9,672* | 1,113 |

* A proportion of the Cash on the Acquisition of ALG which is included in the closing cash at the end of the quarter will be payable to the ALG vendors in accordance with the working capital adjustment mechanism in the Share Sale Agreement, however the amount has not been finalised as yet.

Acquisitions and disposals of business entities

| | Acquisitions <i>(Item 1.9(a))</i> | Disposals <i>(Item 1.10(a))</i> |
|-----|---|------------------------------------|
| 5.1 | Name of entity Australian Learning Group Pty Ltd ("ALG") | |
| 5.2 | Place of incorporation or registration Sydney NSW | |
| 5.3 | Entire Consideration for acquisition (\$8,500,000)** | |
| 5.4 | Total net assets \$1,285,000*** | |
| 5.5 | Nature of business Educational provider | |

** Minimum of \$8.5m and maximum of \$11m (subject to earn-out), with upfront cash consideration of \$4m paid.

*** The Total Net Assets of ALG as at 24 March 2016 has not been finalised at the date of this report. This business combination was accounted for using provisional accounting provisions, permissible under AASB 3 Business Combinations in the prior period.

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~* ~~(delete one)~~ give a true and fair view of the matters disclosed.



Sign here: Date: 29 April 2016
(~~Director~~/Company secretary)

Print name: Andrew Whitten

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.