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27 April 2017

The Manager  
Company Announcements  
Australian Securities Exchange

**By electronic lodgment**

### **March 2017 Quarter Update**

#### **Highlights**

- Continued growth in ALG international student numbers - Q3, FY17 international enrolments of 1,101, up 28.0% on the previous corresponding period (**PCP**)
- Investment in ALG business continuing – new student management system live and Brisbane CBD campus opened
- Acquisition strategy progressing with completion of 4Life purchase and announcement of Performance Education transaction
- 4Life extends ALG's course offering into Community Services, adds a base of 100 international students in Sydney and an Adelaide campus
- Strategic interest of 24.6% in Performance Education provides broader exposure to international student market. FY16 reported EBITDA of \$4.1m on revenue of \$30.8m
- Capital raising announced to replenish cash reserves in funding completion of Performance Education - placement well supported, rights issue underway

#### **Commentary on Appendix 4C**

As at 31 March 2017 the Company had cash of \$4.4m, compared to \$4.9m as at 31 December 2016.

Operating cash flow for the consolidated entity for the quarter was \$528k, compared to (\$432k) in the prior quarter.

As noted in the December 2016 Quarter Update, ALG's international students pay in advance of term commencement. However, terms and payment dates do not necessarily align with financial quarters and as such comparisons of cash flow between quarterly reports are not entirely meaningful.

Operating cash flow for the consolidated entity for the year-to-date was \$554k. This comprises year-to-date Australian Learning Group Pty Limited (**ALG**) operating cash flow of \$1.3m, offset by UCW Limited operating cash flow of (\$617k), and 4Life Pty Ltd (**4Life**) operating cash flow of (\$141k).

Approximately \$91k of 4Life's year to date operating cash flow relates to payment of creditors on the balance sheet as at the date of acquisition. This has been captured in a working capital adjustment payment in UCW's favour, which will be reported in the June quarter.

The acquisition of 4Life was completed during the quarter and a \$900k payment was made to the vendors. A \$100k deposit had been made in the September quarter and as noted, this has now been reclassified in the Appendix 4C to 'Payments to acquire businesses'.

## ALG performance

Acquired by the Company in March 2016, ALG is a national provider of accredited vocational education with a focus on the international student market.

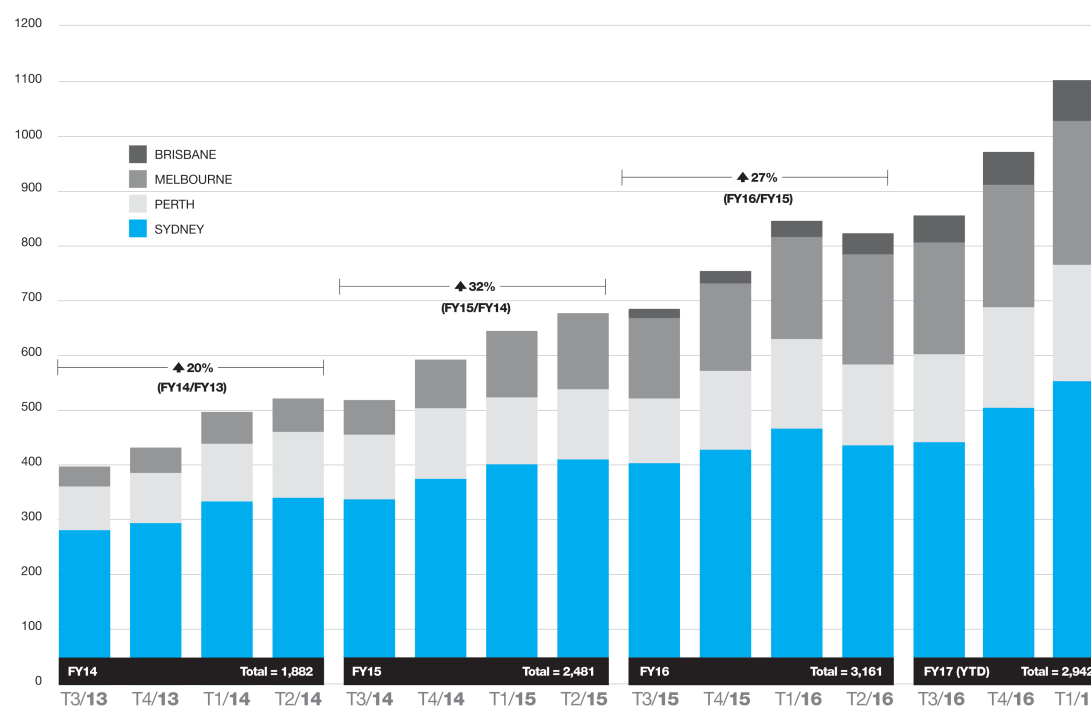
ALG offers certificate and diploma level courses in Fitness, Sport and Recreation Management, Massage Therapy and Dance Teaching and has campuses in Sydney, Melbourne, Perth and Brisbane.

### International enrolments

International enrolments continued to perform well with Q3, FY17 enrolments of 1,101, up 28.0% on the PCP.

Last 12 Months (LTM) to Q3, FY17 enrolments were 3,779 up 25.2% on the PCP.

Enrolments by term, by campus



### Domestic enrolments

Domestic revenue (unaudited) for Q3, FY17 was \$0.3m against full year FY16 revenue of \$1.3m. ALG's domestic revenue is principally derived from distance education courses. These are either paid for upfront or by way of fortnightly payment plans. Revenue is recognised equally over a 12-month period from and including the month of sale.

Enrolment numbers for domestic students are not considered a strong stand-alone indicator of performance due to the significant variance in pricing between courses offered.

## Growth initiatives

Investment is continuing in ALG to scale up the business. This includes, by way of example: development of a new Brisbane campus, which opened in April 2017, the ongoing rollout of all existing courses to all campuses nationally, implementation of the new student management system (now live with progressive rollout of features to continue over the coming year), development of new courses and recent key hires including in sales and HR.

The Company intends to continue to invest in growth initiatives to scale up the business. This will impact earnings in the short term as the payback on such investments may not be immediate.

## **Corporate activity**

### Acquisition of 4Life Pty Limited

The Company completed the acquisition of 4Life on 13 January 2017. 4Life is a complementary add-on acquisition for ALG, bringing a suite of courses in the field of Community Services, which ALG can deliver through its national campus footprint and agent network. 4Life is currently being integrated into ALG.

4Life's courses, offered to both international and domestic students, include Early Childhood Education and Care, Individual Support, Disability, Ageing Support, Mental Health, Counselling and Community Services, most of which include a work-integrated learning / work placement component.

4Life adds approximately 100 international students in Sydney to ALG's growing student population.

FY16 total revenue was approximately \$1.5m (including revenue from 4Life's international and domestic offers). The purchase price was \$1.2m, subject to a typical working capital adjustment. \$1m was payable in cash on completion and \$0.2m is payable in shares in UCW at 6 cents per share at the end of a 2-year warranty period.

### Acquisition of interest in Performance Education Group Pty Ltd

As announced on 17 March 2017, the Company has entered into a binding share sale agreement to purchase 24.6% of the ordinary shares in Performance Education Group Pty Ltd (**Performance Education**).

Established in 2006, Performance Education is a leading provider of the Professional Year program (PY), designed to assist international graduates of Australian education providers in Information Technology (IT) and Accounting to gain the necessary work skills and experience to gain employment in the Australian workforce. Performance Education has campuses in Sydney, Melbourne and Adelaide.

As per the audited FY16 accounts, Performance Education has grown strongly, generating EBITDA of \$4.1m in FY16 (FY15: \$2.6m) on revenue of \$30.8m (FY15: \$19.7m). A fully franked dividend of \$1.2m was declared in June 2016 (FY15: \$0.8m).

Performance Education is aligned with UCW's focus on the international student market. It services a different sector of the market to ALG and 4Life, which operate in the vocational sector. This expansion into the professional / education-to-employment sector is in keeping with UCW's strategic plan.

The purchase price is \$4.7m plus a working capital adjustment expected to be between \$0.8m and \$1m. 25% of the total purchase price and working capital adjustment is payable in UCW shares (at 6 cents per share) and the balance is payable in cash.

## Capital raising




On 10 April 2017, the Company announced completion of a placement of 47m ordinary shares (at \$0.04), raising approximately \$1.9m before costs. The Company was pleased to welcome a number of new institutional shareholders to the register.

Concurrently with the above, a non-renounceable rights issue was announced to allow existing shareholders to subscribe for new shares at the same price as the placement. The rights issue will raise up to a further \$2m before costs, by issue of up to 50m ordinary shares. The rights issue is currently underway and closes on 5 May 2017. Shaw and Partners Limited is acting as lead manager of the placement and the rights issue.

The funds raised under the placement and rights issue will be used towards completing the Performance Education transaction. If the acquisition does not complete for any reason, the funds raised will be used for the Company's general working capital purposes and/or to be applied towards any future acquisition or other investment opportunities.

## Further acquisitions

In line with the Company's stated strategic objectives, it continues to actively engage in discussions in relation to a number of acquisition opportunities. UCW's growth focus is depicted below.

INTERNATIONAL STUDENT MARKET		
VOCATIONAL	HIGHER EDUCATION	PROFESSIONAL
Certificate Diploma Advanced Diploma	Degree Masters Doctorate	Work-ready programs Placements/internships Short courses
 		
100%	100%	24.6% <sup>1</sup>
		<sup>1</sup> Subject to completion

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

UCW Limited

**ABN**

85 108 962 152

**Quarter ended ("current quarter")**

31 March 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,950	6,748
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(17)	(99)
(d) leased assets		
(e) staff /supplier costs	(2,120)	(5,472)
(f) administration and corporate costs	(295)	(727)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	104
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash (used in) from operating activities</b>	<b>528</b>	<b>554</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(47)	(68)
(b) businesses (see item 10)	(900)	(4,784)*
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)**	(7)	(92)
<b>2.6 Net cash used in investing activities</b>	<b>(954)</b>	<b>(4,944)</b>

\* As noted in prior report, a \$100k refundable deposit for 4Life business acquired and completed in January 2017 was reclassified to the cost base of the investment in the current quarter

\*\* Amount reflects \$60k of cash on the acquisition of 4Life and \$53k (Dec: \$45k) investment in new student management system.

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>0</b>	<b>0</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,854	8,818
4.2 Net cash from operating activities (item 1.9 above)	528	554
4.3 Net cash used in investing activities (item 2.6 above)	(954)	(4,944)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	0	0

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	0	0
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,428</b>	<b>4,428</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,984	1,171
5.2	Call deposits	2,444	3,683
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,428</b>	<b>4,854</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	(99)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors' salaries/fees and superannuation.

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	0
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(50)
9.4 Leased assets	
9.5 Staff costs	(2,210)
9.6 Administration and corporate costs	(290)
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>(2,550)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)*</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	4Life Pty Ltd ( <b>4Life</b> )	
10.2 Place of incorporation or registration	Adelaide, SA	
10.3 Consideration for acquisition or disposal	\$1,200,000**	
10.4 Total net assets /(liabilities)	(\$289,000)***	
10.5 Nature of business	Education provider	

\* See Note against 2.1(b).

\*\* \$200,000 of this is payable in UCW shares at 6 cents per share, to be issued at the end of a 2 year warranty period (subject to any warranty or indemnity claims being made by UCW).

\*\*\* The total net assets / (liabilities) of 4Life as at 13 January 2017 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.



**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 27 April 2017

(Director/Company secretary)

Print name: Lyndon Catzel

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.