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## ASX Market Release

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The Manager  
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By electronic lodgement

The Board of UCW Limited (**UCW** or **the Company**) provides the following updated guidance in relation its two wholly-owned operating businesses, Australian Learning Group (**ALG**) and Ikon Institute (**Ikon**), the consolidated group and its minority investment in Gradability Pty Limited (**Gradability**).

### ALG and Ikon

At its 2019 Annual General Meeting (**AGM**), the Company advised that both ALG and Ikon are expected to report a material improvement in revenue and EBITDA in the first half of FY20 (**1H20**) compared to the previous corresponding period.

The Board reaffirms the above guidance and by way of update, now expects:

- ALG to record 1H20 revenue of \$9.2m to \$9.4m (1H19: \$6.9m) and EBITDA<sup>1</sup> of \$1.0m to \$1.2m (1H19: \$nil)
- Ikon to record 1H20 revenue of \$3.1m to \$3.3m (1H19: \$2.3m) and EBITDA<sup>1</sup> of \$0.4m to \$0.6m (1H19: \$0.1m)

The Company also reaffirms that ALG, and particularly Ikon's revenue and EBITDA is expected to be higher in the second half of FY20 compared to the first half, and that it expects UCW to report record consolidated revenue and EBITDA for the full year.

### Impairment of investment in Gradability

At the AGM, the Board advised that due to sustained challenging market conditions and an ongoing material decline in profitability, it intended to reassess the carrying value of its investment in Gradability Pty Ltd (**Gradability**) as part of its FY20 half-year financial reporting obligations, and that a non-cash impairment was likely. The carrying value of UCW's investment in Gradability at 30 June 2019 was \$6.2m.

Post the AGM, Gradability management provided a revised full year outlook, which anticipated FY20 operating profit well below that of FY19. A more recently provided outlook now projects a loss for the year.

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<sup>1</sup> EBITDA is measured on the same basis as the prior year (i.e before the impact of the new AASB 16 Accounting Standard for Leases). The Half-Year Report for the period to 31 December 2019 will contain a bridge between statutory EBITDA (post-AASB 16) and EBITDA (pre-AASB16).

Given the above, the Board of UCW advises that it has taken a conservative view in assessing the carrying value and expects to fully impair the Company's investment in Gradability (to \$nil). The impairment charge will be recognised as an expense in the Company's Consolidated Statement of Profit or Loss for the half-year ended 31 December 2019. Importantly, the expected impairment is non-cash and will not affect the Company's banking covenants.

The UCW Board acknowledges the poor outcome for UCW shareholders in relation to the Company's investment in Gradability. While UCW remains supportive of Gradability's management team, as they attempt to steer the business through this challenging period, it will continue to review and consider alternatives for the investment.

UCW Chief Executive Officer, Adam Davis commented: "Whilst shareholders will rightly be disappointed in Gradability's performance to date, and the impending write-down of our investment, our core focus remains around fostering the growth and development of our wholly-owned operating businesses, ALG and Ikon, which continue to perform well."

The Company intends to release its Half Year Report for the period to 31 December 2019 to the ASX on or around 27 February 2020.

This announcement was approved for release by the Board of Directors.

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## **About UCW**

UCW operates in the tertiary education sector through two wholly owned subsidiaries:

- Australian Learning Group Pty Ltd (ALG), a vocational education provider, primarily focussed on the international student market; and
- Proteus Technologies Pty Limited, trading as Ikon Institute of Australia (Ikon), a higher education provider, primarily (currently) focussed on the domestic student market.

ALG and Ikon are both positioned as high-quality providers in Health and Community Services related fields of education, which the Board considers to be an attractive market segment with strong employment and migration opportunities for both international and domestic students.

The businesses provide UCW a level of diversification within the education sector and the opportunity to build study pathways across the student lifecycle.

## **ALG**

ALG offers 16 qualifications at Certificate III, Certificate IV and Diploma level. The courses range in duration from six months to two years and are often packaged.

The majority of ALG's revenue is derived from international students, more than 90% of who are recruited through ALG's growing agent network. ALG currently has more than 250 active agents, located both in Australia and offshore, and students from over 75 source countries. Agents are paid a commission on tuition fees received.

Delivery is undertaken from ALG's campuses in Sydney, Melbourne, Brisbane and Perth. Students typically attend class two days per week during each of ALG's four academic terms per year. A number of ALG's courses have a work placement component.

ALG also has a fee-for-service, distance education offering for domestic students. A limited number of its qualifications are offered in this delivery format. Domestic distance-education students are recruited via direct marketing, primarily online.

ALG has a centralised administration function in Sydney where the majority of its staff are based.

## **Ikon**

Ikon has two Degree programs, each with nested Diploma and Associate Degree exit points.

Ikon's revenue is primarily derived from domestic students, most of who pay their tuition fees via FEE-HELP. Students are recruited directly (ie. not through agents).

It operates a trimester model academic year (ie. three terms), with delivery undertaken from its campuses in Sydney, Melbourne, Brisbane, Perth, Byron Bay and Adelaide, where its head-office is based.

Ikon is also an accredited vocational education provider, however as of 1 July 2019, it is no longer accepting new enrolments into its VET courses.

## **Gradability**

UCW also owns a 25% minority stake in Gradability, a leading national provider of the Professional Year Program (PYP). The PYP is a work-readiness program for international student graduates in the fields of accounting and information technology.