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31 October 2017

The Manager  
Company Announcements  
Australian Securities Exchange

By electronic lodgment

UCW Limited (**UCW** or **the Company**), a fee-for-service education provider focused on the international student market, submits the following Quarterly Report and Appendix 4C Cash Flow Statement for the quarter ended 30 September 2017 (Q1 FY18).

### Key highlights

During the quarter, UCW continued to execute on its strategy to grow both organically and by acquisition:

- Australian Learning Group (**ALG**) international student enrolments increased to 1,261 in Q1 FY18, up 44.9% on the previous corresponding period (3-year CAGR of 32.6%)
- Investment continuing in ALG to scale up the business ahead of expected revenue growth in FY18
- Integration of 4Life College into ALG almost complete
- Significant opportunity in the national rollout of 4Life courses (currently Sydney only), expected to begin in Q3 FY18
- Strategic acquisition of 24.6% of Performance Education completed on 11 July 2017
- New acquisition debt facility with Commonwealth Bank increases funding options

### Cash position

UCW continued to maintain a healthy balance sheet with a cash balance of \$4.6m as at 30 September 2017, compared to \$7.3m as at 30 June 2017.

Operating cash flow was \$239k for the quarter, compared to \$256k in the prior quarter and \$810k for FY17.

The Company completed the acquisition of 24.6% of the ordinary shares in Performance Education Group Pty Ltd ACN 117 850 281 (**Performance Education**) during the quarter. The purchase was funded by a mix of debt (\$1.5m), existing cash reserves (\$2.9m) and through issuing 24.4m fully paid ordinary shares in the Company at \$0.06 per share.

### Implementation of strategic plan

*Strong growth in international student enrolment numbers*

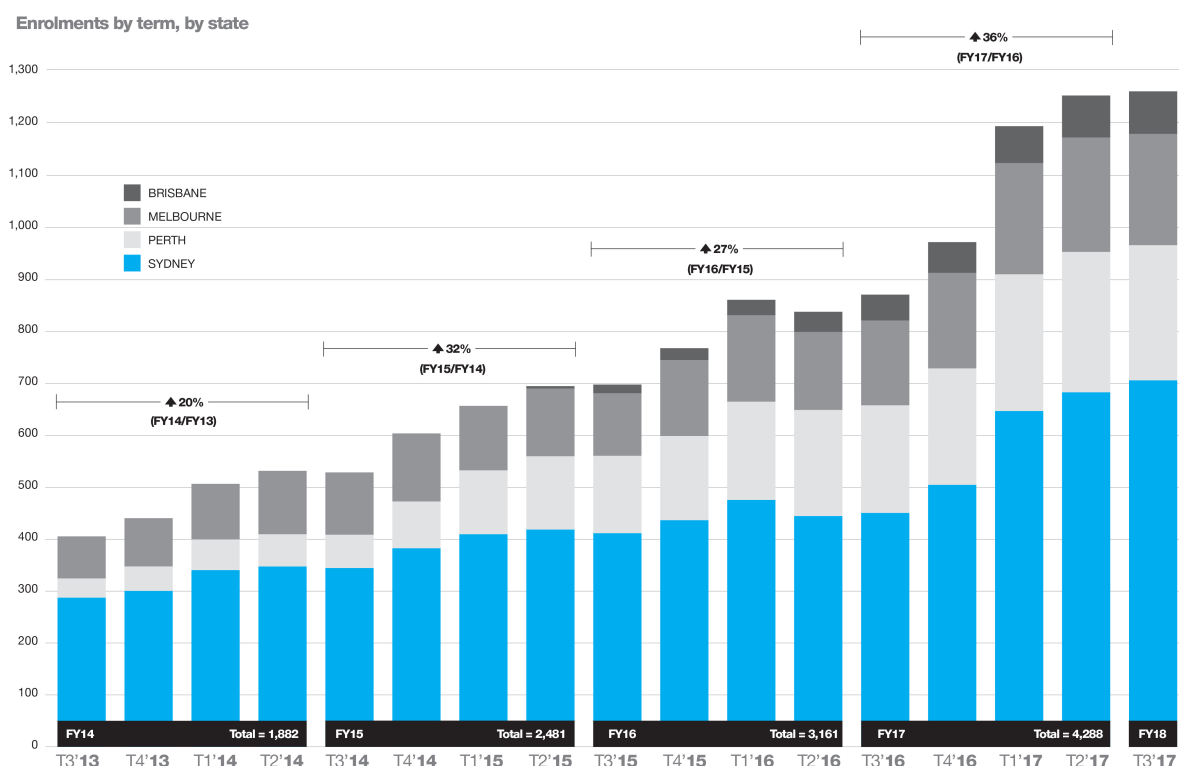
ALG is a national provider of accredited vocational education with a focus on the international student market. It has campuses in Sydney, Melbourne, Brisbane and Perth.

ALG continued to perform strongly, with international student enrolments increasing to 1,261 in Q1 FY18, up 44.9% on the previous corresponding period.

In the last 12 months to Q1 FY18 enrolments amounted to 4,679, up 40.3% on the previous corresponding period resulting from a strategy of broadening the course offering, expanding courses into interstate campuses, and the acquisition of 4Life.

Effective 1 July 2017, ALG increased the price of its international student courses for all new students by an average of 6.7%. The impact of the price increase will phase in throughout FY18 and FY19.

Revenue from domestic enrolments (unaudited) for Q1 FY18 was \$0.3m against full year FY17 revenue of \$1.1m. ALG's domestic revenue is principally derived from distance education courses.



### Opportunities for further organic growth

ALG has CRICOS capacity for 2,399 international students. Enrolments stood at 1,261 in Q1 FY18, providing scope to accommodate further growth.

Investment is continuing in ALG to scale up the business ahead of expected revenue growth in FY18. This includes:

- a new Brisbane campus, which opened in April 2017 and a new Sydney campus which will open in January 2018
- the ongoing rollout of existing courses to all campuses nationally
- implementation of the new student management system (now live, with progressive rollout of features ongoing)
- development of new courses
- recent key hires in sales, interstate student services, finance, IT and HR.

The Company intends to continue to invest in growth initiatives to scale up the business for sustained long-term growth, however this will impact earnings in the short term.

### *Growth through acquisition*

On 11 July 2017, UCW completed the acquisition of 24.6% of the ordinary shares in Performance Education.

Performance Education assists international graduates in Information Technology and Accounting gain valuable work skills and experience. In its audited FY16 accounts, Performance Education reported EBITDA of \$4.1m on revenue of \$30.8m. UCW intends to release a summary of Performance Education's FY17 results once audited accounts are available.

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

UCW paid \$4.7m on completion of the acquisition. A further \$1.1m working capital adjustment was paid on 10 August 2017.

A quarter (25%) of both the completion amount and the adjustment amount were satisfied through issuing 24.4m fully paid ordinary shares in UCW at \$0.06 per share. These shares are subject to a voluntary escrow period of 12 months, expiring 10 July 2018. The remaining 75% was paid in cash.

\$1.5m of the completion amount was funded by a new acquisition debt facility with Commonwealth Bank, which also includes a \$0.5m working capital facility (currently undrawn) and a \$0.2m bank guarantee facility.

In accordance with accounting standards, UCW intends to equity account for its interest in Performance Education by bringing its proportionate share of Performance Education's net profit after tax to account in UCW's Statement of Profit or Loss.

Adam Davis, UCW's Chief Executive Officer, has been appointed as UCW's representative director on the board of directors.

### *Future strategic opportunities*

In line with the Company's strategic plan, UCW continues to actively engage in discussions in relation to a number of acquisition and strategic opportunities.

## 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")**

30 September 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,117	3,117
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(75)	(75)
(d) leased assets		
(e) staff /supplier costs	(2,553)	(2,553)
(f) administration and corporate costs	(258)	(258)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid / received		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from operating activities</b>	<b>239</b>	<b>239</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(22)	(22)
(b) businesses (see item 10)		
(c) investments*	(4,391)	(4,391)
(d) intellectual property		
(e) other non-current assets		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
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)	(20)	(20)
<b>2.6 Net cash used in investing activities</b>	<b>(4,433)</b>	<b>(4,433)</b>
* On 11 July 2017, the Company completed the acquisition of 24.6% of the ordinary shares in Performance Education Group Pty Ltd ACN 117 850 281. The acquisition was funded 75% in cash and 25% by way of issuing 24.4m shares in UCW at a price of \$0.06 per share.		
<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	(15)	(15)
3.5 Proceeds from borrowings	1,500	1,500
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	(57)	(57)
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from financing activities</b>	<b>1,428</b>	<b>1,428</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	7,328	7,328
4.2 Net cash from operating activities (item 1.9 above)	239	239
4.3 Net cash used in investing activities (item 2.6 above)	(4,433)	(4,433)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,428	1,428
4.5 Effect of movement in exchange rates on cash held		
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>4,562</b>	<b>4,562</b>

<b>5. 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	4,562	7,056
5.2 Call deposits		272
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,562</b>	<b>7,328</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

(114)

0

Directors' salaries/fees and superannuation.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

0

0

<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	2,200	1,659
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.		

CBA Market Rate Loan (acquisition facility) - \$1.5m (fully drawn as at 30 September 2017). This was used to fund a portion of the Completion Amount for Performance Education (detailed in the Quarterly Update).

CBA Overdraft Facility - \$0.5m (undrawn as at 30 September 2017)

CBA Contingent Liability (bank guarantee) - \$0.2m (drawn to \$159k). This is utilised in relation to providing bank guarantees to landlords (in lieu of holding term deposits).

The loan facility from CBA is at competitive market interest rates and is secured by a First Ranking General Security over all assets and undertakings of the Company.

<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	(75)
9.4 Leased assets	
9.5 Staff/supplier costs	(2,800)
9.6 Administration and corporate costs	(300)
9.7 Other (provide details if material)*	(400)
<b>9.8 Total estimated cash outflows</b>	<b>(3,575)</b>

\* During September 2017, the Company entered into a lease for new premises in Sydney. This amount largely comprises the estimated fitout costs

<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		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets /(liabilities)		
10.5 Nature of business		

### 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: 31 October 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.