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The Manager
Company Announcements
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By electronic lodgment

CEO Address to 2018 Annual General Meeting

As required by Listing Rule 3.13.3, UCW Limited hereby provides the prepared address by Adam Davis, the Chief Executive Officer to the 2018 Annual General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lyndon Catzel', written over a white background.

Lyndon Catzel
Company Secretary

CEO Address to 2018 Annual General Meeting

Welcome to the UCW Limited 2018 Annual General Meeting.

I would like to take this opportunity to provide an update on UCW's business and how we are tracking this financial year.

As you know, UCW operates in the tertiary education market and we do this through: Australian Learning Group, 4Life College and more recently, IKON Institute of Australia. In addition, we have a strategic 25% stake in Gradability.

Our current focus in tertiary education is the Health and Community Services segment. We are attracted to this segment because of the strong long-term employment projections both in Australia and abroad, underpinned by a global ageing population, as well as an increased awareness, acceptance and support for healthcare and wellness services.

UCW was relisted on ASX in 2016, with the aim of being a leading private provider of education to both international and domestic students. The board includes directors with substantial experience and a successful track record in the education sector.

Our growth strategy is to invest in our existing businesses, through initiatives such as course and campus expansion, while at the same adding value through acquisitions that build scale and, over time, allow us to increase the breadth of opportunities we offer to students.

One example is the recent acquisition of IKON, which expands UCW's operations into the higher education sector.

We remain committed to growing UCW into a large and profitable education service provider by anticipating new trends in education and making investments in our underlying businesses. While these investments will impact short-term returns, we believe this strategy will deliver good returns in the future and build long-term shareholder value.

On behalf of the board, I would like to thank all shareholders for your support to date.

Let's have a closer look at each of our operating businesses.

Australian Learning Group and 4Life College

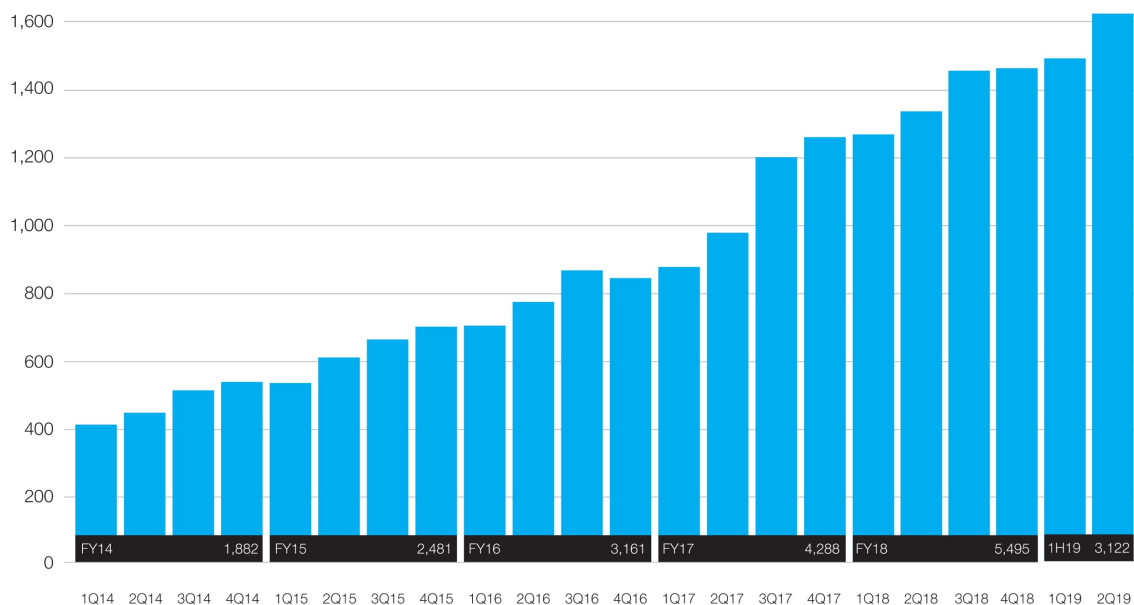
ALG, which now incorporates the business of 4Life, is an accredited vocational education provider. Its focus is the international student market. Founded in 2005, it has grown to become a national provider, offering 18 different certificate and diploma level qualifications in the field of Health and Community Services. Its course offering includes childhood education, ageing, community services, counselling, remedial massage and fitness.

International students, whose fees provide the bulk of ALG's revenue, attend courses at ALG's six campuses in Sydney, Melbourne, Brisbane and Perth. The student body has more than doubled and we now have over 1,600 students from more than 70 different source countries, compared to the 700-odd students when we acquired the business.

Our students are recruited primarily through agents, both onshore in Australia and offshore.

ALG also offers a small sub-set of its broader course offering to domestic students on a fee-for-service basis. The courses are delivered as self-paced distance education with a blend of online and offline materials and functionality.

International student enrolments by term



In the first half of this financial year, international student enrolments are up 20% compared to the corresponding period last year. This organic growth has been supported by the national rollout of the 4Life course offering and in particular, the opening of our new Melbourne campus in July 2018.

The campus was opened to facilitate the expansion of the 4Life course offering to Melbourne. Total fit-out costs were around \$1.4 million, of which \$0.3 million was paid in FY18 with the balance in this financial year. The campus is on track to achieve run-rate break-even by the end of the financial year.

In the meantime, and as expected, we are incurring losses during the ramp-up period. This has already, and will continue to, impact FY19 earnings. Earnings will also be impacted by the cost of the promotions we've run to launch the 4Life course offering at the new campus – and nationally. These promotions will phase out during the latter part of this financial year.

In terms of the 4Life courses themselves, they continue to perform strongly, most particularly childcare and ageing, and now account for more than a third of ALG's 2Q19 international student enrolments. This is a pleasing result. It demonstrates the successful integration of 4Life into ALG and vindicates the investments we have made in building the ALG platform to support further course expansion initiatives.

Following gaining accreditation earlier this year, ALG will begin delivery of its yoga teaching courses in Sydney in the second half of the financial year. We are also exploring the introduction of a number of new courses for FY20 and beyond, including higher education programs to provide articulation pathways for ALG's existing vocational students. Articulation arrangements enable students to use admission and/or credit from one completed qualification to progress to another.

In the year we acquired ALG it generated around \$6 million in revenue, while 4Life generated around \$1 million when it was acquired. In FY19 we expect the combined ALG and 4Life business to generate between \$13.5 million and \$14.5 million. This represents growth of around 100% during our period of ownership.

IKON Institute of Australia

Founded in 2005 as an accredited vocational education provider, IKON was registered as a Higher Education Provider in 2016. Higher education is now its core focus, with two three-year degree programs in arts and integrative psychotherapy (akin to counselling) on offer, each with diploma (year 1) and associate degree (year 2) exit points.

We acquired the business in July 2018 under an earn-out structure, whereby \$4.4 million in cash (of which \$0.5 million had been paid into escrow and held as a deposit during FY18) and \$1.1 million in UCW shares was paid to the vendors at completion. The structure of the acquisition means that the business will continue to operate largely as a stand-alone enterprise during FY19 and we won't progress opportunities to integrate it into our existing business until the following year.

As opposed to ALG's international student focus, IKON is primarily focused on the domestic student market, providing UCW some diversification. It has over 220 higher education students, most of whom pay via FEE-HELP. Student numbers have grown strongly since launching its higher education courses in 2016 – with 35 students.

IKON continues to offer vocational courses in fields of study not dissimilar to those of ALG. These will likely be merged into ALG after the earn-out period.

Our primary motivation for the acquisition was IKON's higher education business and the platform it provides to develop new higher education courses outside of its current niche psychotherapy focus. We expect FY19 revenue to be between \$5.5 million and \$6.5 million and at this stage don't anticipate that a material additional payment will accrue under the earn-out.

Our future growth strategy, already underway, is to identify and develop new higher education courses that can be offered to ALG's existing students and more broadly.

Gradability

UCW acquired 25% of Gradability in July 2017, with the intention of this being a stepping stone to a larger equity stake. It is materially larger than UCW currently, with FY18 revenue of \$46.2 million, EBITDA of \$3.4 million and NPAT of \$2.1 million.

Gradability operates through two business units: Performance Education and ReadyGrad.

Performance Education, which generates the majority of Gradability's revenue, offers the Professional Year Program to international accounting and information technology graduates from Australian higher education institutions. The program helps those students gain valuable work-readiness skills and work experience in an Australian host company. Students also gain migration points towards their permanent residency. Performance Education operates nationally and is one of the leading providers of the Professional Year Program.

ReadyGrad offers internship placement services and work-readiness training to other education providers, predominantly universities. With the increasing focus on the employment outcomes of accredited education, and with the host company relationships and operational capability that Gradability has developed, the business is well positioned to capitalise on what appears to be developing into an attractive market opportunity.

Outlook

FY19 will be another year of investment for future growth for UCW as we continue to scale up the ALG business through our new Melbourne campus and the national rollout of the 4Life courses.

As indicated prior, earnings growth will be impacted by the losses incurred on our new Melbourne campus and the national rollout of the 4life course offering during the ramp-up period.

With the contribution from IKON, we expect FY19 revenue to be between \$19 million and \$21 million.

The board is pleased with the evolution of UCW in recent years from what was a narrowly focused international vocational education provider into a broader business, spanning the vocational and higher education sectors, servicing both international and domestic students with an expanded course offering.

And while we are still in the early stages of our development, the board remains optimistic of the company's future prospects.