



# UCW

LIMITED

ASX: UCW

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**1H18 RESULTS**

31 DECEMBER 2017

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- Private education provider, with a focus on the international student market

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  - Vision to be multi-sector provider – Vocational, Higher Education and Professional

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  - Strategy to grow both organically and via accretive acquisitions

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  - Experienced board and management team, with successful track record in education
- Large and growing sector - \$28.0b in FY17, up 16.1% on PCP (source: ABS)
  - Positive enrolment trends – 32.4% 3-year CAGR in UCW’s international student enrolments
  - Attractive business model, expected to deliver operating leverage with increased scale
  - National presence - campuses in Sydney, Melbourne, Brisbane and Perth
  - Diverse source countries, agent network and course offering

# 1H18 HIGHLIGHTS

■ Revenue of \$5.9m, up 43.0%\*

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■ Underlying EBITDA of \$468k, up 77.3%\*

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■ Underlying EBITDA margin of 7.9%,  
up 23.4%\*

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■ NPAT from continuing operations of  
\$281k, up 92.5%\*

- 4Life acquisition performing well ahead of expectations
- Completion of integration of 4Life into ALG
- Continued investment starting to deliver operating leverage
- New Sydney campus provides increased capacity for growth
- Gradability performing to plan. UCW received first dividend
- Active discussions in relation to number of accretive acquisition opportunities

\*Compared to 1H17

## ACQUISITION TIMELINE

Mar-16



- International student provider in fields of Fitness, Remedial Massage, Sport and Recreation Management and Dance Teaching
- Campuses in Sydney, Melbourne, Brisbane and Perth
- Strategy to broaden course offering
- Strong growth in international student enrolments - 3-year CAGR of 32.4%

Jan-17



- Acquired as an add-on to ALG – integration now complete
- Performance since acquisition well ahead of expectations
- Broadened ALG's offering into Childcare, Aged Care, Disability, Mental Health, Counselling and Community Services
- 4Life courses currently only offered in Sydney – national rollout represents significant market opportunity, commencing 2H18

Jul-17



- 24.6% strategic stake
- New name and brand to reflect expanded offering:
  - **Performance Education** – leading provider of the Professional Year Program for international student graduates in Accounting and IT
  - **ReadyGrad** – work-readiness training and internship placements for University partners
- Share of NPAT (\$345k) included in UCW's results
- Significant business at scale – FY17 revenue of \$35.6m, EBITDA of \$4.1m

# FINANCIAL RESULTS

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# PROFIT AND LOSS

\$'000	1H18	1H17	Var (%)	1H18	2H17	Var (%)
<b>ALG/4LIFE</b>						
Revenue	5,916	4,138	43.0%	5,916	5,749	2.9%
Cost of sales	(2,985)	(1,906)	56.6%	(2,985)	(2,784)	7.2%
Gross profit	2,931	2,232	31.3%	2,931	2,965	(1.1%)
Gross margin (%)	49.5%	53.9%	(8.2%)	49.5%	51.6%	(4.1%)
Operating expenses	(2,365)	(1,577)	50.0%	(2,365)	(2,459)	(3.8%)
<b>Operating EBITDA</b>	<b>566</b>	<b>655</b>	<b>(13.6%)</b>	<b>566</b>	<b>506</b>	<b>11.9%</b>
<b>GRADABILITY</b>						
Equity accounted share of results	345	-	nm	345	-	nm
<b>UCW</b>						
Corporate costs	(443)	(391)	13.3%	(443)	(444)	(0.2%)
<b>GROUP</b>						
<b>Underlying EBITDA</b>	<b>468</b>	<b>264</b>	<b>77.3%</b>	<b>468</b>	<b>62</b>	<b>654.8%</b>
Underlying EBITDA margin (%)	7.9%	6.4%	23.4%	7.9%	1.1%	618.2%
Due diligence & transaction costs	(45)	(106)	(57.5%)	(45)	(83)	(45.8%)
Interest, tax, depreciation and amortisation	(142)	(12)	nm	(142)	46	nm
<b>Profit from continuing operations</b>	<b>281</b>	<b>146</b>	<b>92.5%</b>	<b>281</b>	<b>25</b>	<b>nm</b>
Loss from discontinued operations	(149)	-	nm	(149)	-	nm
<b>Net profit after tax</b>	<b>132</b>	<b>146</b>	<b>(9.6%)</b>	<b>132</b>	<b>25</b>	<b>428.0%</b>

- Revenue growth due to increased international student enrolments - up 40.7% to 2,590
- Average revenue per international student enrolment up 4.2% to \$1,931 (per student, per term)
- Decrease in gross margin due to lower proportion of direct enrolments, higher teaching and increased venue costs during national rollout of courses
- Step-up in operating expenses due to 4Life acquisition (Jan-17) and investment in growth initiatives. Stabilised between 2H17 and 1H18
- Operating leverage becoming evident with increased international student enrolments (1H18 vs 2H17)

# BALANCE SHEET

\$'000	31 Dec-17	30 Jun-17
Cash and cash equivalents	4,139	7,328
Trade and other receivables	1,129	1,089
Other assets	417	441
<b>Total current assets</b>	<b>5,685</b>	<b>8,858</b>
Investment in associates	6,072	-
Goodwill	1,315	1,315
Property, plant and equipment	1,020	576
Trade and other receivables	241	154
Intangible assets	288	238
Deferred tax asset	462	404
<b>Total non-current assets</b>	<b>9,398</b>	<b>2,687</b>
<b>Total assets</b>	<b>15,083</b>	<b>11,545</b>
Deferred revenue	3,175	3,013
Trade and other payables	1,284	1,115
Provision for onerous contracts	219	-
Provisions for employee entitlements	179	170
Income tax liabilities	178	188
<b>Total current liabilities</b>	<b>5,035</b>	<b>4,486</b>
Borrowings	1,425	-
Deferred settlement	200	200
Provisions for employee entitlements	32	24
Deferred lease liability	14	7
<b>Total non-current liabilities</b>	<b>1,671</b>	<b>231</b>
<b>Total liabilities</b>	<b>6,706</b>	<b>4,717</b>
<b>Net assets</b>	<b>8,377</b>	<b>6,828</b>

Corporate debt facilities (\$'000)	Used 31 Dec-17	Capacity 31 Dec-17
Acquisition facility	1,425	-
Working capital facility	-	500
Bank guarantee	159	41
<b>Total</b>	<b>1,584</b>	<b>541</b>
<b>Gearing ratio</b>	<b>31 Dec-17</b>	<b>30 Jun-17</b>
Gearing ratio - gross debt <sup>1</sup>	14.5%	0.0%
Gearing ratio - net debt <sup>2</sup>	(47.9%)	nm

<sup>1</sup>Calculated as debt / (debt + equity)

<sup>2</sup>Calculated as (debt - cash) / (debt - cash + equity)

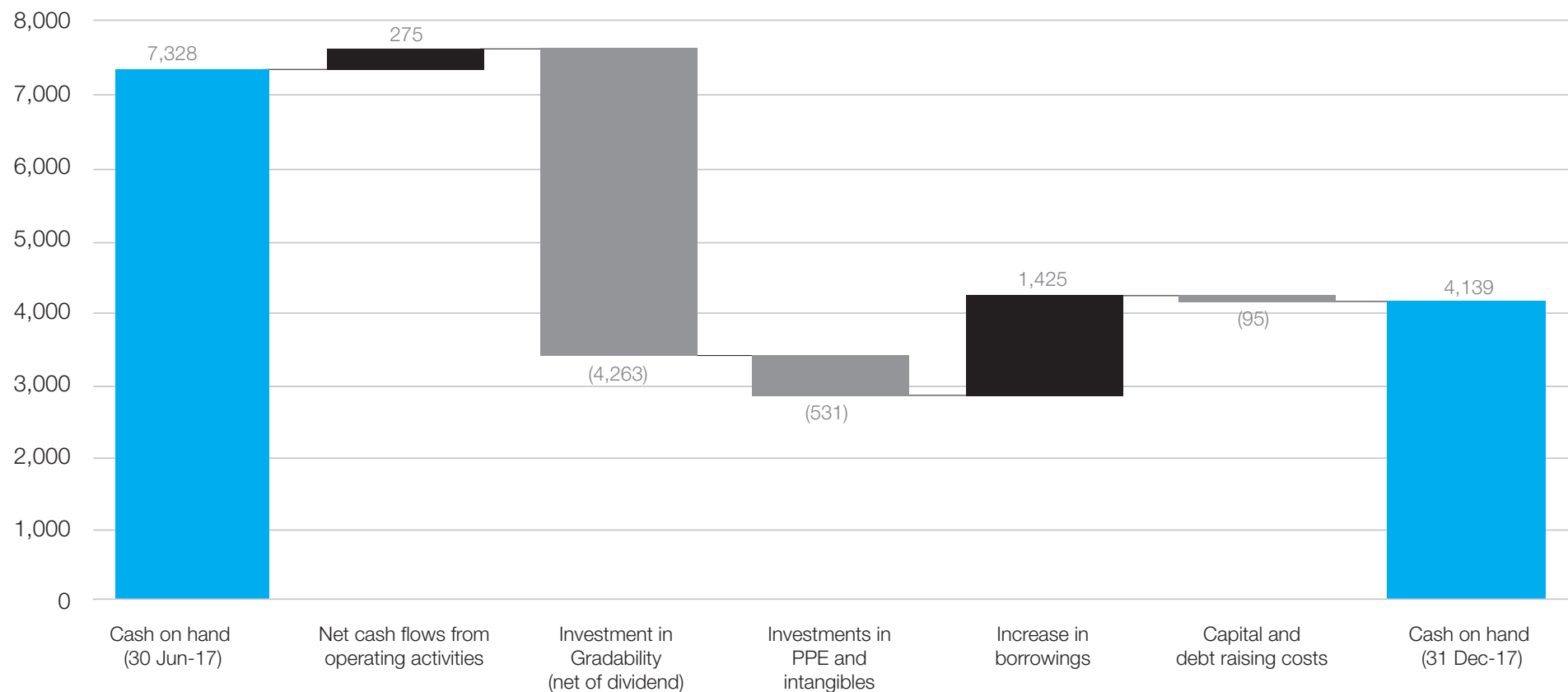
- Acquisition of 24.6% of Gradability completed 11 July 2017  
- utilised \$1.5m of debt from CBA, \$2.9m of existing cash and issued UCW scrip to vendor of \$1.5m
- Conservatively geared



# CASH FLOW

## Group cash movements: 1H18 (\$'000)

■ Increase ■ Decrease ■ Total

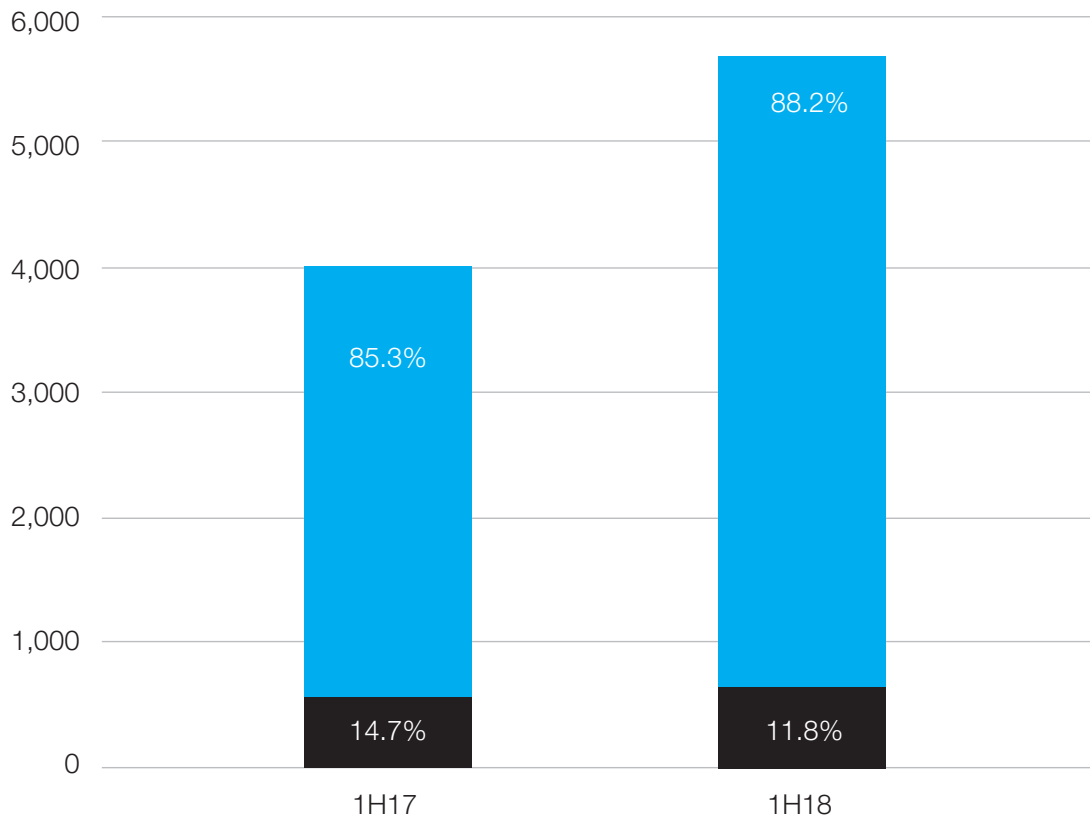


# OPERATING REVIEW

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# INTERNATIONAL VS DOMESTIC

## Tuition revenue by student market<sup>1</sup> (\$'000)



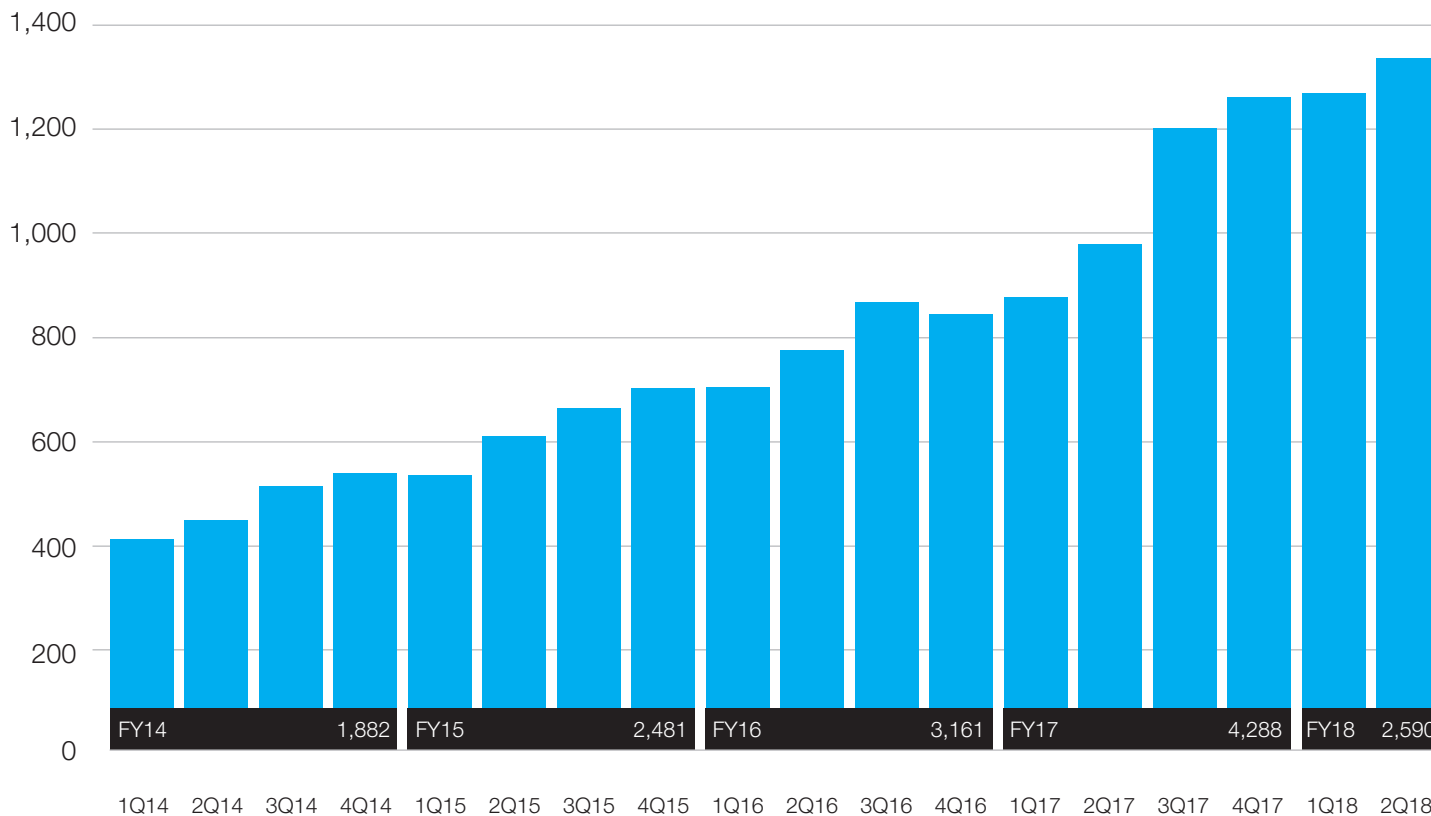
- Proportion of tuition revenue from international students continued to increase in 1H18 – now 88.2%
- Strong growth in international student enrolments continuing – up 40.7% to 2,590 (3-year CAGR of 32.4%)
- Domestic student revenue primarily comprises fee-for-service distance education
- Opportunity to broaden the limited domestic course offering and to enhance lead generation and conversion

<sup>1</sup>Continuing business only

■ Domestic ■ International

# INTERNATIONAL STUDENT ENROLMENTS

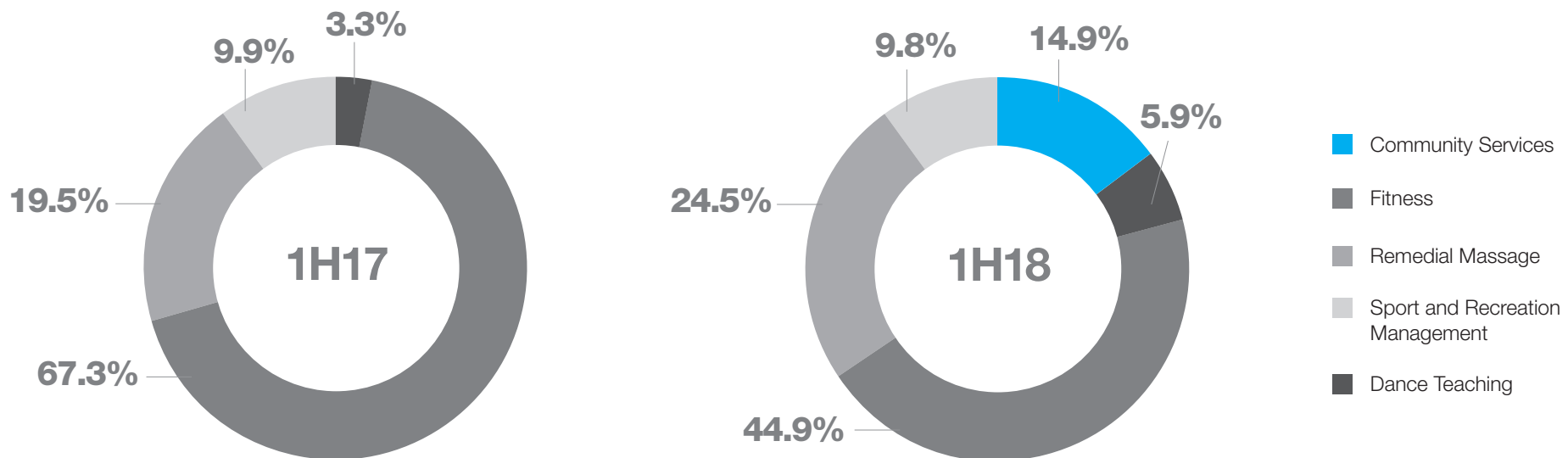
## International student enrolments by term



- Strategy to broaden course offering and national expansion delivering growth
- 4Life courses offered in Sydney only - national rollout represents significant market opportunity, commencing 2H18
- Structured as 4 x 10-week academic terms per year
- International students pay in advance of term commencement

# COURSE MIX

## International student enrolments by field of study



- 4Life acquisition expanded ALG's course offering into Community Services – Childcare, Ageing Support, Disability, Mental Health, Counselling and Community Services
- ALG now offers 16 qualifications at Certificate III, Certificate IV and Diploma level
- 4Life courses currently offered in Sydney only - national rollout represents significant market opportunity, commencing 2H18
- Strategy to continue to broaden course offering both organically and via acquisition

# CAMPUS PERFORMANCE

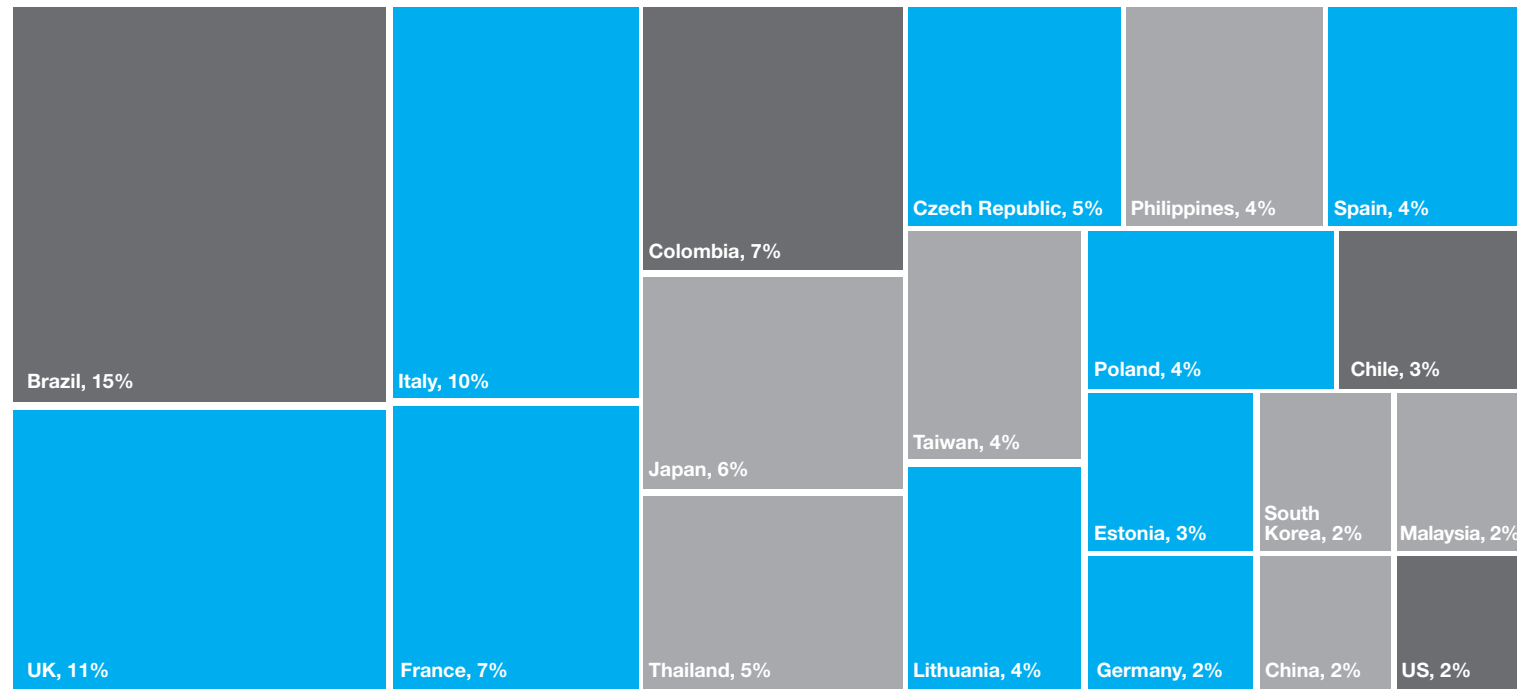
## International student enrolments by campus

Campus	1H18 enrolments	Growth on PCP	Proportion of total
Sydney	1,449	51.9%	56.0%
Melbourne	529	22.7%	20.4%
Perth	431	24.2%	16.6%
Brisbane	181	66.1%	7.0%
<b>Total</b>	<b>2,590</b>	<b>40.7%</b>	<b>100%</b>

- Continued growth delivered across all campuses against PCP
- 4Life courses currently offered in Sydney only - national rollout represents significant market opportunity, commencing 2H18
- New Melbourne campus planned for FY19
- Opportunity to improve utilisation – both at the class size and timetable level

# STUDENT DIVERSITY

## International student enrolments by source country (Top 20)<sup>1</sup>



- International students from 73 source countries
- Top 20 source countries represent 82.6% of current enrolments
- >250 active agents in Australia and offshore
- 16.7% of enrolments are direct (i.e. not through an agent)

## International student enrolments by source region (Top 20)<sup>1</sup>



<sup>1</sup>As at 3Q18

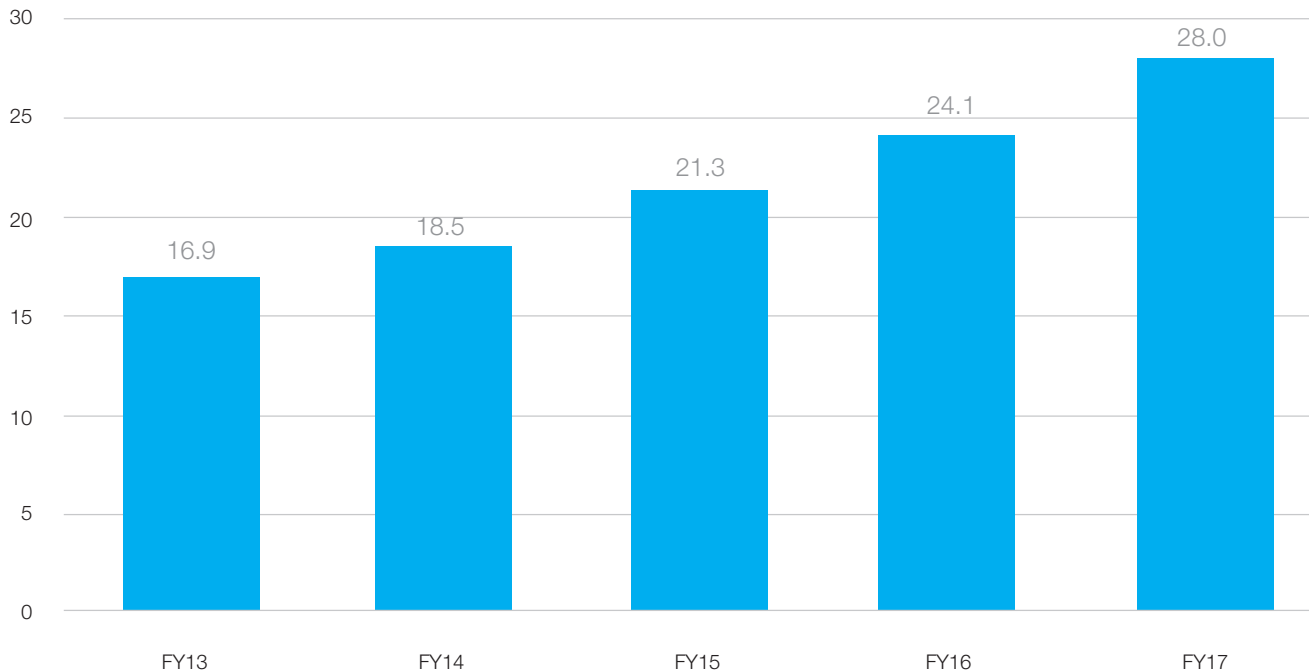
# MARKET OPPORTUNITY

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# INTERNATIONAL EDUCATION

## Onshore in Australia: Export income from education services (\$billion)



- Large market opportunity - \$28.0 billion in FY17, up 16.1% on PCP<sup>1</sup>
- Australia's 3rd largest export
- Articulated government strategy to promote Australian education exports
- 621k international students in Australia as at November 2017, up 13% on PCP<sup>2</sup>.
- Fragmented market outside of public providers presents significant consolidation opportunities

<sup>1</sup>Australian Bureau of Statistics' publication International Trade in Services, by Country, by State and by Detailed Services Category, Financial Year, 2016-17 (ABS Catalogue no. 5368.0.55.003)

<sup>2</sup>Australian Government Department of Education and Training, International Student Data Monthly Summary, November 2017

## ORGANIC GROWTH LEVERS

- National rollout of existing courses
- Development of new courses
- Deepen and broaden agent relationships
- Offshore recruitment

## TARGETING ACCRETIVE ACQUISITIONS

- Profitable and cash flow positive
- \$1m - \$5m EBITDA
- Campus-based
- Cash and scrip consideration
- Vendors aligned with equity

## INTERNATIONAL STUDENT MARKET

### VOCATIONAL

- Certificate
- Diploma
- Advanced Diploma

### HIGHER EDUCATION

- Degree
- Masters
- Doctorate

### PROFESSIONAL

- Work-ready programs
- Placements/internships
- Short courses



100%

100%



24.6%

- Growth in international student enrolments expected to continue

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- Commencement of national rollout of 4Life courses from 2H18 - represents significant market opportunity

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- Introduction of a number of new courses, currently in accreditation process

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- Continued investment in ALG to scale up the business including new Melbourne campus in FY19

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- Actively engaged in discussions concerning a number of strategic and accretive acquisition opportunities

# CONTACT DETAILS

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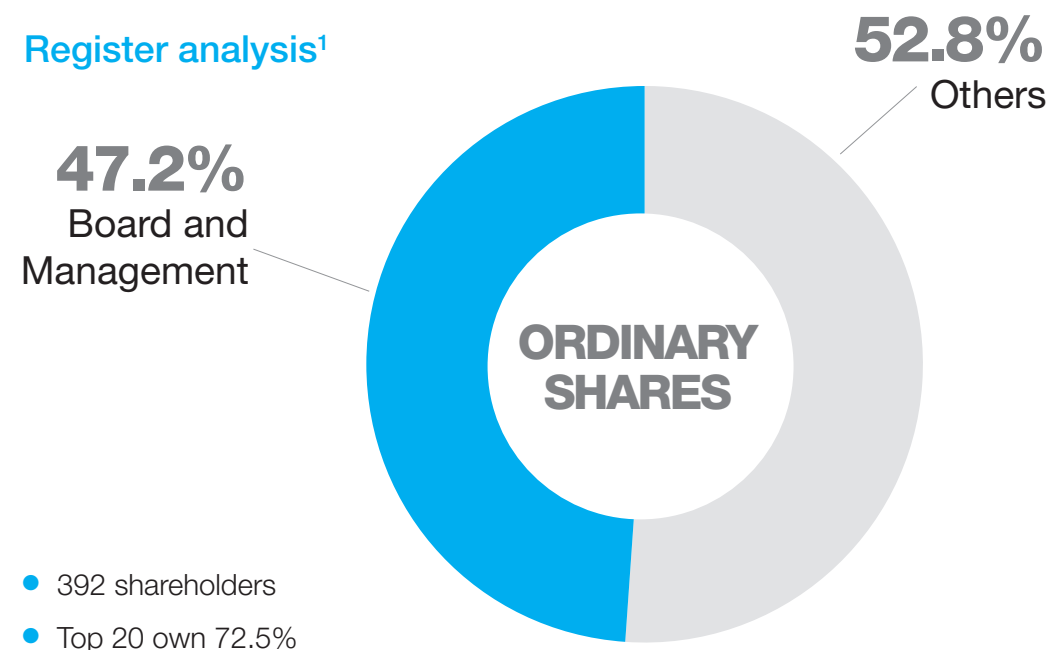
# APPENDICES

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## Capital structure<sup>1</sup>

	Number	% Diluted
Ordinary shares	79,654,583	81.0%
Options <sup>2</sup>	18,704,814	19.0%
Fully diluted	98,359,397	100.0%
	\$'000	
Market capitalisation at \$0.17 per share	13,541	
Cash (at 31 Dec-17)	4,139	
Debt (at 31 Dec-17)	(1,425)	
Enterprise value	10,827	

## Register analysis<sup>1</sup>



## Board and Executives<sup>3</sup>

**Adam Davis**  
Chief Executive Officer and Managing Director

**Gary Burg**  
Non-Executive Chairman

**Peter Mobbs**  
Non-Executive Director

**Lyndon Catzel**  
Chief Financial Officer

**Jonathan Pager**  
Non-Executive Director

<sup>1</sup> As at 26 February 2018

<sup>2</sup> Various exercise prices between \$0.20 and \$0.40 (rounded)

<sup>3</sup> Refer slide 23 for biographies

# BOARD AND EXECUTIVES

## Adam Davis

### Chief Executive Officer and Managing Director

Adam Davis has extensive experience in the education sector as founder and CEO of formerly ASX-listed Tribeca Learning Limited. Under Adam's stewardship, Tribeca acquired and integrated numerous education businesses servicing the financial services sector, consolidating the market and creating the leading national provider. The company was acquired by Kaplan, Inc. in 2006. Adam holds a Bachelor of Applied Finance from Macquarie University.

## Lyndon Catzel

### Chief Financial Officer

Lyndon has over 20 years' financial, operational and strategic experience as a CEO, CFO and COO across numerous private businesses in funds administration, financial services, healthcare, software and wholesale distribution. He has a proven track record of financial management, capital raising, development of management teams and strategy execution. Lyndon is a Chartered Accountant and holds a Bachelor of Economics (Finance and Accounting) from the University of Sydney.

## Gary Burg

### Non-Executive Chairman

Gary has been involved with Global Capital Group since 1995 in South Africa and in Australia since 2001. In Australia, Gary has been involved in numerous businesses across a range of sectors including life insurance, financial services and education. Gary is currently a director of ClearView Limited which is listed on the ASX.

## Peter Mobbs

### Non-Executive Director

Peter Mobbs is CEO of GreyRock, a private investment company with a particular focus on education.

Prior to establishing GreyRock, Peter was an entrepreneur and executive operating within the private education industry, where he holds 15+ years' experience across higher education, vocational and corporate training sectors.

Peter led the private equity backed merger of his business, Ivy College, with the education arm of the Australian Institute of Management (AIM) – a 75 year old brand. Peter was the inaugural Group CEO and is a director and shareholder of the merged group – Scentia. He holds degrees in both commerce and law and is admitted to practise in the Supreme Court of NSW.

## Jonathan Pager

### Non-Executive Director

Jonathan has over 25 years' experience as a management consultant across a wide range of industries in Australia and overseas. He has a Masters of Economics and qualified as a Chartered Accountant with Deloitte, where he commenced his career. Jonathan has restructured and listed a range of public companies and been a director of publicly listed companies in the resources and industrial sectors.

# RISK FACTORS

Risk factor	Explanation
Visa settings	The ease or difficulty with which an international student can obtain a student visa can impact the attractiveness of that country as a study destination
Currency movements	A low AUD can benefit the international education sector by increasing the affordability of travel to and study in Australia. This can be offset by international students working in Australia to meet their living and study expenses
Perception of Australia as a study destination	Multiple factors impact the perception of Australia as a study destination for international students including the above, the quality and reputation of the education system as a whole, personal safety and so on
Regulation	Increased regulation can have cost impacts, however can also benefit the sector as a whole by improving quality and outcomes
Increased competition	Competition exists at a country level and a provider level and can impact pricing, agent commission levels and ultimately, earnings
Cost inflation	Teaching and venue costs are generally tied to inflation. Price increases or efficiency improvements may be required to maintain operating margins
Provider reputation	Reputation with agents and students can be a strong determining factor in recruiting new international students





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