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CEO Address to 2020 Annual General Meeting

As required by Listing Rule 3.13.3, UCW Limited hereby provides a copy of the prepared address by Adam Davis, the Chief Executive Officer, to the 2020 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 2020 Annual General Meeting

Welcome to the UCW Limited 2020 Annual General Meeting.

The 2020 financial year was another important year for UCW. Despite the challenges that we, like so many businesses, faced, we remain resolute in our vision to become the leading ASX-listed tertiary education provider in Australia.

The good news for shareholders is that we finished the year with record revenue and profitability. We achieved an 18% increase in revenue to \$25.5 million on the previous corresponding period, growth in underlying EBITDA (pre AASB 16) of 127% to \$3.9 million, and an increase in underlying net profit after tax (pre AASB 16) of 132% to \$2.2 million.

That said, it was very much a tale of two halves.

The first half saw us recording year-on-year organic revenue growth of 39% to \$12.7 million. This was primarily driven by a 41% increase in international student enrolments in Australian Learning Group (ALG), our vocational education provider focused on the international student market.

We contained costs while continuing to invest in the business. It was pleasing to see operating leverage beginning to emerge as EBITDA (pre AASB 16) grew to \$1.2 million compared to a loss of \$0.4 million in the previous corresponding period.

We also had a larger contribution from Ikon Institute, our FEE-HELP approved higher education provider that is focused on the domestic student market.

In the second half, and ahead of COVID-19's impact on the business from around March 2020, the momentum carried through into the third quarter. ALG saw record international student enrolments of 2,458, up 32%, and Ikon had 168 new student enrolments in its February full-year intake, a similar number to the previous corresponding period.

As you would expect, COVID-19 presented the company with many challenges. Added to the closure of Australian borders, and the Government encouraging temporary visa holders to return home, business closures resulted in rising unemployment among foreign students who received minimal government financial support. And as expected, there was an immediate decline in international student enrolments in ALG. Enrolments between 3Q20 and 4Q20 dropped by 309 students or 12.6% to 2,149. This was against a backdrop of a three-year annualised CAGR of over 30%, and represented a meaningful setback to ALG's recent trajectory.

To help redress the situation, your management and the board took immediate and decisive steps. We initiated our mitigation plan and reduced our cost base, starting at the top with the UCW board and executives. The board agreed to forego remuneration for six months. Both I, as CEO, and CFO Lyndon Catzel reduced our pay by 20% for the same period and, notwithstanding the fact we had partially achieved our goals, we waived our short-term incentives. We reduced ALG's headcount, decreased the working hours of the remaining non-academic staff to a four-day week, and exited surplus property among a raft of other measures.

Staff transitioned well to working remotely and both ALG and Ikon quickly pivoted to online delivery. This was a significant undertaking, given both businesses ordinarily deliver face-to-face on campus. The shift to online enabled the businesses to continue to operate and was made possible by the extra efforts of many of our staff. I want to take this opportunity to acknowledge the supreme efforts of both the ALG and Ikon teams; I am proud of what they and the company as a whole were able to achieve under intense pressure and in such a short timeframe.

As a result of these efforts and changes, course delivery has continued through the various lockdowns, enabling the company to continue to generate revenue and, most importantly, for students to progress in their studies.

At a time of great need for ALG and Ikon's international students, most of whom were unable to access any form of government assistance and many of whom had lost their jobs, we stepped up and

supported our students by passing on the cost savings we had managed to achieve, in the form of fee discounts and food vouchers. To-date, ALG has delivered approximately \$400,000 in food vouchers to its international students, in addition to providing approximately \$1.1million in tuition and other fee discounts. We view supporting our students and through this, the sector, as not only good for long-term business but also as an integral part of our corporate responsibility.

Ikon's revenue was only marginally impacted, through higher than expected COVID-19 related attrition. However, ALG's fourth-quarter revenue was materially down on the prior quarter due to its lower enrolments and fee discounts.

With the momentum from the first half carrying through into the third quarter but offset by a weaker fourth quarter, revenue in the second half ended up flat on the previous corresponding period at \$12.8 million, while underlying EBITDA (pre AASB 16) was up 20% to \$2.5 million. EBITDA (pre AASB 16) in the second half was boosted by around \$1.1 million of COVID-19 relief, mainly JobKeeper payments. This partially offset our reduced fourth quarter revenue and helped contribute to some of the student support initiatives mentioned earlier.

Of note is the fact that we ended the year with \$6.6 million in cash, against drawn debt of \$4.2 million (excluding bank guarantees). This was up against 31 December 2019, where cash stood at \$3.2 million, against drawn debt of \$4.2 million. Since 30 June 2020, I am pleased to report that through strong cash management and some of the steps noted above, our liquidity has improved further. As at 30 September 2020, against \$4.2 million of drawn debt, cash had increased by \$2.1 million and stood at a healthy \$8.7 million.

With the peak of the pandemic, at least in Australia, hopefully having passed, and Australia progressively coming out of lockdown, staff and students have largely returned to campus and we have resumed face-to-face teaching. ALG staff have also recently returned to a five-day week and board and executive remuneration has returned to pre-pandemic levels. No fixed remuneration increases are proposed for the board and executives in FY21.

It is encouraging that, coming into FY21, ALG student enrolments appear to have stabilised at over 2,200 students per quarter. As long as the international borders remains closed, we remain cautious. We are, however, encouraged by the recent progress being made in the development of a vaccine and the implications this may have on the reopening of international borders and subsequent normalising of student mobility.

The discount on ALG's tuition fees that applied during 4Q20 and 1Q21 was not extended into 2Q21. Pleasingly, tuition fee collections patterns appear to be normalising to pre-pandemic levels.

Ikon recorded 54 new student enrolments in its mid-year intake in June 2020 and benefiting from the tailwinds in the domestic student market, had an inaugural third-trimester intake in September 2020, recording a further 40 new student enrolments.

Diversifying our business across both the vocational and higher education sectors, and across international and domestic students, has served the company well. We intend to continue this strategy of growing and expanding our offering through complementary acquisitions and new course development, among other initiatives.

In May 2020, Ikon gained accreditation for a new degree program, a Bachelor of Early Childhood Education, with the first student intake set for February 2021. This program has been designed to appeal to both domestic and international students; noting ALG's largest student cohort is in the Diploma of Early Childhood Education and Care and is expected to be a feeder for the Bachelor degree.

As a multi-sector provider, developing pathways across and within the student lifecycle, including from vocational into higher education, is a core part of our product development and corporate strategy. Ikon is currently developing a postgraduate course which it anticipates submitting for accreditation in calendar 2021.

Notwithstanding the pandemic we have continued to develop our businesses.

ALG has invested in enhancing its learning resources and compliance. It has implemented a new national approach to course timetabling, improving campus utilisation, and new systems to measure and improve customer service. A new Learning Management System is providing ALG with the ability to improve its delivery, assessment processes, and academic support, as well as move away from printed course materials. All of these investments are supporting ALG's objective of becoming a 'provider of choice'.

Ikon has continued to invest in building out its governance framework and has also implemented several operational improvements, including introducing on-demand academic and non-academic support, streamlining of its academic calendar, and enhancements to its student recruitment capability and processes. Ikon is also currently changing its current Learning Management System to the same system as is being utilised in ALG.

After a successful move to online course delivery at the outset of the pandemic, Ikon has now received regulatory approval to permanently continue delivering its courses online as part of a blended learning environment. This approval presents new revenue opportunities as well as potential cost efficiencies for the business.

COVID-19 has demonstrated how resilient the Australian education market is. We believe there are significant opportunities to actively participate in the ongoing consolidation of the sector and to leverage the structural shift towards private providers. As I said at the outset, our vision to be the leading ASX-listed tertiary education provider in Australia remains intact.

We recognise that as an education provider and a listed entity we have multiple stakeholders. We are committed to investing in and delivering quality study experiences and outcomes to our students; becoming an employer of choice for academic and other staff; maintaining positive relationships with our various regulators; and being a responsible corporate citizen. It is through these principles that we will create long-term value, thereby serving the interests of shareholders.

In conclusion, I would once again like to acknowledge the dedication and support of staff, management, the board -- and not least our students -- as we navigate these challenging times.

On behalf of the board, I would also like to thank our shareholders for your continued support.

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