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COVID-19 Update

The Board of UCW Limited (**UCW** or **the Company**) provides the following update on its response to and impact of the COVID-19 pandemic, the related social distancing measures and economic disruption.

UCW's operating businesses, Australian Learning Group (**ALG**) and Ikon Institute (**Ikon**) operate in distinct segments of the tertiary education sector:

- ALG is a vocational education and training provider (VET), primarily servicing international students; and
- Ikon is a higher education (HE) provider, primarily servicing domestic students.

At present, the pandemic has impacted UCW's businesses differently and as such our business continuity procedures and mitigation actions have varied considerably for each business.

As previously advised, both businesses have moved to online delivery. In addition, most staff are working remotely in accordance with government guidelines. Face-to-face teaching will resume when the Board determines it is safe and appropriate to do so.

Australian Learning Group (ALG)

ALG's second academic term of calendar 2020 (Term 2) is due to commence on 20 April, with all scheduled courses proceeding. As noted above, Term 2 will be delivered online, rather than ALG's standard on-campus, face-to-face delivery mode.

International student enrolments have steadily declined since mid-March 2020, largely as a result of cancellations and deferrals directly attributed to the pandemic. Understandably, many international students have chosen to defer their studies at this time or are unable to commence their studies due to global travel bans. Enrolments for Term 2 are expected to be around 2,100 students (vs 2,458 in Term 1 and 2,001 in the previous corresponding period).

With the Australian border closed to non-citizens and non-residents, and therefore no new international students entering the country, the Board expects new student commencements to be materially down for at least the remainder of the 2020 calendar year. With students completing each term (and exiting for other reasons), total student enrolments are therefore expected to continue to decline for as long as the travel bans and border closure remain in place.

Average revenue per enrolment will also be lower for the duration that teaching remains online. Responding to the high levels of unemployment of temporary visa holders as a result of business closures in response to social distancing measures, ALG has implemented a 10% discount on Term 2 tuition fees as part of a financial support package for its international students. ALG's other financial support initiatives include:

- extended tuition payment dates for Terms 2 and 3;
- waiving of Term 1 late fees; and
- a waiver of the \$595 joining fee for new students commencing in Terms 2 or 3, to assist in attracting new students.

While there have been a number of additional costs in moving to online delivery, overall cost savings are expected to be derived in this delivery mode. ALG has committed to further supporting students by passing on some of these cost savings, as reduced tuition fees in Term 3.

Given the expected decline in revenue, ALG has implemented and continues to pursue a number of cost saving initiatives. These initiatives include:

- reducing the size of its non-academic workforce by approximately 25%;
- moving all remaining non-academic staff to a 4-day week with a commensurate 20% decrease in remuneration;
- exiting of excess temporary leased and licensed premises;
- entering into commercial negotiations with landlords for rental abatements and deferrals on ALG's permanent leased premises;
- registering for JobKeeper and other government coronavirus (COVID-19) response programs; and
- pausing other campus related operating costs where appropriate and available.

Ikon Institute (Ikon)

As noted at the time of the FY20 interim results announcement, Ikon's intake of new students into its higher education programs for the first academic term of calendar 2020 (Trimester 1) was at a similar level to the previous corresponding period, in line with the Board's expectations. However, attrition of continuing students from prior years has been higher than anticipated.

To date, Ikon has had a total of 387 higher education students pass a census date in Trimester 1. This compares to 316 students that passed a census date in Trimester 3, 2019 and 430 in the previous corresponding period.

Following completion of a non-scheduled two-week recess period during Trimester 1, Ikon has recommenced teaching, online. All courses are continuing to be delivered, with the majority of staff working remotely.

At this stage, withdrawals do not appear to have materially increased as a result of the pandemic and Ikon is continuing to receive enquiries from prospective students in respect of its mid-year (June) Trimester 2 intake.

Ikon continues to invest in new course development and intends to apply for places in the government's 'short online courses' initiative.

There has been no change to Ikon's workforce at this stage, however a number of planned hires have been deferred. Ikon has also registered for JobKeeper.

Group

As at 31 March 2020, the Company had cash at bank of \$4.8m and group net debt of \$0.4m.

CBA has agreed to defer the scheduled amortisation payments of the Company's finance facility for the next nine months (\$917k). A 'balloon payment' of \$2.25m will now be due in October 2022, compared to \$1.5m prior.

Acknowledging the significant overall impact of the pandemic on the Company, effective 1 April until further notice:

- the Board is foregoing all Board fees; and
- the CEO and CFO have agreed to a 20% reduction in their respective remuneration and have waived their short-term incentive entitlements in respect of FY20.

Given the uncertainty surrounding the depth and longevity of the impact of the pandemic and the government's COVID-19 response programs, management's level of confidence in forecasting the balance of the year has been greatly diminished. As such, the Company is withdrawing its guidance provided at the time of the FY20 interim results.

The Board will continue to provide updates to the market as appropriate.

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.