



# UCW

LIMITED

ASX:UCW

**INVESTOR PRESENTATION**

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April 2016

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# ABOUT UCW

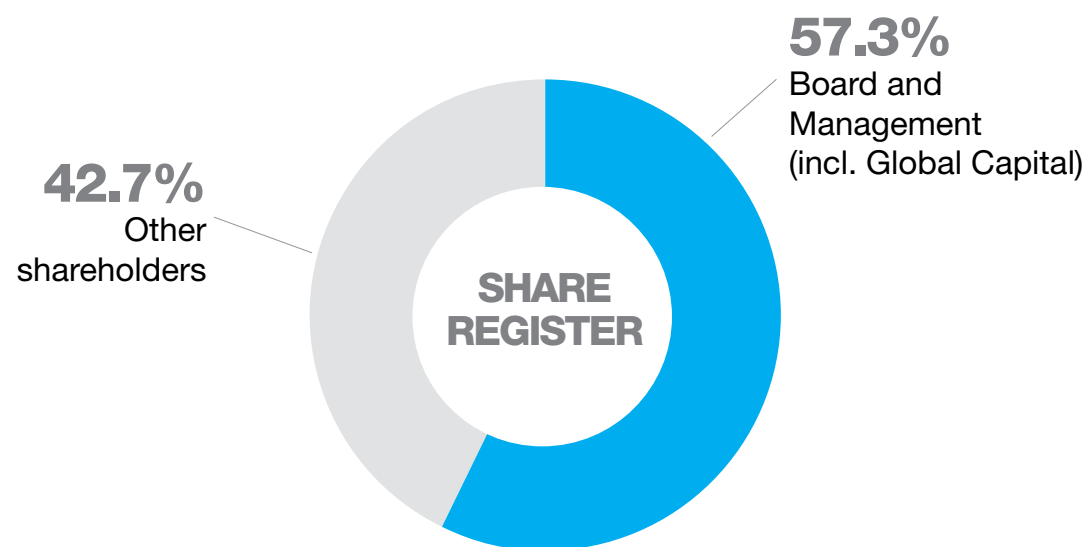
To build a fee-for-service education business with a focus on the international student market

Acquire campus-based businesses we can grow through product, campus and delivery mode expansion

Positive thematic behind international education and ongoing privatisation of education sector

Experienced board with successful track record in private education and corporate development

	Number	% Diluted
Ordinary shares	296,642,396	76.8%
Options exercisable at 4c per share, expiring 30 June 2018	18,750,000	4.9%
Options exercisable at 6c per share, expiring 30 June 2018	70,774,115	18.3%
Fully diluted	386,166,511	100.0%
	<b>\$m</b>	
Market capitalisation at 6 cents per share	17.8	
Cash balance	9.7	



## Board

**Gary Burg**  
Non-Executive Chairman

**Adam Davis**  
Chief Executive Officer

**Peter Mobbs**  
Non-Executive Director

**Jonathan Pager**  
Non-Executive Director

**Michael Pollak**  
Non-Executive Director

- \$11.75m raised in March 2016 at 6 cents per share with 1 option for every 3 shares subscribed, exercisable at 6 cents by 30 June 2018
- Global Capital consortium invested \$6.5m into the capital raising for undiluted interest of 36.5%
- ALG acquired on 24 March 2016 for upfront payment of \$4m cash and \$1m in shares on same terms as capital raising
- Deferred consideration to ALG vendors due in November 2016. Minimum of \$3.5m in cash and working capital adjustment (TBD)
- Matt Smith and Margaret Armstrong (ALG vendors) retained as CEO and Director of Studies of ALG respectively
- Strategy to invest in growth initiatives that may impact short term profitability

# BOARD OF DIRECTORS

## **Gary Burg** Non-Executive Chairman

Gary has been involved with the broader Global Capital Group since 1995 in South Africa and in Australia since 2001. In Australia, Gary has been involved in a number of businesses across a range of sectors including life insurance, financial services and education. Gary is currently a director of Clearview Limited and Global Capital Holdings (Australia) Pty Limited, which is the investment manager of the recently established Global Capital Principal Investments business in Australia. He is a former director of (and investor in) 3Q Holdings Limited and South African listed Capital Alliance Holdings Limited (which owned Capital Alliance Life Limited and Capital Alliance Bank Limited). Gary is also a former director and investor in Prefsure Life Limited and Insurance Line.

## **Adam Davis** Chief Executive Officer

Adam Davis has extensive experience in the education sector, having founded and then acted as Chief Executive Officer and Managing Director of ASX-listed Tribeca Learning Limited. The company was acquired in 2006 by Kaplan, Inc., a division of NYSE-listed The Graham Holdings Company (formerly The Washington Post Company), to form the foundation of its Australian operations.

Under Adam's stewardship, Tribeca Learning acquired and integrated numerous education businesses servicing the Australian financial services sector, consolidating a fragmented market and creating the leading national provider. Tribeca Learning offered a broad range of accredited courses and continuing education programs and its customers included most of the major financial institutions in Australia.

Adam holds a Bachelor of Applied Finance degree from Macquarie University.

## **Peter Mobbs** Non-Executive Director

Peter led the private equity backed merger of his company, Ivy College, with the education arm of the Australian Institute of Management (AIM) – a 75 year old brand. Peter is now Group CEO and is a director and shareholder of the merged group – Scentia.

In previous roles, Peter was the Director of Operations, Career Education within Study Group – a global education provider – and held the role of Managing Director, Martin College, also a Study Group business.

In earlier years, Peter established real estate education business, Agency Training Australia, which in 2006 was acquired by Kaplan Inc., a division of NYSE listed Graham Holdings Company (formerly The Washington Post Company).

Prior to entering the education sector, Peter worked as a lawyer in both the U.K. and Australia. He holds degrees in both commerce and law and is admitted to practise in the Supreme Court of NSW. He is a member of the Law Society of NSW and the Australian Institute of Company Directors.

## **Jonathan Pager** Non-Executive Director

Jonathan has over 20 years' experience as an adviser across a wide range of industries in Australia and overseas and is currently Managing Director of Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. Jonathan has recapitalised several ASX-listed companies across both the resources and industrial sectors. He is currently a director of Montech Holdings Limited (ASX:MOQ), Finance Director of Noble Mineral Resources Limited (ASX:NMG) and was more recently a director of AHAlife Holdings Limited (ASX: AHL), Rhipe Limited (ASX:RHP), Metalicity Limited (ASX:MCT) and Prospect Resources Limited (ASX:PSC).

## **Michael Pollak** Non-Executive Director

Michael holds a bachelor of Commerce, is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers over 15 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Michael is currently a director of ASX-listed HJB Corporation Limited (ASX:HJB) and Montech Holdings Limited (ASX:MOQ), and was previously a director of Rhipe Limited (ASX:RHP), Disruptive Investment Group Limited (ASX:DVI), Prospect Resources Limited (ASX:PSC) and Metalicity Limited (ASX:MCT), being companies he previously recapitalised. In addition to these, Michael has been involved in the restructuring, recapitalisation and relisting of a number of other ASX listed entities.

## VET Sector

- Certificate I to Advanced Diploma qualifications delivered by RTOs
- Highly regulated
- Fragmented with circa 5,000 providers
- Structural shift towards privatisation
- Domestic market driven by VET FEE-HELP - currently under review

## International education

- Australia's 3rd largest export worth circa \$18b
- Growing at circa 15% p.a.
- Articulated Government strategy to promote Australian education exports
- Increasing student mobility. Australia is a top 5 destination
- Low A\$ supporting growth

# TYPICAL ACQUISITION PROFILE

- Campus-based RTO with a clear growth path
- Profitable and cash flow positive
- \$1m - \$5m EBITDA
- Valuation of 3 to 5 x EBITDA
- Combination of cash and share consideration
- Vendors retained and aligned with equity

# INITIAL ACQUISITION

- Completed 24 March 2016 post completion of \$11.75m capital raising
- Australian Learning Group Pty Ltd (ALG) is a national provider of accredited vocational education to the international and domestic student market in the areas of Fitness, Sport and Recreation Management, Massage Therapy and Dance Teaching
- Campuses in Sydney, Melbourne, Brisbane and Perth with approved CRICOS capacity of 1,375 students
- Profitable and cash flow positive with ~20% CAGR in revenue over past 3 years
- Fee-for-service model with no Government funding or VET-FEE HELP revenue
- Purchase price of 5 x FY16 Normalised EBITDA (minimum \$8.5m)
- ALG vendors retained and aligned with equity (escrowed for 24 months)



# ABOUT ALG



- Founded in 2005 by current vendors
- Attained CRICOS registration 2008

**Australian Learning Group** <http://alg.edu.au/>



Established 1985

**NSW School of Massage** <http://schoolofmassage.com.au/>



Established 2008

**Australian College of Sport and Fitness** <http://acsf.edu.au/>



Established 2015

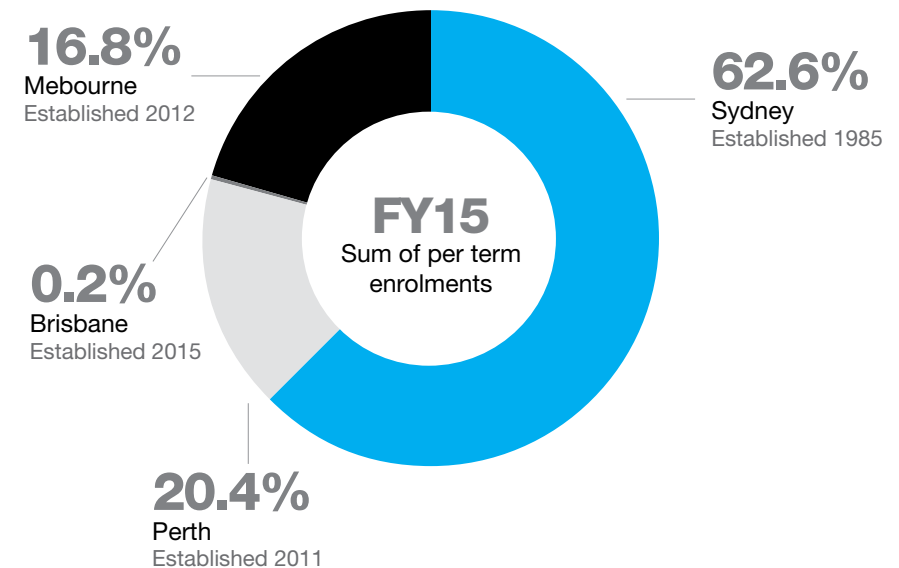
**Australian College of Dance** <http://dancecollege.com.au/>

Approved CRICOS capacity by campus:

Campus	CRICOS capacity
Sydney	600
Melbourne	350
Brisbane	150
Perth	275
<b>Total</b>	<b>1,375</b>

- Obtained 38% increase in CRICOS capacity during calendar 2015

International student enrolments by campus:



- Brisbane campus only recently established. Potential growth in commencements as campus matures in line with Melbourne and Perth

# COURSES AND JOB OUTCOMES

Course name	Expected job outcome
<b>Australian College of Sport and Fitness</b>	
Certificate III in Fitness	Gym Instructor
Certificate IV in Fitness	Personal Trainer
Diploma of Fitness	Specialist Personal Trainer
Diploma of Sports and Recreation Management	Managerial Role
<b>NSW School of Massage</b>	
Certificate IV in Massage Therapy Practice	Massage Practitioner
Diploma of Remedial Massage	Remedial Massage Practitioner
<b>Australian College of Dance</b>	
Certificate III in Assistant Dance Teaching	Assistant Dance Teacher
Certificate IV in Dance Teaching and Management*	Dance Teacher

\*Not yet added to CRICOS register

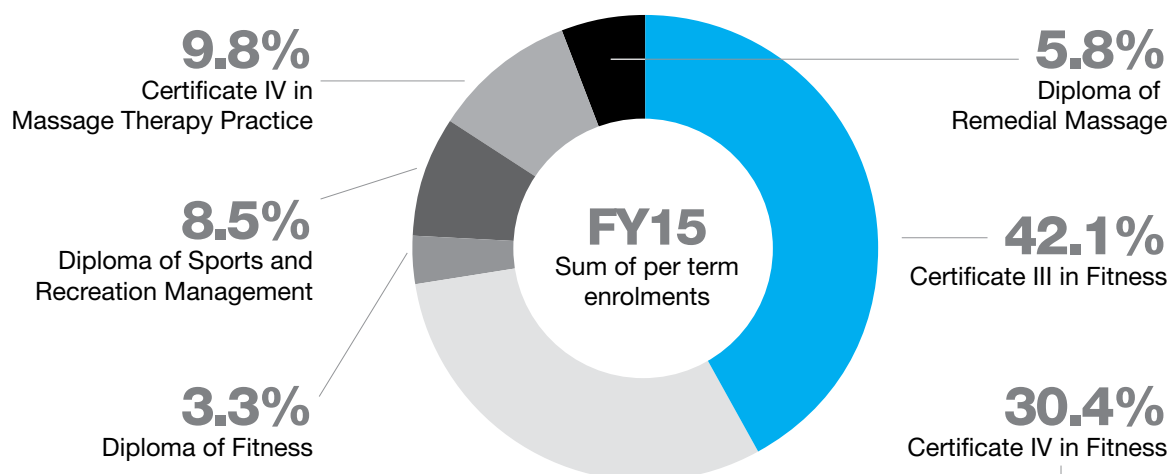
- 8 qualifications on scope of registration as RTO
- Strong compliance history with a low-risk provider rating from ASQA

# REVENUE ANALYSIS

Market	H1, FY16 \$000's	%	FY15 \$000's	%
International	2,686	83.0%	4,697	75.9%
Domestic	549	17.0%	1,491	24.1%
<b>Total</b>	<b>3,235</b>	<b>100%</b>	<b>6,188</b>	<b>100%</b>

- International student revenue as a proportion of total revenue continued to increase in H1, FY16 compared to FY15
- Strong growth in international enrolments: up 29.4% during H1, FY16 against previous corresponding period
- Domestic enrolments declined in H1, FY16 due to increased competition from VFH providers
- International and domestic enrolments have historically been stronger in the second half of the financial year

## International student enrolments by course:



# INTERNATIONAL STUDENT OFFERING

- **Structure:**

- Classroom delivery, 20 hours per week

- **Pricing:**

- Payment in advance means negative working capital

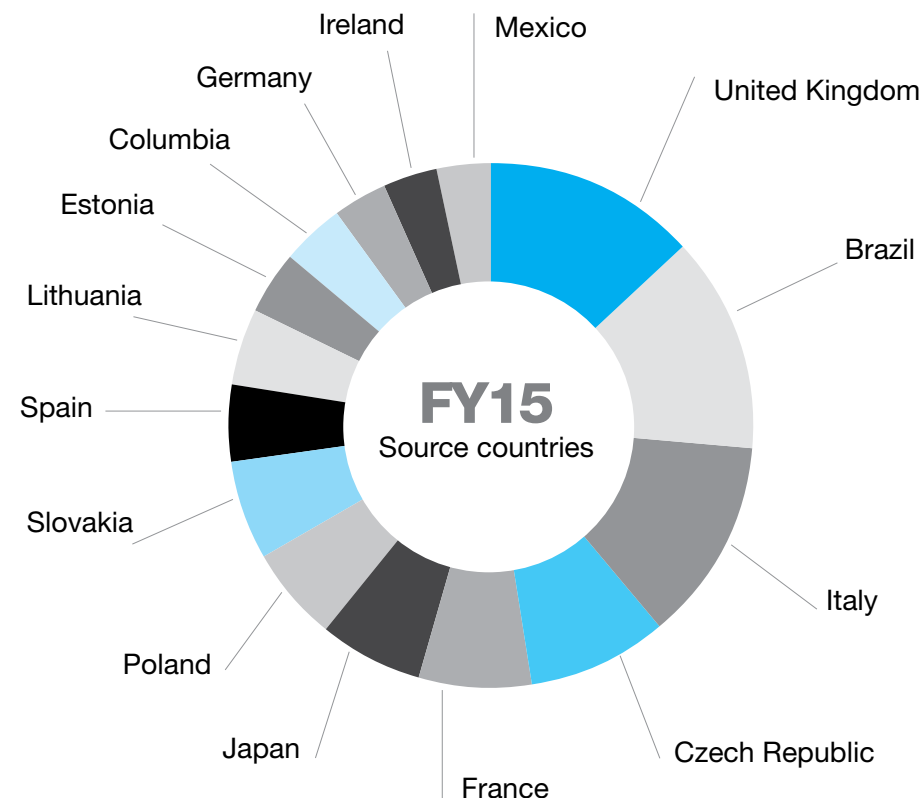
- **International student lifestyle:**

- Geared to student visa requirements
- Permits 20 hours work per week
- Modular course offering allows progressive extension of visa

Course name	Duration (weeks)	Duration (terms)	Total Fee
Certificate III in Fitness	39	3	\$5,465
Certificate IV in Fitness	39	3	\$5,465
Diploma of Fitness	26	2	\$4,175
Diploma of Sports and Recreation Management	52	4	\$7,155
Certificate IV in Massage Therapy Practice	39	3	\$6,065
Diploma of Remedial Massage	78	6	\$11,735
Certificate III in Assistant Dance Teaching	52	4	\$7,155

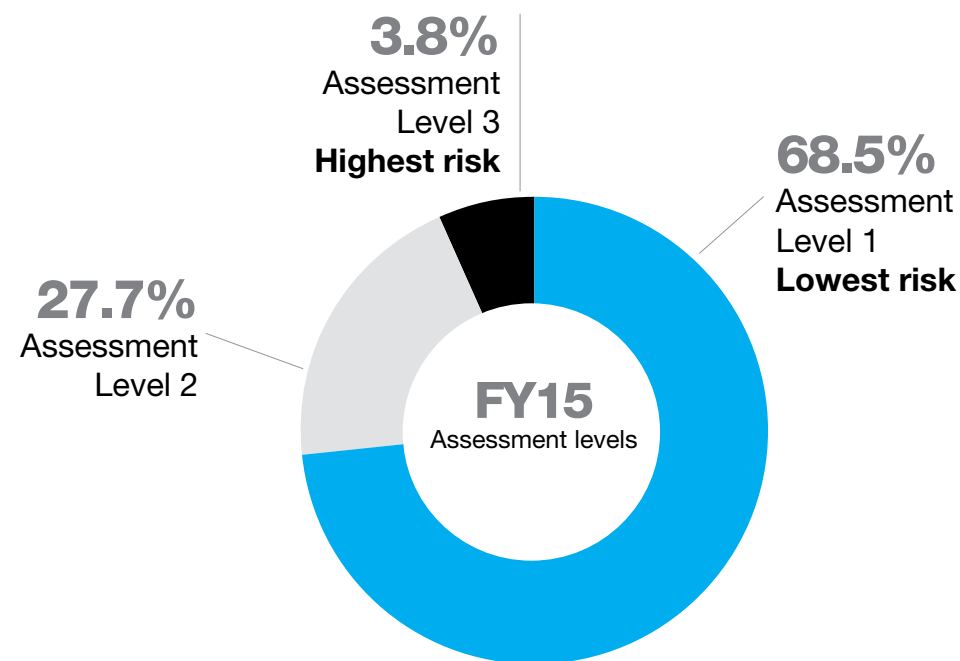
# INTERNATIONAL DISTRIBUTION

International student enrolments by country of origin (Top 15):



- Network of ~400 agents. Commission of 22.5 - 25%. Top 10 agents accounted for 40 - 45% of enrolments in FY15
- 20 - 25% of FY15 enrolments were direct

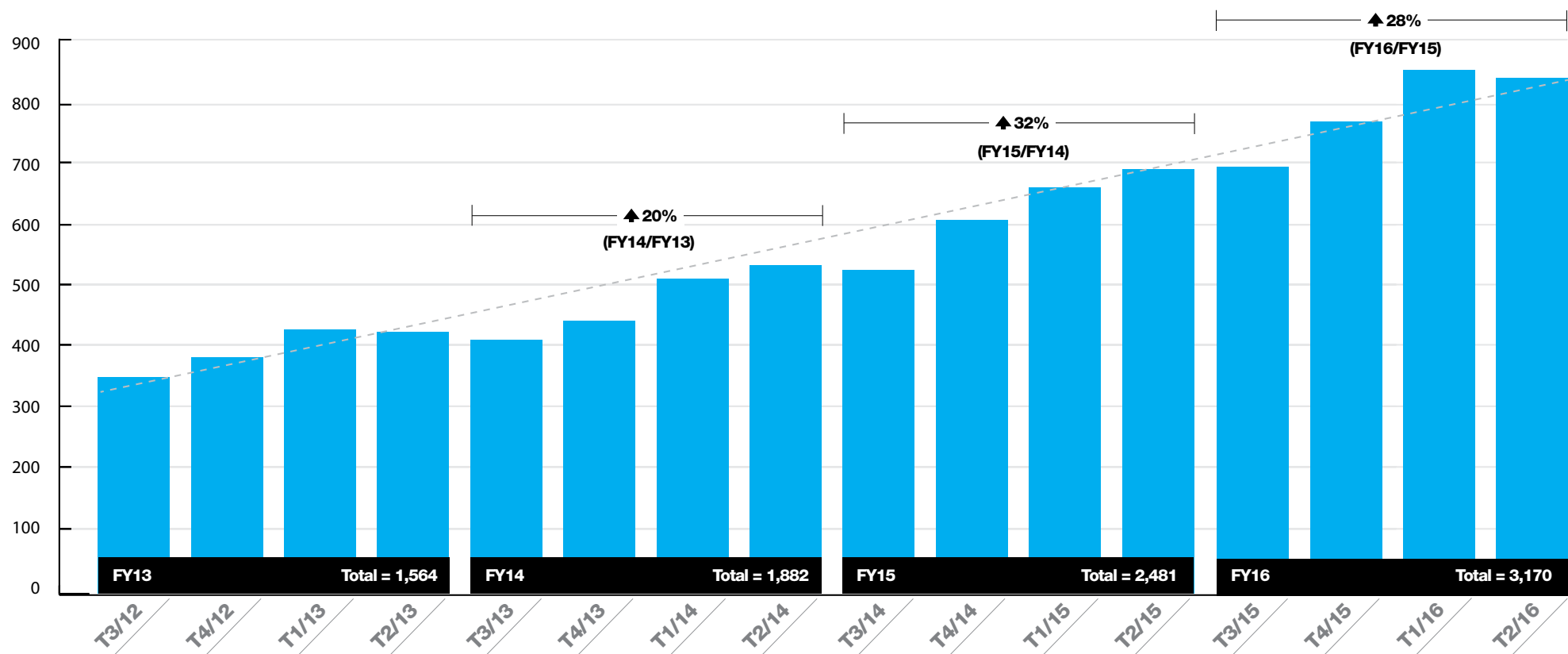
International student enrolments by assessment level of country of origin (Top 15):



- The Top 15 source countries represent 76.6% of FY15 student enrolments
- Only 3.8% of enrolments from the Top 15 source countries are high-risk assessment level

# INTERNATIONAL GROWTH OPPORTUNITY

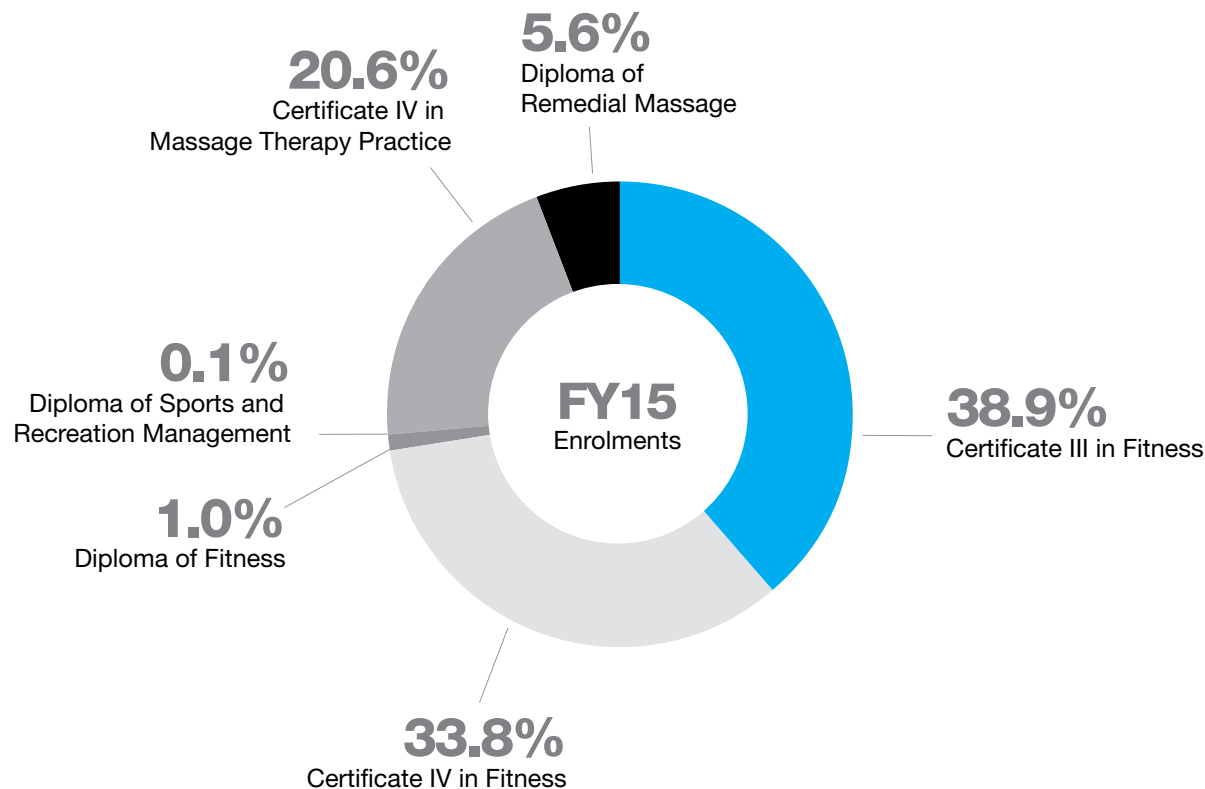
International student enrolments by term:



- Opportunity to fill recently increased CRICOS capacity (currently at circa 60% capacity)
- Brisbane campus only recently established, opportunity to add additional campus locations
- Rollout of existing courses across campuses and introduction of new courses
- Active agent management and improved direct marketing

# DOMESTIC STUDENT OFFERING

Domestic student enrolments by course:



- **Structure:**

- Predominantly distance education, self-paced

- **Distribution:**

- Direct and through resellers

- **Pricing:**

- Per course fee, either paid upfront or via payment plan

- **Growth Opportunity:**

- New courses and colleges
- Transition to fully online
- Introduction of VET FEE-HELP



# P&L SNAPSHOT

	Unaudited H1, FY16 \$000's	Audited FY15 \$000's	Audited FY14 \$000's	FY15/FY14 Change %
Revenue	3,425	6,480	5,358	21.0%
Cost of goods sold (COGS)	(1,394)	(2,388)	(1,931)	23.7%
Gross profit	2,031	4,092	3,427	19.4%
% Gross profit margin (GM)	58.9%	63.1%	64.0%	
Operating expenditure (OPEX)	(1,486)	(2,892)	(2,264)	27.8%
Profit before tax	545	1,200	1,163	3.1%
Add back interest, depreciation & amortisation	26	37	31	20.0%
EBITDA	571	1,237	1,194	3.6%
<b>Normalisation Adjustments</b>				
Rent	48	97	97	
Royalties	6	76	28	
<b>Normalised EBITDA</b>	<b>625</b>	<b>1,410</b>	<b>1,319</b>	<b>6.90%</b>

Notes:

- Normalisations relate to reduced rent and royalties post completion
- ALG has achieved ~20% CAGR in revenue growth for past 3 years
- Course fees have not increased for several years
- COGS comprises mainly commissions, variable teaching and venue costs
- OPEX comprises mainly permanent staff costs and rent
- GM in H1, FY16 impacted by higher commissions due to lower direct enrolments

# ALG MANAGEMENT TEAM

## Matthew David Smith Chief Executive Officer

Matthew is the co-founder and sole director of ALG. Since ALG's inception, Matthew's primary responsibilities have concerned ALG's strategic direction and business development, which has included new business modelling, product development and key partnership development.

## Margaret Elizabeth Armstrong, Director of Studies

Margaret is the co-founder and Director of Studies of ALG. Since ALG's inception Margaret's primary responsibilities have concerned course development, compliance and teacher performance management.

## Andreas Lippa, General Manager and Director of Sales

Andreas is the General Manager and the Director of International Sales of ALG. Andreas has been an employee of ALG since 2009 and his primary responsibilities have concerned the management of international student sales via education agent networks, and also providing support to the CEO with respect to general management and daily business operations.

Role	#
Senior Management Team	3
Managers	7
Support Staff	7
Customer Service / Student Support	10
<b>Total</b>	<b>27</b>

- ALG employs 27 FTE's
- During FY15, six additional FTE's were added to support growth

- Experienced board with successful track record in private education and corporate development
- Big market opportunity to build a fee-for-service private education business, with a focus on the international student market
- Initial acquisition is a profitable, quality RTO and CRICOS provider, with significant organic growth opportunity. 28% CAGR in international enrolments over the last 3 years. 100% of revenue derived from fee-for-service offering (no VET-FEE-HELP)
- Actively targeting earnings accretive acquisitions that add product and distribution
- Well capitalised with supportive shareholder base

# CONTACT DETAILS

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