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ASX Market Release

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Market Update

The Board of UCW Limited (**UCW** or **the Company**) is pleased to provide the following market update in relation to the Company's performance for the half-year ended 31 December 2020 (1H21).

Financial highlights¹:

- Earnings (EBITDA, post AASB16) of \$2.6m to \$2.8m – well above the Board's expectations at the outset of the pandemic, up 5.9% (at the mid-point) on the previous corresponding period (**PCP**), on revenue of \$11.6m to \$11.8m
- Strong cash position of \$7.7m - \$5.2m improvement to net cash² against PCP
 - UCW's disciplined financial management, including during the last 12 months, has enabled the Company to grow its cash position notwithstanding the COVID-19 pandemic (without undertaking a capital raise)
 - UCW is well capitalised to withstand the impact of the pandemic for a protracted period of time and to take advantage of potential operational and corporate opportunities

Corporate highlights:

- Takeover bid for fellow ASX-listed tertiary education group, RedHill Education Limited (ASX:RDH) launched in December 2020 - current acceptances at 26.8% of RedHill's shares, including RedHill's two largest shareholders – Perpetual and Viburnum³
- The combined group presents an attractive outcome for both sets of shareholders to maintain exposure to and benefit from growth in the tertiary education sector
 - RedHill shareholders can accept the Offer by accessing the following link: <https://investor.automic.com.au/#/signup>. Enter "UCW", select "UCW Limited Takeover RedHill Education 2020" and follow the prompts

Operational highlights:

- ALG international student enrolments up 1.5% on PCP - ahead of the Board's expectations at the outset of the pandemic

¹ All financial results for 1H21 are subject to audit

² Net cash represents cash less drawn debt (excluding bank guarantees)

³ Refer to the Company's ASIC Forms 603 and 604, given to ASX on 14 December 2020 and 8 January 2021, respectively for further detail

- Ikon Higher Education student numbers up 10.3% on PCP - inaugural Trimester 3 intake, boding well for calendar 2021 revenue growth

Financial highlights:

Earnings (EBITDA) up 5.9% (at the mid-point) on PCP; increased cash balance to \$7.7m and reduced debt; well capitalised to take advantage of operational and corporate opportunities

Through careful management, the benefit of government relief⁴ and the quality positioning of its businesses, the Board is pleased to report that the Group achieved 5.9% growth in EBITDA⁵ (at the mid-point) compared to PCP, on revenue of \$11.6m to \$11.8m.

As at 31 December 2020, cash stood at \$7.7m and debt was \$3.8m (only \$1.0m of which is due within the next 12 months), representing a \$5.2m improvement in the Group's net cash position against PCP. UCW's disciplined financial management, including during the last 12 months, has enabled the Company to grow its cash position notwithstanding the COVID-19 pandemic (without undertaking a capital raise).

The Board considers UCW to be well capitalised to take advantage of both operational and corporate opportunities as they emerge.

At the Company's request, amortisation of the CBA market-rate loan recommenced ahead of schedule, with amortisation payments of \$0.3m made during the half. The Board is confident the Company will continue to meet loan covenants.

Corporate highlights:

Off-market takeover bid for RedHill Education Limited

On 14 December 2020, the Company announced its intention to conduct an off-market takeover bid (**Offer**) for fellow ASX-listed education group, RedHill Education Limited (RedHill). The Offer opened on 29 December 2020 and will remain open until 29 January 2021, unless extended or withdrawn.

RedHill, like UCW, is positioned as a high-quality tertiary education group, which operates through a number of college brands, with courses in Media, Technology and Management, as well as ELICOS and a student recruitment business. The courses delivered are non-competitive with UCW and thus highly complementary to the proposed merged group. Both companies currently hold an Immigration Risk Rating of 'Level 1', which is the lowest possible.

The Offer is supported by RedHill's two largest institutional shareholders who entered into pre-bid acceptance agreements with UCW for 19.9% in aggregate of RedHill shares. Effective 12 January 2021, UCW had received acceptances representing 26.8% in total of RedHill's ordinary shares.

Commenting on the takeover bid, Adam Davis said: "This transaction is about preserving value for both sets of shareholders on 'Day 1' during these uncertain times, and then emerging with a stronger 'Day 2' opportunity to fully participate in the recovery and beyond.

RedHill's largest shareholders have recognised the merits of a combined group, which both preserves value and delivers a larger, more diverse education business. The combined group will have a broader range of domestic and international student offerings and courses in fields of study supported by long-term employment opportunities. Both businesses currently have the lowest possible risk rating and are committed to delivering quality outcomes for students.

⁴ During 1H21, \$1.1m of government relief was received. This was partially offset (\$0.6m) through various support measures provided to our students, namely fee discounts, food vouchers and administrative fee waivers

⁵ On a pre-AASB-16 basis, Group EBITDA was \$1.6m to \$1.8m, up 38.2% (at the mid-point)

The Company believes that the proposed merger will provide scale benefits, a deeper and more diverse shareholder base, improved liquidity and market relevance. This would set the combined group up well to participate in ongoing market consolidation through further corporate activity.

The UCW Board and management team have significant experience and a successful track record in acquiring, integrating and operating education businesses, both within UCW and in other companies.

We look forward to keeping shareholders informed of the progress of the proposed transaction over the coming weeks.”

RedHill shareholders can accept the Offer by accessing the following link:

<https://investor.automic.com.au/#/signup>. Enter “UCW”, select “UCW Limited Takeover RedHill Education 2020”, and follow the prompts.

Operational highlights:

UCW’s CEO, Adam Davis, said: “Both ALG and Ikon have recorded growth in core student numbers during 1H21 and are performing ahead of the Board’s expectations at the outset of the pandemic. This is a testament to the strength and positioning of both businesses as quality education providers.

Australian Learning Group (ALG) - international student focused vocational provider

Demonstrating resilience; modest growth in enrolments ahead of the Board’s expectations; continued investment and operational improvements to support future growth

ALG’s 1H21 international student enrolments were 4,472⁶, up 1.5% on the PCP. This encouraging result in these challenging times was due to a combination of the high retention rate of existing students and stronger than expected new student enrolments. This reinforces the positioning of the business as a high quality provider to both students and their agents.

ALG’s 1H21 revenue is expected to be between \$8.8m and \$8.9m, down 6.0% (at the midpoint) on the PCP. Given that the volume of students has largely been consistent, the decrease is largely attributable to tuition fee discounts and administrative fee waivers, to support students during the early stages of the pandemic (specifically 4Q20 and 1Q21). The Board believes this was an appropriate gesture to our customers during a pandemic and significant goodwill has been created with students and agents as a result. These student support initiatives have now ceased and as a result, average revenue per enrolment is expected to normalise in 2H21.

Notwithstanding the uncertain trading environment during 2020, ALG has continued to invest in the business. At the outset of the pandemic, ALG implemented a new online learning management system and has now integrated that with its cloud-based student management system, delivering improved operational efficiency and flexibility. In addition, all learning resources and academic material have been moved online. It has further strengthened its academic function with a number of new roles to support ongoing growth through program development and a continued focus on quality. Other recently implemented operational initiatives, as part of its continuous improvement cycle, include establishing a student representative council, launching new student and agent specific newsletters and introducing a new in-house English language testing capability, as part of its admissions process.

The Board expects 3Q21 enrolments to be in line with the 2,220 recorded in 2Q21 and is leveraged to a meaningful return to growth, post the opening of Australia’s border and the recommencement of international student arrivals. ALG’s 5-year CAGR in enrolment growth to the end of 1H21 is 26.9%.

⁶ Sum of enrolments in the two academic terms during the half-year period

Ikon Institute (Ikon) – FEE-HELP approved, domestic student focused Higher Education provider

Higher Education student numbers up 10.3% on PCP; inaugural Trimester 3 intake leveraging domestic market tailwinds; new program accredited for maximum allowable period; ongoing growth in enrolments

During 1H21, Ikon recorded 349 students passing its Trimester 3 2020 census date, up 10.8% compared to the PCP. This was supported by Ikon undertaking a Trimester 3 intake for the first time in its operating history, recording 40 new student enrolments, to leverage the tailwinds in the domestic student market.

Ikon's 1H21 revenue is expected to be between \$2.8m and \$2.9m, down 14.5% (at the midpoint) on the PCP. The decline in revenue is largely attributable to the intentional wind-down of non-core revenue streams including VSL, that were a legacy of the business, prior to acquisition by UCW in 2018.

During the half, Ikon gained regulatory approval (for 7 years - the maximum allowable period) for its new Diploma and Bachelor of Early Childhood Education qualifications. These are due to be launched in Trimester 1 2021. Ongoing program development is a key element of Ikon's growth strategy. It is currently developing a postgraduate course which it anticipates submitting for accreditation in calendar 2021. Additional course offerings are currently being assessed for regulatory submissions in 2022 and beyond.

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

During the half, Ikon continued to invest in building a strong foundation for the business including a number of key appointments and the implementation of a new online learning management system.

Applications received and confirmed enrolments to date for Trimester 1 2021 are in line with the Board's expectations. Anticipating better retention rates than in prior years, the Board expects Ikon to record an increase in student numbers in 2H21 compared to the PCP, with a commensurate increase in revenue.

This announcement was approved for release to the ASX by the UCW 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 three Degree programs, 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.