



UCW Limited (ASX:UCW)
ACN 108 962 152
Level 1, 333 Kent Street
Sydney NSW 2000
P: 9112 4540
UCWlimited.com.au

ASX Market Release

9 April 2019

The Manager
Company Announcements
Australian Securities Exchange

By electronic lodgment

The Board of UCW Limited (**UCW** or **the Company**) is pleased to provide the following market update to 31 March 2019.

Key highlights

- ALG's international student enrolments increased to 1,864 in 3Q19, up 28.6% on the previous corresponding period (**PCP**)
- ALG's new Melbourne campus, which opened on 1 July 2018, introducing its Community Services course offering into Melbourne, achieved run-rate break-even in 3Q19, ahead of the Board's projections
- Ikon achieved a record student intake for its higher education offering, with over 200 commencements in the 2019 academic year, resulting in c. 400 higher education enrolments as at 31 March 2019, up over 50% on the prior year
- UCW's cash position at 31 March 2019 increased to \$3.2m (31 December 2018: \$1.6m). Borrowings (excluding bank guarantees) stood at \$1.3m (31 December 2018: \$1.4m)
- The UCW Board reaffirms its guidance for full year group revenue of between \$19m and \$21m and improved EBITDA in 2H19, compared to both 1H19 and the PCP, as organic investment is rewarded and operating leverage comes through

Australian Learning Group (ALG)

International student enrolments have continued to grow into 3Q19. In total, ALG had 1,864 international student enrolments for the quarter, an increase of 28.6% on the PCP, and above the 20.5% growth reported in 1H19. ALG enrolments recorded a three-year CAGR of 28.8% (to 31 March 2019).

The introduction of ALG's Community Services course offering at the new Melbourne campus (opened 1 July 2018), has been well received by ALG's agent network and international students, with strong quarter-on-quarter growth. During the quarter the new campus achieved run-rate break-even, ahead of the Board's projections for run-rate breakeven by June 2019.

The rollout of ALG's Community Services courses into other states (Brisbane and Perth) will continue progressively, on a selective basis, throughout FY20.

Chief Executive Officer, Adam Davis, commented: "Over the past 3 years we have made significant investments in campuses, systems and people to support the ongoing organic growth of the business. We intend to continue to invest for expansion.

In FY16, ALG had approximately 3,000 international student enrolments, compared to what will be close to 7,000 in FY19. It is pleasing to see operating leverage starting to emerge with the increase in scale.

Trading for the year to date points to an improvement in 2H19 on both 1H19 and the PCP, in-line with previous guidance."

Ikon Institute of Australia (Ikon)

Ikon has commenced its third year of offering its two bachelor's degree courses, namely the Bachelor of Counselling and Psychotherapy and the Bachelor of Arts Therapy.

The Board is pleased to report that the 2019 academic year intake has seen a record of over 200 higher education commencements. As at 31 March 2019, higher education enrolments were c. 400 compared to c. 250 as at 31 March 2018.

The increased student numbers support the Board's expectation of a stronger 2H19 on 1H19 - both revenue and EBITDA.

Mr Davis commented: "It is encouraging to see the growth in Ikon's student numbers as it moves into the third year of delivery of its higher education programs.

Ikon also presents the opportunity to introduce other higher education courses, outside of its current niche focus.

In this regard, Ikon is continuing work on the development of a new bachelor's degree program, designed as a pathway for graduates of one of ALG's diploma level courses, to enable these students to further their studies within the UCW group.

Over the next few years, we intend to develop a number of similar bachelor's degree programs."

Gradability

UCW also owns a 25% stake in Gradability Pty Limited (**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.

As UCW reported in its 2019 Half Year Report, notwithstanding increased student enrolments and revenue, a lower gross margin and higher overheads has resulted in earnings remaining under pressure. The Board and management of Gradability are actively working on a number of initiatives to improve profitability.

Disposal of surplus legal entity

Following completion of the full integration of the 4Life College business into ALG, the Board considered the 4Life College legal entity as surplus to UCW's requirements.

Having maintained its RTO and CRICOS registrations, it was determined that the legal entity may be of value to third party interests. As such, management pursued a sale rather than deregistration.

A sale transaction was completed in March 2019 for a consideration of \$325,000, with 50% paid on completion and the balance payable in 12 months. UCW should record a once-off gain on disposal in FY19.

The 4Life College brand has been retained by the UCW group.

Outlook

The Board reaffirms its guidance for full year group revenue of between \$19m and \$21m and improved EBITDA in 2H19, compared to both 1H19 and the PCP.

Having established a new Melbourne campus for ALG and completed the acquisition of Ikon during FY19, the Company's focus is on leveraging these initiatives to deliver organic growth in revenue and earnings as it moves into FY20.

ALG and Ikon are both positioned as high-quality providers in Health and Community Services related fields of education. Employment projections indicate that Health Care and Social Assistance jobs will grow by 15% (or 250,300) over the next five years, driven by Australia's ageing population and increasing demand for childcare and home-based care services¹. This presents strong employment and migration opportunities for both international and domestic students.

Program development in both ALG and Ikon is continuing, with a view to enabling students to package courses within and across vocational and higher education to extend the duration of their studies with the UCW group.

The Board remains committed to increasing the scale of the Company and will continue to invest in organic growth initiatives and to explore accretive acquisition opportunities.

¹ Department of Jobs and Small Business, Industry Employment Projections 2018 Report

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 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.

The businesses provide UCW a level of diversification within the education sector and the opportunity to build study pathways across the student lifecycle.

ALG

The majority of ALG's revenue is derived from international students. Delivery is undertaken from ALG's campuses in Sydney, Melbourne, Brisbane and Perth. ALG has a centralised administration function in Sydney where the majority of its staff are based.

Approximately 90% of ALG's international students are recruited through ALG's growing agent network. Agents are paid a commission on tuition fees received. ALG currently has more than 250 active agents and students from over 70 source countries.

ALG also has a fee-for-service, distance education offering for domestic students.

Ikon

Ikon's revenue is primarily derived from domestic higher education students. Students are recruited directly (ie. not through agents) and most pay via FEE-HELP.

Ikon operates nationally, with delivery locations in Sydney, Melbourne, Brisbane, Byron Bay, Perth and Adelaide, where its head office is based.

Ikon is also an accredited vocational education provider.

Gradability

UCW also owns a 25% 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.