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## ASX Market Release

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## Market Update

The Board of UCW Limited (**UCW** or **the Company**) provides the following market update in relation to the UCW Group including its operating businesses, Australian Learning Group (**ALG**), and Ikon Institute (**Ikon**).

### Key Highlights

- Strong cash generation in 1Q21 – cash of \$8.7m and debt<sup>1</sup> of \$4.2m as at 30 September 2020, representing a \$2.1m improvement to net cash since 30 June 2020
- ALG international student enrolments demonstrating resilience and ahead of the Board's expectations – 2Q21 enrolments down 3.0% on PCP, 1H21 enrolments up 1.5% on PCP
- Inaugural Ikon Trimester 3 intake (40 enrolments) – leveraging tailwinds in the domestic higher education market

### *Australian Learning Group (ALG)*

International student enrolments for 2Q21 were 2,220, down 3.0% on the previous corresponding period (PCP). Total enrolments for 1H21 were 4,472, up 1.5% on the PCP. Notwithstanding enrolment growth has curtailed and enrolments are likely to remain under pressure while the Australian international border remains closed, it is nonetheless pleasing that enrolments in 1H21 were marginally ahead of the PCP.

ALG is presently delivering on-campus in all states other than Victoria, where face-to-face teaching is expected to resume shortly.

The discount on tuition fees that applied during 4Q20 and 1Q21 has not been extended into 2Q21. Tuition fee collections have been stronger than initially expected and collection patterns appear to be normalising to pre-pandemic levels.

ALG has not qualified for the JobKeeper extension and all non-academic staff that were on reduced hours, have returned to a 5-day working week. JobKeeper receipts during the quarter were \$0.5m.

### *Ikon Institute (Ikon)*

Leveraging the tailwinds in the domestic higher education market, Ikon undertook a Trimester 3 intake (during 1Q21) for the first time in its operating history, recording 40 new student enrolments. A total of 349 students passed the Trimester 3 census, compared to 315 in the PCP (up 10.8%).

Ikon is presently delivering on-campus in all states other than Victoria, where face-to-face teaching is expected to resume at the commencement of the 2021 academic (calendar) year.

Ikon intends to participate in the initial JobKeeper extension through to 31 December 2020. JobKeeper receipts during the quarter were \$0.3m.

After its successful pivot to online course delivery at the onset of the pandemic, Ikon has now gained 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.

Ikon's recently accredited Bachelor of Early Childhood Education is on-track for launch in Trimester 1, 2021 (3Q21). Ikon recently welcomed a Head of Faculty to lead the program as well as a Registrar to lead the Student Experience Team, alongside responsibility for student data and reporting.

Ikon is currently developing a postgraduate course which it anticipates submitting for accreditation in calendar 2021.

### *Group*

As at 30 September 2020, cash stood at \$8.7m and debt<sup>1</sup> was \$4.2m. The net cash position improved by \$2.1m to \$4.5m since 30 June 2020.

At the Company's request, amortisation of the market-rate loan with CBA has recommenced ahead of schedule, and new covenants have been agreed, which the Board is comfortable the Company can meet.

From 1 October 2020, remuneration of the Board resumed and the UCW executives (CEO and CFO) were returned to full pay following a 20% reduction that applied during the six-month period to 30 September 2020. The Board and UCW executives have agreed to forego any review/increase to their fixed remuneration for the FY21 year.

CEO Adam Davis said: "While we remain cautious, it is encouraging to see resilience in both the ALG and Ikon businesses. Our early actions, including pivoting to online learning and reducing costs, has ensured continuity of delivery and strengthened our balance sheet.

With the support of our staff, landlords, students and government relief initiatives, the Company is in a much stronger position now than we had anticipated at the onset of the pandemic."

This announcement was approved for release to the ASX by the UCW Board of Directors.

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<sup>1</sup> Excluding bank guarantees

## **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.