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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 Company's performance for the period ending 31 March 2021 (3Q21).

### Key highlights:

- ALG Term 1, 2021 international student enrolments holding relatively firm - down 3.3% on the previous quarter, to 2,147
- Ikon Trimester 1, 2021 HE students up 15.2% on previous trimester to 402, and up 2.3% on previous corresponding period (**PCP**)
- Group revenue for March quarter down 14.1% on PCP to \$6.0m with YTD revenue down 9.7% to \$17.9m
- Group EBITDA down 32.3% for March quarter to \$1.0m and down 0.6% for the YTD to \$3.8m
- Cash continuing to build – up by \$0.5m on the previous quarter to \$8.2m (net cash \$4.7m)
- Meaningful discussions progressing with RedHill concerning UCW's takeover offer

Commenting on today's market update, UCW CEO, Adam Davis said: "The Company's performance year-to-date has been encouraging, given the context of the current market environment. ALG's international student enrolments have held relatively firm and Ikon has continued to build on its higher education student base."

"As outlined at the time of the 1H21 results, we expect a more challenging trading period ahead, with the JobKeeper program having come to an end and our cost structure having largely normalised. Until borders reopen, we expect ALG student enrolments to continue to come under pressure."

"Fortunately, we have built up our cash position over the year to \$8.2m as at 31 March 2021, an all-time peak, so we will be entering FY22 from a position of relative strength."

"On the RedHill takeover, discussions with RedHill are moving in a positive direction, and while there is no guarantee of a successful outcome, we continue to believe the combination has strong strategic merit and will deliver value to both sets of shareholders."

## **Group**

Group revenue for the March quarter declined by 14.1% on the PCP to \$6.0m, and was down 9.7% for the YTD to \$17.9m. Lower student enrolments have impacted ALG, whilst Ikon recorded flat core HE revenue but lower revenue overall following the intended wind-down and exit of non-core programs.

Group EBITDA of \$1.0m for the quarter was down 32.3% on the PCP and was down 11.8% to \$3.8m for the YTD. This was assisted by JobKeeper receipts of \$0.4m for the quarter (\$1.4m YTD) and cost mitigation measures deployed during the year, offset by investment in key hires and customer service initiatives across ALG and Ikon, and temporary financial assistance provided to students.

Cash has continued to build over the period, with gross cash standing at \$8.2m at 31 March 2021, up by \$0.5m from 31 December 2020 and up by \$1.5m from 30 June 2020. Net cash improved \$0.7m over the quarter to 31 March 2021 and improved by \$2.1m for the YTD.

### ***ALG student enrolments***

International student enrolments for Term 1, 2021 (3Q21) were 2,147, down 3.3% on the previous quarter and down 12.7% on the PCP. Notably, the March 2020 quarter represented peak student enrolments of 2,458 prior to the onset of the pandemic and border closures. At this stage, ALG's enrolments for Term 2, 2021 (4Q21) are expected to be slightly down on 3Q21 enrolments of 2,147.

YTD international student enrolments were 6,619 vs 6,863 in the PCP, down 3.6%.

Commenting on ALG's international student enrolments, Adam Davis noted that: "Since the initial decline in student numbers in 4Q20, it has been pleasing to see that ALG's enrolments have remained relatively flat from quarter to quarter. ALG has benefitted from its historic focus on onshore recruitment, its strong agent relationships and an increasing average study duration."

"It is also encouraging to see that enrolments into ALG's Community Services courses, which are closely linked to employment outcomes, have continued trending up, increasing by 17.9% over the past 12 months, against the prior 12 months."

Investment continues to be made into strengthening the ALG business, with a focus on academic quality and customer service, so that it is well positioned when borders reopen.

### ***Ikon student enrolments***

Ikon's higher education student enrolments (post census) in Trimester 1, 2021 were up 15.2% on the previous trimester to 402, and up 2.3% on the PCP.

Applications for Trimester 2, which commences on 24 May 2021, are ahead of last year at this stage of the enrolment cycle and pleasingly, the recently launched Bachelor of Early Childhood Education course appears to be gaining early momentum.

Investment in building a strong foundation for long-term growth and to expand its course offering continues to be made. Ikon is currently progressing development of a new postgraduate course which, subject to accreditation, is likely to be launched during calendar 2022.

## **Update on RedHill Off-market Takeover Offer**

Whilst no binding agreement has been reached at this stage and there is no certainty that a transaction will proceed, UCW is progressing meaningful discussions with RedHill. The Board continues to believe the transaction has strong strategic merit and support from institutional shareholders of both companies.

UCW expects to be in a position to announce the outcome of its discussions with RedHill in the coming month or so.

The 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 focused 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 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 14 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 and Adelaide, where its head-office is based.

### **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.