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CEO Address to Annual General Meeting

As required by Listing Rule 3.13.3, EDU Holdings Limited hereby provides a copy of the prepared address by Adam Davis, the Chief Executive Officer, to the Annual General Meeting.

Yours faithfully



Lyndon Catzel
Company Secretary

CEO Address to Annual General Meeting

Welcome to our Annual General Meeting.

It's great to be meeting again in person and in a positive market environment.

In a welcome contrast to the uncertainty we have faced over the last couple of years, the Australian border has reopened; inbound travel restrictions have been fully removed; Government stimulus to support the return of international students is working; and we, as a country, are welcoming a growing influx of students from across the world.

History has proven that the international education sector is resilient to global shocks. And early signs point to the fact that this post-pandemic recovery will be no different. The general feeling in the sector is one of optimism with reports of improved enrolments across the board. In particular, English language student volumes are rebuilding rapidly. This bodes well for the VET and HE sectors in which we operate.

Against this background, I am pleased to be able to report to shareholders that both of our businesses, ALG and Ikon, are emerging from the pandemic operationally stronger than they were two years ago, with teams in place and plans underway to take advantage of the recovery. We have some ground to make up, but we are well on track.

In our ALG business, which is exclusively focused on international students, we saw a positive turn in new student enrolments as soon as the border reopened, reversing a trend that had been in place since March 2020. Leading indicators – applications, letters of offer, and acceptances – are all improving, and we anticipate a return to growth in total enrolments later this year.

Ikon continued to record growth in both domestic and international student numbers throughout the pandemic. And now that the borders are opened, it too is seeing more applications and acceptances from international students.

Our focus on Health and Community Services also positions us well. Healthcare and Social Assistance is not only the largest employing industry – it is also the fastest growing. According to the National Skills Commission, job growth of 16% is projected over the five years to November 2026, with more than 300,000 new jobs expected to be created.

Most workers in the industry are formally qualified, with either a vocational or higher education qualification – and we offer both. We see a gap emerging, with insufficient qualified workers to fill the projected number of jobs. We are playing a part in addressing this shortfall, educating both domestic and international students for entry into the industry. Additionally, many occupations in the industry are on the skilled migration list, providing further opportunities for international students studying these courses.

EDU recently changed its financial year-end to 31 December, hence this is our second AGM in six months. Rather than spend time today talking about our results for the 12 months to 31 December 2021, which were presented in our recent Annual Report and Results Presentation, I'm going to provide an update on our trading in the first quarter of 2022 and our outlook.

I'll start with some highlights:

- ALG's Term 1 new student enrolments were up 55% on the previous term and we held onto those gains in Term 2, recording a similar level of new student enrolments. We expect to record further growth in Term 3;
- Ikon's Trimester 1 new student enrolments were up 29% compared to the previous corresponding period and expect continued growth in Trimester 2.; and
- Gross cash at 31 March 2022 was \$6.2m, against the \$6.3m at 31 December 2021, with net cash up \$0.2m

Turning to ALG, Term 2 total enrolments declined, as expected, landing at 1,200, with the number of students graduating and exiting exceeding new enrolments. Given the strength in new student enrolments, we now believe ALG total enrolments are at or near the bottom – and we expect to report growth in total enrolments in Term 3 or Term 4 this year.

Enrolments in ALG's Community Services courses, which in 2021 represented 59% of ALG's enrolments, continue to show strength, particularly Early Childhood Education.

As a result of lower student enrolments, we expect revenue to be lower in 2022 compared to the previous corresponding period. However, rather than pursue further cost initiatives, we are very focused on delivering enrolment and revenue growth in the months ahead, given the market is returning strongly.

During the first quarter, ALG signed a heads-of-agreement for a four-year lease and will shortly be relocating from its Kent Street and Clarence Street campuses to a single campus within UTS in Haymarket. The net rental expense will be relatively similar, with limited fitout works required. We see this as a positive development for our staff and students, given the amalgamation of the two campuses, the quality of the facilities, and its positioning within a recognised education precinct.

Turning to Ikon, the strong start in student enrolments bodes well for the balance of the 2022 year, with total enrolments of 550, up 37% on the previous corresponding period.

This was underpinned by growth in enrolments in the Bachelor of Early Childhood Education, with a fresh intake of students joining students that had commenced during 2021, when we launched the program. Enrolment growth was also recorded in Ikon's Counselling courses, with strength coming through in our online delivery mode. In Trimester 1, this mode accounted for more than a third of new student enrolments in these courses, from a standing start at the beginning of 2021.

Online is an attractive opportunity for Ikon, with the ability to group students across states, thereby achieving better teaching ratios than on-campus delivery. Online also enables Ikon to reach students located outside of metropolitan areas where our campuses are based, and to service learners seeking reduced travel and/or additional flexibility.

Validating our strategy of developing pathways from VET to HE, approximately 25% of Ikon's current Early Childhood Education students progressed from a Diploma at ALG, extending their study duration with the Group. We plan to develop other similar such pathways in other course areas in time.

We are also developing higher level qualifications as a way for Bachelor students to extend their studies further at Ikon. We are well advanced in the development of a Masters level program and working towards submitting this for accreditation this year.

Increased enrolments in 2022 will translate to higher revenue compared to the previous corresponding period.

As mentioned, at a Group level, cash at bank at 31 March 2022 was \$6.2m, with net cash closing the quarter up \$0.2m at \$3.7m. Discussions with CBA regarding refinance of our acquisition facility are progressing well.

Looking forward, we expect a recovery in ALG total enrolments and continued growth in Ikon, supported by the introduction of new courses in both businesses. Increased revenue will deliver operating leverage as we move into 2023.

Alongside rebuilding, we are actively pursuing additional growth through acquisitions, with a continued focus on building our position within Health and Community Services.

We remain confident of the macro-opportunity in Health and Community Services education, our strategy, and our team – as we look to deliver positive returns to shareholders over the coming years.

Thank you for your continuing support.