



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

5 November 2021

The Manager
Market Announcements Platform
Australian Securities Exchange

By electronic lodgment

CEO Address to FY2021 Annual General Meeting

As required by Listing Rule 3.13.3, UCW Limited hereby provides a copy of the prepared address by Adam Davis, the Chief Executive Officer, to the FY2021 Annual General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lyndon Catzel', written in a cursive style.

Lyndon Catzel
Company Secretary

CEO address 2021 Annual General Meeting

Good morning, everyone and welcome to the UCW Limited Annual General Meeting for the year ended 30 June 2021.

I would like to thank you for attending our inaugural AGM held entirely electronically. While we have always welcomed seeing shareholders in person at our AGM, when we organised the meeting some five or six weeks ago, Gladys Berejiklian was still our premier, double vaccination rates in NSW were still around 60% and COVID cases were around 900 per day. Annual General Meetings were thus understandably all organised as online-only events.

Fast forward to today and who would have thought that the Australian borders would be starting to open, double vaccination rates in NSW would be approaching 90%, with other states such as Victoria hot on our heels, and a new premier would be in place. Of course, COVID-19 is far from being over, but it's fair to say that the concept of a 'normal' world does not seem as distant as it did only a few short months ago.

As shareholders would know, UCW is a tertiary education group with a core focus of organic growth, coupled with step-changes via acquisitions.

We currently have two operating business, Australian Learning Group (ALG) and Ikon Institute (Ikon). Both offer courses in Health- and Community Services-related fields of study. We've always liked this thematic given the strong underlying employment growth in these sectors and opportunities it provides for permanent residency.

I will provide a brief update on the performance of our businesses for the year to June 2021 and some insights into our current trading metrics, together with an update on corporate activity and some administrative changes.

Before I do that, I want to take this opportunity to acknowledge the support that shareholders have shown us this past year and to thank our very hard working and committed employees. They have shown great resilience and gone beyond expectations to deliver outstanding outcomes for our students in the most challenging chapter in our short corporate history.

ALG

Turning first to ALG.

ALG offers vocational courses to international students, delivered from campuses in Sydney, Melbourne, Brisbane, and Perth. It operates a central administration function in Sydney. The business has four academic terms a year. In the last term of the year ended 30 June 2021, it had 2,040 international students studying at its various campus locations. International students are recruited primarily through over 250 education agents, both onshore in Australia and offshore from 70 source countries.

Since its focus is on the international student market, ALG has naturally been significantly impacted by the COVID-19 pandemic. Securing new student commencements is reliant on international students entering the country. This has not been possible for over 20 months. Competitive pressures, particularly around price, have affected enrolments further, with the situation understandably exacerbated by the recent lockdowns in Sydney and Melbourne.

Prior to the pandemic (in the three years to 31 March 2020, when the pandemic was declared), ALG's compound annual growth rate in enrolments was 31.8%. In the year to June 2021, international student enrolments fell only 3.9%. This was helped by the fact that the duration of our average course is around 20 months. Revenue was down from \$19.1m to \$17.8m, EBITDA was down from \$5.3m to \$3.8m and NPAT fell from \$1.3m to \$0.6m.

It's important to note that the 2021 numbers were aided by JobKeeper and other government relief of \$1.1m, and for the comparative period, \$0.7m. With the unwinding of government relief programs and

student enrolments continuing to fall, as we initially expected, 2022 will see further declines in revenue and EBITDA, resulting in operating losses for the period to June 2022.

Despite these unforeseen challenges, operationally the business stepped-up during 2021. We adapted quickly to the changing market environment, which allowed us to continue our service delivery and maintain our approach to quality and compliance, which is obviously critical for our students.

As noted in the Annual Report, 1QFY22 enrolments were 1,780, down 12.7% on the previous term. 2QFY22 enrolments were 1,603, down a further 9.9%. With commencements at a materially lower volume than when borders were open, the number of students completing their studies or leaving for other reasons is now outpacing new commencements.

While positive green shoots are emerging, such as the trials for international student arrivals being run in various states, we anticipate the downward trend in ALG's enrolments will continue until around June 2022. That said, the international student market has proven to be resilient to external global shocks and, ultimately, we expect the market to return to previous levels and beyond, although it may take several years.

Rather than pivot the business, we decided early in the pandemic to continue building ALG into a high quality 'provider of choice', balancing this against necessary cost savings, which have been achieved. During this period, we have continued to improve our academic resources, our student support services and our approach to risk management and compliance. We have also introduced a range of new employee benefits and programs.

As part of this quality journey, we recently updated ALG's branding, establishing a new promise, purpose, and values to guide our development and culture, together with a new look and feel and a move away from sub-branded colleges. We've also recently agreed on a product development plan, which calls for the introduction of a range of new qualifications in related fields of study. These will be launched over the next two years, coupled with further geographic campus expansion.

Notwithstanding the current challenging period . . . and we are certainly not out of the woods just yet . . . we believe the business is well-positioned for long-term growth and we are fortunate to have a committed and highly capable team in place – the best that we have ever had.

Ikon

Turning to Ikon. As you may know, Ikon is a FEE-HELP approved institute of higher education. It operates nationally with campuses in Sydney, Melbourne, Brisbane, Perth, and Adelaide and more recently, online. Ikon has three study periods (or trimesters) per calendar year, each offering an intake for new student commencements.

Ikon's primary demographic is the domestic student market, although this is now expanding to include international students as we begin broadening the course offering. Leads are generated through digital marketing activities, and prospective students are supported through to enrolment by Ikon's course advisory and admissions team. International students are typically recruited through education agents.

Since completing the acquisition (including payment of the earn-out) in around October 2019, we have made significant investment into the business, primarily around people. New senior roles over that period include a Dean, a Quality Assurance Manager, a Registrar, a Course Accreditation and Development Manager, a Head of Faculty and Senior Lecturer for a new field of study, as well as a number of supporting roles and further investment in the academic team.

In addition, we have invested in better campuses, improved student support services and systems, enhanced our direct marketing capability and adopted a more robust approach to governance and risk management.

At the same time as making these important investments into the core business, we wound down and exited non-core operations.

These initiatives have negatively impacted short term profits; however, we are confident they will deliver long-term profitable growth through increased student numbers from a broader product offering and delivery modes. I am pleased to report that we are already starting to bear the fruits of these efforts.

During 2021, Ikon launched its Bachelor of Early Childhood Education course and its online campus. Higher education student enrolments were up 10.6% at year-end to 419, comprising 352 domestic and 67 international students.

Notwithstanding the increase in student numbers, 2021 higher education revenue was in line with the previous corresponding period, largely due to a COVID-related decline in average study load and fee relief being offered to international students.

Total revenue was down from \$6.5m from \$5.6m as a result of the exit from non-HE activities and EBITDA declined by 24.2% to \$1.5m. NPAT was \$0.5m compared to \$1.2m in the previous corresponding period, again noting that 2021 included \$0.8m of JobKeeper and other relief compared to \$0.4m in the prior period.

In our Annual Report we reported that new student commencements for Trimester 2 were up 50.9% and that we were expecting a similar number of commencements for Trimester 3, usually our smallest intake of the calendar year.

I am pleased to report that we far exceeded these expectations. We had 146 new students commence in Trimester 3, which was up 317.1% on the same intake last year. On a calendar year basis, we had a total of 338 new student commencements in 2021, compared to 249 in 2020. We attribute this growth to gaining traction with our digital marketing and lead-nurture activities and the introduction of our Early Childhood Education courses. These have gained early momentum, particularly with international students transitioning from vocational education, validating our strategy of building pathways from VET through to HE.

In Trimester 3, we had 495 Ikon students, our highest number of HE students on record and up 41.8% on Trimester 3 of 2020.

Launched in Trimester 1, 2021, we now have 89 students studying Early Childhood Education in Sydney and Melbourne. Similarly, our online campus now has 40 students, also from a standing start at the commencement of 2021, enabling students from remote locations to access Ikon's study programs. In time, we anticipate further growth in this cohort.

Ongoing program development is a key element of Ikon's growth strategy. We are currently developing a postgraduate course, which we aim to submit for accreditation shortly. Additional course offerings have been earmarked and are currently being researched and assessed for regulatory submissions in 2022 and beyond.

Balance sheet

Turning to the balance sheet, we ended the financial year with a healthy \$7.8 million in cash, against drawn bank debt of \$3.3 million (excluding bank guarantees). This was up against 30 June 2020, where cash stood at \$6.6 million, against drawn bank debt of \$4.2 million – an improvement to net cash of \$2.1m. Since 30 June 2021, and as expected, cash has drawn down. At 30 September 2021, cash stood at \$6.8 million, against \$3.0 million of drawn bank debt.

We continue to service our CBA bank debt, including amortisation. The balance reduced by \$0.9m during the financial year and is currently amortising at \$250k per quarter. We have received waivers of covenants through to December 2021 and we are in discussions with CBA about seeking an extension to same. CBA has been supportive to date and has waived covenants on a 6-monthly basis, initially through to June 2021 and now through to December 2021.

As you may know, the acquisition facility has a \$2m 'balloon' payment due in October 2022, which we intend to refinance.

Corporate activity

In terms of corporate activity, shareholders will be aware that during the year we initiated a takeover bid for fellow ASX-listed education group, RedHill Education Limited, which ultimately did not proceed due to the respective Boards holding differing views on relative value. It was a significant focus for management during the year and resulted in a once-off expense for corporate advice, legal fees and due diligence associated with the bid of \$0.75m.

We have completed four transactions over the past 5 years: the 100% acquisition of ALG, the 100% acquisition of 4Life, now fully integrated into ALG, the 100% acquisition of Ikon and the acquisition of a 25% interest in Gradability. We remain committed to pursuing further non-organic growth opportunities.

Name change and year-end change

On an administrative note, please note that our company name will soon change to EDU Holdings Limited (trading under the ASX ticker: EDU). This will be finalised and announced to ASX shortly. Additionally, as announced to ASX some weeks ago, we have changed our financial year to align with the academic and calendar year, which is typical for an education provider and which we anticipate will make it easier to understand our results. This will result in the next AGM being held in or around May 2022.

In conclusion, I would like to acknowledge the dedication and support of staff, management, the board and not least, our students, who have all played a part in navigating these unprecedented times. I would like to assure our shareholders, and indeed all our stakeholders, that with the pandemic seemingly now under control, with our growth plans in place and strong financial management, the future of our group looks bright.

-ENDS-