

ICT poised for solid growth in 2021 with record quarterly performance

- Record quarterly operating revenue of \$4,700,000, up from \$4,108,000 in the prior quarter
- Strong quarterly EBITDA of \$1,200,000 (un-audited) with increase of 69% on previous quarter (Q1 FY2021: \$703,000)
- Normalised¹ customer receipts were \$3,200,000 which excludes government assistance
- Training of 3,400 Aegis staff in Infection Control commenced in December 2020 and growing enrolments for Infection Control training across other target industries
- Successful completion of oversubscribed capital raise of \$5.5M from placement of 55M ordinary shares at \$0.10
- Significantly strengthened balance sheet with \$5.5M cash at bank
- \$1,500,000 booked (but unearned) revenue for Job Trainer Building and Construction courses in ACT with course delivery commencing in January 2021²

The Board and Executive of iCollege Limited ('iCollege or 'Company') (ASX: ICT) is pleased to update shareholders on the Company's operational and financial performance for the quarter ended 31 December 2020 and provide an outlook for FY2021. By almost every measure, iCollege performed well in the period and is well placed for the remainder of the 2021 fiscal year and beyond.

Financial update

iCollege delivered another record performance with revenue and earnings both increasing. Revenue remained strong at \$4,700,000 (Q1 FY2021: \$4,108,000) and earnings before interest, tax, depreciation and amortisation (EBITDA) was \$1,200,000 (Q1 FY2021: \$703,000), a 69% quarter-on-quarter improvement. The performance is particularly noteworthy given December is always a softer trading month due to the commencement of the holiday season.

Normalised customer receipts of \$3,200,000¹ were in line with the previous quarter after stripping out Job Keeper and ATO cash flow boost payments. Government funding assistance contributed

¹ Reported customer receipts for Q2 are \$3.2m which excludes ~\$177,000 of government assistance in the form of Job Keeper and ATO cash flow boost payments. Gross revenue contribution of \$205k was from Job Keeper and ATO Cashflow Boost. ATO Cashflow Boost Revenues were \$61k however only \$33k received in cash refunds once offset against PAYG resulting in a difference of \$28k. This explains the variance between the Government revenues of \$205k and \$177k cash receipts as reported on the 4C. Q1 reported customer receipts were \$3.8m which included ~\$600,000 of government funding assistance.

² Booked but unearned revenue is not reflected in the accompanying Appendix 4C

\$177,000 (net) to the Q2 revenues. Quarter-on-quarter, government funding assistance reduced by ~\$420,000. This is reflective of iCollege's return to operations back to normal and its financial performance such that there is no further reliance on government funding assistance packages moving forward.

The steady and continuing increase in revenue and earnings has been driven by the strengthening performance of Company's domestic training operations and a steady contribution from the international student business.

In October, iCollege successfully completed a \$5,500,000 placement at \$0.10 per share which has delivered the necessary financial flexibility to pursue several organic growth initiatives and strategic acquisitions which are expected to make an immediate contribution to earnings. As reported, growth to date has been funded from cash flow and this new capital provides a strengthened foundation to deliver material growth in the near term.

Operational update

Strong Domestic Recruitment

The Company continued to execute on its strategy to provide training packages to industries experiencing significant skills shortages. This focus has driven increased demand from those seeking to upskill or reskill, resulting in students turning to iCollege to ensure that they are both prepared and qualified for employment.

With strong macro tailwinds driving the business, increasing domestic enrolments were partly underpinned by the State and Federal Governments' \$1 billion Job Trainer Fund. The fund was set up as part of the Federal Government's economic response to COVID-19 by providing free or low-cost courses throughout the country. The Australian Government is providing \$500 million in 2020-2021 and this is being matched by contributions from state and territory governments.

iCollege is a direct beneficiary of the \$1 billion Job Trainer initiative as a consequence of its near unrivalled geographical footprint of well-established campuses across Australia and participation in a significant number of State Government funding contracts. The Australian Capital Territory was the first to release Job Trainer guidelines and places. iCollege, through Capital Training Institute, has enrolled \$1,500,000 worth of training in Building and Construction qualifications (realisation of this funding is reliant upon students commencing in January 2021 and subsequent completion of their qualification). iCollege expects this revenue to be recognised over a 12-24 month period.

New South Wales, Queensland and Western Australia released their Job Trainer places, guidelines and target industries in late November and December 2020. The iCollege sales and marketing team is now back at work in the new year securing enrolments under the scheme.

In December, the Company reported that it already had three infection control training programs underway including:

- the ongoing roll-out of the training program with the Pharmacy Guild of Australia to provide training to staff at the Guild's 5,800 member pharmacies across Australia;

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- a contract secured in December with Western Australia's largest aged care provider Aegis Aged Care Group Pty Ltd ('Aegis') to train their 3,400 staff on infection control. Aegis operates 27 aged care residences, providing 24-hour care and support to 2,200 elderly residents. This training commenced in December 2020 with all staff scheduled to complete the skill set by May 2021; and
- an agreement with Canberra's largest taxi company to provide mandatory infection control training to its 400 drivers, with discussions continuing with other taxi companies around the country.

In addition to the new infection control courses, existing offerings in aged care, hospitality, building and construction, community services and healthcare continue to experience strong enrolments as domestic students look to re-skill. This is further underpinning and diversifying the Company's revenue base.

International Recruitment

Enrolments of international students, predominantly from onshore international, has been steady and in line with the prior quarter. Demand for hospitality, business, Information Technology has remained solid and reflects the appeal of iCollege's courses among international students.

Revenue from existing international students accounted for almost 50% of total revenue for the quarter.

New Perth Training Facility

The December quarter saw significant progress in the development of the new Perth Training campus. The facility is nearing completion and will be handed over in early Q3. The campus is conveniently located in Bayswater, 10 minutes from the city centre and across from the Bayswater train station which is currently undergoing a \$100 million upgrade. Bayswater will become the transportation hub between the city and Perth Airport, with local government working to build a thriving and well-appointed community.

Payments to related parties and their associates

\$63,236.32 was paid towards director's fees for managing director Ashish Katta, \$63,236.32 was paid towards director's fees for Executive Director Badri Gosavi. HWL Ebsworth Lawyers, of which non-executive chairman Simon Tolhurst is a partner, was paid \$1,705.00 in legal fees for legal services rendered to the Company.

An additional amount of \$92,000 was made to Ashish Katta as part repayment of a long-term interest free loan provided by Ashish Katta to the company.

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H2 FY2021 Outlook

iCollege is well placed for the remainder of FY2021 and expects revenue and earnings to be weighted to the second half, aided primarily from strong growth in its domestic training operations and new revenue materialising from recently launched government subsidised training programs aimed at stimulating the broader economy. A tight focus on cost control is delivering improvements in margins as reflected by this quarter's earnings growth.

The Company continues to de-risk and further diversify its revenue base with domestic courses now being offered in a broader range of sectors.

While an increased reliance on the domestic market is called for in the short term, the Company is expecting to see a gradual relaxation of international borders late in 2021. iCollege is looking forward to leveraging the now enviable position of Australia as the number 2 destination of choice for international students. International fee-paying students will continue to be a significant and important part of the company strategy moving forward.

iCollege is actively investigating several complimentary acquisition targets and expects to update the market on progress in the near term.

Comment

iCollege Managing Director Ashish Katta said: *"Q2 2021 has been another solid quarter for iCollege and we are particularly encouraged by the increased earnings and margin improvement. As a company we are forging forward with the development of a new facility and courses ensuring that we maintain our commitment to high demand industries currently suffering from significant skills shortages. We are proudly upskilling Australians and ensuring their work readiness, all the while ensuring we have facilities and courses of the highest standard ready to welcome back our international student cohort as and when the borders open."*

The Board and Executive of iCollege have worked diligently through what has been a challenging year and are pleased to have delivered record revenues and profitability.

iCollege will continue to build on this foundation to deliver solid revenue growth throughout 2021 and looks forward to providing further updates as planned initiatives take place across the coming months.

This announcement has been approved for release by the Board of iCollege Limited.

ENDS

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

iCollege Limited

ABN

75 105 012 066

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,196	6,410
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,699)	(3,403)
(c) advertising and marketing	(163)	(254)
(d) leased assets	(6)	(12)
(e) staff costs	(1,649)	(2,975)
(f) administration and corporate costs	(245)	(443)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	177	779
1.8 Other (Bank guarantees paid)	-	(176)
1.9 Net cash from / (used in) operating activities	(395)	(80)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(16)	(68)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(16)	(68)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,500	5,500
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(386)	(386)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(189)	(283)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,925	4,831

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,014	845
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(395)	(80)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(16)	(68)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,925	4,831
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,528	5,528

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,528	1,014
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,528	1,014

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	128
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	284	284
7.2	Credit standby arrangements	50	15
7.3	Other (please specify)	-	-
7.4	Total financing facilities	334	299
7.5	Unused financing facilities available at quarter end		35
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<ul style="list-style-type: none"> • \$60k floating drawdown facility – interest at 15% secured by director guarantee • \$50k credit card facility • \$224k Queensland Rural and Industry Development Authority (QRIDA) loan facility (assistance under Queensland COVID-19 Job Support Loans Program). Interest free for the first 12 months then 2.5% for remainder of loan term of 10 years, repayable by instalments from second year. Loan secured over the assets of Capital Training Institute Pty Ltd. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(395)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,528
8.3	Unused finance facilities available at quarter end (item 7.5)	35
8.4	Total available funding (item 8.2 + item 8.3)	5,563
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	14
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

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8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:12 January 2021.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.