

ASX Market Release

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The Manager
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By electronic lodgement

The Board of EDU Holdings Limited (**EDU or the Company**) is pleased to report its results for the period ended 31 December 2021.

Important Note

As the Company changed its financial year end to 31 December during the period, the reported results for the 6 months ended 31 December 2021 are considered a full financial year. For statutory reporting purposes, the comparison period is the previously reported financial year, being the 12 months ended 30 June 2021. To provide more meaningful analysis, the Directors' Report in the 31 December 2021 Annual Report and the accompanying Results Presentation contain financial results and commentary for the 12 months ended 31 December 2021, against the previous corresponding period. This ASX release is prepared on the same basis.

2021 Highlights

- **Ikon higher education (HE) enrolments up 18.3%¹, with Trimester 3, 2021 enrolments up 41.8% on PCP - strong growth continuing into 2022**
- **ALG vocational (VET) enrolments down 16.6%¹ - 'green shoots' emerging with Term 1, 2022 new student commencements up 55.1%² on the prior term**
- **Revenue of \$22.3m, down 9.3% on the PCP, primarily due to lower enrolments in ALG**
- **EBITDA of \$2.0m, down from \$6.6m in the PCP, noting 2020 benefited from an additional \$2.9m of Covid relief and one-off cost saving measures**
- **Cash at year-end of \$6.3m, with net cash down \$0.4m to \$2.5m**

Ikon

Ikon enrolments climbed 18.3% on the PCP, assisted by the commencement of the new Bachelor of Early Childhood Education degree (**BECE**). Growth accelerated towards the back end of the year, with Trimester 3, 2021 enrolments up 41.8% on the PCP.

Core higher education revenue was up 10.5% for the period, impacted by introductory scholarship (promotional) pricing for the BECE course. Total revenue declined by 0.9% on PCP, due to the absence of revenue from non-core (non-HE) programs, which were exited in the previous year.

Gross profit and EBITDA declined to \$3.5m and \$0.4m, respectively, due to a combination of BECE start-up costs (now through break-even), increased investment in academic quality, product development and digital marketing, plus a \$0.8m reduction in Covid relief compared to the prior year.

¹ Enrolments are the sum of enrolments in the 12 months ended 31 December

² New student commencements in Term 1, 2022 were 152 compared to 98 in Term 4, 2021. New student commencements peaked at 530 in Term 1, 2020 (the term immediately preceding declaration of the pandemic) and had been trending down since then

Commenting on Ikon's performance, CEO, Adam Davis said: "Ikon's newly launched Early Childhood Education program achieved break-even in its first year. This is a great achievement, particularly during the pandemic. We also launched an online mode of study during the year, which is gaining traction and has significant potential."

Encouragingly, our Trimester 1, 2022 intake is well up on the PCP, extending the strong finish to the 2021 year. This bodes well for the remainder of the year."

ALG

Closed borders since 2020 continued to impact student volumes during the year, with total enrolments declining 16.6% on the PCP. Community Services courses, with strong employment and migration prospects, had a more modest 6.3% decline in enrolments on the PCP. Community Services now comprises 59.0% of total ALG enrolments.

Average revenue per student increased, aided by the discontinuation of Covid fee-discounts provided to students in 2020. This assisted in containing the revenue decline to just 12.0% on the PCP.

Gross profit and EBITDA declined to \$8.0m and \$2.9m, respectively, principally impacted by lower student volumes, the absence of JobKeeper payments, and increased costs as the business returned to more 'normal' operating conditions.

Investment over the last two years in course delivery technology now provides ALG with the flexibility to pivot relatively seamlessly between face-to-face and online course delivery.

Commenting on ALG's performance, Adam Davis said: "ALG enrolments held up better than we expected, for longer than expected. Now that Australia has reopened to international students and tourists, we are seeing 'green shoots' emerging with Term 1, 2022 new student commencements up 55.1% on the prior term, reversing a trend that has been in place since the beginning of the pandemic."

There is no escaping that 2022 will be a challenging year. With the level of current student completions exceeding new student commencements, we anticipate a continued decline in total enrolments, before a return to growth in the second half. ALG is leveraged to benefit from enrolment growth, with excess capacity at both a class size and campus utilisation level."

Group

Diversification across VET and HE, international and domestic students, has assisted in minimising the Group's total revenue decline to just 9.3%.

Group EBITDA remained positive at \$2.0m, despite significantly reduced Covid relief and continued investment across ALG and Ikon, to ensure that the Company is best positioned for the return of international students, the development of new courses, and the flexibility to pivot between online and face-to-face teaching, as and when required.

Including the proceeds from the sale of the Company's non-core investment in Gradability Pty Ltd, net cash was \$2.5m, down \$0.4m on the PCP, and cash at bank at year-end was \$6.3m.

Commenting on the Group's performance, Adam Davis said: "Notwithstanding the short-term impacts of the pandemic, operationally and from a quality perspective, both businesses are well-positioned and have excellent medium and long-term prospects."

In 2022, growth in Ikon won't fully offset the expected decline in ALG and EBITDA will likely be negative for the year at the Group level. However, we are looking through to FY23 and beyond, with our long-term strategy on track, including disciplined M&A activity.

On behalf of the Board, I wish to extend my thanks to all employees and Directors for their ongoing commitment to delivering on our shared vision and to shareholders for their trust and support."

This announcement was authorised for release by the EDU Board of Directors.

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