

ASX Market Release

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The Board of EDU Holdings Limited (**EDU** or **the Company**) is pleased to report its results for the half-year ended 30 June 2022.

Important Notes

As the Company changed its financial year end to 31 December, the reported results are for the 6 months ended 30 June 2022.

All comparisons are to the previous corresponding period, unless otherwise noted.

Key Highlights

- **Ikon higher education (HE) – momentum building.** T2'22 enrolments up 41.8%
- **ALG vocational (VET) – visa processing delays impacting recovery.** 1H22 enrolments down 39.0%. T4'22 Letters of Offer now above 50% of pre-pandemic peak
- **Group revenue of \$9.1m, down 21.2%** – increase in Ikon not sufficient to offset decline in ALG
- **EBITDA loss of \$0.9m, down from \$1.3m EBITDA profit** – intentionally maintaining capacity and cost structure to position for recovery
- **Net loss after tax of \$2.2m, down from \$1.1m loss**
- **Cash at 30 June 2022 of \$6.1m** – net cash of \$2.9m, up \$0.4m from 31 December 2021
- **Strategic acquisition – Nurse Training Australia.** Completion expected either 4Q22 or 1Q23
- **Cap raise of \$6.2m completed July 2022** – to fund acquisition and working capital requirements
- **Strategic new shareholder** – Mulpha joins EDU register with 14% interest and Greg Shaw appointed to the Board as a Non-Executive Director
- **Acquisition debt facility with CBA extended for 3 years** – no principal repayments until November 2023

Ikon

Ikon Trimester 2, 2022 enrolments climbed 41.8% to 594, with a strong contribution from the recently launched Bachelor of Early Childhood Education (**BECE**). A total of 261 new students commenced during 1H22, up 31.8% compared to 198 in the PCP.

Revenue in 1H22 was up 33.7%, with lower average revenue per student due to introductory scholarship (promotional) pricing for the BECE course. Scholarship pricing is being progressively reduced as Ikon builds its presence in the Early Childhood Education market.

Gross profit improved by 16.5% to \$1.9m, however EBITDA declined to a loss of \$0.1m, compared to a profit of \$0.2m, due to increased investment in academic quality, product development and digital marketing to support future growth.

Commenting on Ikon's performance, CEO, Adam Davis said: "Ikon's recently launched Bachelor of Early Childhood Education achieved break-even in its first year. Now in its second year, it represents 21.7% of total student enrolments. We are pleased with this achievement, particularly in the context of closed borders.

Our online study mode, launched around the same time, is also gaining traction, now representing 18.4% of enrolments. Online presents a significant opportunity for Ikon and the Group given its broader geographic reach, ability to group students nationally to form larger classes, and accordingly generate higher margins."

ALG

ALG student enrolments in 1H22 declined 39.0%, with delays in student visa processing slowing the recovery. New student commencements in 1H22 totalled 297, noting well over 100 students due to commence were unable to do so as a result of visa delays. With more students completing and/or exiting for other reasons, total enrolments fell to 1,200 in T2'22. This issue has continued into T3'22 with enrolments further declining to 1,069.

Revenue in 1H22 was \$5.6m, down 37.7%, with an increase in average revenue per student slightly offsetting the decline in volume. Gross profit declined 42.2% to \$2.4m due to the lower student volumes and resulting smaller class sizes. With an intentional strategy of maintaining the capacity and cost structure of the business, to position for the impending recovery, EBITDA for the half was a loss of \$0.1m, compared to \$1.7m EBITDA profit.

Commenting on ALG's performance, CEO, Adam Davis said: "At the start of the pandemic, ALG enrolments initially held up better than we expected, for longer than expected, aided by our average course duration of over 20 months. Notwithstanding that Australia reopened to international students at the start of calendar 2022, visa processing delays have slowed the recovery in student enrolments.

Student demand is clearly returning, with T4'22 Letters of Offer now above 50% of the pre-pandemic peak. Subject to a timely resolution of visa delays, this should translate into a turnaround in ALG enrolments from T4'22.

We are eagerly anticipating the leverage benefits as ALG fills its excess capacity at both a class size and campus utilisation level, including at our new Quay St campus in Sydney, which replaces our Kent St campus."

Group

Revenue for the half fell by 21.2% to \$9.1m, with gains in Ikon's revenue more than offset by declines in ALG. Given the revenue decline and intentional strategy to maintain our capacity and cost structure in ALG in anticipation of a recovery in student enrolments, EBITDA declined to a loss of \$0.9m.

Commenting on the Group's performance, Adam Davis said: "Notwithstanding the impacts of the pandemic, we are emerging operationally well positioned for growth and leverage. Our value proposition remains very much intact, and we have aggressive growth plans in place for both businesses.

Our expectations for full year 2022 are largely unchanged. Growth in Ikon won't fully offset declines in ALG, and Group EBITDA is expected to be negative for the year. However, looking through to 2023, we expect a return to growth and positive EBITDA, assisted by a further contribution from Nurse Training Australia."

Nurse Training Australia Acquisition

On 2 June 2022, EDU announced the acquisition of Nurse Training Australia (**NTA**) for \$6.0m in cash, representing an acquisition multiple of approximately 4.6x normalised CY21 EBITDA of \$1.3m. The Board expects the transaction to complete in either 4Q22 or 1Q23.

NTA, a vocational provider focussed on the international student market, expands the Group's course offering into the attractive Nursing segment. Currently operating in Burwood, Western Sydney, EDU's intention is to expand the nursing offer nationally and to use the transaction as a catalyst to develop a Bachelor of Nursing program in Ikon.

To fund the acquisition, the Company completed a two-tranche institutional placement and share purchase plan to raise \$6.2m before transaction costs. The second tranche and share purchase plan completed post the period-end.

The capital raising was well supported by existing institutional shareholders and directors and the Company welcomed Mulpha Australia to its register as a strategic investor. Mulpha's CEO, Greg Shaw also joined the EDU Board as a Non-Executive Director.

Commenting on the transaction, CEO, Adam Davis said: "We had been planning a strategic entry into nurse training for some time. The acquisition of NTA was a highly attractive opportunity to expand EDU's offering. Moreover, there is strong alignment with EDU's other businesses, including a shared commitment to high-quality training and employment outcomes. Acquisitions remain a key part of EDU's growth strategy."

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

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