

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 year ended 31 December 2022.

Key Highlights

- **Ikon higher education (HE) total enrolments up 35%** - momentum building in Early Childhood Education and Online programs
- **ALG vocational (VET) total enrolments down 38%** - impacted by visa processing issues and availability and pricing of inbound flights
- **Positive trend emerging in ALG new student enrolments (NSE)** with T4'22 NSEs up 111% on the PCP and T1'23 up a further 22%. ALG poised for return to growth in 2023, with **opportunity for significant operating leverage as student numbers rebuild**
- **Group revenue of \$18.1m**, down 19% - per guidance, increase in Ikon not sufficient to offset decline in ALG
- **EBITDA loss of \$1.5m**, down from \$2.0m EBITDA profit in 2021 - strategy to maintain ALG capacity with lower student numbers was impactful to earnings
- **Net loss after tax of \$4.8m**, down from \$0.3m loss - including \$0.4m impairment of lease asset. 2021 benefited from a \$1.9m gain on disposal and \$0.7m of Covid relief
- **Cash at 31 December 2022 of \$6.1m** - up to \$6.8m at end of January 2023
- **Strategic acquisition of Nurse Training Australia** - completion pending reaccreditation of Nursing program, expected in 2023
- **Capital raise of \$6.2m completed July 2022** - to partially fund acquisition and Group working capital requirements. Welcomed Mulpha as new strategic shareholder
- **Acquisition loan facility with CBA extended for 3 years** - no principal repayments until November 2023

Ikon

Ikon total enrolments continued to climb in 2022, up 35% for the year. Growth is continuing into 2023, with Trimester 1, 2023 total enrolment up 40% on the PCP, to 768.

Ikon's Bachelor of Early Childhood Education program (**BECE**) gained further traction during the year, particularly with the international student market, leveraging EDU's substantial agent network. Enrolments in this program represented 23% of Ikon's 2022 total enrolments, up from 9% in 2021.

Momentum continues to build in Ikon's Online offering, with total enrolments of 365, up 453% from 66 in 2021, noting this includes existing students electing to switch from on-campus delivery. Online represented 49% of Ikon's 2022 domestic student NSEs compared to 27% in 2021 (nil in 2020). Online provides the ability to consolidate classes nationally and thereby increase operating margins.

Revenue for the year was up 31% to \$7.9m, noting slightly lower average revenue per enrolment as a result of a shift in student mix to Early Childhood Education, with its introductory scholarship pricing, which is being progressively reduced.

Gross profit was up by 36% to \$4.7m, with improved average class sizes in both Counselling and Early Childhood Education and a higher teaching load for our permanent academic team.

EBITDA for the year was \$0.5m, up 24% on the PCP, with a much stronger H2 relative to H1. Margins expanded from negative 3.4% to 15.0% from H1 to H2, partially a result of seasonality and as operating leverage began to emerge.

With the positive enrolment outcomes and revenue impact of new programs now evident, the Board recently approved an ambitious product development plan that calls for the progressive launch of 5+ new courses by 2025 and has commenced resourcing the business accordingly.

Commenting on Ikon's performance, CEO, Adam Davis said: "After what has been a multi-year endeavour to refine Ikon's offering and cement a solid foundation, the business is starting to demonstrate operating leverage as student volumes increase. We expect 2023 to show further improvement.

Our market position as a specialist, quality provider, our dual market focus - domestic and international students - and with the implementation of the recently approved product development plan underway, I am optimistic about Ikon's future."

ALG

ALG total enrolments in 2022 declined 38%. The timing of the turnaround was impacted by delays in visa processing and the availability and pricing of inbound flights. As these issues resolved throughout the year, a positive trend in NSEs emerged.

Term 4, 2022 NSEs were 207, up 111% on 98 in the PCP. Growth has continued into 2023, with Term 1, 2023 NSEs up a further 22% to 252.

Revenue for the year matched the decline in total enrolments, down 37% to \$10.2m. Lower student numbers resulted in smaller average class sizes, which impacted gross profit and margins. Gross profit declined by 44%. Combined with EDU's strategy to preserve ALG's capacity (headcount and campus infrastructure) for the forthcoming recovery, EBITDA fell to negative \$0.5m, compared to positive \$2.9m in the PCP.

Term 1, 2023 total enrolments stabilised, declining to 1,007 from 1,051 in Term 4, 2022, with the number of students graduating and exiting still exceeding NSEs. We expect this situation to reverse in 1H23 and for ALG total enrolments to return to growth.

Commenting on ALG's performance, CEO, Adam Davis said: "The onshore market is quickly rebuilding, with many ELICOS (English Language Intensive Courses for Overseas Students) providers back to or above pre-pandemic levels. This bodes well for ALG, which has historically focussed on onshore recruitment. The English language sector is a feeder into the HE and VET sectors, with a large proportion

of English language students progressing into vocational and higher education studies, so it's encouraging to see the pipeline rebuilding.

Having held onto its capacity, ALG is poised to enjoy material operating leverage as student numbers and class sizes rebuild. ALG's average study duration of approximately 24 months means that many of the new students commencing in the coming terms will still be studying with ALG in 2025.

2022 saw a shift in ALG's mix towards its Community Services offering, with these courses more closely aligned to employment outcomes in areas of skills shortages. To further capitalise on this trend, ALG plans to launch additional courses in adjacent areas."

Group

Revenue for the year fell by 19% to \$18.1m, with the gain in Ikon more than offset by the decline in ALG. With lower ALG total enrolments and gross margins, while maintaining its capacity to position it for the forthcoming recovery, EBITDA declined to a loss of \$1.5m from a \$2.0m EBITDA profit in 2021.

Cash at year-end was \$6.1m and borrowings were \$2.3m. Cash improved to \$6.8m by 31 January 2023.

Commenting on the Group's performance, Adam Davis said: "While it was undoubtedly a tough year, as we expected and guided, there were some bright spots with continued strong enrolment growth in Ikon and a return to growth in ALG new student enrolments.

Our balance sheet remains well capitalised to complete on the NTA acquisition.

With ongoing enrolment growth and margin expansion in Ikon, a return to growth in ALG, and a maiden contribution from the pending acquisition of Nurse Training Australia, we expect to be reporting much better results in 2023."

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 2021 EBITDA of \$1.3m.

Completion remains subject to NTA obtaining reaccreditation of its Diploma of Nursing program from the Australian Nursing and Midwifery Accreditation Council (ANMAC). The Board currently anticipates the transaction to complete in 2Q23.

NTA is a vocational provider focused on the international student market. It will provide EDU with an entry point to the highly attractive nurse training market. Currently operating in Burwood, Western Sydney, EDU's intention is to expand the nursing offer nationally and ultimately to use the transaction as a catalyst to develop a Bachelor of Nursing program in Ikon.

To fund the acquisition, during 2022, the Company completed a two-tranche institutional placement and share purchase plan to raise \$6.2m before transaction costs.

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: "Acquisitions remain a key part of EDU's growth strategy. What we liked about NTA was the strong alignment between NTA's nursing offer and EDU's businesses, including a shared commitment to high-quality training and employment outcomes. Nursing is the largest employing area in Australia's healthcare and social assistance industry and there are critical workforce shortages, which are forecast to deteriorate. We see an exciting opportunity for EDU to play a part in solving this issue, with the rollout of a national nursing offer, to be kick-started by the acquisition of NTA."

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

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