

ASX Market Release

30 August 2024

Results announcement - 1H24

The Board of EDU Holdings Limited (**EDU, the Company or the Group**) is pleased to report its results for the half-year ended 30 June 2024 (**1H24**).

Important Notes

The Company's financial year-end is 31 December. 1H24 refers to the 6-month period that commenced 1 January 2024 and ended 30 June 2024.

All comparisons are to the previous corresponding period (PCP) unless otherwise noted.

Ikon refers to Proteus Technologies Pty Ltd trading as Ikon Institute of Australia, the Company's higher education provider and **ALG** refers to Australian Learning Group Pty Limited, the Company's vocational education provider. Ikon and ALG are wholly owned subsidiaries of the Company.

Highlights

- Group revenue up 64% to \$16.9m. Ikon and ALG revenues up strongly
- EBITDA up \$2.0m to \$2.3m. EBITDA margin up 11 percentage points (ppts) to 13%
- Return to profitability - statutory net profit after tax of \$28k, material improvement on \$1.6m net loss after tax
- Cash at 30 June 2024 of \$8.0m, up \$4.9m against 31 December 2023
- Post reporting date - EDU has received notification from the Government regarding its proposed cap on new overseas commencements for 2025 for its Ikon business, expected to materially curtail enrolment growth from 2025

Group

The Group recorded stronger enrolments during 1H24, resulting in significantly improved revenue of \$16.9m, compared to \$10.3m in the PCP, an increase of 64%.

EDU's higher education business, Ikon Institute (**Ikon**), and Australian Learning Group (**ALG**), its vocational education business, both reported strong revenue growth, up 88% and 37%, respectively.

Scale benefits continued to emerge with the step-up in student enrolments and revenue, delivering a material improvement in EBITDA of \$2.3m, compared to \$0.2m in the PCP, with margins growing by 11 ppts on the PCP to 13%. The improvement resulted in operating profit before tax of \$162k, a sharp turnaround on the \$2.1m loss recorded in the PCP.

Cash at bank on 30 June 2024 was \$8.0m, up from \$3.1m at 31 December 2023 and \$6.3m in the PCP, noting that the first half is a seasonally stronger period for cashflow.

Higher Education - Ikon

EDU's investment in building a stronger sales and admissions capability delivered materially higher student enrolments. Ikon's Trimester 2 (which bridges 30 June, the half-year balance date) enrolments were up 102% on the PCP to 1,709, and up 33% on the prior trimester.

Ikon's revenue climbed by 88% to a record \$10.4m, EBITDA was up 154% to \$2.9m, and margins rose to 28%, up 8ppts on the PCP.

During the half, Ikon received accreditation for two new Masters Degrees; *Master of Counselling and Psychotherapy*, and *Master of Education*, facilitating Ikon's first extension into the post-graduate market. The accreditations are for the maximum allowable period of seven years, with no conditions. Both Masters Degrees are scheduled for launch in 1H25, targeting both domestic and international students.

Ikon submitted applications to the Tertiary Education Quality and Standards Agency (TEQSA) to accredit two additional higher education courses during the period, with further courses in the development phase, targeting both domestic and international students, in keeping with its product development strategy.

Vocational Education - ALG

ALG recorded enrolments of 1,281 for Term 2 (which ended 28 June 2024), up 25% on the PCP and up 4% on the prior term. Growth has continued into Term 3, with 1,446 enrolments, up 36% on the PCP and up 13% on the prior term, supported by ALG's positioning as a quality provider and its employment-focused course mix.

During the period, ALG revenue grew by 37% to \$6.4m, and EBITDA returned to profitability, at \$122k.

Outlook

Notwithstanding the positive results for the half, recent regulatory changes intended to manage the growth and improve the integrity of the international education sector are expected to create a more challenging trading environment. In particular, the proposed introduction of the Government's capping regime for new overseas student commencements from 2025 is expected to reduce the size of the market and materially curtail enrolment growth in both Ikon and ALG.

On 27 August 2024, Ikon received notification from the Department of Education of its indicative provider limit (cap) for calendar 2025, which is proposed at 200 new overseas student commencements. This compares to its 347 commencements in calendar 2023 and 784 commencements for the year-to-date in 2024 (up to and including Trimester 2 2024). ALG has not yet received notification of its provider limit for 2025, however the Board anticipates it is likely to be materially lower than ALG's commencements in 2024.

Despite the proposed introduction of the above caps for 2025, the Company expects to benefit from Ikon's strong and progressive enrolment growth during FY24 and its 3-4 year average study duration, for a number of years. While the longer-term impact of the capping regime and other regulatory changes on the Group remains uncertain, the Board is prioritising the development of plans to effectively manage any anticipated operational and financial implications. The Company will continue to provide updates as new information comes to hand.

Ikon's domestic student commencements are not affected by the proposed caps.

Commenting on the results, Adam Davis, Chief Executive Officer, said:

“With the step-up in student numbers, it’s encouraging to see the benefits of scale reflected at the group level, particularly in Ikon’s performance. We anticipate revenue and profitability growth to continue into the second half, delivering record Group revenue in FY24.”

“Also pleasing is the achievement of unconditional seven-year accreditations for our two new Masters Degrees in Ikon, facilitating our expansion into the post-graduate market. Expanding our higher education course offering with a continued dual-market focus of domestic and international students remains a core component of EDU’s long-term growth strategy.”

“ALG has continued to recover, as students and agents increasingly seek out quality vocational education with clear pathways to employment outcomes and higher education. However, the yet to be received 2025 commencement cap now creates some uncertainty around future enrolments.”

“While the proposed introduction of international student caps will negatively impact enrolment growth from 2025, we believe the recent step-up in EDU’s scale and profitability will assist in what is likely to be a more challenging period ahead.”

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

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