

iCollege (ASX:ICT)



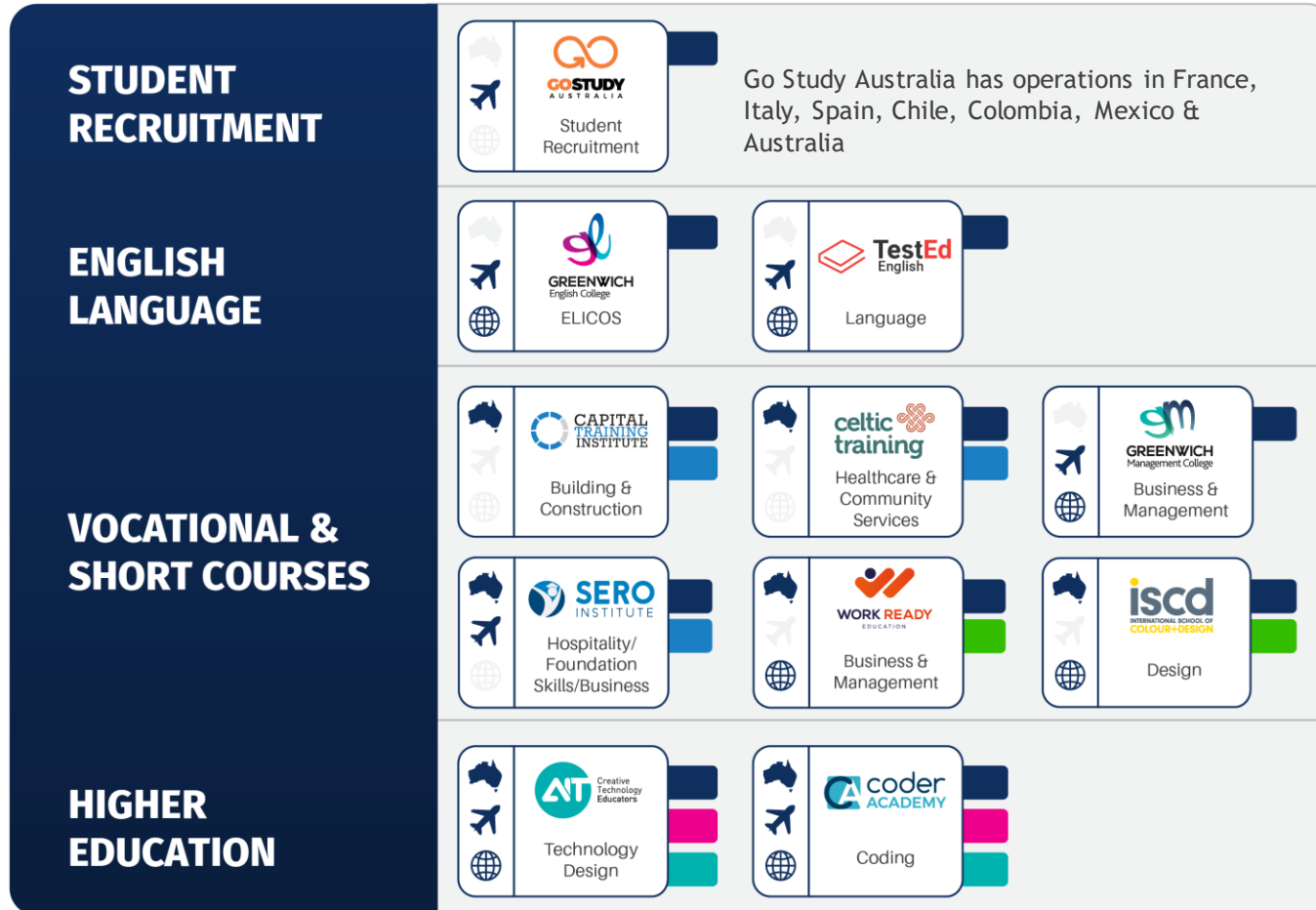
1H22 RESULTS PRESENTATION
23rd February 2022



Contents

- ❖ Company portfolio
- ❖ Integration update
- ❖ Differentiated market positioning
- ❖ Results highlights and lead indicators
- ❖ 1H22 financial results
- ❖ Future outlook
- ❖ Investor highlights
- ❖ Important notice and disclaimer
- ❖ Appendix

Company portfolio



Broad range of in demand courses

- ❖ Group offers a broad range of courses and delivery locations, including online

Ability to extend the student life cycle

- ❖ Significant up-selling and cross-selling opportunities across the group

LEGEND

Market sector	Funding source	
International	Fee-For-Service (FFS)	FEE-HELP
Domestic	VET Student Loans (VSL)	Commonwealth Supported Places
Online	Subsidised State Government Contracts	

iCollege integration program

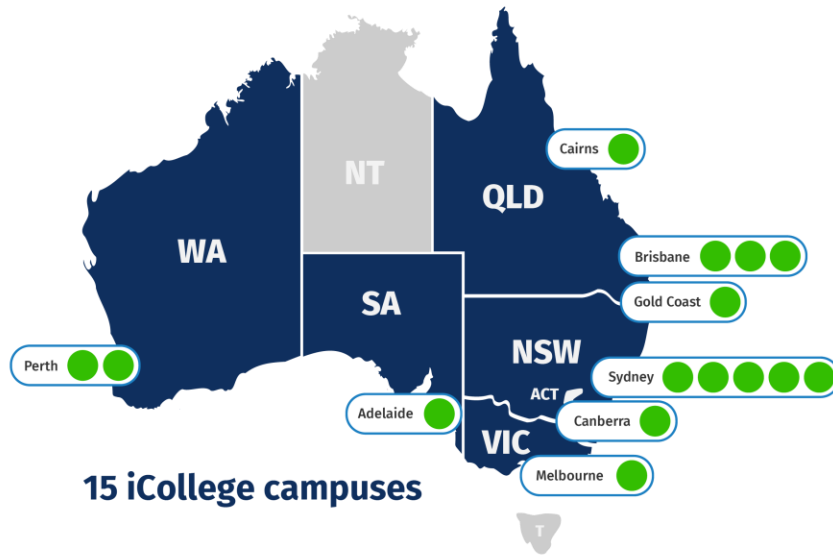


Integration of the RedHill acquisition is tracking well. We have already delivered on many integration milestones and well ahead of schedule. Despite a very busy period, and the impact of the current pandemic situation, our employees remain positively engaged.

- ❖ On track to deliver annualised **Cost Synergies** in the range of \$1.0m - \$1.3m
- ❖ Confirmed **Senior Executive organisation structure**
- ❖ Launched **HR and Payroll** platforms for all employees
- ❖ Launched a consolidated **Financial Reporting** system
- ❖ Launched new **IT Service Desk** platform for all employees
- ❖ Launched **Refreshed Websites** for iCollege and key brands
- ❖ All **Regulatory Notifications** completed (State and Commonwealth)
- ❖ First combined **Employee Engagement Survey** undertaken, showing employee engagement above industry average

Differentiated market position

iCollege campus locations



Go Study Australia locations



Diversified earnings base

- ❖ Diverse course offerings in English language, vocational and higher education segments
- ❖ International student recruitment agency
- ❖ Broad domestic and international student mix

National campus footprint with online course delivery

- ❖ Underutilised campus capacity provides operating leverage to immediately benefit from an uptick in enrolments as international students recommence their studies in Australia
- ❖ Established capabilities to deliver online courses to domestic and international students

Accreditations and funding via Commonwealth and State Governments

- ❖ Only ASX listed organisation to hold accreditations for funding and subsidised training contracts with the Commonwealth and five State and Territory governments
- ❖ Mix of funding accreditations provides greater tuition payment flexibility for prospective students

Extensive international student agency relationships and capabilities

- ❖ International students recruited from South America, parts of Asia and Europe and the Indian subcontinent through Go Study Australia division and international student agency relationships
- ❖ Go Study Australia and ELICOS offerings which are heavily reliant on international student recoveries are expected to benefit with early signs emerging of a rebound in Australia as a destination

Industry relevant curriculums

- ❖ Delivering courses in specialist in-demand industries where there is growing demand for graduates
- ❖ Actively engaging with industry partners to assist students achieve job outcomes

1H22 Results highlights

Financials

Revenue

\$18.2m  **131%**

EBITDA excl M&A

\$1.6m  **18%**

Cash balance

\$19.4m
 **\$14.9m vs Jun 21**

- ❖ Acquisition of RedHill completed with financial results consolidated effective from 1 October 2021
- ❖ Record half yearly revenue of \$18.2m, up 131% on previous corresponding period (pcp) (H1 FY21: \$7.9m)
- ❖ EBITDA excl. M&A costs \$1.6m, a \$0.4m decrease on pcp (H1 FY21: \$2.0m), due primarily to higher expenditure targeting growth in domestic student revenues
- ❖ Balance sheet significantly strengthened with cash at bank (including term deposits) as at the end of December 2021 of \$22.4m (December 2020: \$5.0m)

Lead indicators

**Vocational-
international students
confirmed enrolments**

 **146%**

Jan 2022 vs July 2021

**Higher education -
international students
confirmed enrolments**

 **416%**

Student intake Feb 2022
vs Feb 2021

**Deferred revenue -
increase since borders
re-opened**

 **\$4.7m**

Jan 2022 vs Dec 2021

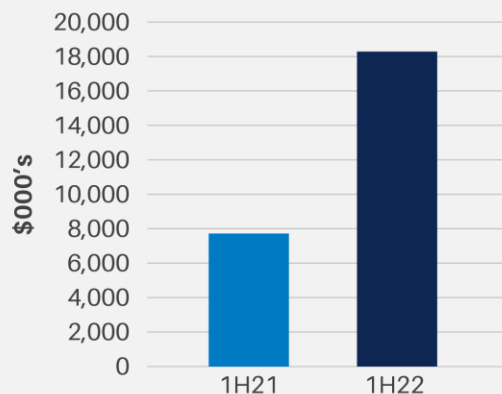
**International student
recruitment agency -
new student sales**

 **109%**

Jan 2022 vs July 2021

Key metrics

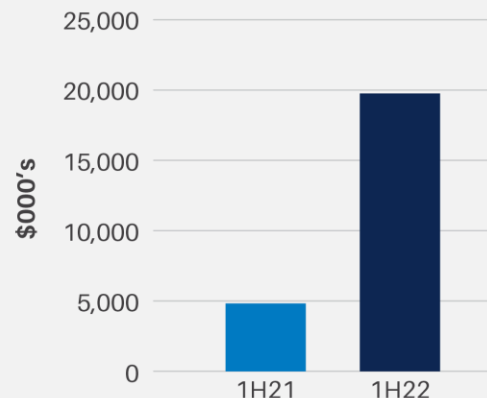
Revenue



\$18.2m up 131% vs PCP

- ❖ RedHill contributed \$9.5m post acquisition
- ❖ Sero / Celtic / CTI organic growth of 10%

Cash balances

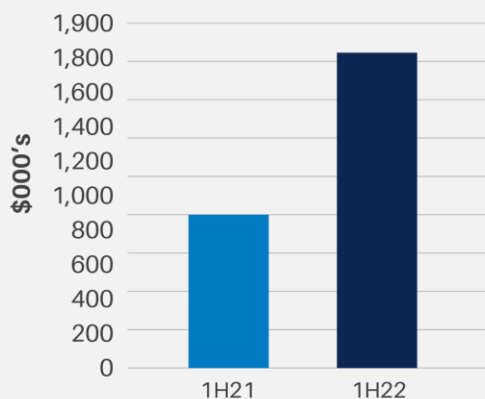


\$19.4m* up \$14.9M vs PCP

- ❖ RedHill contributed \$21.3m upon acquisition
- ❖ Debt reduction of \$0.3m in the period. Debt of \$1.0m as at 31 Dec 2021

* Excluding term deposits of \$3.0m

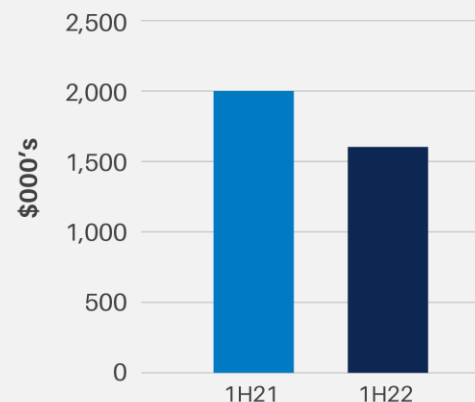
Operating cash flows excl M&A



\$1.7m up 106% vs PCP

- ❖ Operating cash flows of \$1.7m excluding M&A costs
- ❖ M&A payments of \$4.4m made in 1H22

EBITDA excl M&A



\$1.6m down 18% vs PCP**

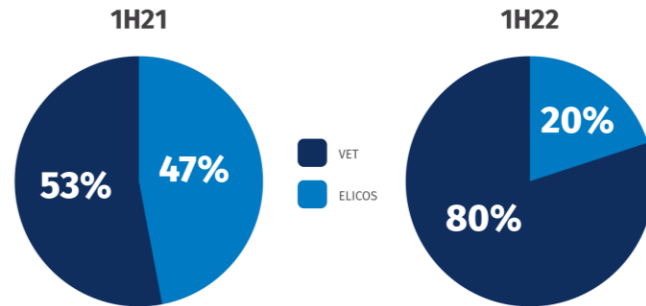
- ❖ Increased spend in the vocational and short course segment in anticipation of domestic student demand
- ❖ Actions taken to reduce expenditure in 2H22

**EBITDA excludes M&A costs of \$3.3m

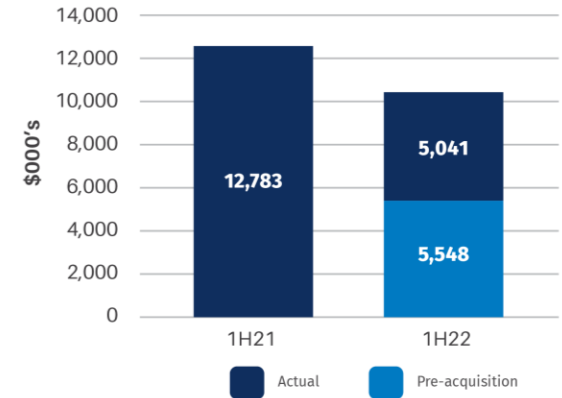
Results & highlights: Greenwich

- ❖ ELICOS student numbers and revenues declined as expected as a result of international border closures
- ❖ Vocational (VET) student numbers and revenues grew as a result of marketing initiatives targeting international students who were already in Australia
- ❖ Successfully maintained broad nationality mix

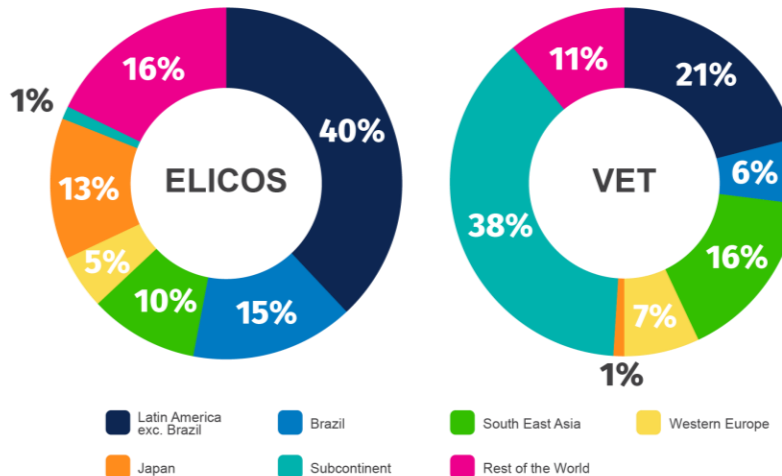
Revenue mix pro-forma



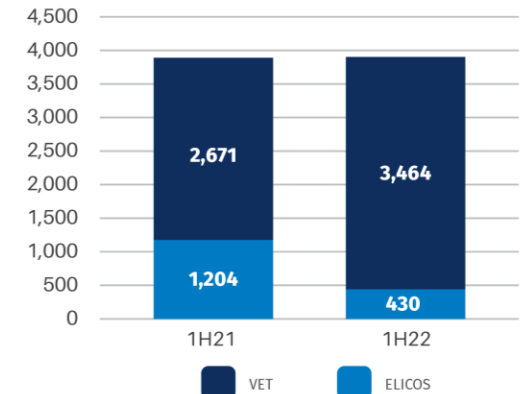
Revenue pro-forma



1H22 international student nationality mix



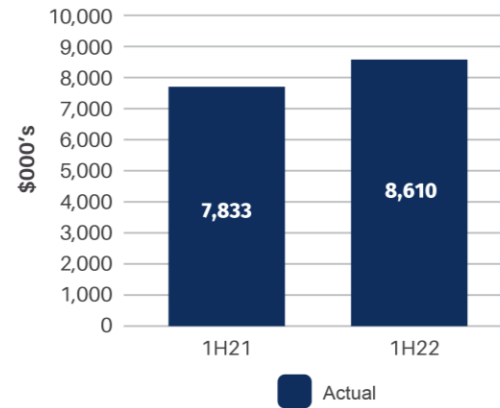
Average monthly student numbers



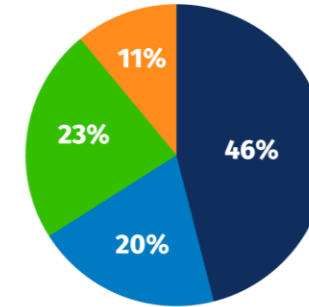
Results & highlights: Sero / Celtic / CTI

- ❖ Domestic student revenues increased by 38% vs pcp driven by strong growth in Celtic (79%) and Sero domestic (32%)
- ❖ International student revenues declined 22% vs pcp with lower numbers of active international students as international borders remained closed during the half year
- ❖ CTI revenues were flat vs pcp with growth constrained by construction industry workforce shortages limiting students' ability to take time out to undertake studies (prioritising work over study)

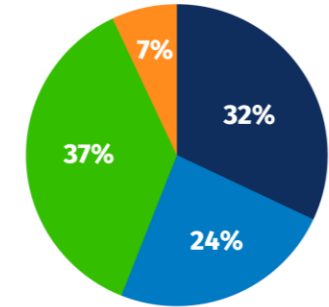
Revenue pro-forma



Revenue - 1H21

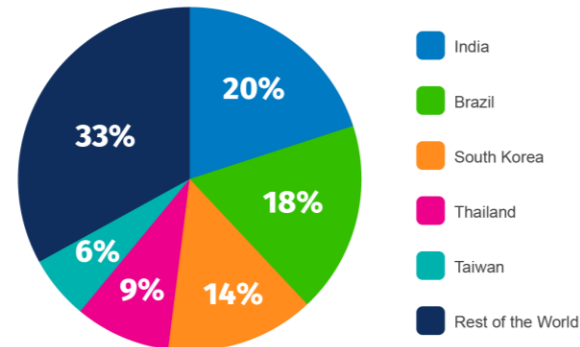


Revenue - 1H22



■ Sero - international
 ■ Sero - domestic
 ■ Celtic
 ■ CTI

1H22 international student nationality mix

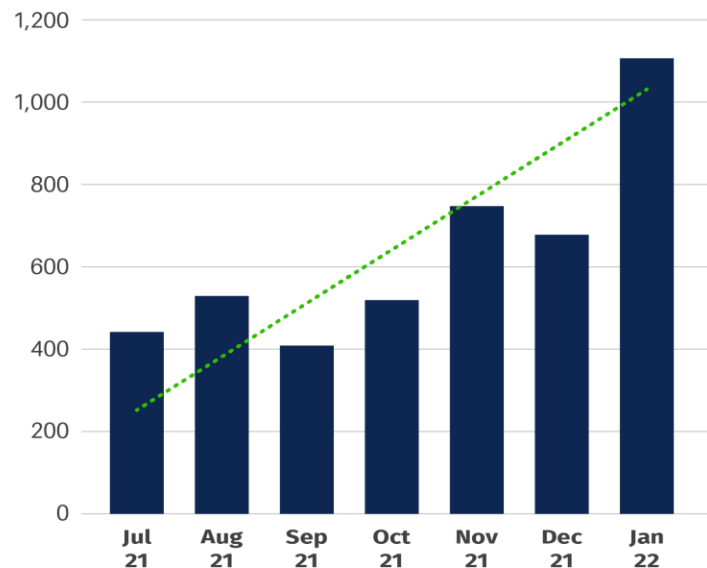


■ India
■ Brazil
■ South Korea
■ Thailand
■ Taiwan
■ Rest of the World

Lead indicators supporting future growth: International students (Greenwich & Sero)

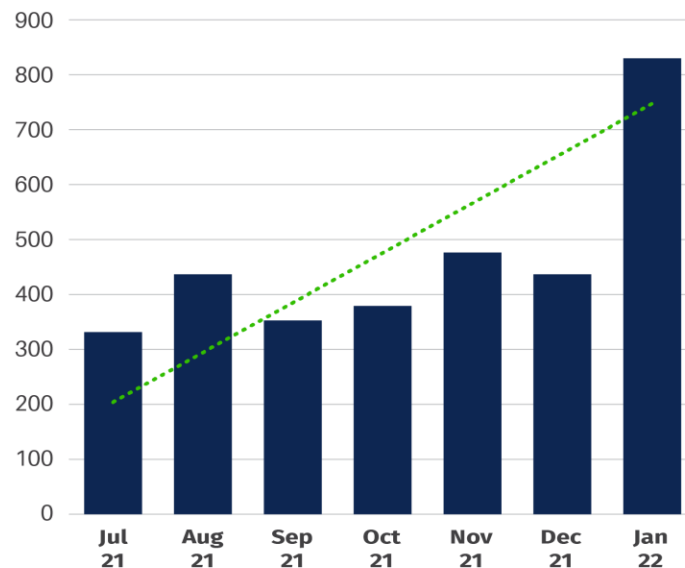
Lead indicators point towards strong recovery of international student numbers now that borders have re-opened

New student offers



New international student offers of enrolment (the step before students formally enroll into a course) in January 2022 were **147%** higher than July 2021

New student confirmed enrolments

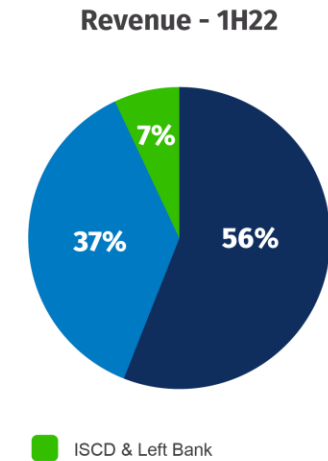
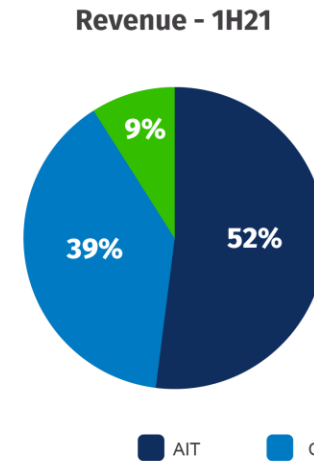
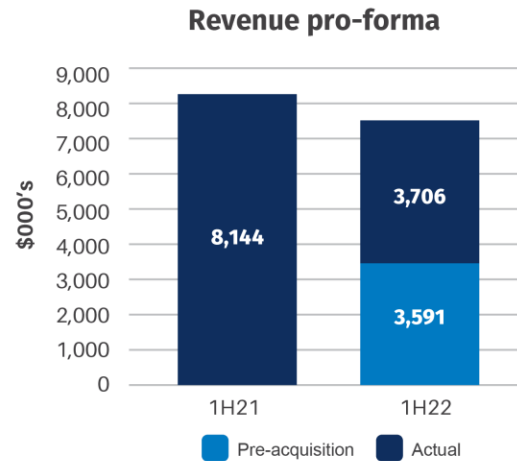


International student confirmed enrolments in January 2022 were **146%** higher than July 2021, with the majority of new students planning to commence their studies from April 2022 onwards

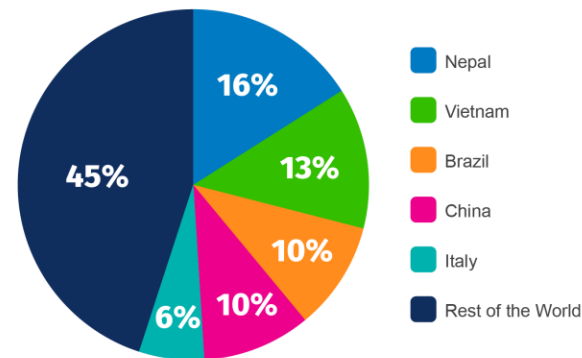


Results & highlights: Technology & Design

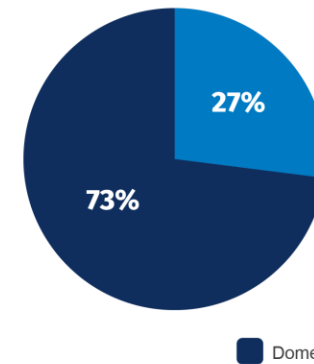
- ❖ Student numbers and revenues remained resilient despite all courses being delivered 100% online during 1H22
- ❖ An increase in domestic students has largely offset the decline in international students
- ❖ Broad nationality mix of international students maintained despite lower international student numbers



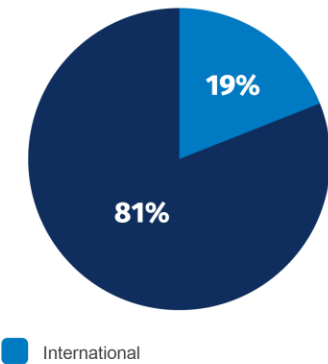
1H22 international student nationality mix



Revenue by student market 1H21



Revenue by student market 1H22

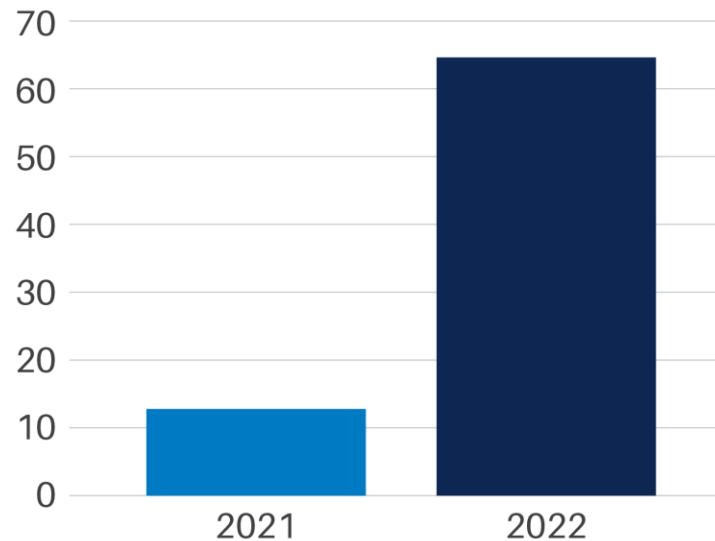


Lead indicators showing strong growth: Technology & Design



Strong enrolment for February 2022 intake with strong projected enrolment pipeline for May 2022 intake

Bachelor degrees new international student **enrolments for trimester 1 (February)** YoY comparison



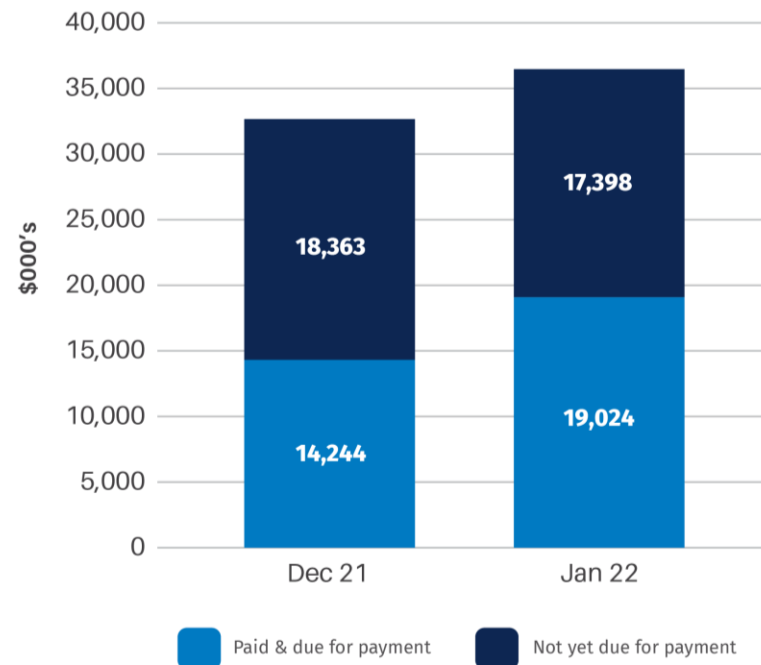
The average lifetime value of each Bachelor degree student is approximately **\$60,000**

Deferred revenue – driver of future revenues



\$4.7m increase in deferred revenue in the first month following the opening of international borders

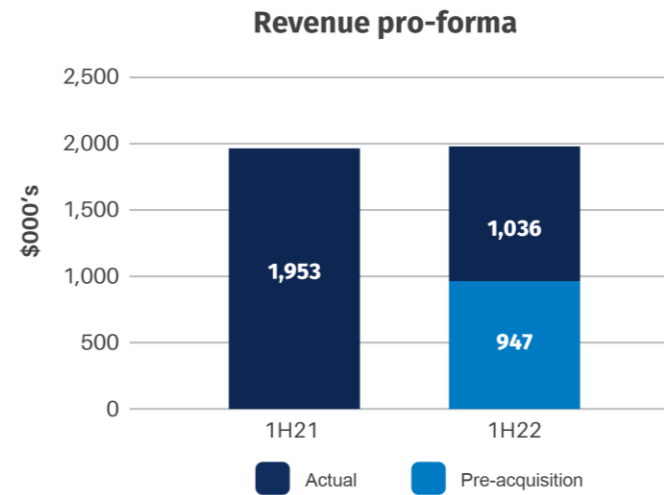
Contract liabilities



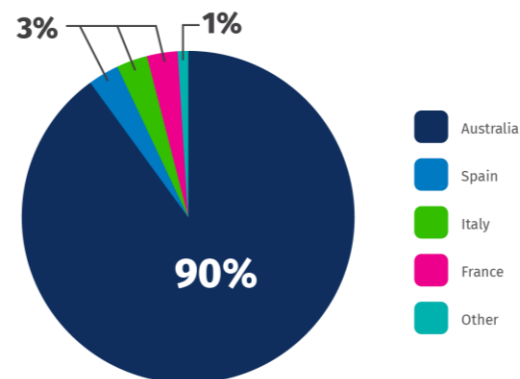
- ❖ Deferred revenue represents tuition fees paid in advance or due and payable for studies that have not yet been undertaken. Revenues will be recognised over the period that a course is delivered, which is expected to be within the next 12 months
- ❖ Deferred revenue not yet due for payment represents where students have formally enrolled into courses and there is a contract in place, but the tuition fees associated with that period of study will be invoiced and become payable in a future period

Results & highlights: Go Study Australia

- ❖ Revenues were resilient as a result of international students remaining in Australia to continue their studies and targeted marketing to other visa sub-class holders
- ❖ Offshore offices contributed 10% of revenues which is down from a pre COVID-19 level of approximately 40% of total revenues
- ❖ With international borders into Australia now re-opened to international students since late December 2021, the offshore team is being ramped up to meet the significant increase in demand



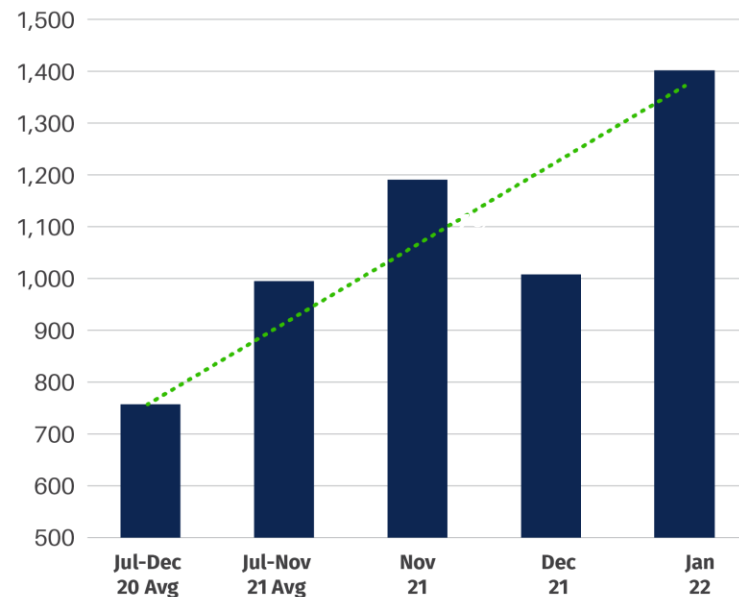
1H22 Revenue by office location



Lead indicators supporting future growth: Go Study Australia

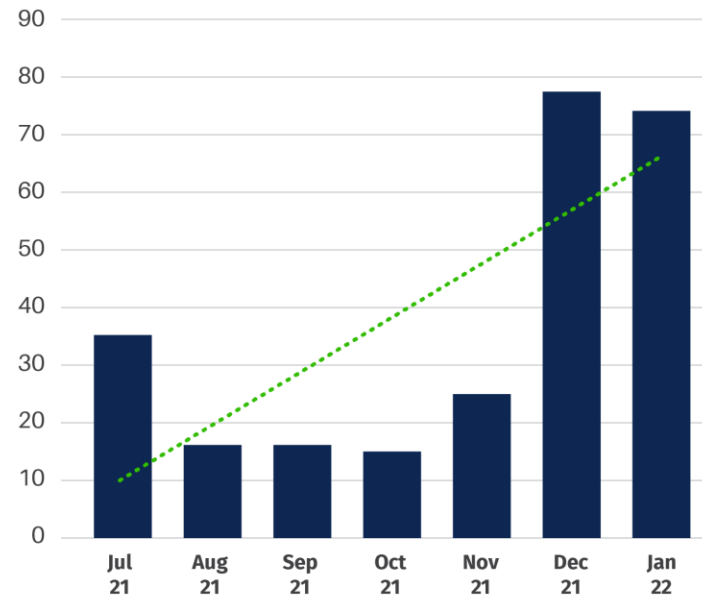
Inquiry level and new student sales have increased significantly since the announcement of the re-opening of Australia's international borders

New monthly leads



Go Study Australia offshore new student leads in January 2022 were **84%** higher than the July to December 2020 monthly average

New monthly student sales



Go Study Australia offshore new student sales in January 2022 were **109%** higher than July 2021





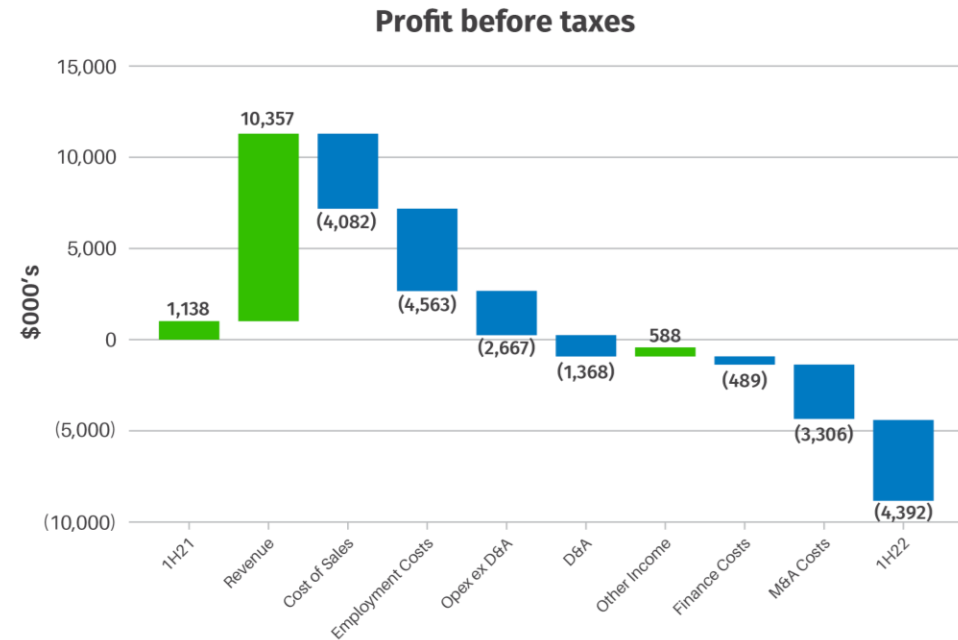
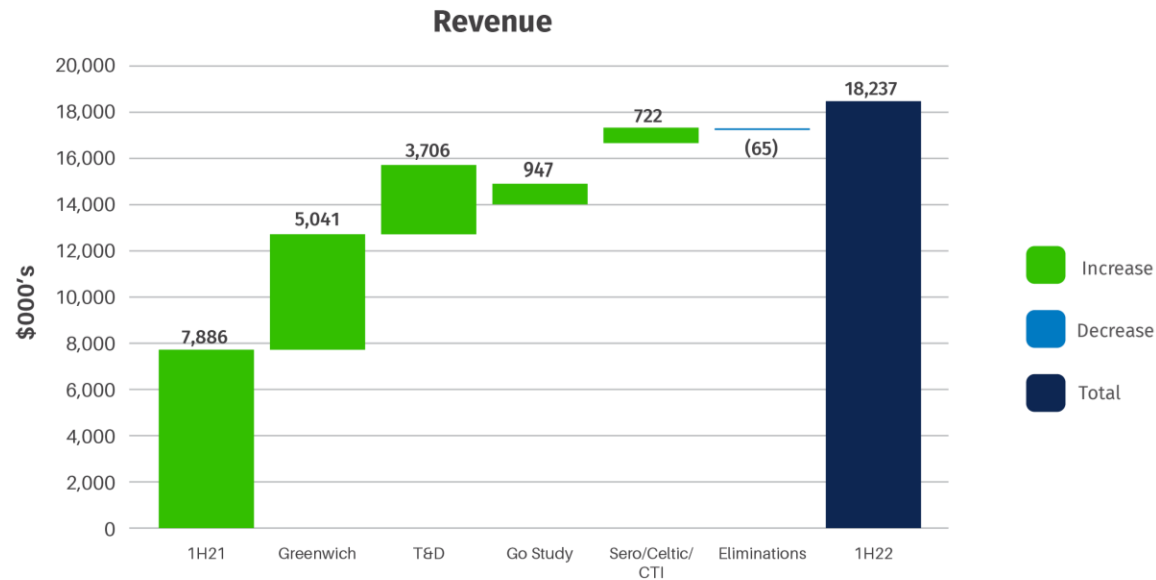
1H22 Financial results

Profit & loss

	Half year actuals		Change	
	1H21	1H22	\$000's	%
Revenue	7,880	18,237	10,357	131%
Cost of sales	(3,441)	(7,523)	(4,082)	(119%)
Gross profit	4,439	10,714	6,275	141%
Other income	887	1,475	588	66%
Employee costs	(1,581)	(6,144)	(4,563)	(289%)
Receivables impairment	(168)	(344)	(176)	(105%)
Property costs	(124)	(858)	(734)	(592%)
Marketing	(269)	(1,123)	(854)	(317%)
Other expenses	(1,177)	(2,079)	(902)	(77%)
EBITDA excl M&A	2,007	1,641	(366)	(18%)
D&A	(695)	(2,063)	(1,368)	(197%)
M&A costs	-	(3,306)	(3,306)	N/A
EBIT	1,312	(3,728)	(5,040)	(384%)
Financial costs	(174)	(663)	(489)	(281%)
Profit before tax	1,138	(4,391)	(5,529)	(486%)
Income tax expense	85	92	7	8%
NPAT	1,223	(4,299)	(5,522)	(452%)

- ❖ Strong growth in revenue and gross profit following the RedHill acquisition, consolidated effective 1 October 2021
- ❖ Gross margin 58% dropped slightly from 60% in pcp due to higher education labour costs
- ❖ Employee costs grew \$4.6m, with \$3.7m from the RedHill acquisition and \$0.9m in Sero / Celtic / CTI targeted to drive domestic revenue growth
- ❖ D&A and financial costs (mostly AASB16 lease costs) increase following the RedHill acquisition
- ❖ Actions taken to reduce expenditure in 2H22

Revenue & profit



- ❖ Greenwich, Technology & Design, Go Study contributed \$9.5m of the revenue increase in 1H22
- ❖ Sero / Celtic / CTI contributed \$0.7m - growth of 9%. Growth driven by Celtic (+79%). Sero domestic revenue grew by 32% with growth in domestic revenues partially offsetting the 22% decline in international student revenues. CTI was flat vs pcp

- ❖ Higher employment costs due to RedHill acquisition (\$3.7m) and Sero / Celtic / CTI of (\$0.9m)
- ❖ Other opex increases mostly due to property (\$0.7m), marketing (\$0.9m) and bad debt provisions (\$0.2m)
- ❖ Increases in D&A and financing costs due to RedHill leases

Capex



New iCollege campus in Brisbane - reception area concept design

HY2022 CAPEX	\$000's
Course development	326
Campus fit-outs	410
IT and other	182
Total	918

1HY22 capex includes preliminary spend on the Brisbane campus (Level 3 Charlotte Street)

2H22 capex spend is expected to include:

- ❖ Brisbane campus finalisation: \$0.5m
- ❖ IT and student experience upgrades: \$0.7m

Capex is funded by available cash reserves

Future outlook

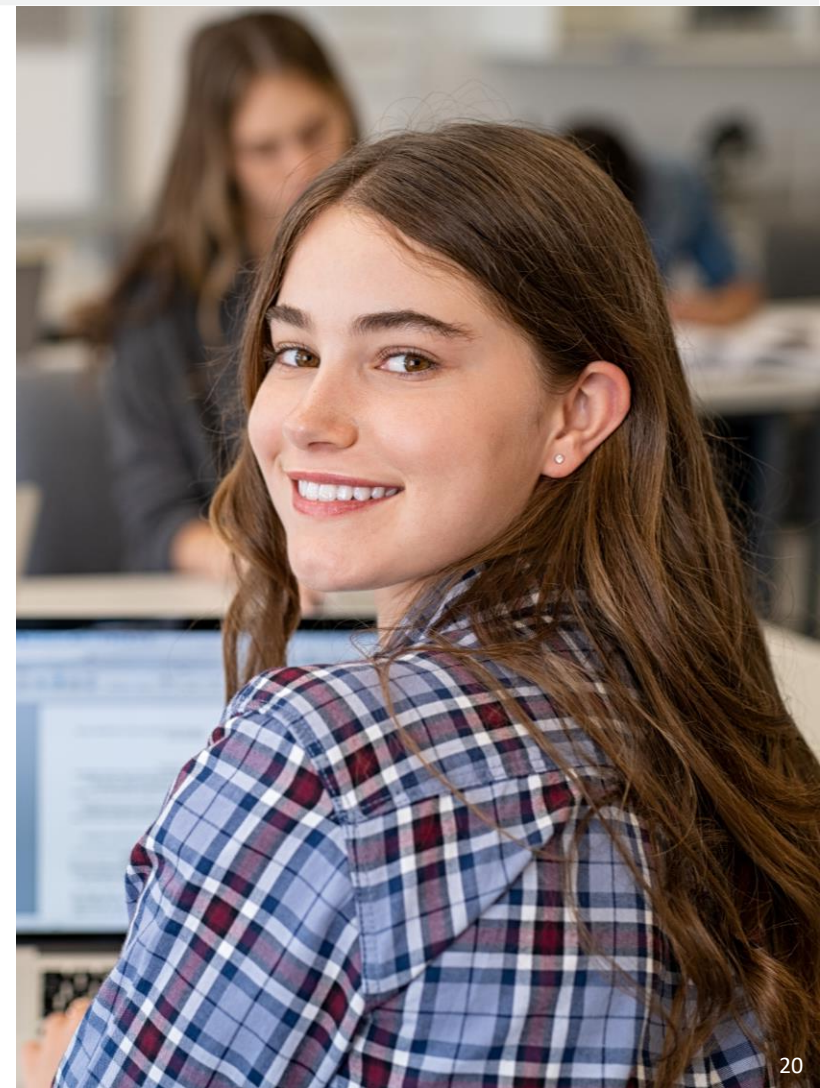
- ❖ Integration of RedHill acquisition tracking well and ahead of schedule, with iCollege confident of delivering annualised cost synergies of \$1m-\$1.35m
- ❖ Post acquisition, the business is now of greater scale with a diversified earnings base, larger geographical footprint with a unique competitive advantage including holding State and Commonwealth funding accreditations
- ❖ Future short-term revenues are expected to be affected in QLD, SA and WA due to recent upsurges in COVID-19 cases, continued border uncertainty in WA and challenges accessing aged care facilities for student industry placements
- ❖ The Queensland corrections program has been temporarily suspended due to COVID-19 outbreaks at some facilities
- ❖ As a consequence of acute skill shortages in the construction, healthcare and hospitality industries, domestic student attendance and progression has been affected by students prioritizing work commitments over their courses

Strong government support for the return of international students to Australia

- ❖ Australian government announced the reopening of international borders for international student visa holders from mid-December 2021
- ❖ Further government incentives announced in January provide student visa holders with full refunds for visa application fees and increased working rights

Strong lead indicators across all iCollege international student businesses including:

- ❖ Significant increases in student enquiry rates from offshore international student agencies, including for iCollege's Go Study Australia business
- ❖ New international student enrolment confirmations more than doubling each month since the reopening of Australia's borders, with most of those newly enrolling students due to commence their studies in March and April 2022



Investor Highlights



- ❖ Leading diversified portfolio of education businesses, positioned to invest, innovate and compete in a rapidly growing marketplace
- ❖ National campus footprint and strong online delivery capabilities
- ❖ Highly regarded and experienced board and management team with a demonstrated track record of delivering growth, expansion and shareholder value
- ❖ Very well positioned for the recovery of the international student market, with strong brand reputation
- ❖ Strong track record of regulatory compliance and extensive industry partnerships for student internships and job outcomes
- ❖ Board mandate to focus on further growth and expansion - organic and inorganic
- ❖ Strong international student capabilities, including operating the Go Study Australia business to source international students from Europe and South America to study in Australia. Extensive international student agency network representing a broad range of nationalities

Important notice & disclaimer

Summary information

This Presentation contains summary information about iCollege Limited and its activities which is current only as at the date of this Presentation (unless specified otherwise). The material in this Presentation is general background information and does not purport to be complete. It does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au. No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Presentation. To the maximum extent permitted by law, iCollege Limited, its subsidiaries and their respective directors, officers, employees, agents and advisers disclaim all liability and responsibility for any direct or indirect loss, costs or damage which may be suffered by any recipient through use of or reliance on anything contained in, implied by or omitted from this Presentation. Reliance should not be placed on information or opinions contained in this Presentation and, subject only to any legal obligation to do so, iCollege Limited does not have any obligation to correct or update the content of this Presentation.

Financial information

Certain financial measures included in this Presentation, including Underlying EBITDA, Underlying EBIT, Underlying NPAT are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Act and are not recognised under AAS and International Financial Reporting Standards (IFRS). Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although iCollege Limited believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation. Certain figures, amounts, percentages, estimates, calculations of value and fractions provided in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation. All financial information in this Presentation is in Australian dollars (\$ or A\$) unless otherwise stated.

Important notice & disclaimer

Forward looking information

This Presentation and any related materials and cross-referenced information contain forward looking statements, which may be identified by the use of terminology including ‘may’, ‘will’, ‘would’, ‘could’, ‘should’, ‘expects’, ‘believes’, ‘targets’, ‘likely’, ‘plans’, ‘intends’, ‘aims’, ‘estimates’, ‘continue’, ‘objectives’, ‘outlook’ or similar expressions. Indicators of and guidance on future earnings and financial position are also forward looking statements. These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of iCollege Limited (especially during the global COVID-19 pandemic), and which may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on forward looking statements.

Past performance

The past performance and position of iCollege Limited reflected in this Presentation is given for illustrative purposes only. Past performance of iCollege Limited cannot be relied upon as an indicator of (and provides no guidance as to) the future performance or condition of iCollege Limited, including future share price performance.

No offer of securities

Nothing in this Presentation should be construed as either an offer or a solicitation of an offer to buy or sell iCollege Limited securities. Information in this Presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the financial situation, investment objectives or needs of any particular investor. Before making any investment or other decision, investors should consider these factors, and consult with their own legal, tax, business and/or financial advisors.



Appendix

Revenue & profit by division

	Half year actuals		Change	
	1H21	1H22	\$000's	%
Revenue				
Greenwich	-	5,041	5,041	-
Technology & Design	-	3,706	3,706	-
Go Study	-	796	796	-
Sero / Celtic / CTI	7,886	8,608	722	9%
Unallocated	-	86	631	-
Total Revenue	7,886	18,237	10,351	(131%)
Profit				
Greenwich	-	1,241	1,241	-
Technology & Design	-	660	660	-
Go Study	-	11	11	-
Sero / Celtic / CTI	2,585	(276)	(2,861)	(111%)
Corporate / Unallocated	(1,447)	(6,027)	(4,580)	317%
Total Profit before Taxes	1,138	(4,391)	(5,529)	(486%)

Non-IFRS information

The Company reports EBITDA in addition to the Profit after Tax. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The company's directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the half year ended 31 December 2021 is noted in the accompanying table

EBITDA / (EBITDA Loss) Reconciliation

	1H21	1H22
	\$'000	\$'000
Net Profit / (Loss) After Tax	1,223	(4,299)
Add Back:		
Depreciation & Amortisation	695	2,063
Finance costs	174	663
Less:		
Income Tax Benefit	(85)	(92)
EBITDA / (EBITDA Loss)	2,007	(1,665)
Add back abnormal expenses:		
Merger and acquisition costs	-	3,306
EBITDA excl M&A costs	2,007	1,641

Thank you!

Level 2, 7 Kelly Street,
ULTIMO NSW 2007

www.icollege.edu.au



Glenn Elith

Chief Executive Officer
glenn.elith@icollege.edu.au

Michael Fahey

Chief Financial Officer
michael.fahey@icollege.edu.au