ASX Market Release

29 August 2023

The Board of EDU Holdings Limited (**EDU** or **the Company**) is pleased to report its results for the six months ended 30 June 2023 (**1H23**).

Important Notes
All comparisons are to the previous corresponding period, unless otherwise noted.
Ikon refers to Proteus Technologies Pty Ltd, trading as Ikon Institute and **ALG** refers to Australian Learning Group Pty Limited, both of which are wholly owned subsidiaries of the Company

Key Highlights

- **Ikon enrolments up 41%** - Trimester 2 record enrolments of 848
- **55% growth in Ikon revenue, operating leverage emerging** – $2.0m incremental revenue growth produced a $1.2m improvement to EBITDA
- **ALG new student enrolments up 43%** - positive trend emerging. Term 3, 2023 was ALG's second consecutive term of enrolment growth
- **Stabilisation of losses in ALG** – no deterioration in EBITDA notwithstanding lower enrolments
- **Group revenue up 15% to $10.3m** - increase in Ikon of $2.0m offset by a decline in ALG of $0.6m
- **Group EBITDA of $0.2m** – turnaround from $0.9m EBITDA loss
- **Group net loss after tax improvement of $0.6m** – net loss of $1.6m compared to $2.2m
- **Cash at 30 June 2023 of $6.3m** – up from $6.1m at 31 December 2022. Net cash $4.0m

Ikon

Ikon enrolments continued to climb in 1H23, up 41% on the PCP. Ikon had a record 848 enrolments in Trimester 2, 2023.

Ikon's Bachelor of Early Childhood Education program (**BECE**) continued to gain traction during the period, particularly with the international student market, benefitting from numerous factors including: activation of EDU's substantial onshore and offshore agent network; graduating students articulating from ALG and other vocational providers' Diploma of Early Childhood Education and Care; the Early Childhood (Pre-primary School) Teacher occupation remaining on the Medium and Long-term Strategic Skills List (**MLTSSL**), providing a potential pathway to skilled migration; announcement and implementation of extended post-study work rights for courses leading to occupations with workforce shortages; the typically higher student visa grant in higher education relative to vocational education (**VET**); and ongoing strong employment demand in the childcare sector. Enrolments in BECE also benefitted from a low level of graduations, given Ikon only commenced offering the course in 2021. BECE represented 38% of Ikon's 1H23 enrolments, up from 20% in 1H22.

Momentum also continued to build for Ikon's online offering to domestic students with enrolments in 1H23 of 448, up 140% on the PCP, noting this includes existing students switching from on-campus to online delivery. In 1H23, 59% of Ikon's domestic student NSEs elected to study online, compared to 47% in 1H22. Online has now become Ikon's preferred study mode for domestic students, in keeping with global trends. Online delivery provides students with additional flexibility, broadens Ikon's reach by accommodating students not located near an Ikon campus and provides Ikon with the ability to

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consolidate classes nationally and thereby potentially generate a higher delivery margin compared to on-campus delivery.

Revenue for 1H23 was up 55% to $5.5m, assisted by the annual price increase and a reduction in the BECE scholarship offer. A shift in student mix to Early Childhood Education, with its lower pricing but generally higher average study load, resulted in average revenue per enrolment declining slightly.

Gross profit improved 78% to $3.5m with a gross margin of 62%, assisted by the price increase and aided by improved average class sizes.

EBITDA for the six months was $1.1m compared to the $0.1m loss in 1H22, an improvement of $1.2m (on $2.0m revenue growth), as operating leverage benefits emerged. Ikon's net profit after tax was $0.2m in 1H23 compared to a loss of $0.7m in 1H22, a $0.9m turnaround.

With evidence of positive enrolment and revenue outcomes from the new BECE program, the Board approved an ambitious product development plan in late 2022, to deliver the progressive launch of 5+ new higher education courses by 2025. The Board is pleased to report that the development of these programs is progressing as planned and that Ikon intends to submit two new courses to TEQSA for accreditation by the end of calendar 2023.

Commenting on Ikon's performance, CEO, Adam Davis said: "After several years of investing in Ikon to build solid foundations, it is rewarding to see operating leverage emerging as we deliver increased student numbers and revenue.

With our market position as a specialist, quality provider; our growing mix of domestic and international students; and with our product development plan now well underway, I am optimistic about Ikon's future.

The Trimester 3 student pipeline is strong, and we look forward to updating the market on Ikon's student numbers following the census date, scheduled for the end of September."

ALG

While international VET sector enrolments have returned to pre-Covid levels, and ALG's enrolments are growing, the rebuild of ALG's total student numbers has been slower than expected, for a number of reasons. Firstly, there was a shift in demand towards lower-priced, more flexible providers during and coming out of the pandemic, as students sought to benefit from pandemic policy settings of temporary uncapped working rights and relaxation of the requirement to study on-campus. Positively, a sector-wide return to compliance was implemented effective 1 July 2023, with the reintroduction of caps on working hours and campus-based delivery, which we anticipate will be beneficial for ALG. Secondly, the introduction and ongoing uptake of the Temporary Activity visa (subclass 408) (Covid-19 Pandemic event) (**408 Visa**) which provides onshore non-residents with unlimited working rights for 12 months, without needing to study, has reduced the onshore pool of prospective students. This has impacted the transition of ELICOS students to VET, which in turn has muted ALG's new student enrolments (**NSEs**). It is likely that at some point the 408 Visa will be withdrawn and this too is expected to benefit ALG. Finally, there has been a shift in a demand from VET towards higher education as students seek to benefit from the extended post-study work rights available for higher education courses in areas of skills shortages, and with its typically higher visa grant rate, which is supporting Ikon's growth.

Notwithstanding and as noted above, a positive trend in ALG's NSEs, a leading indicator for enrolments, has emerged. NSEs for the 12 months up to and including Term 3,2023, were up 65% on the PCP. As a result, enrolments bottomed out at 1,007 in Term 1, 2023 and have modestly increased to 1,061 in Term 3, 2023. With the higher level of graduating students from pre-Covid commencements now largely exited and as pandemic policy settings are removed, the Board expects ALG's enrolment growth to start to accelerate with the continued growth in NSEs.

The annual price increase, effective at the start of 2023, offset some of the volume decline, with 1H23 enrolments down 21% on the PCP. Revenue for the half-year was down 15% to $4.7m. Notwithstanding the fall in revenue, slightly higher average class sizes helped maintain the gross margin at 45%. Through careful management of costs and mindful of the Company's strategy to preserve ALG's capacity (headcount and campus infrastructure) for the recovery, the EBITDA loss of $0.1m was contained, in line with the loss reported in the PCP. ALG's net loss after tax was $1.2m in 1H23 compared to $0.8m in 1H22.

Commenting on ALG's performance, CEO, Adam Davis said: "While the rebuild is happening more slowly than we would like, ALG student numbers have passed an inflection point and are now moving in the right direction. NSEs are up, enrolments are increasing and EBITDA losses have stabilised.

ALG's average study duration of approximately 24 months means that many of the new students commencing in 2023 will likely still be studying with ALG in 2025. It's worth noting that the 4-year CAGR in ALG's enrolments, prior to Covid, was 31%.

With material latent campus and classroom capacity, ALG is poised to enjoy operating leverage as student volumes and class sizes rebuild.

1H23 has seen a continuation of the shift in ALG's mix towards its Community Services courses, which are closely aligned to employment outcomes in areas of skills shortages. To further capitalise on this, ALG is launching a Certificate IV of Community Services in 2H23 and has recently expanded its Aged Care courses to Brisbane."

Group

Revenue for the six months increased by 15% to $10.3m, with the $2.0m gain in Ikon more than offsetting the $0.6m decline in ALG.

With an improvement to gross margin from 49% to 54% and operating expenses largely contained, the Group reported a $1.1m turnaround in EBITDA, from a $0.9m loss in 1H22 to a $0.2m profit in 1H23.

At a Group level the net loss after tax was $1.6m in 1H23 compared to $2.2m in 1H22, an improvement of $0.6m.

Cash at 30 June 2023 was $6.3m against borrowings of $2.3m. Net cash improved 5%, with net total cash at 30 June 2023 of $4.0m.

Commenting on the Group's performance, Adam Davis said: "It is pleasing to see the strength in Ikon contributing to a material turnaround in the performance of the Group. While the Group is still loss making at the NPAT level, we are encouraged by the trend in NSEs in ALG and expect operating leverage to also emerge in that business as enrolments continue to build."

In early August, the Board took the strategic decision to withdraw from the previously announced acquisition of Nurse Training Australia (**NTA**). With no definitive timeframe for determination of the application for re-accreditation of its Diploma of Nursing program, and lower nursing enrolments due to being precluded from enrolling new students during 2023 in the absence of the reaccreditation, the Board formed the view that the transaction was no longer in the Company's best interest. In line with its long-term strategy, the Company intends to continue to pursue strategic acquisition opportunities.

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

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