

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

110th ANNUAL GENERAL MEETING

11.30am, 2 November 2018
Level 31, 1 O'Connell Street, Sydney

Good morning

I am delighted to welcome you to the 110th Annual General Meeting of Academies Australasia Group Limited.

Overview

It is particularly pleasing to be reporting good results. FY18 recorded the Company's best performance in its 110-year history:

EBITDA - \$7.46 million
Earnings Before Tax - \$6.12 million

Details of the financial performance are contained in the FY18 Annual Report.

Between 30 June and 30 September 2018, total borrowings decreased 16% from \$1.29 million to \$1.08 million, while net cash increased 18% from \$12.97 million to \$15.25 million.

The exercise to buy back and cancel 4,139,612 fully paid ordinary shares, which was approved by shareholders on 1 August 2018, was successful. Between 1 August and 31 October 2018, the volume weighted average price was 40 cents – 14% higher than the purchase price of 35 cents.

Business Environment

Our views on the business environment have not changed significantly since the Chairman's and Group Managing Director's Statement in the Annual Report. The domestic sector is still slow. The free courses offered by certain TAFE colleges and the suggestion that a change in Government will bring further support for TAFE colleges at the expense of the non-government sector is more than discouraging.

The international sector is encouraging, and will be helped further by the weaker Australian dollar. In FY18, 78% of our revenue came from international students. International revenue grew by 22% from FY17. With 12 of our 17 colleges in Australia authorised to teach international students, we are well positioned to grow, as the sector grows in Australia.

Outlook

Since the Annual Report, nothing has occurred to brighten our view of the future. Indeed, one could say that it's become a bit darker. Internationally, the threat of trade wars, insurgencies and other major disruptions appears to be growing. Domestically, the focus in our two largest states, and federally, seem to be more on holding on to or gaining power rather than on governing. Certainly not an environment wherein one can expect clear, long-term policies in respect to education that the sector so badly needs for proper long term planning.

The First Quarter

Notwithstanding a business environment that was far from easy, we are not unhappy with the company's performance from July to September. Management accounts (Unaudited) for the 3 months to September show:

EBITDA	\$1.587 million	Up 49% on PCP
Earnings Before Tax	\$1.273 million	Up 95% on PCP

The improvement came mainly from international operations, with a particularly strong performance from Academies Australasia Polytechnic.

The above EBITDA and Earnings Before Tax figures are after a provision of \$1.3 million for accrued debtors – 87% (\$1.127 million) of which pertain to Spectra Training. Spectra Training was acquired in June 2014. About \$613,000 (54%) of the \$1.127 million was in respect to Spectra Training students enrolled between 2003 and 2014. This exercise was carried out as a matter of prudence. There is no impact on cash flow, but there is likely to be a positive impact in respect to tax.

Withdrawal of Agenda Item 5

On 31 October 2018, we announced the withdrawal of Item 5 of the Agenda (*'To increase the maximum aggregate non-executive directors' fees from \$250,000 to \$500,000 per annum'*). We did this after noting Note 1 of ASX Listing Rule 10.17. The proposed increase is not required at this time.

Election of Directors

Today, you will be asked to consider the election of Mr Chiang Meng Heng and Ms Gabriela Del Carmen Rodriguez Naranjo. These elections, of course, have the Board's full endorsement. I am pleased to say that from proxies received, there is no doubt that they will both be elected.

Thank you

On behalf of the Board, I would like to thank all stakeholders in the Company – shareholders, students, clients, partners, associates, management and staff - for their contribution and support.

May I also thank K & L Gates for the use of their Meeting Room. The view from here is a touch better than that from Level 6 at 505 George Street.

My colleagues and I thank you for attending this meeting.

Dr John Lewis Schlederer
Chairman
2 November 2018

[Note: EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation]