

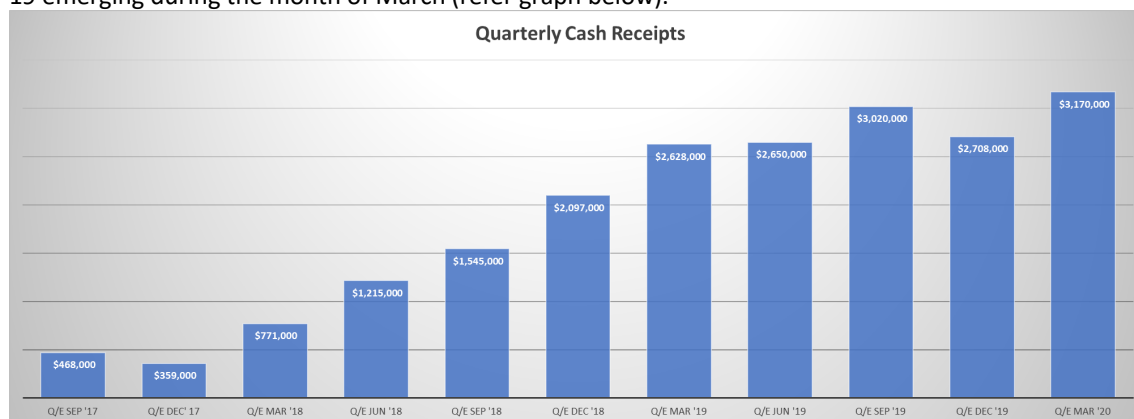
## Quarterly Cash Flow and Operations Update

- Record quarterly cash collections of \$3,170,000
- COVID-19 impact and iCollege's response initiatives
- Best quarter for Corrections program since inception

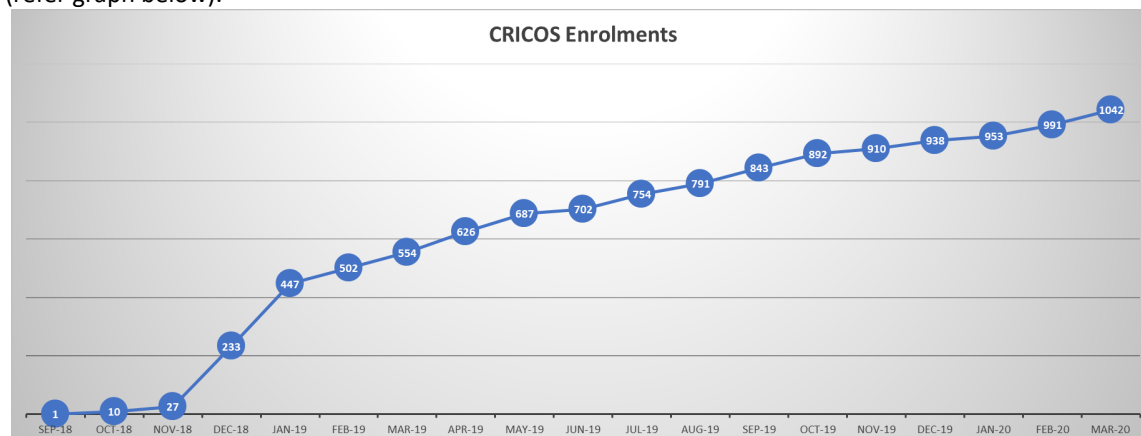
The Board and Executive of iCollege Limited ('iCollege' or 'the company') (ASX: ICT) is pleased to present the operational and financial performance for the quarter ended 31 March 2020 and provide the most up-to-date information to our investors relevant to the current environment.

### Financial Update

The company posted a record cash receipts figure of \$3,170,000 for the period despite the impact of COVID-19 emerging during the month of March (refer graph below).



The company continued to see growth in international student numbers during the quarter, albeit slowing (refer graph below).



(CRICOS = Commonwealth Register of Institutions and Courses for Overseas Students)

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## **COVID – 19 Impact on operations**

Like all businesses in this sector, the outbreak of COVID-19 has had a material impact on iCollege. iCollege's business revenue is generated from its international student business (51%) and its government subsidised, domestic student business (49%) which puts iCollege in a unique position compared to its competitors which rely heavily on the International student market

The business is dynamic and in the current crisis, has been able to quickly adapt and turn its focus to revenue-generating activities in the domestic student business with a focus on training in vocations such as health care, community services, building/construction and IT courses. The company receives payment for many of its domestic courses by way of government subsidies paid pursuant to State Government funding contracts. iCollege currently holds State Government funding contracts in WA, SA, QLD, NSW and ACT. iCollege will make application for additional funding contracts in other States as the opportunities arise.

Operationally, the company has acted quickly and decisively to manage the impact from this unprecedented event and to position the business to take advantage of the opportunities that present beyond the current crisis.

Steps taken include:

- The rapid transition to on-line delivery of courses. This has greatly minimised any disruption to class delivery and in turn, helped ameliorate the adverse effects on student attendance and revenues;
- Implementing a staged approach to social distancing measures, starting with reducing the number of students attending class and eventually moving to the closure of international student campuses with all learning being delivered in a structured and quality online platform;
- ICT has received positive feedback on this method of course delivery, reinforced by high levels of attendance and positive feedback from students;
- iCollege is working with the students on case by case basis and maintaining a daily focus on its debtor ledger.
- A voluntary reduction and/or deferral of salaries by senior leadership team and Board members;
- Standing down of non-essential teaching staff and employees that do not qualify for the Job-Keeper program;
- Use of annual leave entitlements for remaining staff and a freeze on hiring new staff;
- Deferral of all major capex items;
- Ongoing negotiations with commercial landlords based on the new code of conduct passed on 7 April 2020; and
- Ongoing negotiations and agreed reductions on service agreements with various contractors and service providers.

iCollege has also been in communication with the Federal government and has proposed both:

- an industry relief package, with the support of other major market participants; and

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- the redeployment of students to paid employment opportunities in the agricultural sector, an area currently experiencing a significant skills shortage. The proposal includes adjustments being made to student study timetables to accommodate any new employment requirements.

The company has increased cash at bank since the last quarter due to stringent financial management and the cessation to all non-essential capital expenditure. Last quarter, iCollege announced that it expected to see strong cash collections moving forward; this situation has obviously changed, and the positive year result iCollege was confident of achieving will be dependent on the length of the current lockdown and social distancing measures in place. As of March 2020 the company's revenues were at \$9.96 Million against the budgeted revenue of \$9.33 Million. In the meantime, we will continue to manage the cost base tightly and reduce expenditure wherever possible.

In the immediate term, the business is committed to the health and safety of all students and staff. Additionally, we are working hard to ensure employees are retained so we have the team in place when we inevitably reopen campuses. We are working with Government wherever possible to access stimulus packages, secure what assistance we can for students and maintain all available revenue streams.

As a result of the closure of some education providers, when the restrictions relating to COVID-19 are eased or lifted, we expect a significant number of international students who have remained in Australia will need to switch colleges. There exists therefore, an opportunity for iCollege to become the college of choice for these students. iCollege proposes to do this through the rollout of an aggressive and targeted social media marketing campaign that communicates to students that iCollege is open for business and here to help.

The company will provide further updates as and when new information becomes available.

#### **Government initiatives and stimulus packages**

iCollege's Board and Finance Team have been proactive in assessing, and where applicable, applying for all eligible government initiatives and stimulus measures. These include:

- **ATO Cash-flow Boost:** A cash flow boost from the ATO, forecasted to be approximately \$300,000 in credits to its Business Activity Statements over the next three quarters;
- **Payroll Tax Initiative:** Payroll tax refunds and credits forecasted to be approximately \$74,000;
- **Job-keeper Wage Subsidy:** The Job-Keeper wage subsidy program which provides \$1,500 per employee, per fortnight to eligible employers to pay staff. If iCollege satisfies the reduction in turnover test provided by the ATO, then the company may be eligible for up to \$150,000 in subsidy payments.
- **Regulator Fee Holiday:** Fees and charges for providers registered with the Australian Skills Quality Authority (ASQA) between 1 January 2020 and 30 June 2021 are to be waived. ASQA will reimburse fees already paid. Modelling suggests that the total savings to the business from this initiative will be approximately \$32,000; and

On the back of the stimulus package recently announced for universities, and in response to recent approaches made by sector participants led by iCollege, iCollege is also hopeful of a general industry stimulus package being announced by Government.

The company will provide further updates as and when new information becomes available.

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## **Corrections Training and Recognition of Prior Learning (RPL)**

Since 2016, iCollege has been running a bespoke training package within the Queensland Correctional Services facilities. The training course was specifically designed against the AQF Foundation Skills training package to assist inmates to prepare themselves for employment after their release. This has been a highly successful program operating in five of Queensland's 11 Correctional facilities; it is also the program of which we are most proud.

The program has achieved an impressive overall completion rate in excess of 95%.

The program delivered revenue of \$370,000 for Q3 with March revenues representing the highest revenue figure for the program on record at \$198,000.

The program has now expanded into remote Indigenous communities providing training and skills that have previously been lacking. The iCollege team has been welcomed into these communities and is encouraged by the increasing number of enrolments.

Courses were scheduled to continue through March and into Q4, however on Friday 27 March 2020, all Correctional facilities in Queensland were closed to non-essential personnel in response to COVID-19. The iCollege Correctional Team has recently proposed several innovative ways to remotely deliver the program to the Department of Correctional Services in Queensland. Meetings are continuing and the suggestions to date have been well received by the Department. If accepted, the new delivery options will allow inmates to continue learning and remain busy at a time when many other activities have ceased.

Another significant contributor to the business' performance during Q3 has been through the provision of a 'Recognition of Prior Learning' (RPL) process to employees who have no normal qualification. iCollege formally assesses a participant's 'on the job' experience and existing qualifications with a view to issuing a Nationally Accredited Certificate. When gaps in learning are identified, the iCollege team provides additional training and administers formal assessments to ensure that the participant is fully qualified for the certification being awarded.

In Q3, RPL contributed \$376,000 to collections.

RPL can be delivered remotely and as such, will continue to operate with minimal disruption through this period of uncertainty. iCollege anticipates RPL revenues to be down during Q4 as a consequence of business closures.

## **Hacking School Acquisition**

During Q2, iCollege announced the execution of a binding term sheet for the acquisition of The Hacking School. The share sale agreement has been executed by both parties and the transfer of title is currently being completed. Upon this occurring the consideration shares will be issued as announced to ASX on 12 December 2019 and 24 March 2020. The Hacking School provides the business with an exciting new opportunity in the lucrative IT Boot Camp market. This gives iCollege access to the online platforms that the Hacking School currently owns and operates. These include:

- A customised real time virtual classroom with diverse mentor onboarding and custom classes. The system is operated at a ratio of 1 Trainer to 15 students;
- A 1:1 training platform with automated teacher assignment and class scheduler in-built; and
- A 'Virtual School' platform for class sizes of up to 1:200.

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iCollege also reached an agreement with The Blockchain Collective allowing the delivery of the ASQA-accredited Diploma and Advanced Diploma of Blockchain Technology to both domestic and international students. This delivery will take place both in Australia and internationally.

The Diploma and Advanced Diploma of Blockchain Technology can be delivered completely online.

### **Linguaskill Update- Tested English**

Tested English has been in ongoing discussions with 20 of Australia's highest-ranking universities, including six of the Group of eight members, who are all in need of a comprehensive online English language test that can be taken at home by prospective international students, whilst all English test centres remain closed in key source countries. A number of universities and private providers are undertaking a pilot program and we will update the shareholders of the outcome in the near future. All international students need to verify their English language skills for admission into mainstream courses and placement into intensive English language courses, which provide a pathway to university and vocational colleges.

### **Acknowledgment**

The Board and Management Team would like to sincerely thank all staff, students, regulators, governments and shareholders for their ongoing optimism and support during this challenging time.

This announcement has been approved by the board of iCollege Limited

### **For further Information:**

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

iCollege Limited

**ABN**

75 105 012 066

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,170	8,898
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(30)	(76)
	(d) leased assets	(13)	(45)
	(e) staff costs	(1,142)	(3,496)
	(f) administration and corporate costs	(658)	(1,935)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(28)	(72)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (Costs of course delivery)	(910)	(3,060)
	Other (Inventory for Linguaskill tests)	-	(245)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>389</b>	<b>(30)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(15)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2)</b>	<b>(15)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	500
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	94	210
3.6	Repayment of borrowings	(62)	(240)
3.7	Transaction costs related to loans and borrowings	-	(15)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>32</b>	<b>455</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	126	135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	389	(30)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	32	455
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>545</b>	<b>545</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	545	126
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>545</b>	<b>126</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
103
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Executive Director Salaries - \$103k



**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
150	100
-	-
-	-
150	50

7.5 **Unused financing facilities available at quarter end**

50

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Floating drawdown facility interest at 15% secured by director guarantee

**8. Estimated cash available for future operating activities**

**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

389

8.2 Cash and cash equivalents at quarter end (Item 4.6)

545

8.3 Unused finance facilities available at quarter end (Item 7.5)

50

8.4 Total available funding (Item 8.2 + Item 8.3)

595

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

1.53

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: No, it expects to achieve positive operating cash inflows.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes on the basis of continuing positive cash inflows from operations.

## **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 16 April 2020

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## **Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.