

ICT delivers record Q1 FY2021 performance

Highlights:

- Record cash collections of \$3,816,000 including government assistance of \$602,000
- Record quarterly operating revenue of \$4,108,000
- Record quarterly EBITDA of \$703,000
- Positive cash flows from operations of \$491,000
- Closing cash balance of \$1,014,000
- Pharmacy Guild of Australia partnership executed and Infection Control Training enrolments commenced
- New Perth aged care training campus established with courses underway

The Board and Executive of iCollege Limited (ASX: ICT) ('ICT' or 'the company') is pleased to report exceptionally strong operational and financial performance for the quarter ended 30 September. These results are extremely encouraging as the company emerges from the impact of COVID – 19.

Financial performance

The company delivered record revenue and earnings for the quarter with unaudited revenue and other income of \$4,083,000 and earnings before interest, tax, depreciation and amortization (EBITDA) of \$686,000.

Cash collections were \$3,816,000 which included a \$602,000 contribution from JobKeeper and ATO cash flow boost payments. In a positive leading indicator of the company's improving performance, iCollege will no longer qualify for JobKeeper payments from Q2 FY2021 as revenue continues to improve.

With a continued focus on prudent financial management and increasing revenues, the company delivered an operating cash surplus of \$491,000 (less bank guarantees paid) and a closing cash balance of \$1,014,000 at quarter end.

During the quarter, the company:

- allocated \$176,000 towards bank guarantees for two new campuses and office space; and
- Invested \$52,000 establishing a new Individual Care Certificate III skills lab, enabling the company to deliver its highly successful aged care training in Perth under a state government funded contract.

Payments to related parties and their associates

Payments for executive director fees for the quarter totalled \$125,000, representing \$59,000 paid to Managing Director Ash Katta and \$66,000 paid to Executive Director & CFO Badri Gosavi.

Payments of \$2,723 to associates included legal fees paid to HWL Ebsworth in which Chairman, Simon Tolhurst is a partner. Fees paid were at normal market rates.

icollge.edu.au

Corporate inquiries
+61 8 9466 9008

Investor inquiries
investors@icollge.edu.au

Media inquiries
media@icollge.edu.au

Operational update

International student recruitment

With international borders closed and travel restrictions in place, iCollege has continued focusing its recruitment efforts on international students who have remained in Australia. The company continues to work with its vast student recruitment agent network overseas to enroll new students. As a result of regulatory changes due to COVID-19, iCollege off-shore international students are able to commence their course whilst living in their country of origin, and then complete the remainder of their course work in Australia once border restrictions are lifted. This arrangement accords with Minister Tudge's announcement allowing students to begin training in their home countries, with the time spent undertaking their coursework in their country of origin counting towards the 2-year study pre-condition for graduate visa eligibility.

These measures have proven successful, with new enrolments generating \$400,000 per month in enrolment value during the quarter. This initiative reflects the company's ability to quickly adapt to the current environment and maintain a strong international student recruitment business despite the uncertainty driven by extended border closures.

Domestic student recruitment

Student enrolments have remained strong with a focus on aged care, community services, building and construction and short courses. Following the easing of restrictions in prisons across Queensland, the corrections training business has also delivered a consistent performance.

New enrolments totaling over \$2,300,000 were recorded during the quarter.

New Perth campus

During the quarter, the company committed to the establishment of a new purpose-built campus in Bayswater, Perth. The decision to invest in the development of this campus has been driven by the company's campus at The Rise, Maylands approaching full capacity. Key features of the new campus in Bayswater include accessibility to public transport, state-of-the-art training and office facilities, a custom designed commercial kitchen, increasing our capacity to deliver practical training and the ability to cater to both domestic and international cohorts.

iCollege has also secured another site to accommodate its recently commenced aged care program in WA. The site includes a skills lab for practical training, classroom space and multiple offices to accommodate a growing team. The first training program commenced in August 2020 with a full class of 15 students. Ongoing enrolments will see this business unit contributing strongly throughout the rest of FY2021.

Pharmacy Guild of Australia partnership and infection control training

In August, iCollege announced a new partnership with the Pharmacy Guild of Australia to design and deliver infection control training. This course is being promoted to 5,800 community pharmacies across Australia and iCollege will be paid between \$290- \$620 for every trained pharmacy worker. The training is funded jointly by the state and federal governments under the new \$80m infection control training fund.

By the end of Q1 FY2021, the company started receiving enrolments from the Pharmacy Guild of Australia members and will provide an update on enrolments in the current quarter. Early numbers are encouraging. The company continues to receive enrolments for infection control training from areas other than the Pharmacy Guild members, including enrollments from the healthcare, transport and logistics sectors.

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Comment

iCollege Managing Director Ash Katta said: *"We are pleased to deliver another quarter of strong revenue and earnings. Throughout the quarter we have strengthened our domestic training operations by adding new courses and expanding our physical campuses to facilitate further growth. We expect domestic training will account for ~70% of total revenue until international students are permitted to return. With a well-established campus infrastructure matched with excellent online capability, we are well-placed to aggressively grow our domestic operations."*

"As well, our team has also shown considerable initiative by working with iCollege's international agent network to sign up students so they can commence courses in their home countries and then complete their education when Australian borders re-open. We expect revenue streams to steadily increase to pre COVID levels as more international students are recruited. The growing uptake reflects the quality of courses that iCollege delivers to international students and our ability to compete globally."

"Q2 FY2021 has commenced well and we anticipate revenue from new government-funded health, aged care and infection control training programs and other courses we have introduced. iCollege has emerged from the initial COVID-19 challenges in good shape and poised to continue strong organic growth."

Post Quarter Activities

Budget 2020 – What this means to iCollege

iCollege watched with eagerness, the rollout of the 2020 Budget which is based around the Morrison Government Recovery Plan. As stated by the Treasurer, this budget is "All about jobs". The 2020 Budget makes a substantial investment in vocational education and training, programs to support careers selection as well as regulatory reform.

The significant investment in vocational education and training set out in the 2020 Budget will help set tens of thousands of school leavers and jobseekers on the path to a new career and most importantly, employment.

Relevant initiatives in the 2020 Budget, some new and some announced in the past month, include:

- \$2.8 billion to support wages of apprentices and trainees currently employed;
- \$1.2 billion to support the wages of new and recommencing apprentices and trainees;
- \$0.5 billion matched by the participating states, totalling \$1 billion for the Job Trainer initiative to assist school leavers and job seekers to attain new job ready qualifications;
- 340,000 additional free or low-cost training places; and
- Record funding for aged care and childcare necessitating the need for trained personnel.

All of the initiatives will be facilitated through existing state government funding contracts. iCollege currently has funding contracts in place with 5 of the 8 States and Territories in Australia, positioning the company extremely well to participate in the exciting and important Federal Government initiatives and contributing heavily to the reskilling of Australians who have been displaced from employment due to the COVID – 19 pandemic.

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iCollege Limited (ASX:ICT)

iCollege is listed on the Australian Securities Exchange (ASX:ICT) and is a holding company for a number of Registered Training Organisations (RTO's). iCollege is currently expanding business offerings both in terms of scope of delivery and geographical locations. iCollege currently operates campuses in Brisbane, Gold Coast, Adelaide, Perth, Sydney and Canberra. These facilities offer the scope of training provided by all iCollege Registered Training Organisations.

iCollege currently holds state Government training contracts to deliver this skill set in Western Australia, South Australia, New South Wales, Australian Capital Territory and Queensland.

For further Information:

Ashish Katta

Managing Director
iCollege Limited
+61 430 377 652
ash.katta@icollge.edu.au

icollge.edu.au

Corporate inquiries
+61 8 9466 9008

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Media inquiries
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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")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,214	3,214
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,704)	(1,704)
(c) advertising and marketing	(91)	(91)
(d) leased assets	(6)	(6)
(e) staff costs	(1,326)	(1,326)
(f) administration and corporate costs	(198)	(198)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	602	602
1.8 Other (Bank guarantees paid)	(176)	(176)
1.9 Net cash from / (used in) operating activities	315	315
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(52)	(52)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(52)	(52)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
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	-	-
3.6	Repayment of borrowings	(94)	(94)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(94)	(94)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	845	845
4.2	Net cash from / (used in) operating activities (item 1.9 above)	315	315
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(52)	(52)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(94)	(94)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,014	1,014

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	1,014	845
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,014	845

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	127
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	299	299
7.2	Credit standby arrangements	50	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	349	299
7.5	Unused financing facilities available at quarter end		50
7.6	<p>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.</p> <ul style="list-style-type: none"> • \$75k floating drawdown facility – interest at 15% secured by director guarantee • \$50k credit card facility • \$224k Queensland Rural and Industry Development Authority (QRIDA) loan facility (assistance under Queensland COVID-19 Job Support Loans Program). Interest free for the first 12 months then 2.5% for remainder of loan term of 10 years, repayable by instalments from second year. Loan secured over the assets of Capital Training Institute Pty Ltd. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	315
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,014
8.3	Unused finance facilities available at quarter end (item 7.5)	50
8.4	Total available funding (item 8.2 + item 8.3)	1,379
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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: N/A	
8.6.2	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: N/A	

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

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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:8 October 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.