

iCollege

Quarterly Cash Flow And Activities Report Appendix 4C

Quarter Ended 30th June, 2021



ASX Release

29 July 2021

iCollege sets record FY2021 with strong Q4 performance

iCollege Ltd (**ASX: ICT**) (**iCollege**, or the **Company**) is pleased to update shareholders on its activities for the quarter ended 30 June 2021.

Highlights:

- **Record annual revenue of \$17,258,552*, up 52% on previous corresponding period (PCP) revenue of \$11,438,846**
- **Record annual operating EBITDA of \$2,927,183***
- **Record Quarterly cash receipts of \$3,936,662**
- **Record domestic student enrolments across the aged and disability care courses**
- **International student enrolments sales contributing future contract revenue of \$1,250,000* (enrolment value)**
- **Indicative, non-binding term sheet for off-market (all scrip) takeover offer for RedHill Education Limited (ASX: RDH) executed by both parties**
- **ICT remains well-funded with cash at bank at quarter-end of \$4,548,855**

Financial summary

iCollege continued its strong financial performance in FY21 with another impressive quarter, generating revenues of \$3,877,702. Cash receipts of \$3,936,662 were the strongest recorded during the fiscal year and represents an increase of 13.55% on the previous quarter (Q3 FY21: \$3,467,000). This sustained growth can in part be attributed to record domestic student enrolments particularly for in-demand healthcare and community services qualifications.

During FY21, the Company delivered record earnings before interest, tax, depreciation and amortisation (EBITDA) of \$2,927,183* (post AASB16). This was after excluding abnormal expenses of \$717,234 incurred during the quarter for advisory and transaction fees associated with the RedHill Education offer, finalisation of the new Bayswater campus and planned redundancies.

Cash at the end of the quarter was \$4,548,855. This leaves iCollege positioned to continue to deliver material growth during the FYE22 fiscal year.

* Unaudited

Domestic operations

The new Western Australia campus was officially opened by The Mayor of the City of Bayswater on 12 May 2021. The official opening was attended by our significant network of agents, partners, suppliers and Government.

The event allowed iCollege to showcase the new campus, located in Bayswater, Perth. This training facility boasts convenient access to public transport, state-of-the-art training facilities, and a fully equipped, customised commercial kitchen. Now open, fully operational, and alive with students on a daily basis, the Perth campuses can accommodate both domestic and international students with approvals to accommodate 760 international students.

Following the completion of the lease term at the Brisbane Head Office during the quarter, the Company entered into a head of agreement for the development of a second purpose-built campus in the Brisbane CBD, modelled on the Perth campus. This new facility is expected to be completed during H1 FY22. The Brisbane CBD campus will be fully equipped with a commercial kitchen, skills lab for aged care training, multipurpose rooms, classrooms and is conveniently located in the Brisbane CBD for easy access by all forms of public transport. iCollege is pleased to have taken advantage of the current leasing market conditions which has enabled the Company to negotiate favourable incentives and terms for the new lease and fit out.

During the quarter the Company continued to focus its marketing spend and partnership expansion on the in-demand growth areas of aged care, hospitality, building and construction. The Company is now reaping the benefits of this strategy with the Company enrolling record domestic student numbers across the aged and disability services qualifications.

The development of the traineeship and apprenticeship side of the business continued during the quarter. The Company is currently scaling up in demand in this division and expects strong enrolments during Q1 FY22. An update will be provided to shareholders on this initiative as part of the next quarterly reporting.

International student operations

Despite Australia's ongoing international border and travel restrictions, enrolments of international students has remained steady generating sales with a future contract revenue of \$1,250,000. These enrolments were derived predominantly from international students currently based in Australia. The continued enrolments are encouraging and highlights the Company's resilience during these extraordinary times and its ability to effectively manage and preserve its international student business against the backdrop of the effects of the COVID pandemic. This, together with the expanded capacity from the new Bayswater and proposed Brisbane CBD campuses, places iCollege in a strong position to immediately respond when international borders open to the off-shore international student community.

Revenue generated from international student enrolments accounted for 35% of total revenue in Q4 FY21, and while this figure is slightly lower than the split across the full financial year (FY21: 46.3%), it is reflective of the current environment as we wait to welcome offshore international students back - expected to be during FY22.

Off-market takeover offer made for Redhill Education Limited (ASX: RDH)

On 9 April 2021, the Company lodged a Supplementary Bidder's Statement in relation to its off-market takeover bid for all the Shares in Redhill Education. The statement amends the Original Bidder's Statement submitted on the 25 March and details the strategic rationale behind the takeover and outlines the strategy to become one of Australia's prominent education providers.

During the quarter, iCollege extended the period during which the Offer would remain open for acceptance, until 7:00pm (Melbourne time) on 23 August 2021.

After several collaborative discussions between the iCollege and RedHill Education to better understand the contribution of each business to a merged entity, both businesses entered into an indicative, non-binding term sheet on 28 June 2021. As part of the non-binding agreement, iCollege agreed to an increase in the share exchange ratio for iCollege's Off-Market Takeover Offer from 7.6 to 9.5 iCollege shares for each RedHill Education share. The term sheet facilitates negotiation of a possible Bid Implementation Agreement with RedHill Education following completion of satisfactory due diligence by both parties. As reported on 23 July 2021, iCollege and RedHill have agreed to extend the Exclusivity Period to 2 August 2021.

Personnel

At the conclusion of six years of service to the iCollege Group, Stuart Manifold, iCollege Executive General Manager has resigned with the resignation taking effect on 30 July 2021.

Stuart has led the Company through major transitions and acquisitions. He was instrumental in the resurgence of iCollege in 2018 which included the Manthano Limited acquisition. He played a pivotal role in the expansion and growth of the business in WA, which today represents almost 30% of the Group's revenue. Stuart has also been significantly involved in the RedHill Education transaction

Having served the Company faithfully, sharing the benefit of his many years of experience in the vocational education sector, Stuart is leaving iCollege to pursue new opportunities. Stuart leaves the Company with the board and managements' gratitude and best wishes for the future.

Outlook

Whilst iCollege's past performance over the last three years where the Company achieved record levels of earnings and revenues is not a guarantee of future performance, the board is confident that the Company is in a strong position to continue building on this past momentum. The opening of the Bayswater campus, growth in domestic course delivery, and the return of international students are key areas which will underpin future growth. The traineeship and apprenticeship program is an exciting new area of focus, and with significant Federal Government subsidiaries available, strong enrolments in Q1 FY22 are expected for this exciting new business unit.

As is evident from the RedHill Education offer, iCollege is actively exploring opportunities for expansion into the New South Wales and Victoria market, the two largest training markets in Australia. The Company remains committed to an aggressive approach in establishing a foothold in these markets.

Payments to related parties and their associates

Total related party payments during the quarter amounted to \$248,060.

Comment

iCollege Managing Director Ashish Katta said: “Q4 2021 was another successful and consistent quarter, but importantly, we closed out our strongest annual financial performance since iCollege’s ASX listing. This is particularly noteworthy as the result was achieved despite our business’ international student operations being severely restricted due to border closures.

It’s pleasing to see our domestic training courses again achieve outstanding enrolment numbers and continue to grow.

Heading into FY22 we are excited with what’s to come and to carry forward the strong momentum built over last year. We are optimistic about the easing of border restrictions during FY22 year as Australia’s vaccination rates reach the necessary critical mass.”

This announcement has been approved for release by the Board of iCollege Limited.

ENDS

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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,937	13,813
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,737)	(6,445)
(c) advertising and marketing	(398)	(894)
(d) leased assets	(4)	(21)
(e) staff costs	(1,495)	(5,989)
(f) administration and corporate costs	(588)	(1,284)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(15)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	32	811
1.8 Other (Bank guarantees paid)	-	-
1.9 Net cash from / (used in) operating activities	(257)	(24)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(37)	(381)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(125)	(361)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(162)	(742)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,500
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	-	(386)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(209)	(644)
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	(209)	4,470

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,178	845
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(257)	(24)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(162)	(742)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(209)	4,470
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,549	4,549

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	4,549	5,178
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantees)	422	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,971	5,178

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	248
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.</i> <i>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	223	223
7.2	Credit standby arrangements	50	43
7.3	Other (please specify)	-	-
7.4	Total financing facilities	273	266
7.5	Unused financing facilities available at quarter end		7
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"> \$50k credit card facility \$223k 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)	(24)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,971
8.3	Unused finance facilities available at quarter end (item 7.5)	7
8.4	Total available funding (item 8.2 + item 8.3)	4,978
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	207
	<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:29 July 2021.....

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.