



iCollege

Quarterly Cash Flow And Activities Report Appendix 4C

Quarter Ended 30 September, 2021

iCollege begins FY22 with record Q1 revenue performance

iCollege Ltd (ASX: ICT) (iCollege, or the **Company**) is pleased to update shareholders on its activities for the quarter ended 30 September 2021 (Q1 FY22).

Highlights:

- Record quarterly cash receipts of \$4.07m, up 6.8% on previous corresponding period (PCP) (Q1 FY21: \$3.81m)
- Record first quarter revenues of \$4.22m, up 25% on PCP (Q1 FY21: \$3.37m)
- EBITDA (post AASB16) loss of \$950,000 for the quarter, including costs associated with the RedHill acquisition of \$574,000.
- Closing cash balance of \$3.78m
- Significant progress made on second purpose-built Brisbane CBD campus – lease signed and fit out contractor appointed
- First enrolments of \$330,000 for domestic traineeship and apprenticeship programs
- International student enrolment pipeline remains steady, contributing future contract revenues of \$1.2m
- Post end of quarter, ICT holds 93% relevant interest in RedHill Education (ASX:RDH) with compulsory acquisition process underway

Financial summary

Following on from the strong financial performance in FY21, iCollege has built upon this positive momentum with another impressive quarter in Q1 FY22. Cash receipts were \$4.07m (Q4 FY21: \$3.93m), and revenue was \$4.22m (Q1 FY21: \$3.37m excluding JobKeeper) – a record performance for the Company. This steadily improving top line revenue growth is largely due to the sustained focus on increasing domestic student enrolments into in-demand qualifications and from growth at the new Perth campus which recently became fully operational.

iCollege recorded a loss in earnings before interest, tax, depreciation and amortisation post AASB16 (EBITDA) of \$950k. This loss was reflective of the resources and funds being deployed towards business development and growth initiatives including some of the costs associated with the RedHill Education Limited (RedHill) off-market takeover, new course developments and hiring of employees to ramp up the new traineeship program in Queensland, South Australia and Western Australia with first revenues from these programs expected to commence in October. Costs associated with the RedHill Education Limited off-market takeover during the quarter were \$574k.

icollge.edu.au

Invest inquiries

investors@icollge.edu.au

Media inquiries

media@icollge.edu.au

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Final transaction related costs of approximately \$5.4m are expected to be paid out during 2Q FY22 for legal, accounting and financial advisers including success fees to the respective financial advisers of both iCollege and RedHill.

Cash at the end of the quarter was \$3.78m.

Domestic student operations

Following the successful opening of the Perth campus, significant progress has been made on iCollege's second purpose-built Brisbane CBD campus with a lease being signed and a fit-out contractor appointed. Taking advantage of 'tenant friendly' leasing conditions, iCollege negotiated favourable leasing and fit-out terms, and is confident that this new campus will deliver future revenue and profit growth. Fit-out works are underway and will continue into Q2 FY22, with the new facility scheduled for completion in early CY22.

Modelled on the recently launched Perth campus, once operational the Brisbane CBD facility will boast a fully equipped commercial kitchen, skills lab for aged care training and multipurpose classrooms. Situated in the CBD, the campus is expected to benefit from accessibility to multiple public transport options.

iCollege continued to scale up its domestic traineeship and apprenticeship offerings in Queensland and South Australia with first student enrolments of over \$330,000 secured in the quarter, for which revenues will be recognised from October 2021.

In another positive development, in late September 2021, SERO Institute in Western Australia was successful in obtaining approval as a provider for the traineeships program by the Western Australian Department of Training and Workforce Development.

iCollege experienced solid student intakes into its in-demand courses in aged care, disability and community services, and expects this trend to continue.

International student recruitment

The COVID-19 pandemic has seen international border closures and travel restrictions will remain in place for Australia for the first quarter of FY22. Despite this, enrolments of international students who are already in Australia have remained steady and valued at \$1.2m (Q4 FY21: \$1.2m). This is a testament to iCollege's market appeal and adaptability despite current tough market conditions.

With the new Perth campus open, and the second Brisbane campus on track for launch in early CY22, iCollege is in a strong position to build on its international student revenues once international borders re-open and students are welcomed back into Australia.

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

On 12 August 2021, iCollege and RedHill Education Limited (RedHill) announced the signing of a Bid Implementation Agreement ("**BIA**"), with iCollege amending its off-market takeover bid to 9.5 shares in iCollege for every one share in RedHill. The proposed transaction received unanimous support from both the RedHill and iCollege boards.

The merging of iCollege and RedHill will create a leading independent Australian educational provider with a national campus footprint and extensive course offerings. The greater scale and strong balance sheet of the merged entity ensures that the combined organisation is in a strong position to invest in future growth opportunities and to withstand the continued uncertainties arising from the global COVID-19 pandemic.

The well credentialed Board and management team is drawn from the existing iCollege and RedHill teams, and they have an exceptional track record of success in the tertiary education and broader corporate sectors.

The Board of the merged entity will consist of Simon Tolhurst (Chair), Will Deane (Non-Executive Director), Ashish Katta (Non-Executive Director), Sandra Hook (Non-Executive Director) and Badri Gosavi (Executive Director). The Company Secretary will be Lisa Jones. Key management will include Glenn Elith (CEO), Michael Fahey (CFO) and Badri Gosavi (Head of Growth).

Future outlook

iCollege has made a positive start to FY22 building on its growth initiatives activated in the previous financial year. Revenues are expected to materialise from October 2021 from the domestic traineeship and apprenticeship programs, continued growth in revenue is expected in healthcare offerings, increased enrolments are expected following the opening of the new Brisbane CBD campus and international borders reopening in CY22.

The merger of iCollege and RedHill will create immediate and longer term cost and revenue synergies. With a national footprint and greater breadth of courses and qualifications, the merger is expected to continue to deliver growth in the immediate and longer term.

Payments to related parties and their associates

Total related party payments during the quarter amounted to \$428,000 of which \$210,000 related to the partial repayment of a loan from Ashish Katta with the balance relating to executive remuneration for the current and prior quarters.

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Events subsequent to the end of the quarter

Subsequent to the end of the quarter, iCollege reported that it held a 93.03% relevant interest in RedHill shares and declared its offer to acquire all of the shares of RedHill via an off-market takeover closed on 11 October 2021. The Company has commenced the process of compulsory acquisition of the remaining RedHill shares in accordance with section 661B of the Corporations Act, which is expected to be completed in approximately four weeks.

On the 25th of October 2021, iCollege issued 9.5 shares for every 1 RedHill share as consideration for the transfer of shares in RedHill and the trading as a combined entity commenced on the ASX.

Comment

iCollege Managing Director Ashish Katta said: *"Our financial performance in Q1 FY22 is very encouraging given it has come on the back of what was a record year in FY21. We are now building on the growth initiatives put in place in the prior year and the performance for the quarter reflects the early benefits we are reaping. Also pleasing is the fact that we have achieved these results despite our international student operations being constrained by the border closures and travel restrictions still in place across Australia. I am optimistic that once border restrictions are eased, we can begin to grow our international student enrolments to pre-pandemic figures."*

"We have now reached compulsory acquisition of the remaining shares in RedHill and we look forward to operating as one company and realising the benefits of this unique combination. I am confident in the outlook for the remainder of this year and into 2022, despite the challenging backdrop of the global pandemic."

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

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For further information:

Ashish Katta
Managing Director
+61 430 377 652
ash.katta@icollege.edu.au

icollege.edu.au

Invest inquiries

investors@icollege.edu.au

Media inquiries

media@icollege.edu.au

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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 2021

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	4,073	4,073
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,358)	(2,358)
(c) advertising and marketing	(361)	(361)
(d) leased assets	-	-
(e) staff costs	(1,644)	(1,644)
(f) administration and corporate costs	(438)	(438)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(109)	(109)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Bank guarantees paid)	-	-
1.9 Net cash from / (used in) operating activities	(837)	(837)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(153)	(153)
(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	(153)	(153)

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	95	95
3.6	Repayment of borrowings	(212)	(212)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease liabilities)	(82)	(82)
3.10	Net cash from / (used in) financing activities	(198)	(198)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,549	4,549
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(837)	(837)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(153)	(153)

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)	(198)	(198)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,361	3,361

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	3,361	4,549
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Bank Guarantees)	422	422
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,783	4,971

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	428
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	224	224
7.2	Credit standby arrangements	50	46
7.3	Other (please specify)	-	-
7.4	Total financing facilities	274	270
7.5	Unused financing facilities available at quarter end		4
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.		
	<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)	(837)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,361
8.3	Unused finance facilities available at quarter end (item 7.5)	4
8.4	Total available funding (item 8.2 + item 8.3)	3,365
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
	<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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: N/A </div>	
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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: N/A </div>	

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 October 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.