

## Appendix 4E Preliminary Final Report Commentary

## FY 2020 Financial Results

	FY2020	FY2019
Revenue from operations	\$ 10,806,163	\$ 8,542,536
EBITDA (Loss)	-\$ 1,044,180	-\$ 2,749,082
Net Loss After Tax	-\$ 2,640,237	-\$ 13,495,184
<b>Positive/Negative cash flows</b>	<b>\$ 191,982</b>	<b>-\$ 1,539,547</b>
<b>from operations</b>		

iCollege's financial performance for the first nine months of the year was strong, however the performance for Q4 was affected by the COVID-19 Pandemic. The business recorded earnings before interest, tax, depreciation and amortization (EBITDA) of \$673,712 for the half year and until March 2020 was on track to report a full year profit.

Disruptions in operations caused by COVID-19 Pandemic during Q4 resulted in the temporary closure of campuses and the rapid implementation of course delivery online. This necessitated a rescheduling of course delivery with all theory based coursework being moved to the front end of the curriculum and compulsory face to face training and assessments being rescheduled for later in the curriculum pending a relaxation of government requirements. Student payments have historically been based on individual contracts agreed by the student. Given that course progression has been affected by the unavailability of physical classroom and practical facilities, the directors of the company made the decision not to recognise close to **\$1,500,000** of the total recorded \$2,609,268 of unearned revenues during FY2020 and to defer revenue recognition into the new financial year subject to the students' course progression. In July 2020, all campuses and training facilities were re-opened and remain fully operational. Students have returned to face-to-face learning including the completion of compulsory face to face training and assessments. This has resulted in unaudited revenues being recognised for July 2020 of \$1.01m

Despite the impact of COVID-19 Pandemic, the company's cash collections for the FYE20 was a record **\$11,629,362** including job keeper and ATO cash flow boost (compared to \$9,172,093 in FY19). The company recorded **maiden positive cash flows of \$191,982** for FY20 (compared to -\$1,539,547 in FY19).

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## Covid-19 impact

- The impact from COVID-19 is reflected in Q4 results with all training facilities temporarily closed in the interest of health and safety of all students and staff. All training was moved to on-line classes and practical training classes were suspended to later in the year.
- In July 2020 all campuses were re- opened and are now fully operational;
- The company provides bespoke training to inmates inside correctional facilities in Queensland. During the month of April, the company was forced to suspend all training due to a COVID-19 outbreak at one of the correctional facilities. In the month immediately preceding the forced suspension, the company had recorded its highest ever earnings from this training of \$224,000 for the month of March 2020. The company recommenced training inside the correctional facilities during the second half of June 2020. This has resulted in unaudited revenues being recognised for July 2020 of \$117,000 and August of \$127,000 from the delivery of this training.
- iCollege's revenues are generally split 50/50 between domestic and international student enrolments. Of its international student enrolments, over 95% are sourced from **onshore**, meaning that the students enrolling in iCollege courses are already in Australia. There are currently over 229,000 international students enrolled in the VET sector and over 81,000 international students enrolled in English language courses (ELICOS currently resident in Australia). \* This has resulted in a significantly lesser impact on iCollege's international student enrolments due to international border closures than those of its competitors, who have structured their business model on recruiting its international students from **off-shore** sources.

While iCollege's international student enrolments were down in April and May 2020, enrolment numbers have since slowly returned to pre-COVID-19 levels. iCollege remains cautiously optimistic regarding its international student enrolments but is mindful of the fact that if the border restrictions remain in place for longer than 12 months, the pipeline of on-shore international student numbers from which iCollege draws its enrolments, will be materially impacted. iCollege has planned to address this risk by directing significant resources to its domestic student enrolments as outlined below.

\*(source:<https://internationaleducation.gov.au/research/International-Student-Data/Documents/MONTHLY%20SUMMARIES/2020/Jun%202020%20MonthlyInfographic.pdf>)

## Covid 19 response

In response to the COVID-19 Pandemic, iCollege's directors implemented measures to protect the health and safety of all staff and students as well as diligently manage the financial position of the company. These measures included:

- Temporary closure of campuses and moving to 100% online delivery until it was safe to re-open;
- Reducing non-academic staff count and reduced working hours for non-essential staff;
- Applying for rental relief from landlords and suspending all temporary venue hire arrangements;
- Participating in government initiatives such as job keeper, and successful application for subsidized QRIDA loan for \$223,960 (2.5% interest rate and 10-year loan term);

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- Renegotiation of agreements with service providers at reduced rates; and
- Deferring any offshore projects until further notice.

The Company recognizes that there may be lasting effects from the COVID-19 Pandemic beyond 2020 and has made some strategic decisions to ensure business continuity and growth. Below are some of the strategic priorities being implemented by the Company:

- To counter any stagnation or reduction of international student enrolments in the future, the Company has directed the focus of its resources towards domestic student enrolments and expansion of domestic course offerings.
- Through its four registered training organizations, iCollege has **State Government Funding Contracts** in Queensland, South Australia, New South Wales, Australian Capital Territory and Western Australia.
- These State Government Funding Contracts allow iCollege to deliver state funded training to students across a broad range of subjects including Aged Care, Business, Hospitality, Disability Care, Corrections and Information Technology.
- iCollege is currently the only ASX listed company that holds State Government Funding Contracts in all the above states. The contracts place iCollege in a unique position to take advantage of the newly announced **\$1 Billion Job Trainer Initiative** announced by the Prime Minister earlier in the year.
- iCollege has already commenced enrolments in, and delivery of courses as part of this initiative in the area of Infection Control Skill set, and as announced on 25 August 2020, has partnered with the Pharmacy Guild of Australia to deliver this skill set training to the Guild's members' front line staff. The Infection Control Skill Set, as announced by Minister Cash, is designed to ensure that staff on the front line are fully equipped to perform their duties as essential workers during the pandemic. Funding of \$80 million has been allocated for this training with \$40 million being provided by the Federal government and an additional \$40 million being provided by the various state government.

iCollege is well advanced in its preparations for delivery of both full qualifications and short courses in other areas of focus of the Federal and state governments as and when the detail of the scheme is rolled out later this financial year. The funding for courses will be administered by each individual state.

- Extending the lifetime value of the student. Currently, iCollege delivers training from certificate I to Advanced diploma levels in various disciplines. As part of its planning, iCollege intends to deliver Bachelor and Master level programs in partnership with universities/ higher education providers and is in early stage discussions with several potential partners in this regard.
- Generating revenue growth from the newly acquired coding bootcamp business. The Hacking School has recently launched The Coding Factory. This part of the business is focussed on providing coding training to younger students 7-17 years on coding and is facilitated on a custom platform and delivered by live teachers. First revenues commenced in August 2020.

With recent growth initiatives put in place, a greater focus on domestic operation in the near-term, and by working with federal and state governments to deliver courses that assist Australia manage its way through this pandemic, the board and executive are confident that iCollege is well positioned for the remainder of fiscal 2021 and is poised to fully capitalise on all opportunities when conditions return to normal.

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This announcement has been authorised for release by the Board.

## **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.

The Infection Control Skill set is currently "on scope" for Sero Institute, Capital Training Institute and Celtic Training.

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.

**Ends-**

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