

27 February 2015

## **FIRST HALF FINANCIAL REPORT**

### **HIGHLIGHTS**

**Australian Careers Network announces strong first half growth driven by increased student numbers, higher revenue per student from the core business, and the first time contribution from acquisitions. We are pleased to report the following:**

- **Revenue: \$20.3m (1H14: \$12.8m) up 59%.**
- **Underlying EBITDA before one offs: \$7.6m (1H14: \$7.6m).**
- **Underlying EBITDA margin: 37.2% (1H14: 59.6%) – reflects significant incremental investment over the prior six months in compliance infrastructure and staff (internal audit and compliance, trainers, call centre and business development) to support ACN's strong and accelerating growth profile.**
- **Net Profit After Tax (NPAT) \$2.6m (1H14: \$1.2m) up 124%.**
- **A strong balance sheet with no debt and cash in hand of \$8.3m.**

Australian Careers Network Limited (ASX:ACO) ("ACN" or the "Company"), a leading vocational training provider, is pleased to announce its inaugural results as a listed company.

ACN today reported results for the Half Year ending 31 December 2014 ("1H15") that illustrate strong growth in student enrolments, which is a forward indicator of revenue generation in the second half. Based on business activity and student enrolments for January and February the Company is on track to meet Prospectus guidance of \$25.5m EBITDA, including the results of increased revenues from recent acquisitions and the seasonality of the business which historically has a 1H/2H enrolment split of 40%/60%.

Commenting on the result, CEO and Managing Director, Ivan Brown said:

"The First Half of Financial Year 2015 has been an exciting time for the Company, as we successfully listed on the Australian Securities Exchange and achieved a number of operational milestones. We are very pleased with the performance of the business over the period, and have laid solid foundations for sustained growth going forward."

Commenting further on the 1H15 financial highlights, Mr Brown said:

"Growth in revenue has been driven by increased student numbers combined with higher revenue per student in the core business. Student numbers are up 87% on the 1H14 to 7,136, which means we are tracking ahead of target to achieve the FY15 Prospectus forecast of

14,568 students. The increase in student numbers has resulted from greater consumer awareness of the Community Training Initiatives (CTI) brand, supported by growth in our student recruitment team as well as the activation of a number of attractive new course offerings.

Core business revenue per student in the first half was \$3,537 which is up 5.3% from the \$3,358 recorded in 1H14. Although tracking below the full year prospectus forecast this is expected, and the 2H15 will see ACN start to generate meaningful revenues from much higher fee paying courses - including dual qualifications between the group's subsidiaries, and VET FEE-HELP courses.

EBITDA before one offs is in line with the prior year at \$7.6m. EBITDA margin is down to 37.2% from 59.6%. The First Half was a period of infrastructure investment and expansion, with the decline in the EBITDA margin reflecting the investment in staff, facilities, management and processes required to prepare the business for significant growth in the second half and into FY16."

Total Working Capital increased by \$9.5m during the current reporting period mostly due to the increase in accrued income from higher student enrolments partially offset by the increase in trade and other creditors.

The Company accrues revenue for course delivery evenly over the duration of the course, however cash receipts only arise when the company submits claims to the relevant funding body. The trigger points for such claims are completion of relevant modules/clusters which can often run contemporaneously. The course delivery structure often results in submission for funding heavily concentrated towards and after the latter part of the course.

## Outlook

ACN has continued to build momentum into the second half of the 2015 financial year, with a number of operational milestones already achieved since the turn of the year:

- Unaudited underlying January month EBITDA was approximately \$3 million.
- Acquisition of Phoenix Institute of Australia.
- Launch of the Company's online learning platform [www.mytimelearning.com.au](http://www.mytimelearning.com.au).
- New training facility in Latrobe Valley.
- Interstate agreement with North Cost TAFE in NSW.
- Advanced negotiations for an acquisition debt facility when required.

In line with ACN's strategy to pursue appropriate acquisition opportunities, the Phoenix Institute of Australia was acquired in January, which gives ACN access to VET FEE-HELP and we now have the opportunity to add further courses to Phoenix's scope of delivery utilising

this. The ability of ACN to expand on this platform has been demonstrated immediately, with in excess of 700 new VET FEE-HELP student enrolments in January alone. In addition, the Phoenix acquisition also extends ACN's capacity as a CRICOS provider, helping to build the group's requisite scale, to meaningfully address the international student market in FY16.

In January 2015 ACN also launched the group's online learning platform, [www.mytimelearning.com.au](http://www.mytimelearning.com.au). The ability to deliver VET FEE-HELP courses online should increase revenue and assist the Company in expanding its national presence. Take up on this platform has been strong to date and the Company is expecting growth in the monthly student enrolments as the platform gains traction.

Classroom capacity has been expanded, following the opening of a new campus in the Latrobe Valley in January 2015 by the Centre of Vocational Education (COVE) business. ACN is also in the process of opening a number of other campuses around Melbourne and is considering a further expansion of the business interstate.

The Company has recently entered into a heads of agreement with North Coast TAFE in New South Wales, providing a springboard to grow significantly in the NSW market.

Despite earlier expectations, management has not finalised negotiations on an acquisition debt facility although discussions are progressing and the Company would expect to have a facility in place in the near term when it is required.

Commenting on the outlook for ACN, Mr Brown said:

"There have been a number of significant achievements already in the Second Half of the 2015 Financial Year which should ensure continued growth in student numbers. We have numerous growth opportunities available to us, and with sufficient cash and an ungeared balance sheet to support organic and acquisitive growth, we believe the Company is in a strong position to grow shareholder value.

"Based on current business activity and growth in student numbers the Board is comfortable that the Company will meet its Prospectus forecasts and reiterates those to the market."

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Australian Careers Network Group (ASX: ACO) is a full service vocational education and training provider encompassing student marketing and recruitment, direct and subcontracted education and training delivery (registered and non-registered), the issuing of registered qualifications, tracking, processing and reporting functions under the Australian Skills Quality Authority (ASQA) and the Victorian Registration and Qualifications Authority (VRQA).

Its primary services include workplace training and classroom based accredited certificates and diplomas, heavy equipment licensing, simulative and flexible learning, industry-experienced training and assessment and partnering with job seeking agencies to provide employment pathways to students seeking employment upon completion of a qualification.