

ASX / MEDIA RELEASE

17 AUGUST 2023

Trading Update

NextEd Group Limited (**ASX: NXD**) (**NextEd**), a provider of tertiary education services to international and domestic students, provides this trading update.

For further details, investors and analysts are invited to attend a webinar to be hosted by Glenn Elith, CEO, and Michael Fahey, CFO, at 10:00am on Thursday 17 August 2023.

Attendees may register to attend the webinar via the following link:

https://us06web.zoom.us/webinar/register/WN_UWyUqRO6R6WLzXtPMMX05A

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

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NextEd
Group

NextEd Trading Update

17 August 2023

Trading update

NextEd would like to update the market on emerging implications of the Australian Government's "temporary COVID-19 408 Visa⁽¹⁾". The 408 Visa provides onshore non-residents - including previous student visa holders - unlimited working rights for 12 months without needing to study. The number of holders of this visa subclass recently increased four-fold against the number a year ago.

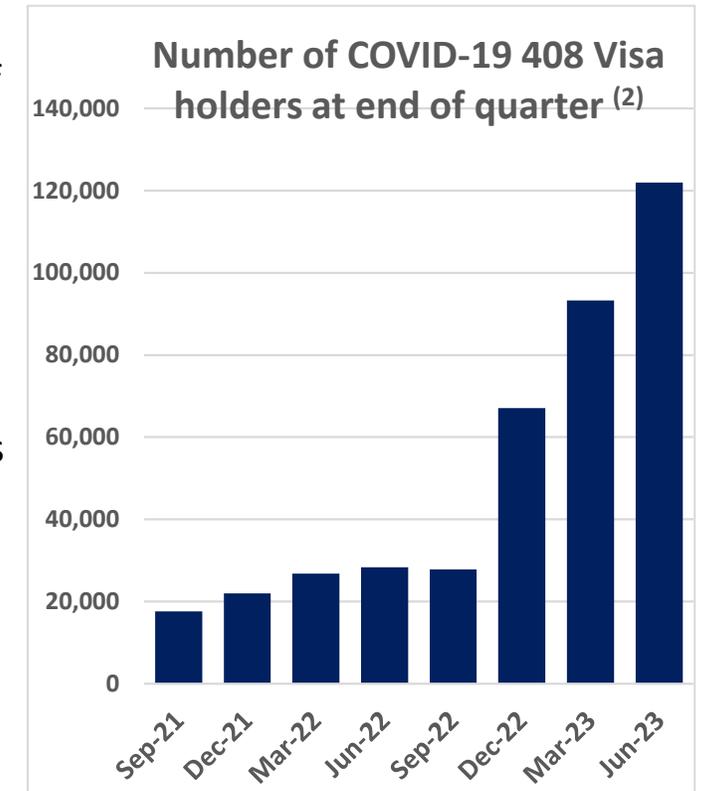
While the impacts are uncertain and NextEd is adopting measures to mitigate the effects, the company felt it prudent to make the following observations:

1. The industry expected the temporary COVID-19 408 Visa to end in July 2023, to coincide with the change in working rights for international students. This did not happen.
2. Emerging impacts of continuation of the 408 Visa include:
 - a. some existing ELICOS⁽³⁾ students are studying for shorter durations to move to the 408 Visa; and
 - b. fewer ELICOS students are progressing into vocational courses.
3. However, a higher volume of ELICOS students are expected to enrol into NextEd to get into Australia, with the aim to access the 408 Visa.

(1) Temporary activity visa (subclass 408) for the COVID-19 pandemic event, introduced in April 2020

(2) Source: Department of Home Affairs (Temporary entrants visa holders as at 30 June 2023)

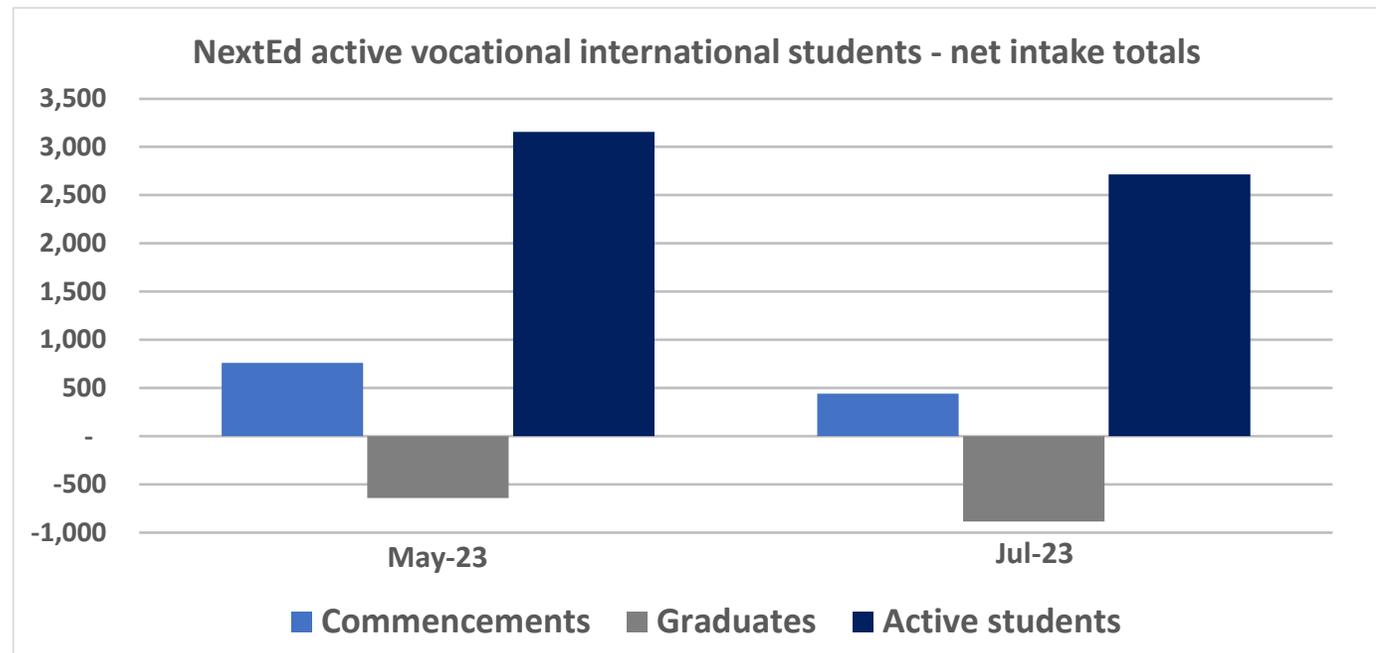
(3) English Language Intensive Courses for Overseas Students





ELICOS student progression

1. Prior to the impacts of the COVID-19 pandemic, approximately 30% of NextEd's ELICOS students progressed into its vocational certificate and diploma courses.
2. For the recent July 2023 vocational course intake, this reduced to approximately 10% of the 951 completing ELICOS students in June 2023 (91 students). ⁽¹⁾
3. Of the remaining completing ELICOS students, over 75% moved onto the 408 Visa, many of whom would have otherwise extended their ELICOS studies or progressed into vocational courses.



(1) The remaining 335 students who enrolled into the July 2023 intake were recruited externally, having completed their ELICOS studies elsewhere if required



Mitigants of 408 Visa

NextEd estimates the current annual revenue impact from international students abandoning their studies and moving to the temporary COVID-19 408 Visa to undertake unskilled work is over \$0.7 billion to the industry.

The 408 Visa subclass can be revoked at any time. The Department of Home Affairs said last week *“the Government is currently considering the ongoing suitability of the subclass 408 Pandemic Event visa ⁽¹⁾”*.

In the meantime, as it did during the COVID-19 pandemic, NextEd is adapting to take advantage of this temporary market disruption by:

- a. actively recruiting and preparing for the likely influx of international students who wish to study for a short period and then work in Australia;
- b. offering future study packages to its departing students who move to the 408 Visa;
- c. targeting nationalities where students generally seek longer periods of ELICOS studies;
- d. adapting its delivery modes and courses so students can continue to study ELICOS courses while on the 408 Visa; and
- e. preparing its tactical responses for a potential future influx of students once the 408 Visa subclass is revoked.

NextEd anticipates that when the COVID-19 408 Visa ends a significant number of holders will seek to stay in Australia and take up a student visa for ELICOS or vocational studies. This will create a material future revenue opportunity for NextEd.

(1) DOHA Student and Temporary Graduate Visa Program Provider Update – May and June 2023



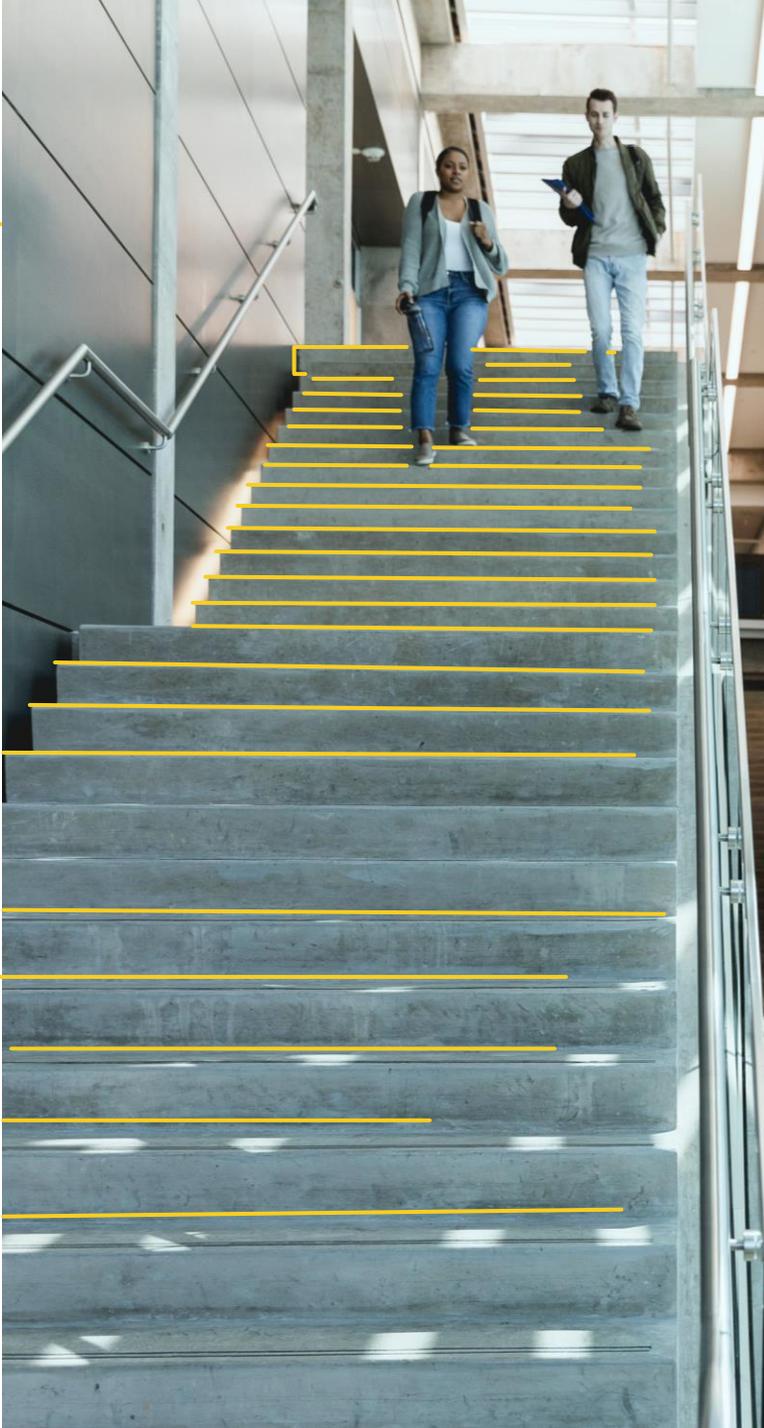
FY24 financial implications

1. NextEd expects revenues for the half year period ending 31 December 2023 (H1 FY24) to be in the range of \$59.0 million to \$63.0 million, 35% to 44% higher than the prior comparative half year (H1 FY23: \$43.6 million).
2. The impact of the continuation of the COVID-19 408 Visa on H2 FY24 is difficult to quantify given the positive mitigating actions, many of which are underway. However, NextEd is confident the measures it is putting in place will materially offset emerging 408 Visa impacts.
3. NextEd currently expects that its H2 FY24 revenues will be higher than both H1 2FY4 and the H2 FY23 pcp.



NextEd remains in a strong position

- 1. Strong reputation:** NextEd operates one of Australia's largest and most highly regarded ELICOS businesses. It had 6,505 ELICOS students at the end of June 2023, and 6,347 ELICOS students at the end of July 2023. Should the 408 Visa continue, NextEd expects a materially higher volume of shorter duration ELICOS students.
- 2. Competitive positioning:** Some of NextEd's competitors are not equipped to deal with emerging impacts of the 408 Visa and are financially distressed or ceasing operations. This is creating opportunities for NextEd to market aggressively and recruit displaced students. NextEd has already enrolled over 50 students from a recently closed college.
- 3. Resources & capabilities:** NextEd has a strong balance sheet including approximately \$40 million of cash at the end of June 2023, and zero debt. It has a highly experienced management team with a track record of quickly adapting to changes in market conditions and is therefore well positioned to manage emerging 408 Visa growth constraints.
- 4. Growth initiatives:** NextEd is continuing to position its business for significant growth. It considers the COVID-19 408 Visa extension a temporary issue to be managed, and it will continue its strategic geographic and course range expansion to target growth supported by other operational improvements.
- 5. M&A as a future growth lever:** Since February 2023 NextEd has reviewed over 50 potential M&A transactions applying its disciplined approach to evaluating prospective targets. Discussions are currently progressing on the most appealing short-list of opportunities.



Further information

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NextEd confirms it will release its FY23 preliminary financial results on Monday 28 August 2023.

Forward-looking statements

This announcement may include forward-looking statements that relate to anticipated future events, financial performance, plans, strategies or business developments. Forward-looking statements can generally be identified by the use of words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “outlook”, “forecast” and “guidance”, or other similar words. They may include, without limitation, statements regarding plans, strategies and objectives and anticipated business developments. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements are based on NextEd’s good-faith assumptions as to the financial, market, regulatory and other considerations that exist and affect NextEd’s business and operations in the future and there can be no assurance that any of the assumptions will prove to be correct. There may be other factors that could cause actual results or events not to be as anticipated, and many events are beyond the reasonable control of NextEd. NextEd’s actual results, performance or achievements may be materially different from those which may be expressed or implied by such statements, and the differences may be adverse. Accordingly, you should not place undue reliance on these forward-looking statements. Any forward-looking statements in this announcement are only made as at the date of this announcement and, to the maximum extent permitted by law, NextEd disclaims any obligation or undertaking to update or revise any forward-looking statements or to advise of any change in assumptions on which any such statement is based.