

TRADING UPDATE

NextEd Group Limited (ASX: NXD) (NextEd), one of Australia's leading providers of tertiary education services to international and domestic students, is pleased to provide this trading update.

Summary: The past 12 months' focus areas included increasing regional campus capacity and developing in-demand skill shortage courses increasingly aligned to Federal Government policies.

1. International student mix swing from English language to high demand, higher margin vocational courses:

- Total new international student (ELICOS and vocational) enrolments grew by 11% in the March 2024 quarter against the previous quarter, despite tighter immigration policy.
- Intake-on-intake growth in international vocational student numbers since September 2023, including from successful launch of new healthcare and hospitality courses.
- Exclusive ASQA accreditation received for new Diploma of E-Commerce qualification developed by NextEd, to be launched in mid FY25.
- NextEd's vocational visa student approval rates consistently higher than industry average.

2. Active campus utilisation management continues:

- Strategic campus launches in Gold Coast and Adelaide aligned to Federal Government policy to support investment in domestic and international regional education.
- Completed exit of all short-term licensed classrooms and upcoming closure of the Thomas Street, Sydney campus (18 classrooms) in July 2024.

3. Prudent management of cashflows with further cost reductions targeted:

- Positive operating cash flow for the 4 months ended 30 April 2024 of approximately \$0.1 million, compared to an operating cash outflow in H1 FY24 of \$1.9 million.
- Cost base reductions targeting annualised savings of approximately \$5 million from early FY25.
- Campus footprint expansion is now complete, with investing cashflows of no more than \$1 million in FY25.
- Completed a \$10 million contingent liability facility with CBA to release approximately \$8 million of cash currently used to secure bank guarantees.

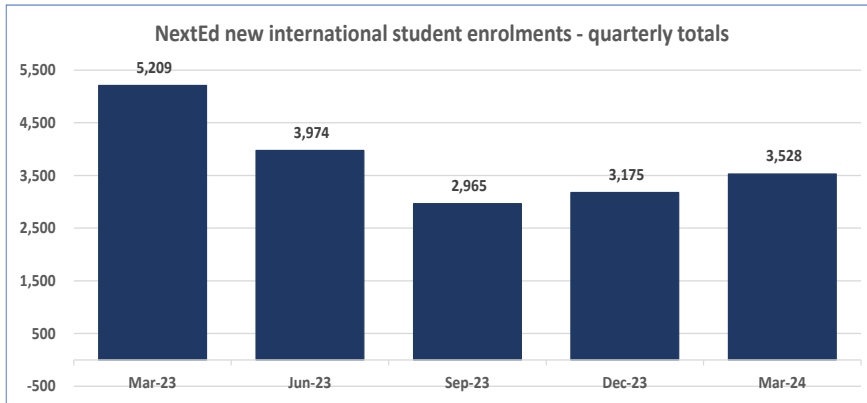
4. May 2024 Federal Government policies point to continued tightening, but also cautiously optimistic on future opportunities:

Overall policy objectives are to reduce the number of providers and increase barriers to entry while managing the growth of reputable diversified providers with strong compliance such as NextEd.

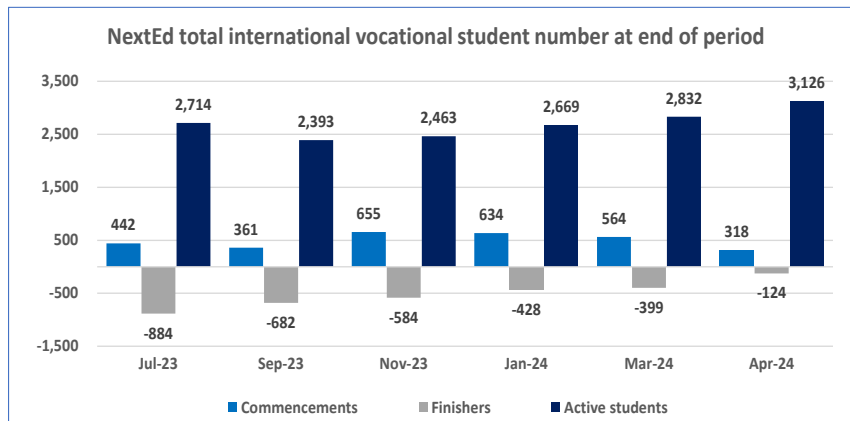
1. Swing to high demand and higher margin international student vocational courses

NextEd’s total international student enrolments were up 11% in the March 2024 quarter from the December 2023 quarter, which itself was an improvement on the September 2023 quarter. This was despite, industry wide¹ international student visa approvals in sharp decline since December 2023.

This highlights NextEd’s strong competitive position driven by its trusted reputation, its tailored course offerings in high demand skill areas, adaptive source market strategies and robust student assessment processes.



To date, English language courses have been hardest hit by government policy. NextEd’s increased focus on vocational course offerings and campus expansions over the past eight months has seen encouraging growth in active vocational student numbers over the past few intakes.

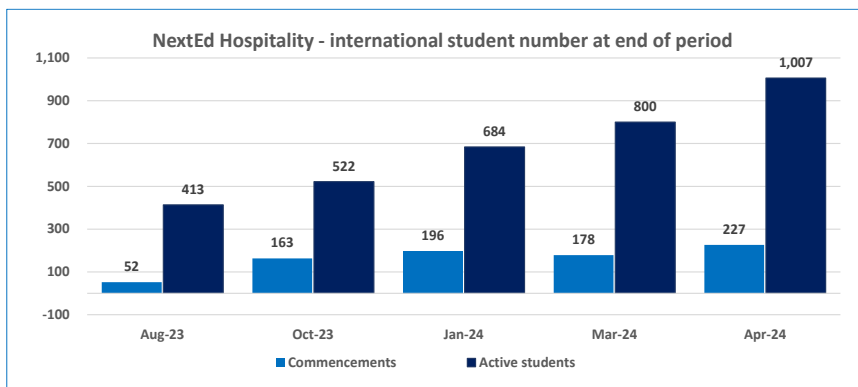


As forecast, NextEd’s student mix is now moving to higher margin vocational courses, including the newly launched hospitality and healthcare courses for international students:

- **Healthcare:** NextEd launched three new vocational courses in aged care, individual support, and community services for international students in March 2024. There were 144 active international students at the end of April 2024, in addition to incumbent domestic students.
- **Hospitality:** NextEd launched new vocational hospitality courses for international students during FY23 and early FY24. At the end of April 2024 there were 1,007 actively studying hospitality students (in addition to incumbent domestic students), with growth being achieved over the last four intakes.

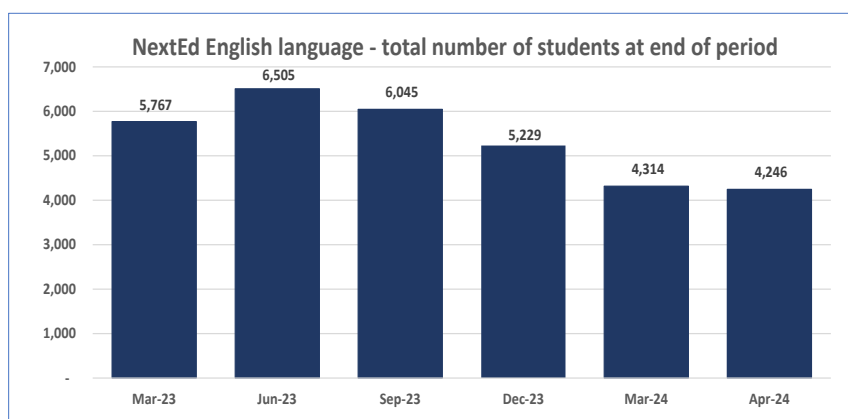
An increasing number of these courses will be delivered in the purpose-built new campuses in Adelaide and the Gold Coast.

¹ Excluding China



These courses are aligned with the Federal Government’s December 2023 Migration Strategy and address critical skilled workforce needs. NextEd expects the number of international students undertaking healthcare and hospitality courses to grow further in the June 2024 intake.

NextEd had 4,246 English language students at the end of April 2024, which was approximately 19% lower than December 2023 when the Federal Government’s Migration Strategy was first announced.



NextEd is addressing the impacts of the current visa policy on English language student numbers by:

- Launching in the Adelaide market in April 2024;
- Actively targeting students who will require longer duration English language studies to achieve the higher language proficiency levels required to progress into other courses as legislated in March 2024;
- Expanding relationships with student recruitment agencies in source countries where NextEd’s English language courses packaged with its new hospitality and healthcare courses will appeal;
- Encouraging international students to package English language studies with NextEd’s vocational courses in their initial visa application to demonstrate their genuine education intentions; and
- Being alert to opportunities to recruit and service students who become displaced by other financially distressed colleges as a direct result of visa policy.

Exclusive new course developed and accredited - Diploma of E-Commerce

In late April 2024 NextEd received confirmation that a new, internally developed ‘Diploma of E-Commerce’ is ASQA² approved for exclusive accreditation for a period of 5 years.

There is no standard ‘off the shelf’ vocational training qualification available to education providers specialising in e-commerce. NextEd determined that this presented an appealing gap in the market given the size and forecast growth of the global e-commerce and online retail workforce.

² Australian Skills Quality Authority

Being an exclusive ASQA accreditation means no other public or private vocational providers in Australia can deliver this qualification anywhere (or an accredited qualification using the same course name) unless it does so under license from NextEd.

NextEd applied for CRICOS registration for this course in early May and will seek to launch it to international students in mid FY25 along with considering other revenue generation opportunities. NextEd is confident this new course will appeal to prospective students seeking skills to support their entry into the e-commerce workforce.

2. Active campus utilisation management

NextEd’s recent campus launches in Gold Coast and Adelaide are aligned to government policy of supporting investment in regional education, for both domestic and international students.

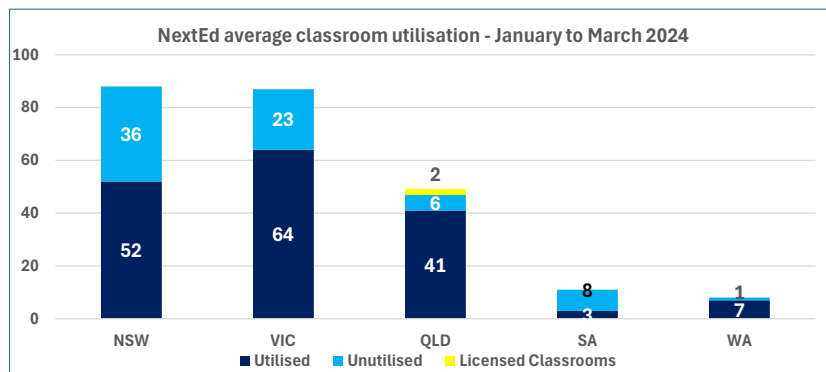
Adelaide: NextEd historically only delivered courses to domestic students in Adelaide. It launched international student English language operations in April 2024, which will be followed by a range of vocational certificate and diploma courses in early FY25. The Adelaide campus is small with only 12 classrooms so is expected to achieve high utilisation levels in a relatively short timeframe from combined domestic and international student operations.

Gold Coast: NextEd relocated into a high-quality Gold Coast campus in early April 2024. The new campus has a state-of-the-art industrial teaching kitchen and aged care lab facilities to enable delivery of its high demand hospitality and healthcare courses.

NextEd’s current campus expansion strategy is now complete.

NextEd continues to actively manage campus capacity and achieved an average 70% utilisation rate³ across its national campus network in the March 2024 quarter. While lower than the 92% rate in H1 FY24, it should be noted that:

- The rate is somewhat skewed by Adelaide being open in early March but not accepting international students until April; and
- The overall rate is for daytime, weekdays only. Classrooms are also utilised during weekday evenings and in some cases over the weekend.



NextEd exited the remaining 2 short-term licensed classrooms in Queensland in April 2024 and will close the Thomas Street, Sydney campus in July 2024, as planned (exiting 18 classrooms to deliver annual savings of approximately \$1.3 million).

³ Weekday daytime utilisation defined as a course being delivered in a classroom during daytime shifts only

3. Prudent management of cashflows with further cost reductions targeted

At 30 April 2024, NextEd's cash balance (including term deposits) was approximately \$18 million.

As forecast in the H1 FY24 results presentation, operating cash outflows have reduced, with positive operating cash flow for the 4 months ended 30 April 2024 of approximately \$0.1 million, compared to an operating cash outflow in H1 FY24 of \$1.9 million.

Cash flows for the 4 months ended 30 April 2024 were:

	\$m
Operating cash flows (excluding lease payments)	0.1
Investing cash flows	(3.0)
Financing cash flows – lease payments	(4.0)

NextEd's cost base has reduced with targeted annualised savings of approximately \$5 million from early FY25. This represents over 10% of operating costs inclusive of campus and office lease expenses. Areas identified for cost reductions include non-teaching headcount; sub-leasing or licensing of surplus classrooms and office premises and reducing associated outgoings; as well as other operating overheads.

NextEd's campus expansions are now complete. As a result, capex spend in FY25 will materially decline, with total investing cash flows in FY25 expected to be no more than \$1 million.

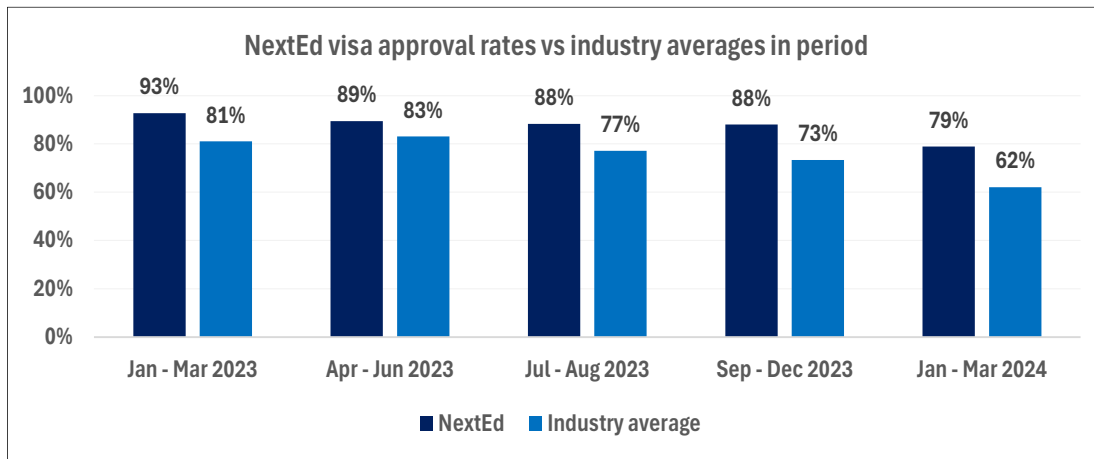
NextEd has refinanced its bank guarantee facilities with the Commonwealth Bank of Australia. The new \$10 million contingent liability facility has released approximately \$8 million of cash used to secure bank guarantees and held as a non-current asset, to be used for general corporate purposes.

4. Federal Government policy on student visa approvals remains uncertain but recent announcements increasing barriers to entry expected to strengthen NextEd's position within the industry

Some recent government announcements and policy actions have lacked prior consultation or detail, which is creating uncertainty across the education industry. The government has targeted a reduction in international student numbers to assist halving net migration into Australia by 2025, ostensibly to ease pressure on inflation and the housing market. Considerable expert commentary, including Accenture's April report for The Student Accommodation Council, says reducing international student numbers will have little effect on Australia's cost of living or the housing crisis and will instead damage an important export earner. The battle is political and therefore difficult to predict.

The total number of student visas approved in the January to March 2024 quarter reduced by approximately 30% against pcp (68,542 grants vs 97,039 in pcp). NextEd's total numbers were also down, but its visa approval rates for its addressable English language and vocational markets⁴ outperformed the industry average by 17% in the March quarter.

⁴ Department of Home Affairs English language visas granted (excluding China) plus total vocational student visas granted



On 11 May 2024 the Federal Government released its draft 'Australia's International Education and Skills Strategic Framework' consultation paper. Important details were not included in that document and may take some time to emerge, however we note it includes proposals to:

- Pause registration of new international education providers for up to 12 months;
- Require new providers seeking registration to demonstrate a track record of delivery to domestic students before they are allowed to recruit international students;
- Apply growth caps (undefined) to providers from 1 January 2025, not immediately; and
- Allow some negotiation prior to finalising the Framework and its legislative implementation.

These actions would increase barriers to entry into the sector making NextEd's campuses and course accreditations more valuable in the future.

As further policy details emerge, NextEd will be alert to opportunities to adapt and capitalise on changes, and to enhance its competitive position.

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.

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

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