iCollege Limited

Growing through earnings and acquisitions

Overview: iCollege Limited ("iCollege", "the Company") is an Australian consumer services company focused on Vocational Education and Training ("VET"). iCollege is assembling a portfolio of Registered Training Organisations ("RTO") via acquisitions. The Company also operates a cloud-based learning management platform that offers a range of accredited and non-accredited courses. iCollege listed on the Australian Securities Exchange in May 2014 via a reverse takeover of DGI Holdings Limited.

DISCOVERY | DEVELOPMENT | DELIVERY

Catalysts: Closure and integration of recent acquisitions has potential to upgrade the Company's historically speculative risk profile. Synergies associated with the acquisitions and targeted partnerships with industry bodies are projected to sustain double digit earnings growth. With its portfolio achieving student completion rates exceeding 90 per cent, iCollege is positioned to capitalise on regulatory uncertainties in the VET industry by accelerating its acquisition strategy on favourable terms.

Hurdles: iCollege's operations have historically generated 80 per cent of income from Government sources. A task force is currently reviewing Federal Government funding of the VET system, and reforms could have a significant bearing on iCollege's capacity to generate revenue and its cost of doing business. The Company's RTO portfolio remains subject to integration risks. There is no guarantee income provided by recent acquisitions will eliminate iCollege's reliance on external capital.

Investment View: iCollege offers speculative exposure to domestic demand for VET services. The existing income profile of its RTO portfolio, consolidation strategy, and completion rates are attractive qualities. Successful portfolio integration alongside partnerships with major industry bodies present the major near term catalysts. Principal risks are regulatory. Our valuation of $0.22/share represents a premium exceeding 100 per cent to recent trade and does not incorporate potential upside from further acquisitions. Seeking to monitor synergy realisation within the enlarged group, we are initiating coverage.

iCollege Valuation Summary

Method	Assumption	Valuation	Per Share
Comparables	2x FY16f Revenue	$19.2m	$0.16
CFME	6x FY18f EBITDA	$34.2m	$0.28
Average		$26.7m	$0.22

17 November 2015 **Price: $0.085**

Initiating Coverage

Valuation: $0.22

CORPORATE SUMMARY	
TICKER	ICT.ASX
INDUSTRY	Education
SHARES ON ISSUE	83.6m
OTHER SECURITIES	
	Options 2.9m 20c Dec 2015
	Options 32.1m 20c Jul 2017
	Options 11.7m 30c Jul 2019
	Options 0.03m $30 May 2017
	Performance Shares 5.5m
CASH	$1m
ISSUED CAPITAL	$6m
MARKET CAP	$7.1m

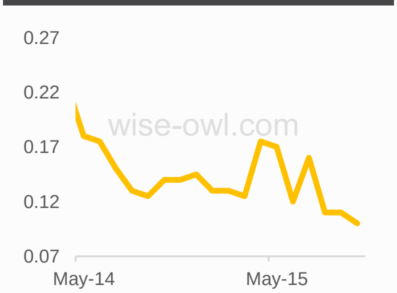
Data post AGM and rights issue

FINANCIAL OVERVIEW FY16f	
REVENUE	$9.6m
NPAT	-
GROWTH	-
PE	-
DIVIDEND YIELD	-

BOARD OF DIRECTORS	
CHAIRMAN	Ross Cotton
NON EXEC	Phillip Re
NON EXEC	Andrew Clevald

SHAREHOLDERS	
PERFORMA CAPITAL	11.3%
WALKER INVESTMENTS	10%
FRONTIER CAPITAL	4.7%
TOP 20	62.8%

SHARE PRICE



COMPANY BACKGROUND

iCollege Limited ("iCollege", "the Company") is an Australian consumer services company focused on vocational education. iCollege is assembling a portfolio of Registered Training Organisations ("RTO's") via acquisitions. The Company also operates a cloud-based learning management platform that offers a range of accredited and non-accredited courses.

The registered head office is in Perth, Western Australia. iCollege listed on the Australian Securities Exchange in May 2014 via a reverse takeover of DGI Holdings Limited. Following completion of a rights issue currently underway and conclusion of the Company's upcoming AGM, issued capital is projected to be $6million, or $0.07/share.

Reverse listing in May 2014

ASSET OVERVIEW – RTO PORTFOLIO

iCollege's primary asset is a portfolio of Registered Training Organisations ("RTO's") as well as software associated with its online learning platform.

The Company currently owns three RTO's and is in the process to acquire a further three. The RTO's combined offer more than 70 accredited and non-accredited courses across 22 industries. The principal location of operation is Australia.

iCollege fully owns and operates Bookkeeping School Pty Ltd, Mathisi Pty Ltd and Management Institute of Australia Pty Ltd.

The company has developed the iCollege platform, a cloud based learning management platform that allows Australian students to complete accredited courses in their field of study. The e-learning platform is set to be integrated in each acquisition.

iCollege is currently in the process of acquiring a further three RTO's which are Apollo Healthcare Solutions, Celtic Healthcare and Consultancy and Interlink Technology Pty Ltd.

Figure 1: iCollege's acquired and scheduled to be acquired operating schools

Overview "RTO Portfolio"			
Name	RTO ID	Founded	Status
Bookkeeping School Pty Ltd	32219	2010	Acquired
Mathisi Pty Ltd	31946	2009	Acquired
Management Institute of Australia Pty Ltd	91297, 31803, 32441	2005	Acquired
Apollo Healthcare Solutions			Pending
Celtic Healthcare and Consultancy	40179	2005	Pending
Interlink Technology Pty Ltd	31926	2009	Pending

Table 1: Overview of fully owned RTO's and RTO's to be acquired.

BACKGROUND

Vocational Education and Training ("VET") refers to applied learning programs such as apprenticeships, traineeships, and work skills. These programs can range from entry level qualifications, advanced vocational diploma courses, and pathways into higher level tertiary education.

The domestic market for vocational education and training services is an $8billion industry, of which, around 80 per cent of revenue is supplied via State and Federal Government funding programs.

From 2009-13, industry revenues expanded at a compound average rate of 6 per cent pa as Government funding mechanisms shifted toward a 'demand driven' model.

VET sector revenue exceeds $8billion, of which 80 per cent is supplied through Government funding mechanisms

The 2009 restructure extended a two decade trend which has seen private based VET services providers attract an increasing market share. Due to their licensing requirements, private providers are known as Registered Training Organisations ("RTO").

After expanding at a compound rate of 19 per cent pa over the past two decades, the number of RTO's in Australia now exceeds 5,000, accounting for over 30 per cent of enrollments and completions.

A task force, established by the Federal Government in November 2013, is currently investigating impacts of recent reforms to the VET industry and opportunities for further reform.

.

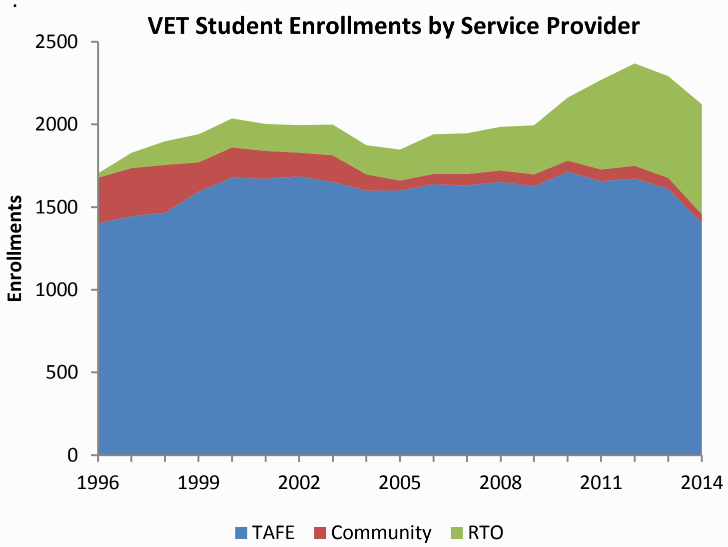


Figure 3: Growing enrolments with RTO's demonstrate the increasing market share attracted by private operators in the VET industry. Source: NCVER

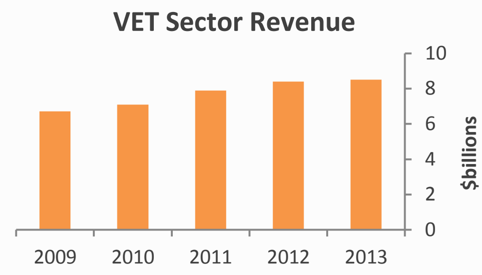


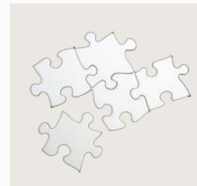
Figure 2: Revenue and Government funding for the VET system increased each year from 2009-13. Source: NCVER

Private sector VET market share exceeds 30 per cent

DEVELOPMENT STRATEGY

iCollege is principally focused on building a portfolio of VET services that achieve better than average completion rates and employment for students.

The Company is positioned to capitalise on initiatives likely to emerge from the Federal Government task force and current fragmented status of RTO's within the VET industry. No single RTO has a dominant market share, providing iCollege the opportunity to become a consolidating force.



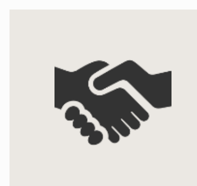
RTO landscape is highly fragmented

With uncertainties created by the Federal Government task force supressing corporate activity in the industry, iCollege has opportunity to enter mergers and acquisitions with other providers on favourable terms.

Thus far, the Company has secured acquisition agreements with six institutions forming its foundation RTO portfolio. Consolidation of overlapping cost centres, and cross promotion of courses within the portfolio is the Company's current priority.

iCollege aims to utilise current regulatory uncertainty to make further acquisitions on favourable terms

Subsequently, new partnerships with accredited industry trade bodies, and reducing its reliance on Government funding are expected to become a focus.



Aim to increase contributions from fee paying students to 50%

Whilst Government sources have historically generated 80 per cent of pro forma income within its RTO portfolio, initiatives are in place to reduce Government contributions to circa 50 per cent in 2016, with fee paying students forming the balance.

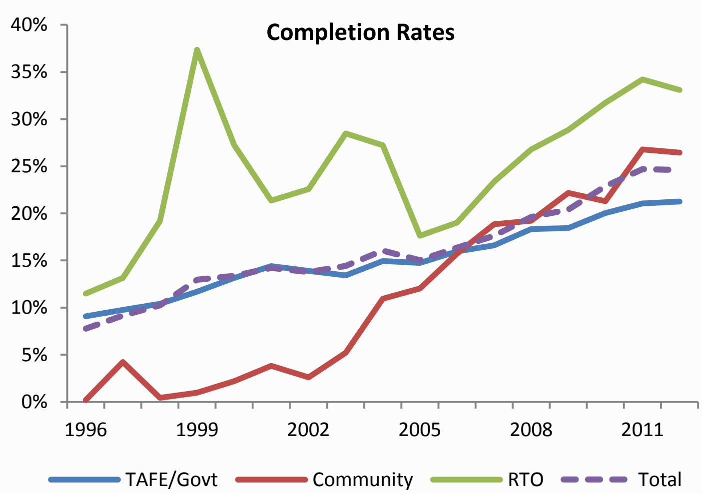


Figure 4: RTO's have a record of achieving superior completion rates to TAFE and Community services providers. Source: NCVER

ECONOMICS

The principal economic drivers for iCollege are student enrollments, completion rates, occupancy and teaching related personnel costs. In order to drive growth, completion rates and subsequent employment outcomes are a priority for management.

Enrolments which fail to complete impair an RTO's ability to collect revenue. Although student completion rates have been rising across the VET industry for the past two decades, non completion remains a major issue.

Industry average completion rates for both public and private providers stand at ~25 per cent. We understand completion rates within iCollege's portfolio are markedly superior, in the order of 90-95 per cent. By comparison, the average RTO completion rate stands at ~33 per cent.

Completion rates exceed 90 per cent

iCollege is addressing low completion and declining employment rates plaguing the VET industry

In order to sustain superior completion rates, a principal focus for management is procuring partnerships with industry bodies and stakeholders to maximise employment outcomes.

Whilst completion rates have been rising across the VET industry, we understand recent declines in employment rates post completion are a major driver of the Federal Government's current task force.

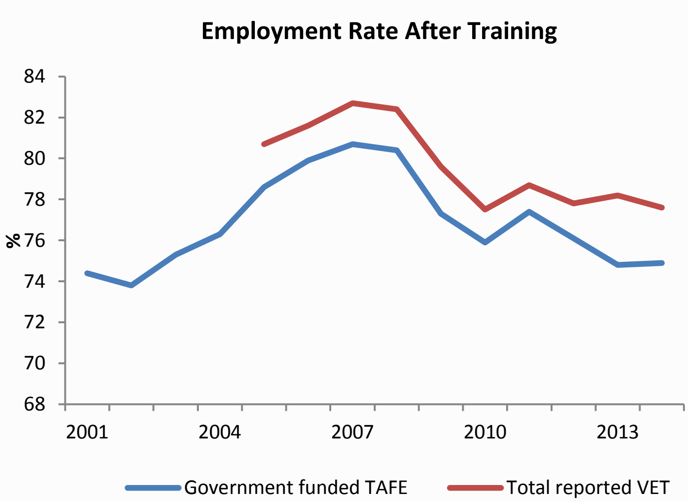


Figure 5: RTO's have a record of achieving superior employment rates to TAFE and Community services providers. Source: NCVER

FINANCIAL PERFORMANCE

iCollege generates income from Government and privately funded course fees. However as its operating history as a VET service provider is limited the Company has not yet eliminated its reliance on external capital.

During FY15, the Company recorded revenue of $0.6million and a loss after tax of $2.3million.

To date iCollege has financed operations via equity and hybrid security issuances. Its most recently completed fund raising exercise was a 12 month convertible loan facility, successfully raising $1.3m. The loan may be converted to shares at an exercise price at $0.15 per share.

The Company is currently in the process of conducting a rights issue. Existing shareholders have the opportunity to acquire additional shares on a one for four basis at a price of $0.10. Subscribers to the offer are entitled to a free option on a one for two basis, exercisable at $0.20 and expiring July 2017. The rights issue has potential to raise $1.6million before costs.

Following the entitlement offer and iCollege's upcoming AGM, issued capital is scheduled to stand at $6million, or $0.07/share.

Financial Summary FY15	
Revenue	$0.6m
Gross Profit	$0.3m
NPAT	-$2.3m

Table 2: iCollege Financial Summary

Rights issue with free attaching option under way

VALUATION

iCollege's investment appeal rests in the current and future revenue streams generated by its RTO portfolio, as well as the Company's capacity to make further acquisitions.

To appraise its potential worth, we have considered the Company's valuation utilising a Comparables approach and Capitalisation of Future Maintainable Earnings ("CFME") methodology.

Our appraisal is based on an expanded share count of 121.2million, assuming the current rights issue is concluded successfully and long dated $0.20/share options are exercised. In aggregate, the expanded share base represents additional funding of ~$6.4million.

Our Comparables method arrives at a valuation of $19.2million, or $0.16/share. Our CFME method arrives at a valuation of $34.2million, or $0.28/share. Applying equal weightings to both methods delivers an aggregate valuation of $26.7milion, or $0.22/share.

Valuation
$0.22/share

iCollege Valuation Summary

Method	Assumption	Valuation	Per Share
Comparables	2x FY16f Revenue	$19.2m	$0.16
CFME	6x FY18f EBITDA	$34.2m	$0.28
Average		$26.7m	$0.22

Table 3: iCollege Valuation Summary

Comparables Method

A universe of comparable companies has been assembled which are principally engaged the provision of educational services and software.

Utilisng current year revenue projections, valuation multiples range from 1x to 5x. Company's offering recurrent or multi year services trade at the upper end of the valuation curve. For iCollege, we have adopted a low to mid range multiple of 2x to our FY16 revenue projection of $9.6million to arrive at a comparables valuation of $19.2million or $0.16/share.

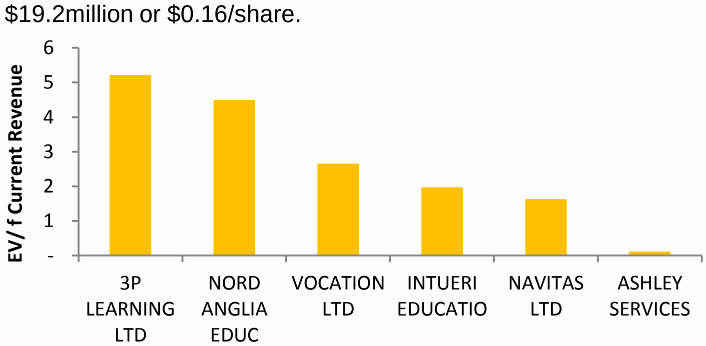


Figure 6: Key comparables for iCollege and their trading multiples
Source: Bloomberg

Comparables Valuation Summary		
Metric	**Assumption**	**Comment**
FY16f Revenue	$9.6million	Pro forma
Multiple	2x	Low - Mid range of benchmarks
Valuation	$19.2million	$0.16/share

Table 4: iCollege Comparables Valuation Summary

Projections are only based on existing portfolio

CFME Method

In conjunction with management, we have projected the Company's financial performance for the next three financial years to a level that represents a sustainable earnings capacity. To our estimation of future maintainable earnings, an industry based multiple has been applied to arrive at a valuation of the Company.

Our financial projections assume iCollege successfully completes the pending acquisitions of Apollo Healthcare Solutions, Celtic Healthcare and Consultancy, and Interlink Technology Pty Ltd during FY16. Subsequently, we project the enlarged group to generate revenue growth of 15 per cent for the next two financial years.

Our projections assume the enlarged group achieves a moderate degree of cost efficiencies and revenue synergies through cross promotion. No further acquisitions have been incorporated.

BY FY18, we project iCollege to generate operating earnings of ~$5.7million, to which we have applied a low to mid range industry multiple of 6x. The CFME method arrives at a valuation of $34.2million, or $0.28/share.

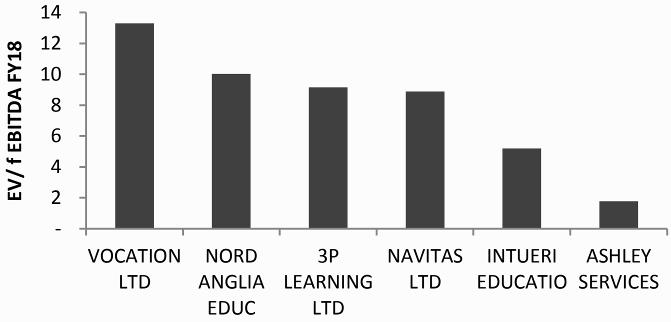


Figure y: Key comparables for iCollege and their trading multiples
Source: Bloomberg

CFME Valuation Summary		
Metric	**Assumption**	**Comment**
FY18f EBIT	$5.7million	15-20% growth in FY17 and FY18
Multiple	6x	Mid range of benchmarks
Valuation	$34.2million	$0.28/share

Table 5: Key assumptions of our CFME valuation

INVESTMENT VIEW

iCollege offers speculative exposure to domestic demand for vocational education and training services. The existing income profile of its RTO portfolio, consolidation strategy, exceptional completion rates, and customer centric focus are attractive qualities.

Successful integration of its recently completed and pending acquisitions, alongside partnerships with major industry bodies present the major near term catalysts. Delivery of these milestones is incorporated into our financial projections, although the potential for further acquisitions remains an unaccounted source of upside.

Principal risks surround the Company's substantial reliance on Government funding, potential for regulatory change to impact its cost of doing business, competition within the industry, and need to integrate its RTO portfolio.

Our valuation of $0.22/share represents a premium exceeding 100 per cent to recent trade and does not incorporate potential upside from further acquisitions. Seeking to monitor synergy realisation within the enlarged group, we are initiating coverage.

Industry partnerships are a major driver

MANAGEMENT

ROSS COTTON	CHAIRMAN

Mr Ross Cotton was previously Executive Director of iCollege and has recently been appointed Executive Chairman, effective 6 October 2015. Ross Cotton is also corporate advisor for Regency Corporate. As a corporate advisor he has been advising both public and private companies on strategy, financing, acquisitions and corporate re-structuring. Prior to iCollege Ross Cotton has worked in the stock broking industry and raised capital for small and mid-cap companies.

STUART MANIFOLD	CHIEF EXECUTIVE OFFICER

Mr Stuart Manifold has been appointed Chief Executive Officer on 6 October 2015 following is role of Chief Operating Officer. Stuart was previously CEO of Risktec Australasia which focused on Crisis Management and Emergency Response Training and Consulting. Risktec was sold in 2008. Stuart Manifold has served on the board of the Entrepreneurs Organisation in WA.

PHILIP RE	NON-EXECUTIVE DIRECTOR

Philip is Non-Executive Director for iCollege and Managing director of Regency Corporate Pty Ltd. Regency Corporate is an advisory business based in Western Australia. Philip Re has experience in raising capital, restructuring businesses and undertaking initial public offering. Board positions held include South American Ferro Metals Limited, Promesa Limited, Transit Holdings Limited, Belleview Resources Limited, and Meridian Minerals Limited.

ANDREW CLEVALD	NON-EXECUTIVE DIRECTOR

Andrew Clevald has been appointed Non-Executive Director on 6 October 2015 following iCollect's management and board restructure. Andrew Clevald is Director and Principal at Navitas-owned Curtin College based at Curtin University. As director Andrew oversees principal operations of the College but also strategical and financial aspects.

RISKS

Regulatory Risk

Whilst the Company aims to increase its proportion of user pay revenue, approximately 80 per cent of iCollege's pro forma revenue is presently derived from Government funding. With the Government presently conducting a review of its vocational education funding program any adverse changes could have a material impact on iCollege's financial performance.

Competitive Risk

The market for vocational education services is highly competitive. There are over 5,000 RTO's in Australia which could have a significant impact on iCollege's capacity to attract students and teaching personnel.

Integration Risk

iCollege's RTO portfolio is still in the process of being acquired. The enlarged business therefore remains subject to significant integration risks which could adversely influence financial performance of the enlarged group.

Funding Risk

Whilst iCollege is projected to generate positive earnings and cash flow on a pro forma basis, there is no guarantee its reliance on external capital has been eliminated. There is no guarantee current funding initiatives can be successfully concluded or that additional capital will be available to the Company to make further acquisitions.

Valuation Risk

The valuation is contingent on iCollege successfully integrating its RTO portfolio and achieving double digit organic growth rates through to 2018. Failure to achieve these milestones would substantially impair the valuation.

THE BULLS AND THE BEARS

THE BULLS SAY

- With over 5,000 providers, the market for vocation education services resembles a cottage industry poised for consolidation
- Increased regulatory scrutiny provides an opportunity for iCollege to emerge as a leading ethical provider and acquire competitors at undemanding prices
- Integration of its RTO portfolio has potential to generate significant organic growth
- Our valuation represents a premium to recent trade

THE BEARS SAY

- The large number of vocational education providers creates a highly competitive landscape which may impair iCollege's ability to attract students and personnel
- With over 80 per cent of income derived from Government funding, budgetary cut backs or more stringent regulation could substantially impair iCollege's financial performance and demand for its services
- The Company's RTO portfolio has yet to be fully acquired, creating integration risks
- Valuation is contingent on the Company materially increasing earnings of the enlarged group through organic means.

APPENDIX – FINANCIAL PROJECTIONS

Period	FY	2016	2017	2018
Revenue	$m	9.6	11.0	12.7
COGS	$m	(3.9)	(4.4)	(5.1)
Expenses	$m	(1.6)	(1.9)	(1.9)
EBIT	$m	4.2	4.7	5.7
Margin		43%	43%	45%

Source: Management

CFME Valuation Summary		
Metric	**Assumption**	**Comment**
FY18f EBIT	$5.7million	15-20% growth in FY17 and FY18
Multiple	6x	Mid range of benchmarks
Valuation	$34.2million	$0.28/share

Table 9: Operational and financial schedule for the Cooper Eromanga Project

17 November 2015

GLOSSARY

Buy Increasing value of established business operations is likely to yield share price appreciation

Spec Buy Increasing value of a new or developing business operation is likely to yield share price appreciation.

Hold There exists an even balance of risks.

Sell There is elevated risk of share price depreciation.

Stop Our recommended, pre determined sell price, to be executed if the share price fails to appreciate

Discovery Assets typically at a concept stage, yet to demonstrate commercial potential. Company reliant on external capital.

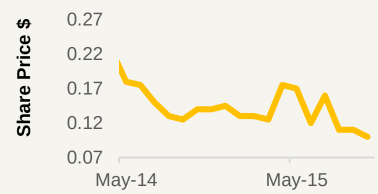
Development Feasibility and commercial trials are a primary focus. Company reliant on external capital.

Delivery Assets are typically generating cash flow. Company has an operating focus & may no longer rely on external capital.

ARCHIVES

iCollege Limited (ICT.ASX)

Nov-15	Initiating Coverage



ANALYST

TIM MORRIS

@ timm@wise-owl.com

1300 306 308

www.wise-owl.com

ABOUT US

Wise owl is a global supplier of intelligence, strategic solutions, and expansion capital for emerging companies and investors. Established in 2001, wise owl drives efficient capital allocation towards developing assets.

Media Partners:

Bloomberg THE AUSTRALIAN THE HEART OF THE NATION Money ABC sky NEWS

CONTACT

Domain House, Level 4
139 Macquarie Street
Sydney, NSW 2000

P4-23
Marina Terrace
Dubai Marina
Dubai, U.A.E

Phone Australia 1300 306 308
International +61 2 8031 9700

Intelligence Centre
www.wise-owl.com

DISCLAIMER