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Epicquest Educ

(EEIQ-NASDAQ)

EEIQ: New Agreements & STEM Programming Expected to Enhance Revenue Growth

Research Note

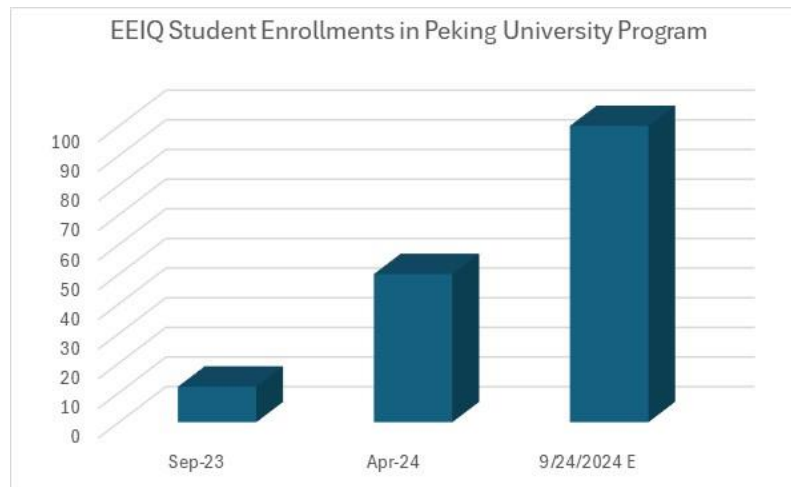
EpicQuest Education Group (Nasdaq: EEIQ) has implemented measures to diversify and grow its business, with an increased focus on internationalization. Consistent with this strategy, the company's owned and operated (O&O) academic institutions, Davis University and EduGlobal College, have expanded their recruitment efforts in international markets and are also expanding the international academic opportunities they offer students. We are encouraged by the company's steps, which are designed to widen its target market, boost recruitment efforts, increase enrollment and broaden educational offerings for domestic and international students interested in college, university and career oriented programs in the U.S., Canada and the U.K. Since implementing these initiatives, EEIQ has indicated solid advances at subsidiary Davis University.

New co-op programs expected to further expand, diversify student body...

In addition, two new cooperative diploma programs at EduGlobal College have been approved by the regulatory body that oversees private training institutions in British Columbia. Through the co-op program, enrolled students will be able to alternate between attending academic semesters at EduGlobal with working paid, full-time jobs. The co-op programs are for: 1) a two-year Business Studies Diploma and 2) a one-year Business Studies Certificate. They will launch in September 2024 for the Fall semester. The company views this as a new opportunity to further expand and diversify its student base. Both programs are designed primarily for international students.

Numerous recruitment, academic partnerships expand marketing, recruitment efforts ...

The company has formed multiple recruitment and academic partnerships to extend its marketing efforts to students in countries in Asia, Latin America and other markets. In addition, to deepen its recruitment in China, Davis entered into a non-exclusive agreement with the largest student recruitment agent in China – Beijing New Oriental Vision Overseas Consulting – for New Oriental Consulting to act as a recruiting agent for Davis University for three years. Davis also entered into an agreement with Peking University School of Education for a two-year continuing education and training program. EEIQ has more than 50 students registered for the Fall 2024 program at Peking University. This compares to 12 students who enrolled in this program in September 2023, though this figure reflects a much shorter recruitment period. The goal is to have at least 100 students registered by September 2024.



Source: Company reports

The company views the Peking University program as a core component of its academic offering to enhance students' academic and international experiences. During the first two years of the program, Davis College students attend courses at Peking University, followed by courses on Davis' Toledo, Ohio campus to obtain a degree.

China & India: Most students studying abroad & EEIQ's primary recruitment markets

The U.S. and the U.K. are two of the [top four](#) markets attracting international students, according to LinkedIn. The U.S. specifically is the most popular country for students who want to pursue study abroad, while tuition fees in the U.K., the 2nd most popular market for international students, can be lower than in the U.S. According to EEIQ, the greatest number of international students come from China and India, the two countries that comprise EEIQ's primary markets for recruitment efforts.

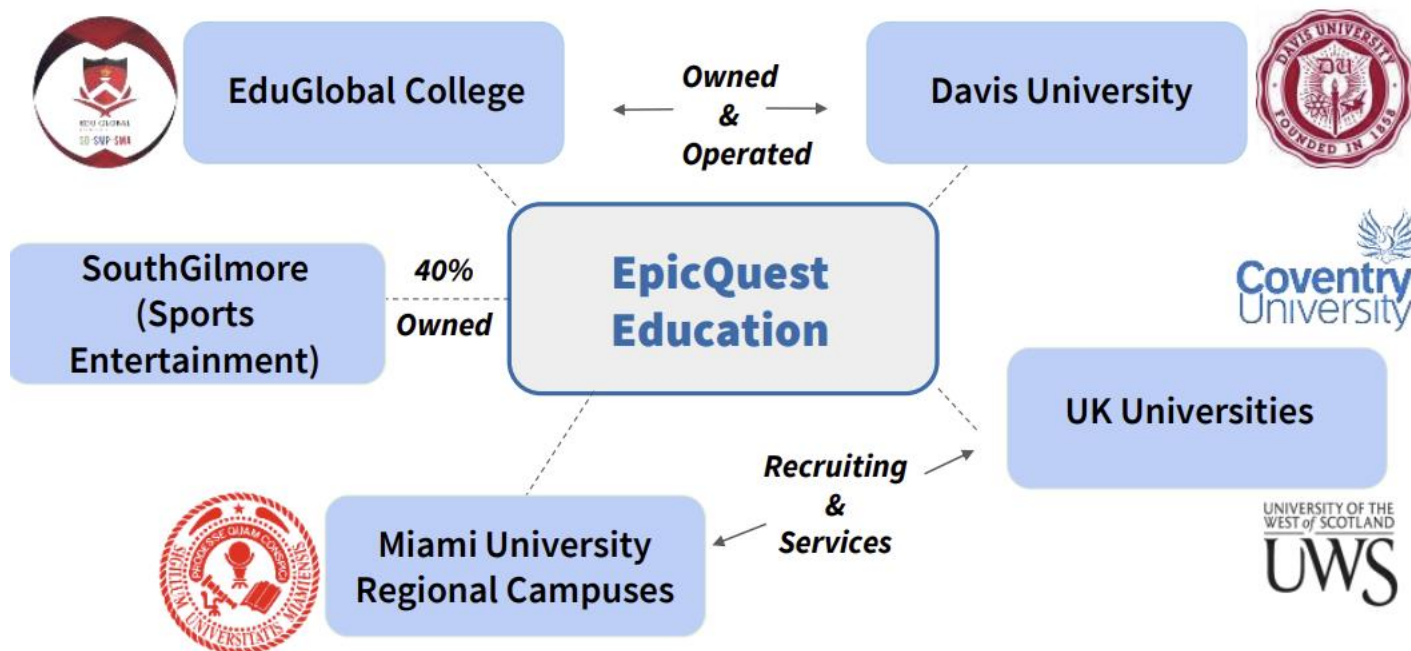
While EEIQ has broadened its geographic recruiting activities, the company also aims to further penetrate the Chinese student market. EEIQ expects the number of students from China and India will rise substantially and contribute to significant revenue growth. This anticipated trend is expected to be bolstered by Davis University's recent approval from the Higher Learning Commission (HLC) to offer two STEM degree programs: 1) an Associate of Applied Science in Data Science and 2) an Associate of Applied Science in Computer Engineering. The company expects these STEM programs to contribute to higher tuition and service fee revenue and attract substantial interest from students from China and India. EpicQuest operates a recruiting office in Sri Lanka to recruit students from Southeast Asia and the Middle East.

India, in particular, represents a sizable recruiting market, according to EEIQ, which will be attractive for Davis University's degree programs in technology, including its two new STEM degree programs. The practical training program Davis will offer in STEM coursework can enable students from India to ultimately move ahead down a broad array of career paths. Interest from students from India is also apparently on the rise. In fact, according to the U.S. Embassy and Consulates in India, the number of Indian students pursuing higher education in the U.S. grew [35%](#) in the 2022-2023 academic year compared to the prior year, reaching a record of roughly 270,000 students. Moreover, the Optional Training Program (OPT) enables students to obtain temporary employment authorization in the U.S. for up to three years.

Northumbria University

Davis has formed agreements with many four-year U.S. academic institutions for transfer pathways that enable students who have earned associate degrees to gain admission and transfer credits that can be used towards obtaining a bachelor's degree. Last month, Davis University received a letter from Northumbria University approving the transfer of credits of first year international coursework for Davis students. This expands the choices and opportunities Davis students have to pursue studies internationally and transfer credits. It is also expected to boost EEIQ revenue as Davis can recruit students who intend to study in the U.K., as well as in the U.S. and are interested in its transfer pathways programs. This new approval is also consistent with the company's targeted efforts in key markets.

EEIQ Business Model



Source: Company presentation

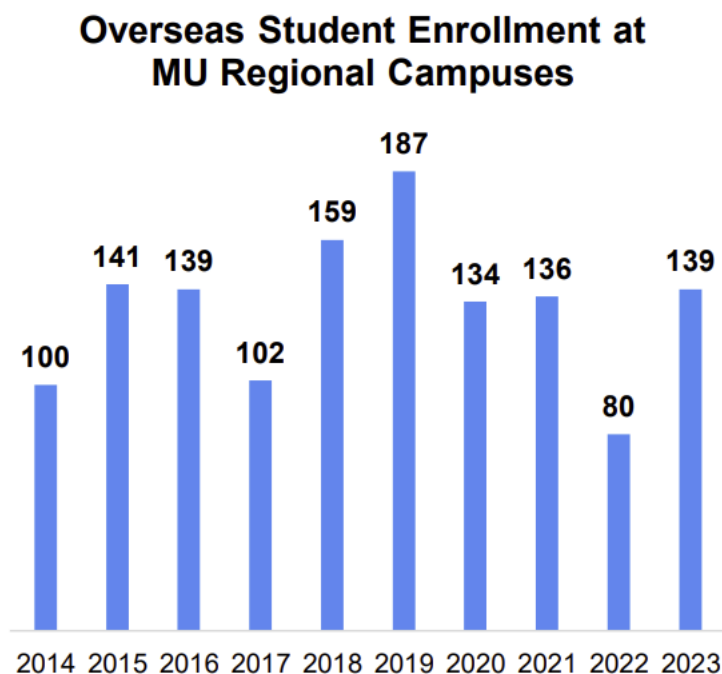
Davis students who obtain at least a B average will be eligible for acceptance into eight Northumbria programs and have credits recognized by Northumbria for the 2024/25, 2025/26 and 2026/27 academic years. Northumbria University, founded in 1992, is a public university primarily located in Newcastle, England. Northumbria's predecessor was Rutherford College, which was founded in 1877. Northumbria has students from 137 countries.

The company expects additional collaborative agreements and potentially strategic M&A to further enhance its internationalization and growth strategy. Davis University already has numerous articulation agreements in place to offer students transfer pathways.

For example, Davis University's agreement with Chongqing Technology and Business Institute (CTBI) entails CTBI students attending Davis and is another step in the company's goal to further the internationalization of Davis. They will earn an associate bachelor's degree upon completion of course requirements. The company believes such internationalization will, in turn, drive student enrollment and contribute to fuller overall cultural experiences for students. Moreover, as the company continues to expand its program offerings, including career and job training offerings, and increase students' options, EpicQuest expects to improve overall student outcomes.

EEIQ intends to introduce new foundational programs with top Shanghai universities

To strengthen its efforts for students in China, EEIQ intends to introduce two foundational programs with top universities in Shanghai beginning in 2024. The company expects these programs to contribute to significantly higher numbers of students enrolled at Davis and EduGlobal and potentially contribute an incremental estimated \$5 million in annual revenue.



Source: Company presentation

For example, Davis University recently formed a Cooperation Agreement with Shanghai Jiao Tong University to establish a foundational program beginning this month (from May 8, 2024, through December 31, 2026). Davis' foundational programs are designed to enable students to acquire the skills they need in order to gain admission into Davis' bachelor's degree programs. This represents a new revenue stream for EEIQ. The company is optimistic about the growth prospects of this initiative and intends to develop foundational programs in multiple global regions.

At the same time, the company's core operations are rebounding from the negative impact of the pandemic and also enjoying organic growth. Student enrollments continued to improve in 2023-24, following the 1H23 metrics illustrated above. In recent months, China has enacted policies to ease travel restrictions. Reflecting these measures, the company expects the number of students admitted to the Miami University Regionals program could rebound over time to pre-pandemic levels.

Moreover, EpicQuest's Chinese student association was invited to attend the first International Student Congress in August 2024, which marks the first time the International Student Congress will hold its annual meeting in China. The company views its inclusion to participate reflects its growing traction as it expands its recruitment efforts and programming offerings globally. Universities that have been asked to attend include the U.S. Ivy League schools, MIT, Stanford and other leading U.S. schools, as well as Oxford and Cambridge and others from around the world.

SouthGilmore

Another recent EEIQ initiative is the company's 40% stake in SouthGilmore, which marks EEIQ's entrance into the sports entertainment space, representing a new element in its strategic growth plan. In 4Q23, SouthGilmore entered into an agreement with the Argentine Football Association (AFA) for the Argentina Men's National Soccer Team to play two exhibition matches in China in March 2024 against international soccer teams. SouthGilmore has agreed to pay the AFA \$15 million and assume costs related to running the matches. EEIQ expects to derive substantial revenue from the net results of various exhibition games, particularly as there are multiple revenue streams associated with sporting events, including ticket sales, sponsorships, merchandizing, food and beverage sales, transmission rights, commercial rights and other streams, a portion of which could flow to EEIQ.

SouthGilmore enables EEIQ to operate in the field of sports entertainment and by recent enrollment trends. With SouthGilmore, EEIQ has added a new line of business and an opportunity to grow its blended revenue streams, as well as achieve synergies for Davis University.

The company believes that this new business segment could boost its future revenue significantly. Overall, revenue associated with the global sports industry was estimated at \$512 billion in 2023 and is projected to reach \$623 billion by 2027, according to Statista.com, a global data and business intelligence platform.

Recently launched operations expected to contribute ~50% of total revenue over time...

As noted, the company expects its two recently launched foundational programs in China to contribute to significantly higher numbers of students enrolled at Davis and EduGlobal and potentially contribute an incremental estimated \$5 million in annual revenue. In fact, reflecting the initiatives aimed at broadening its global reach, EpicQuest expects that over time roughly half of revenue will be generated from recently initiated operations such as those at Davis and EduGlobal, particularly as EpicQuest leverages the academic offerings of Davis University and EduGlobal College via a growing number of international partnerships.

In addition to the pathway and other relationships noted above, programming agreements signed in recent months include with Holy Cross of Davao College (HCDC) in Davao City, Davao del Sur, Philippines and with China's Anhui Business College, among others. Davis University and EduGlobal College also recently signed an MOU (memorandum of understanding) with ICBT Campus of Sri Lanka and one with Chongqing Technology and Business Institute that is designed to increase student enrollment at Davis College.

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