

NZX/ASX RELEASE

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IQE - INTUERI CONFIRMS 2015 EARNINGS EXPECTATIONS AND PROVIDES 2016 OUTLOOK

Intueri Education Group (NZX/ASX: IQE) has today confirmed its 2015 expected earnings and provided an update for 2016, taking into account the recent regulatory changes in the Australian vocational sector and following confirmation of 2016 Tertiary Education Commission (TEC) funding for Intueri's New Zealand colleges.

In summary:

- Intueri confirms it expects to deliver approximately \$21.5 million underlying EBITA for the financial year ended 31 December 2015
- The TEC reviews of Quantum Education Group (Quantum) and the NZ School of Outdoor Studies (Dive School) have commenced, and the Serious Fraud Office (SFO) has requested information, pertaining to Quantum, to assist with an enquiry
- The Intueri Board has agreed to suspend dividends until such time as the TEC reviews are completed
- The TEC has confirmed 2016 funding for Intueri's New Zealand colleges that is approximately 6% ahead of the level of funding consumed in 2015. However, the TEC has restricted enrolments of unfunded students at Quantum, which will impact Quantum annual revenues by approximately \$8 to \$9 million
- The interim regulatory measures introduced for the Australian VET FEE-HELP (VFH) funding system while a review is underway, are likely to see 2016 OCA Group earnings capped at 2015 levels
- While the Intueri Board is not in position to provide detailed guidance for 2016, it is expected that 2016 underlying EBITA will be slightly lower than 2015.

2015 Expected Earnings

Taking into account the previously announced forecast impact of the TEC reviews, the Board confirms that it expects to report 2015 underlying EBITAⁱ of approximately \$21.5 million. This is within the forecast range of \$20.5 million to \$23.5 million as outlined below:

Previous EBITA Guidance as at 5 August 2015	\$27 to \$29 million
Forecast impact of TEC Reviews (\$4 to \$5 million) being:	
- Reinstatement of Dive School provision, and	(\$1.1) million
- Impact due to hold on funding portability discussions with the TEC and associated costs	(\$2.9 to \$3.9) million
Delay in settlement of NZIS acquisition (delayed by 2 months)	(\$0.5) million
Acquisition costs	(\$0.6) million
Updated EBITA Guidance Range	\$20.9 to \$23.9 million
Less Academy Deferred Consideration	(\$1.0) million
Add back Acquisition costs	\$0.6 million
Updated Underlying EBITA Guidance Range	\$20.5 to \$23.5 million

The preliminary results for the financial year to 31 December 2015 will be released on 24 February 2016.

TEC Review and SFO Enquiry

In New Zealand, the TEC has commenced its reviews of Quantum and the Dive School. The Intueri Board has agreed to suspend dividends until such time as the TEC reviews are completed, in order to meet TEC funding conditions.

On Friday 29 January 2016, the SFO in New Zealand requested information pertaining to Quantum and dating back to 2012, to assist with an enquiry under Part 1 of their legislation. Intueri is committed to cooperating fully with the SFO, and will supply all of the requested information as expeditiously as possible. Intueri is not aware of any financial liability for the company at this time.

2016 TEC Funding

The TEC has confirmed 2016 funding for all of Intueri's New Zealand colleges, which is approximately 6% ahead of the funding consumed in 2015. However, the TEC has restricted enrolments of unfunded students at Quantum, which will impact annual course fee revenues by approximately \$8 to \$9 million. To compensate for the forecast reduction in revenue, the company has embarked on a strategic review to align capacity with the reduced student numbers.

Quantum generated approximately 20% of Intueri's group revenues in 2015, and this is expected to reduce to less than 10% in 2016. An impairment charge against the carrying value of Quantum is anticipated in the 2015 full year accounts. Intueri is awaiting the outcome of the TEC and SFO reviews, at which time it will consider legal remedies and recourse against the original vendors.

Australian Regulatory Environment

In December 2015, the Australian Government announced a review of the VFH funding system. Interim measures have been put in place while a new funding model is developed in consultation with the sector over the next 12 months, including a cap on 2016 VFH funding at 2015 levels. Intueri are exploring other options to drive growth however, the Board currently expects that 2016 EBITA for The OCA Group will be in line with 2015, at approximately AUD \$10 million.

2016 Outlook

In 2016 Intueri is expecting continued growth from its International segment; a profit in line with 2015 levels from the Australian Online segment; and reduced earnings from the Domestic segment due to the reduction in student numbers at Quantum. Recent acquisitions will provide a full year contribution in 2016 and the company is focused on identifying and realising cost savings from the strategic review of Quantum and across the group. The Board therefore expects Intueri's 2016 underlying EBITA will be slightly lower than 2015.

Intueri's bankers remain supportive and the company has agreed indicative terms for an \$80 million, 3-year refinancing of its debt facilities. These facilities are expected to be in place by the end of February.

Intueri CEO, Mr Rob Facer, said: "There have been significant changes in the vocational education sector recently which are having a material impact on our operations. Our priority is to evolve and adapt to meet these market conditions and identify opportunities for continued growth.

"Vocational education remains an essential part of the tertiary education sector and Intueri is committed to leading the way in quality and helping students gain relevant qualifications. Since listing, we have made a number of changes to legacy reporting and enrolment processes at schools we have acquired, to bring them in line with our group-wide quality standards, and we are working closely with regulators to ensure we deliver quality outcomes in line with their expectations."

Intueri Chairman, Mr Chris Kelly, added: “The sector is facing increased scrutiny from regulators in both New Zealand and Australia. We believe our commitment to quality will help strengthen our position and benefit us over the long term. The Intueri Board is committed to transparent and open communications, and will keep shareholders updated as matters progress.”

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About Intueri:

Intueri Education is a New Zealand headquartered group of private training establishments delivering vocational education to students in New Zealand, Australia and from around the world.

We provide industry-appropriate courses and qualifications across a diverse range of industries, working closely with those industries to ensure training remains relevant and employment-outcome focused.

Intueri is dual listed on the NZX and ASX under the ticker symbol IQE.

i EBITA is Earnings Before Interest, Tax and Amortisation of Acquired Intangibles. The Board has used Underlying EBITA, being EBITA excluding significant non-recurring items such as Impairment, Acquisition Costs and the one off \$1m changes to Academy deferred consideration, as the basis for its full year forecast guidance as it believes this provides the most appropriate measure of Intueri’s operating performance. These are non-GAAP measures.