

ASX RELEASE

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Group CEO's Address – Annual General Meeting 2014

Good morning everyone and thank you for joining us.

As Harvey has noted the 2014 financial year was a period of good growth but more importantly a year of investment in systems, processes and people to better position Navitas for sustained growth well into the future.

Operational matters

The University Programs Division recorded underlying EBITDA growth, excluding goodwill impairment, of 15% to \$121.8m as total enrolments continued to grow during the year across all key regions.

2014 was a period of regulatory stability for Australian international education as students and higher education providers continued to benefit from regulatory reforms, introduced in recent years, aimed at promoting the sustainable growth of the sector.

The Division's offshore operations also performed well with consistent growth across key regions in the year. The UK reported solid increases in enrolments following the relative stability of the challenging UK regulatory regime and supported by the strong opening of Birmingham City University International College. However, as I note below in sector developments and trends, there has been a subsequent tightening in regulations which will weigh on growth again at least in the near term.

Canadian colleges continued to perform well and the US colleges produced an almost breakeven result for the year. A new college was also opened in New Zealand in partnership with the University of Canterbury, and more recently we have announced our sixth US college, this time in partnership with Florida Atlantic University.

In July 2014 Navitas announced an agreement with Macquarie University for SIBT to continue on-campus for a further 12 months from the expiry date of the existing agreement. While Navitas continues to provide high quality programs and economic value for the university partner, the renewal of the contract for a limited period reflected a new strategic direction set by the University.

This arrangement will likely result in a one off decline in growth in University Programs earnings which will impact the second half of FY16 and the first half of FY17 although we continue to explore NSW specific opportunities to mitigate the impact.

SAE recorded an EBITDA result of \$24.5m which reflected a significant increase in revenue but also a step change in costs as the Division invested in systems, people and processes. Second half earnings improved significantly as investment in the business began to generate a return.

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The newly formed Professional and English Programs Division delivered strong growth with EBITDA increasing by 31% to \$25.2m. This was largely due to strong returns from education based businesses and the English and Foundation Skills area.

Sector developments and trends

In Australia, students and higher education providers continued to benefit from regulatory reforms aimed at promoting the sustainable growth of the sector.

Many University Programs colleges within the Navitas Group already benefit from these changes through university partnerships and Streamlined Visa Processing was also extended to high quality private providers including several Navitas businesses, such as ACAP, HSA and SAE.

Such measures were significant factors supporting overall growth in student visa issuances across Australia with all Navitas University Programs colleges recording good enrolment growth throughout the year. Proposed reforms to Australia's higher education sector will also likely have a positive effect for Navitas' students across all Divisions though these are yet to be ratified by the Senate.

However, more recently we identified higher than acceptable levels of non-genuine student applications from students in a number of higher risk source countries. As a result we have tightened our recruitment requirements to ensure we only recruit genuine students from those countries. This may result in a temporary slowing of our growth rate in Australia.

The US policy environment remains stable and Canada continues to be a welcoming environment for international students.

After several years of relative stability in the UK, the regulatory environment has recently tightened further with the Government reducing the visa refusal rate for all UK education providers from 20% to 10%. This means that providers cannot have more than 10% of their visa applications rejected by the UK Home Office. As a result all Navitas UK colleges have adjusted their risk rating on student applications to ensure that visa refusal rates are well below the threshold. This has impacted student volumes in the short term.

Despite the need to slow growth rates from some source countries to ensure quality outcomes for our students and partners we are seeing good growth from most source countries with ongoing strong demand for education opportunities in destinations such as the US, UK, Australia and Canada.

Strategic Developments

At our recent Investor Day I provided an update on our progress against key growth initiatives. Copies of materials from that day have been uploaded on the Navitas website so I won't repeat myself today. However these initiatives include:

- Continuation of University Programs expansion in the US market;
- Restoring Australian University Programs volumes;
- Improvement of internal capability in SAE US and additional product expansion;
- Implementing recommendations from the review of Navitas' Sales and Marketing function with an expansion of in-country resources; and
- Strengthening senior management capability.

In regards to the last point I am pleased to announce two recent key appointments who will contribute significantly to the capability and capacity of Navitas senior management.

The first is the appointment of Patrick Brothers to the role of Group General Manager Strategy and Business Development, reporting to me, and the second is the appointment of David Stremba to head up business development for University Programs in the Northern Hemisphere. Both Patrick and David bring extensive experience to Navitas and we look forward to their contributions.

Thanks

Harvey has already touched on the retirement of Peter Larsen and Ted Evans from the Board but I also wanted to add my own thanks and appreciation to both of them.

I have worked with Peter for more than 20 years and we don't have enough time in the day to go through everything we have experienced and achieved together. It's been a fantastic journey Pete, thank you.

Ted, it's been an honour to have you on our Board and to work with you. I have learnt a lot from you, as have the Board and management, and your contribution will be missed.

Outlook

Growth in student enrolments across the University Programs Division is expected to continue although in some regions it will slow as colleges adapt to meet tighter regulatory requirements.

Enrolment numbers released earlier in the year, and pricing increases, provide a strong foundation for FY15 and both Australian and UK operations will focus on maximising value from existing colleges throughout the year. US operations will contribute to the Division's earnings as enrolments at existing colleges grow, while we will continue to seek to expand the network with more new university partners. Enrolment growth at Canadian colleges continues to be strong.

Globally FY15 should see a solid increase in earnings for SAE as investments made in recent years realise returns and enrolments grow across the US, Australia, Germany and the UK. Revenue will be bolstered by the newly acquired Ex'pression College with earnings traction improving from FY16 onwards.

It is anticipated that the Professional and English Programs Division will record a flat result compared to financial year 2014 with continued earnings growth from the Division's educational businesses mitigating a slowing in revenue as government contract volumes drop in-line with the Federal Governments reduction in humanitarian migrant numbers.

With these factors in mind the Group retains its previously released guidance on underlying earnings before interest, tax, depreciation and amortisation of \$162m to \$172m for the 2015 financial year.

Conclusion

Navitas' broader growth strategies across University Programs, SAE and Professional and English Programs are progressing as planned and will continue to deliver value for students, partners and shareholders well into the future.

We will also continue to invest in the business so that we can capture growth opportunities as they are identified and continue to expand domestically and offshore.

There will always be challenges but we will continue to focus on our core deliverables of student outcomes, the student experience and relationships. We firmly believe that if we deliver superior service in these areas our future is assured.

Thank you for attending today's meeting. I will now hand you back to the Chairman for the formal business of the meeting.

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About Navitas

Navitas is a leading global education provider that offers an extensive range of educational services through three major Divisions to students and professionals including university programs, creative media education, professional education, English language training and settlement services. Navitas is an S&P/ASX100 company.

Further details about Navitas are available at navitas.com