

# WORLD CLASS QUALITY

## Morgan Stanley Asia Pacific Summit

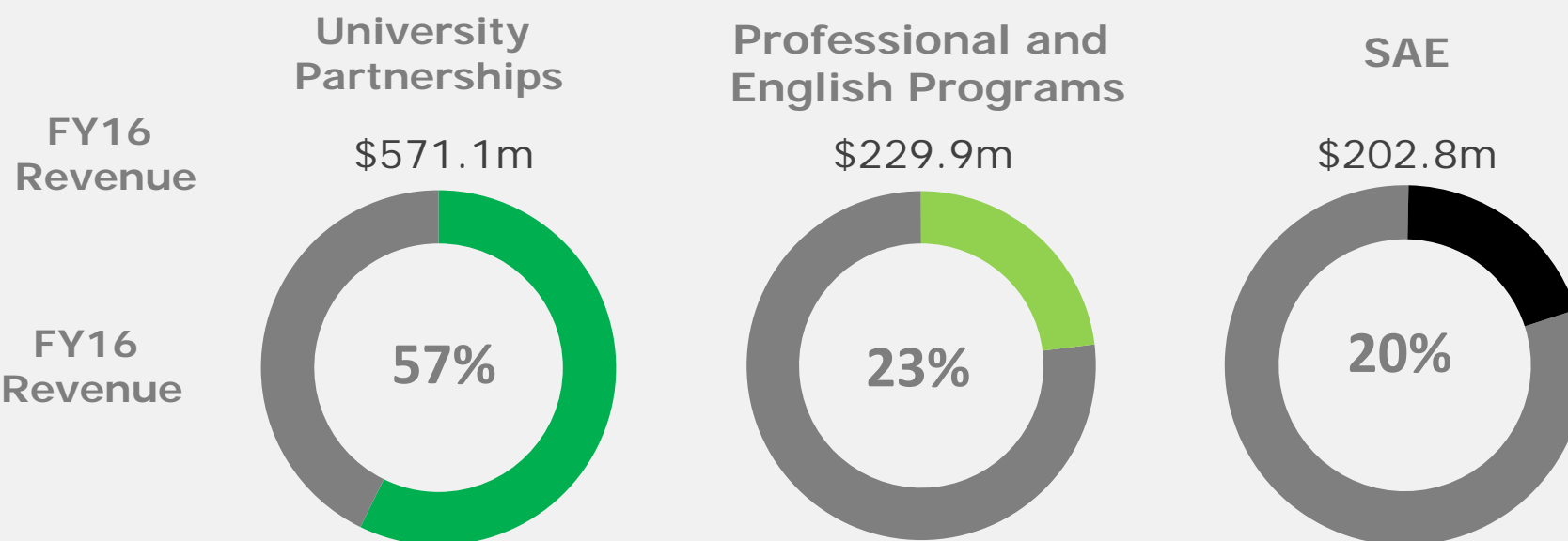
17 November 2016

navitas 

# About Navitas



Navitas (ASX: NVT) is a leading global education provider with over 120 colleges and campuses across 31 countries offering an extensive range of educational services to more than 80,000 students, clients and professionals. Navitas operates across three Divisions and is an ASX100 company.



## Overview

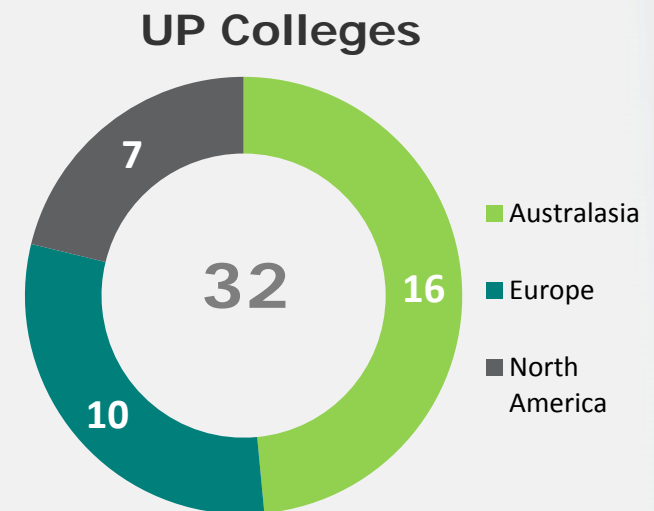
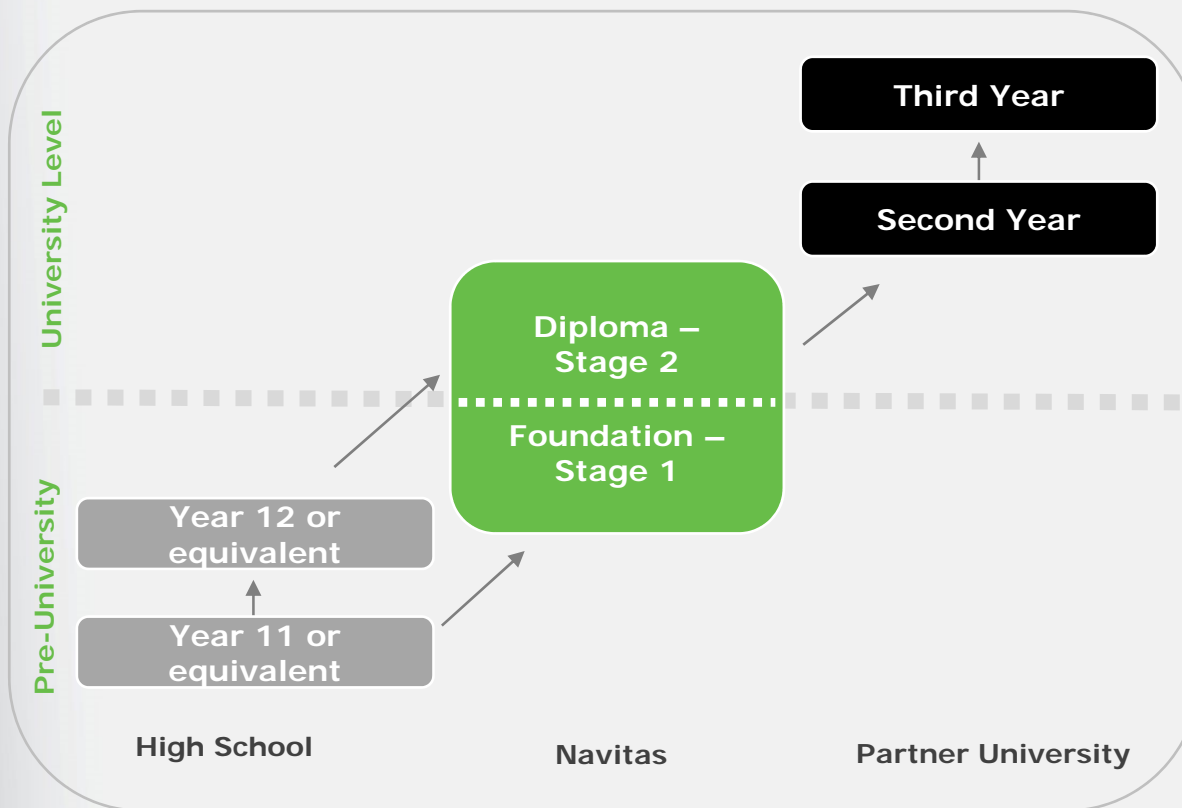
The University Partnerships Division is a leading provider of pre-university and university pathway programs with 32 colleges across Australia, US, UK, Canada, NZ and Sri Lanka

The Professional and English Programs Division offers quality higher education and vocational programs in health and social services as well as settlement programs for migrants

SAE is the world's leading educator in creative media industries delivering personalised education in world-class facilities across 54 campuses in 28 countries

# University Partnerships overview

Providing pre-university, managed campus and university pathway programs which increase students' access to higher education and prepare them for future success



# Market summary for external pathway programs

## Global

Demand for international education continues to grow due to increases in population and middle class wealth in developing countries while investment in tertiary infrastructure lags

### US

- ~2,000 universities
- ~50 pathway colleges - 5 Navitas
- 842k international tertiary students
- International enrolments as a % of students – 4%
- Government strategy – focused on domestic benefits, no targets

### UK

- 130 universities
- ~55 pathway colleges – 10 Navitas
- 428k international tertiary students
- International enrolments as a % of students – 17.5%
- Government strategy – increase sector value by 66% to GBP30b by 2020

### Australia

- 39 universities
- ~20 pathway colleges – 13 Navitas
- 266k international tertiary students
- International enrolments as a % of students – 18%
- Government strategy – increase total international enrolments by 45% to 720k by 2025

### Canada

- 49 universities
- 2 pathway colleges – both Navitas
- 151k international tertiary students
- International enrolments as a % of students – 2.7%
- Government strategy – increase total international enrolments by 34% to 450k by 2022

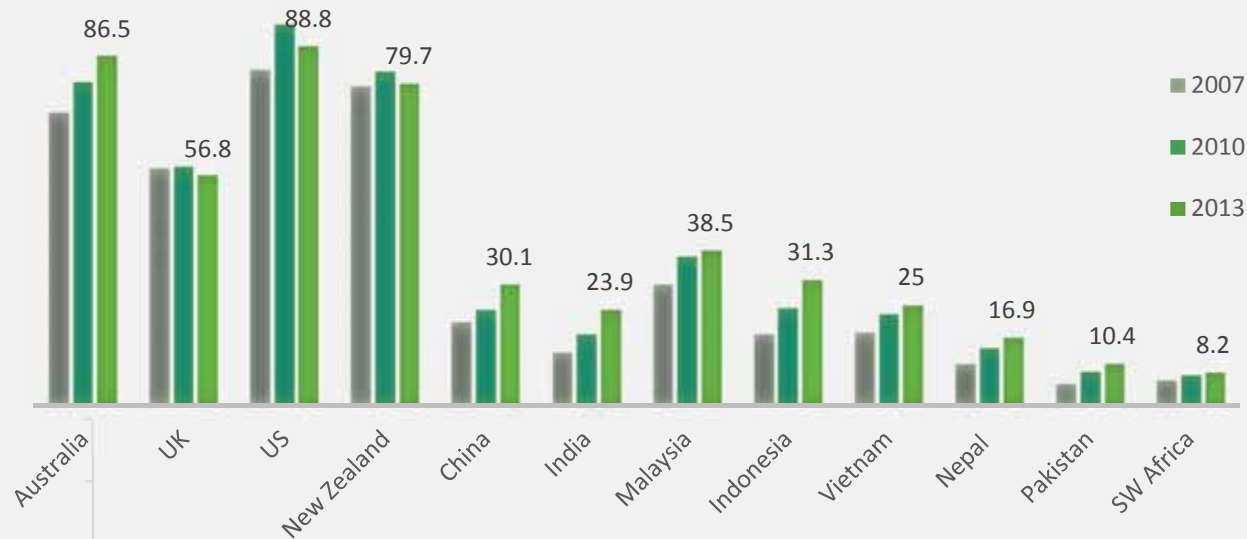
Source: *Global flow of tertiary level students*, UNESCO Institute of Statistics; US Dept of Education; Australian Dept of Education and Training; UK Dept of Business, Innovation and Skills; Global Affairs Canada.

# UP key drivers - strong demand for tertiary education globally



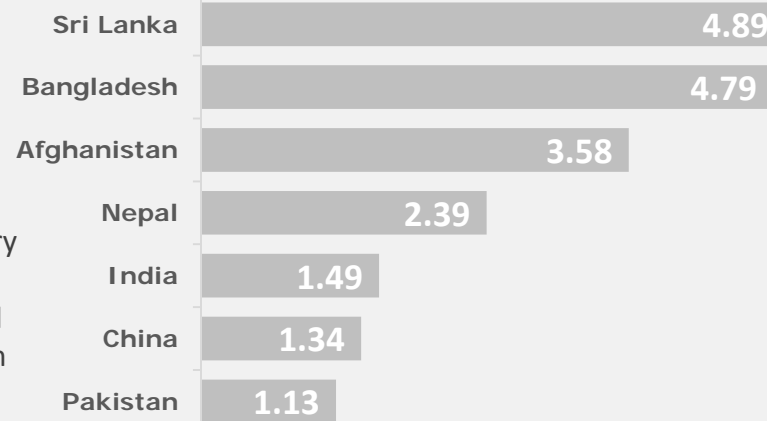
Low ratio of tertiary education in developing countries

Ratio of Tertiary Enrolment (%)



Lack of local tertiary education infrastructure and population growth

Number of 'A' level students per available university spaces



Increasing middle class wealth

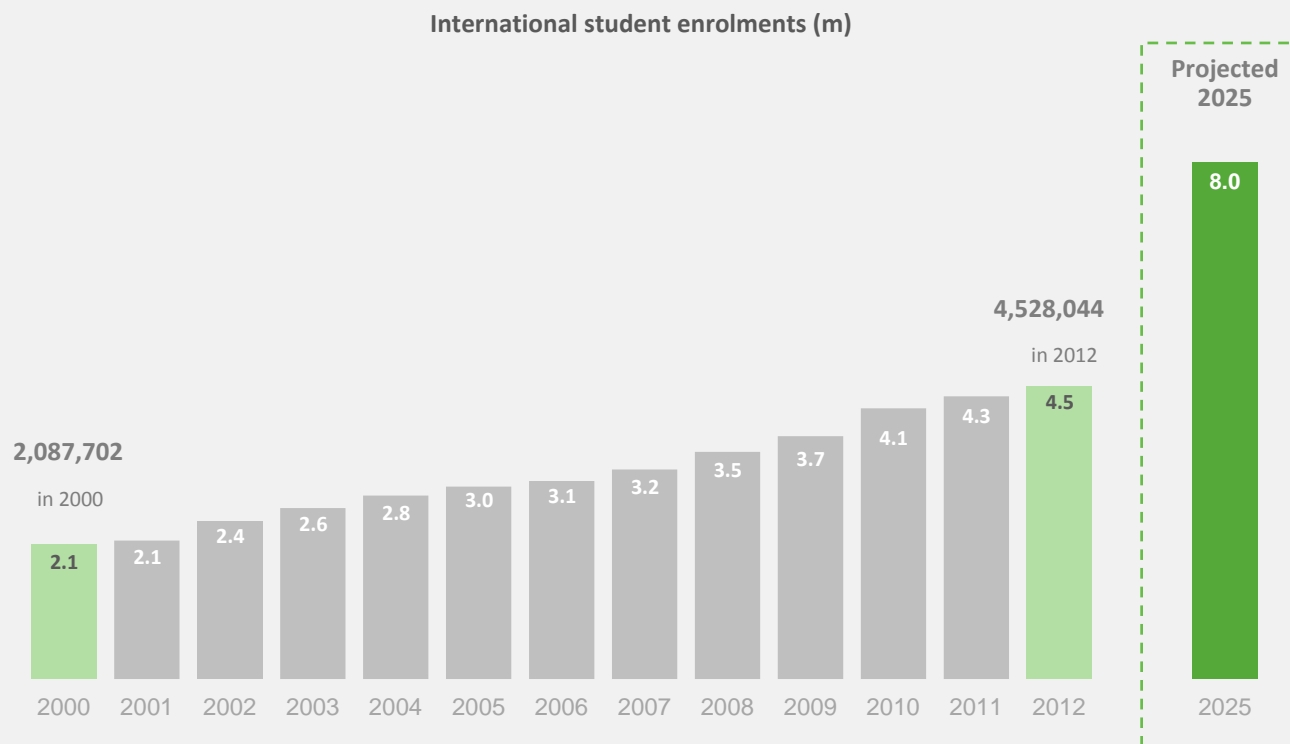
**By 2030 over 3.0 billion people in the Asia Pacific region will be counted as middle class – a 600% increase on 2009**

# UP key drivers - more students travelling overseas



More students travelling overseas to study

**By 2025 there will be 8.0 million students crossing borders to study**



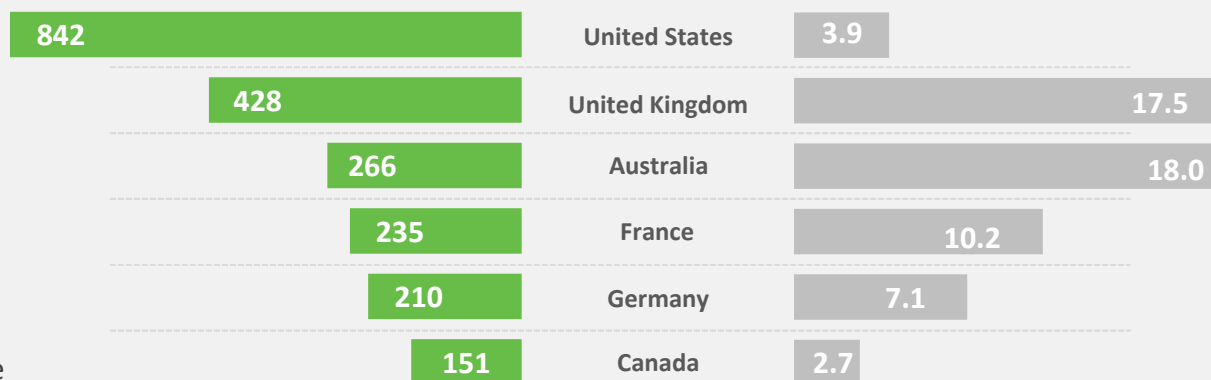
Source: UNESCO Institute of Statistics, 2016; *Education at a Glance*, OECD 2015;

# UP key drivers - key destinations dominate

## Key destination countries of global international students

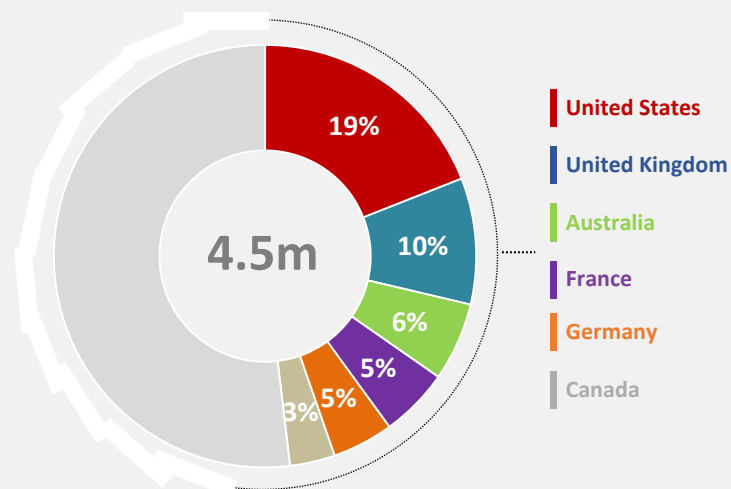
Number of international higher education students (000s)

International higher education enrolment as a % of total enrolment



English language countries preferred

## International higher education market share (%)



The majority of international students study in just 6 countries with varying degrees of penetration

Source: *Education at a Glance*, OECD 2015;  
*i-Graduate survey*, 2015.



# Professional and English Programs

Delivering high quality programs in the area of Health and Social Assistance as well as providing English language and settlement services for students and clients

## Navitas Professional Institute

- Providing Higher Education and Vocation Education programs to build and enhance careers in the high growth Health and Social Assistance sectors
- Includes the Australian College of Applied Psychology, Navitas College of Public Safety and Health Skills Australia

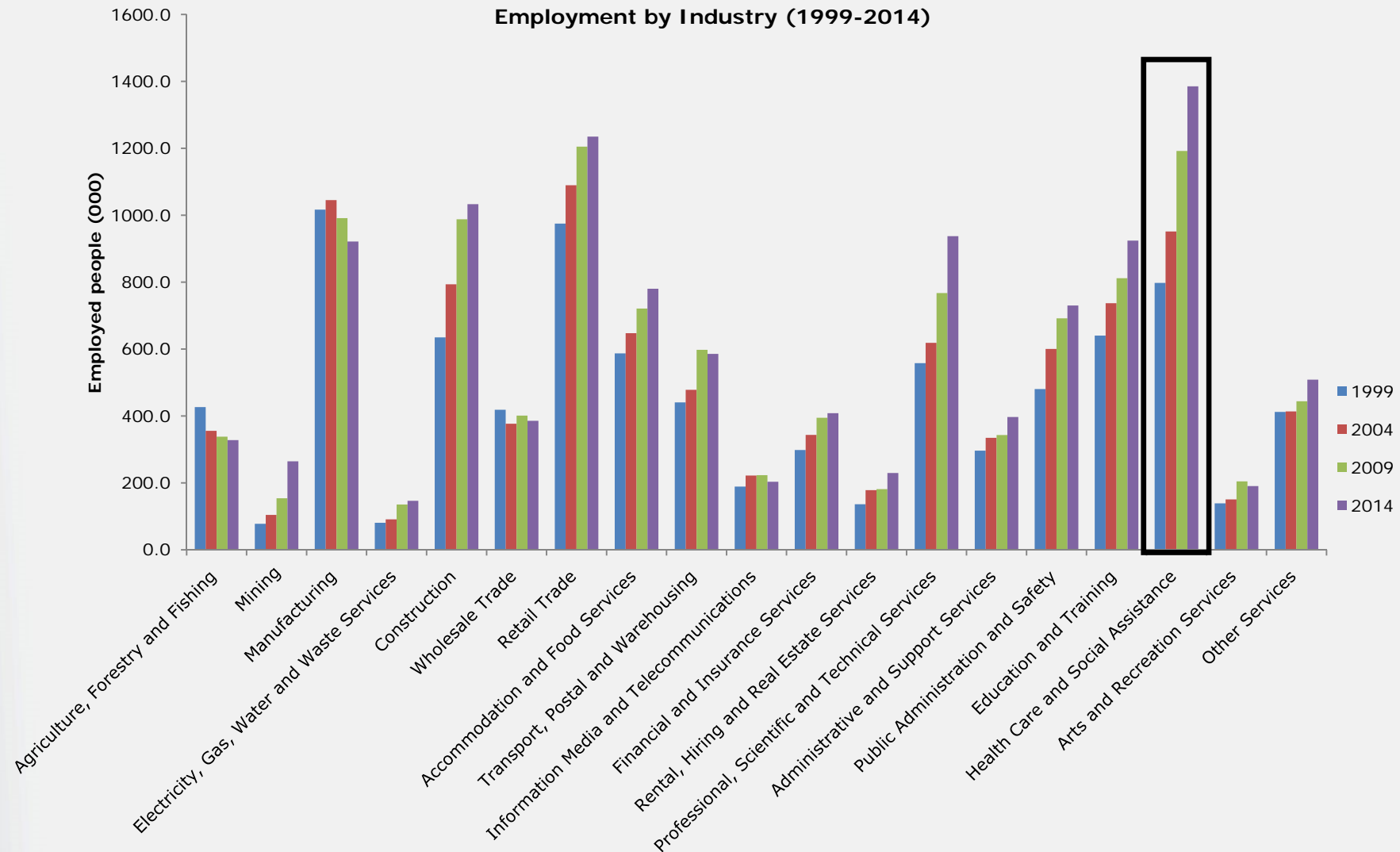
## English & Foundation Skills

- Meeting English language, foundation and settlement needs for students and clients
- Delivery of Commonwealth Govt programs such as: Adult Migrant English Program, Skills for Education and Employment, and Settlement Language Pathways to Employment and Training



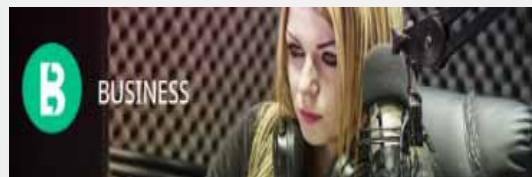


# Health care and social assistance - the largest employment sector in Australia – and growing at 4% CAGR

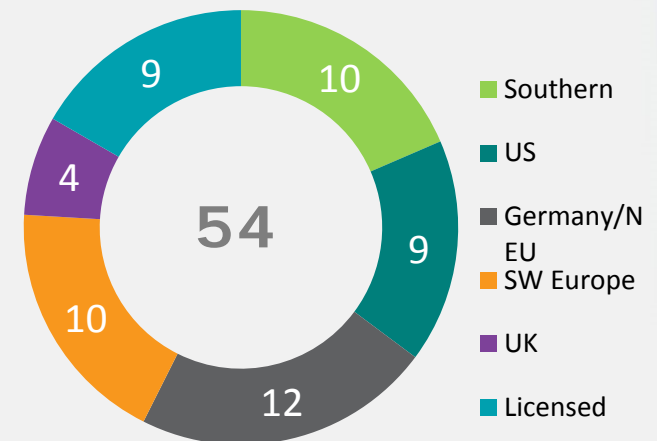


# SAE - a global creative media educator

- One of the world's largest creative media educators, with over 50 campuses around the world, teaching over 10,000 students
- Offering a range of predominantly Higher Education opportunities including Certificates, Diplomas, Degrees and Masters programs
- Also licensing programs to third party providers in selected geographies

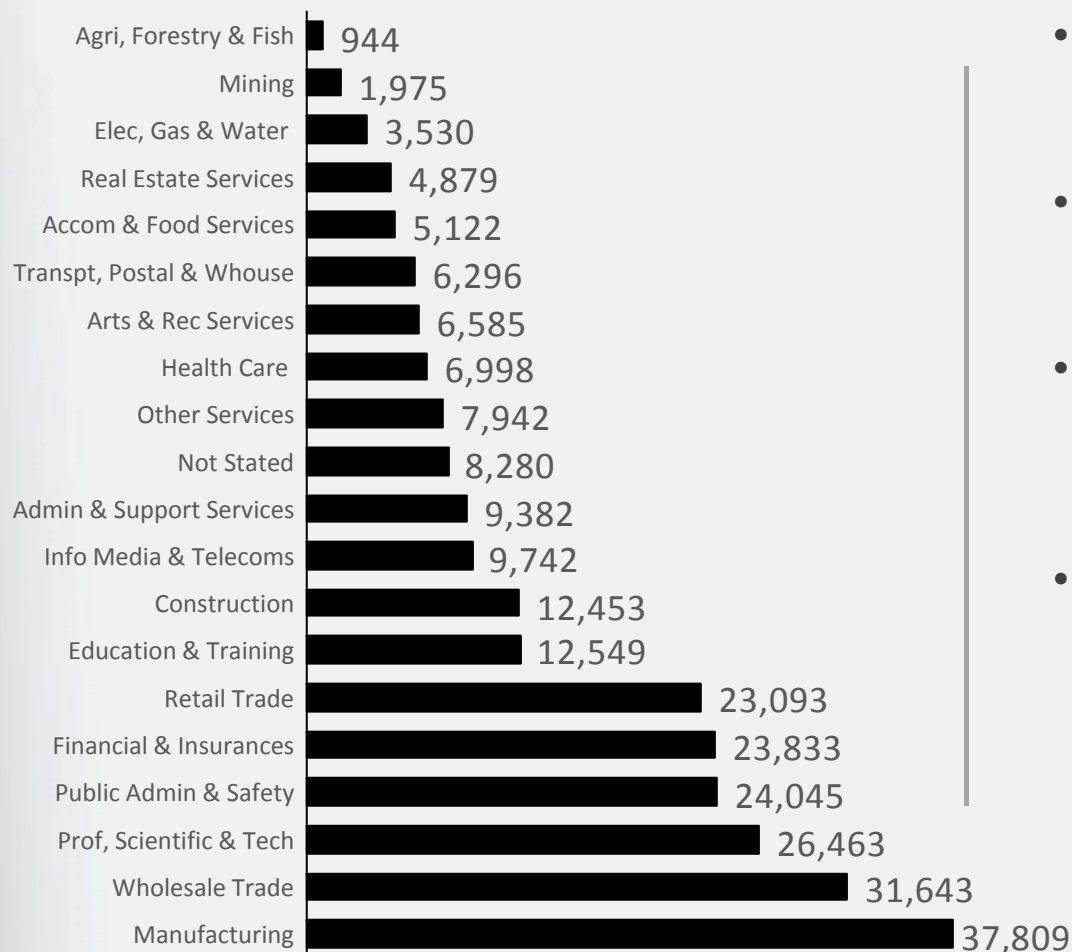


SAE Colleges



# SAE servicing a rapidly growing "creative" sector

## Creative jobs are in non-creative industries



- Creative occupations are an evolving workspace – currently represent over **4%** of total employment in Australia
- **432k** people were employed in creative occupations in 2011 – a **21%** increase from 2006
- Includes advertising and marketing (**40%**), software and interactive content (**22%**), design and visual arts (**19%**)
- **43%** were employed in creative jobs (advertising, design, film, music, software) in non creative industries such as manufacturing and wholesale trade



# Operational update

# Ongoing Board renewal – new Chairman

- Tracey Horton commenced as Chairman on 16 Nov 2016
- Non-Executive Director of Navitas since June 2012
- Extensive international business and education experience including as Winthrop Professor and Dean of the University of Western Australia as well as senior roles at Bain & Company, Poynton & Partners and the Reserve Bank of Australia
- Currently a Commissioner for Tourism Western Australia, Board member of the Australian Institute of Company Directors, Chairman of Presbyterian Ladies College and a member of the Australian Takeovers Panel





# Continuous contract renewal

## 2 year progress report

- ✓ **4** new agreements
  - Florida Atlantic University
  - University of Northampton International College
  - Western Sydney University International College (JV)
  - University of Canberra College (JV)
- ✓ **7** agreements renewed under materially similar terms and conditions – **1** converted to a JV (ECU)
- ✓ **2** Curtin agreements extended to complete discussions

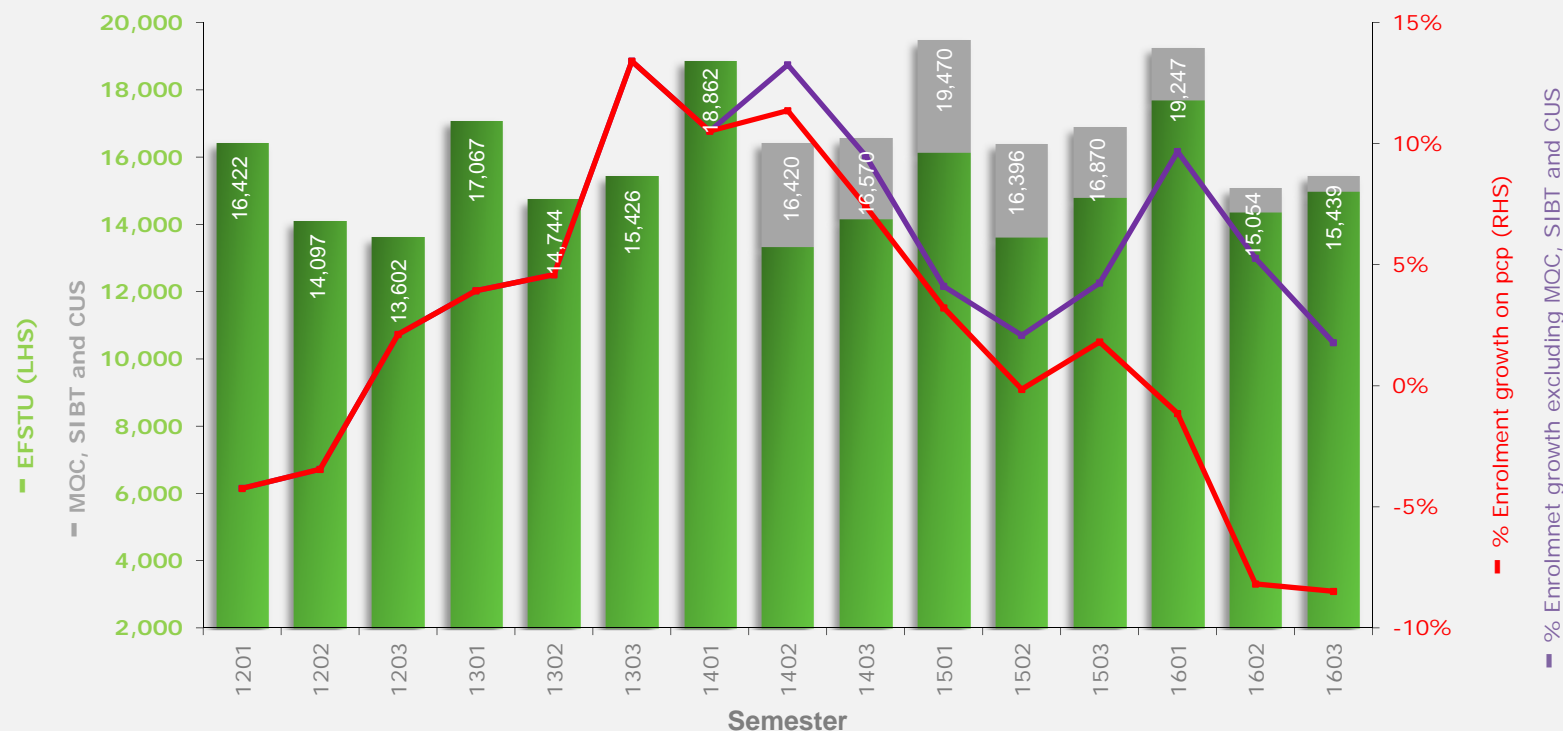
## Upcoming in FY17

- ☐ Adult Migrant English Program – June 2017
- ☐ HIC with University of Hertfordshire – July 2017



# Semester 3 2016 University Partnership enrolments – declining impact of Macquarie and Curtin Sydney

Historical University Partnerships EFTSU and enrolment growth



## Latest

- Semester 3 2016 underlying global enrolments grew by 2% vs pcp
  - Including closing colleges, global enrolments decreased by 8%
- Figures include 740 Joint Venture college enrolments (Edith Cowan, Western Sydney and Canberra)

# University Partnerships latest enrolments - regional overview



## Australia and New Zealand

- **6%** underlying growth excluding closing colleges - affected by sector wide visa backlog under Simplified Student Visa Framework
- **15%** decrease in enrolments in semester 3 2016 including MQC (closed), SIBT (relocated and refocused) and CUS (teach-out)



## North America

- **6%** enrolment growth in semester 3 2016
- Short term sector wide increase in visa rejection rates
- Continued focus on business development in the US – good pipeline but competitive and takes time



## UK

- Enrolments drop **7%** in semester 3 2016 as regulatory environment continues to be restrictive

# Edith Cowan University converts to a JV to facilitate a deeper strategic relationship

- 50:50 joint venture with no fixed term
- Rebrand to Edith Cowan College
- Joint venture model enables a broader strategic relationship
- Similar economic outcomes for both parties – in line with the previous royalty agreement
- Both partners covering operating costs through agreed service fees with balance of profits shared equally
- Disposal of existing PIBT operation will result in one-off non cash gain in H1 FY17 results – not included in FY17 guidance
- Statutory results of JVs reported at NPAT level to be supplemented with pro forma EBITDA disclosure
- No change to Navitas' ongoing net cashflow – will receive regular dividends



# Creating efficiency and growth

## Building a platform for sustained growth

IT  
Shared Services



Finance  
Shared Services



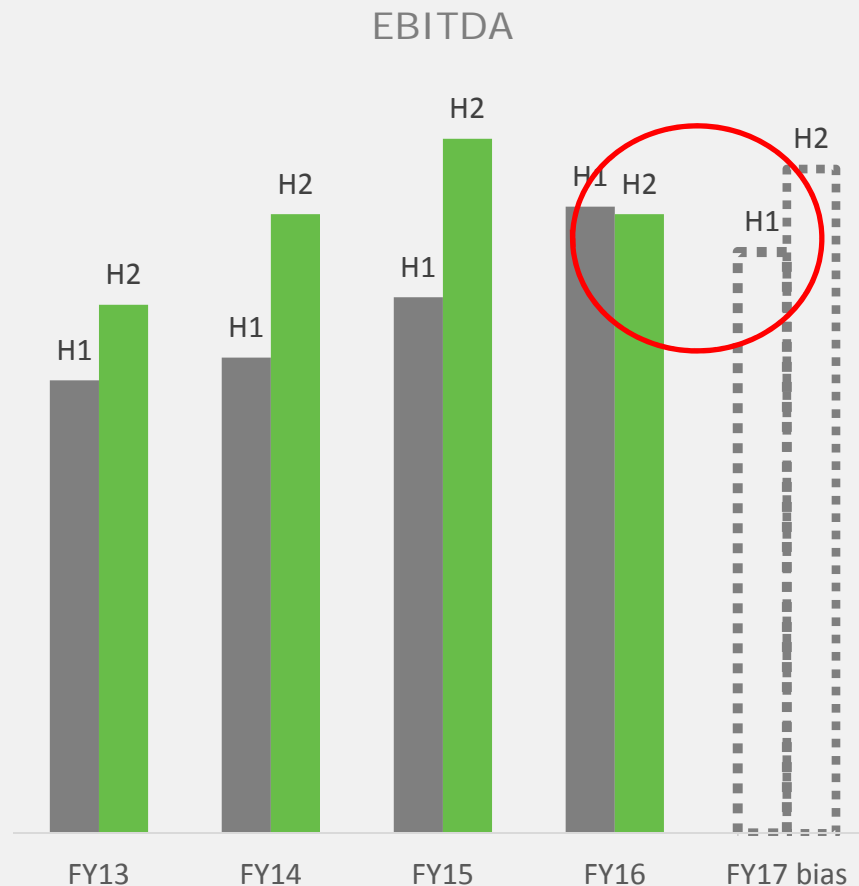
HR  
Shared Services



Global Learning  
and Teaching team



# FY17 outlook – biased towards H2



- H2 FY16 and H1 FY17 impacted by:
  - Ramp down of Macquarie contracts – by H2 FY17 SIBT will be operating on a new normalised level
  - Final teach out and closure of Curtin Sydney
- No impact from closing colleges in H2 FY17
- H1 FY17 cash capex likely to be high due to move to new Sydney site

**Guidance - FY17 EBITDA result expected to remain broadly in line with FY16**



# APPENDIX

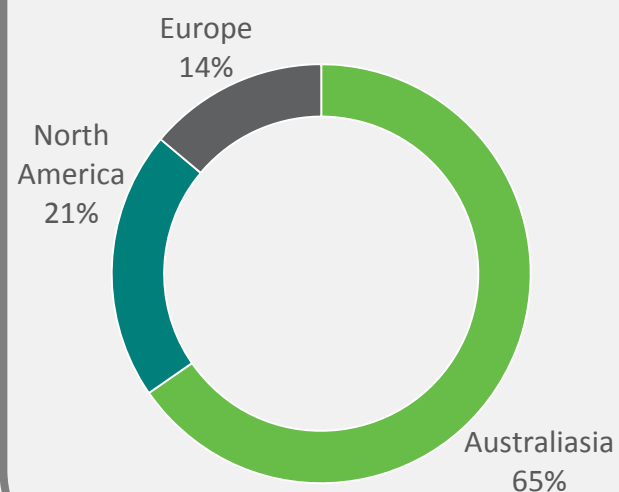


# Solid underlying FY16 earnings growth

Profit and Loss (\$m)	FY16	FY15*	Change (%)
Revenue			
University Partnerships	571.1	566.3	1
PEP	229.9	224.0	3
SAE	202.8	185.4	9
Other	6.9	4.5	
<b>Group Revenue</b>	<b>1,010.7</b>	<b>980.3</b>	<b>3</b>
EBITDA			
University Partnerships	137.2	140.4	(2)
PEP	35.1	29.5	19
SAE	28.5	26.1	9
Corporate	(36.2)	(32.9)	10
<b>Group EBITDA</b>	<b>164.6</b>	<b>163.1</b>	<b>1</b>
<b>Reported NPAT</b>	<b>90.1</b>	<b>71.8</b>	<b>25</b>
Reported Earnings per Share (cents)	24.0	19.1	26
Full year dividend per Share (cents)	19.5	19.5	-
Dividend yield (%)	3.6	4.5	(0.9)

\* Excluding goodwill impairment

## FY16 University Partnerships Revenue



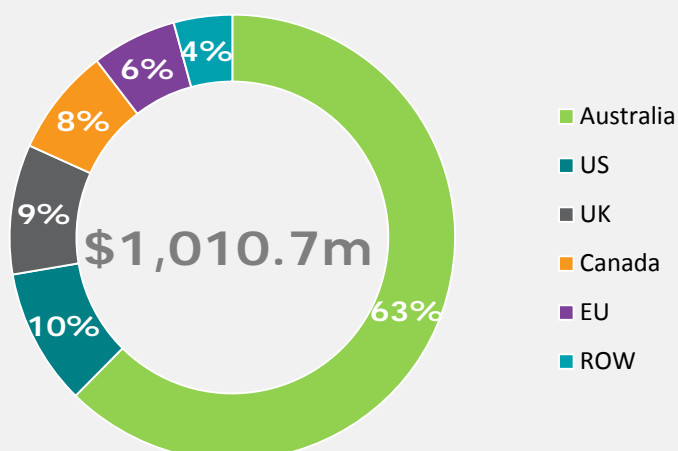
# Underlying FY16 revenue growth offset by declines from closing UP colleges

Revenue (\$m)	FY16	vs pcg actual %	vs pcg constant currency %
University Partnerships	571.1	1	(2)
Professional and English Programs	229.9	3	NA
SAE	202.8	9	3
<b>Divisional revenue</b>	<b>1,003.8</b>	<b>3</b>	
Other	6.9	NA	
<b>Group revenue</b>	<b>1,010.7</b>	<b>3</b>	<b>1</b>

## Commentary

- University Partnerships revenue impacted by closing colleges
- Solid underlying University Partnerships growth of 7% (excluding FX up 4%) recorded in rest of Australasia, Europe and North America
- PEP revenue growth impacted late in H2 FY16 by VET FEE-HELP funding reforms
- SAE records solid growth off volume increases in Australia, global fee growth and improved program mix
- Reported revenue growth includes by \$25.0m favourable FX contribution

Revenue by location



# FY16 EBITDA marginally up on prior year

EBITDA (\$m)	FY16	vs pcg actual %	vs pcg constant currency %
University Partnerships	137.2	(2)	(2)
Professional and English Programs	35.1	19	NA
SAE	28.5	9	8
<b>Divisional EBITDA</b>	<b>200.8</b>	<b>2</b>	
Corporate costs	(36.2)	10	
<b>Group EBITDA</b>	<b>164.6</b>	<b>1</b>	<b>1</b>

## Commentary

- University Partnerships earnings impacted by closing colleges
- University Partnerships underlying EBITDA grew by 7%
- Professional and English Programs growth from ACAP, NCPS, Professional Year Programs and margin growth
- Reduced central costs across PEP and SAE Divisions
- No material impact from FX at EBITDA level

## EBITDA Margin (%)

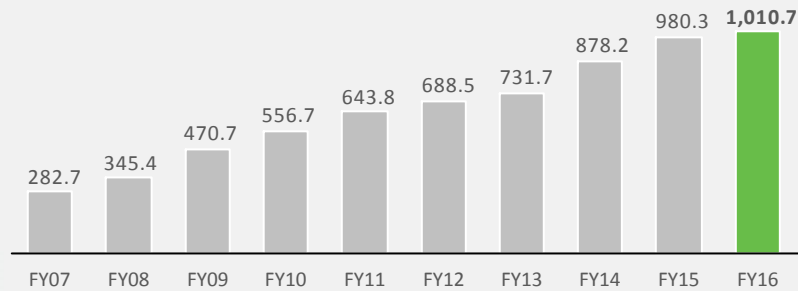
SAE	14.1	14.1
PEP	15.3	13.2
UP	24.0	24.8
Group	16.3	16.6
	FY16	FY15

# Navitas' global footprint

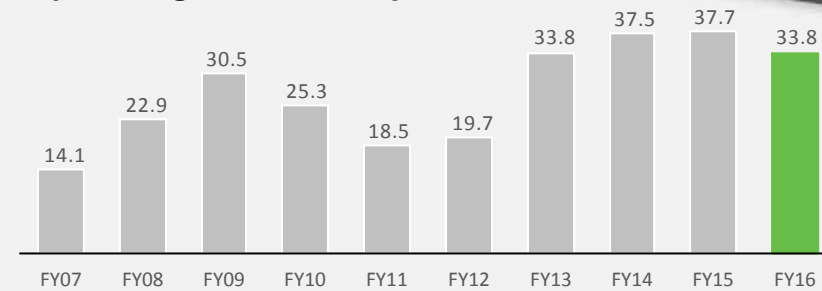


# Financial metrics

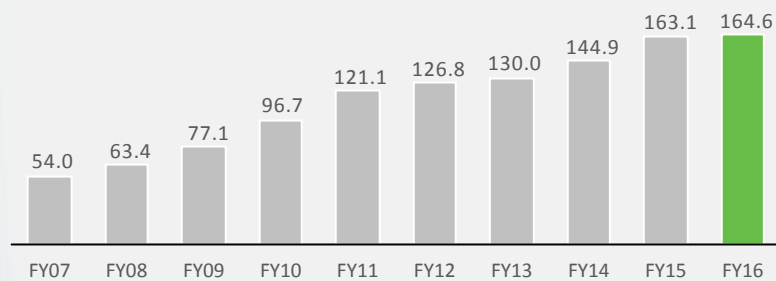
## Revenue (\$m)



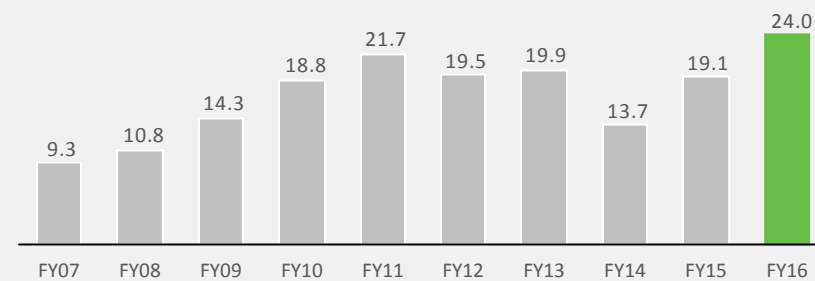
## Operating cashflow (cps)



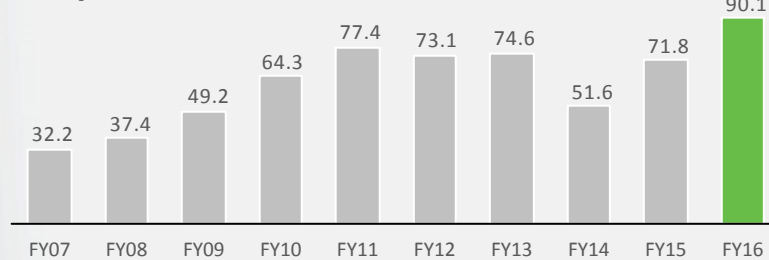
## Underlying EBITDA (\$m)



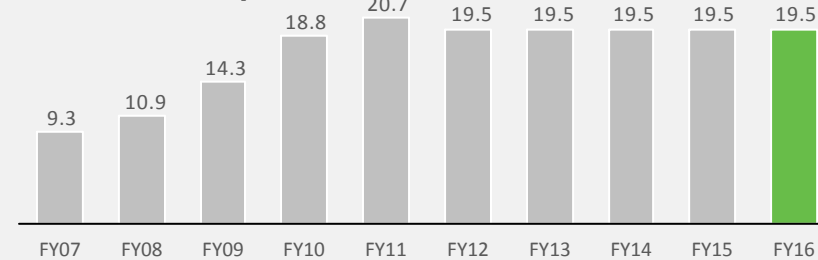
## Reported Earnings (cps)



## Reported NPAT (\$m)



## Dividends (cps)



# Corporate snapshot

**365.5m**

Shares on issue

**\$1.91b**

Market Capitalisation

**\$5.24**

Share Price  
31 Oct 2016

ASX100

**NVT**

52 wk range

**\$4.18 - \$6.05**

Annualised dividend **19.5cps**



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## Glossary

ACAP – Australian College of Applied Psychology

ASX – Australian Securities Exchange

EBITDA – Earnings Before Interest Tax, Depreciation and Amortisation Students

HSA – Health Skills Australia

NPAT – Net Profit After Tax

PEP – Professional and English Programs

SAE – School of Audio Engineering, now known as SAE

SLPET – Settlement, Language Pathways to Employment and Training

UP – University Partnerships

AMEP – Adult Migrant English Program

CPS – Cents Per Share

ELICOS – English Language Intensive Courses for Overseas

NCPS – Navitas College of Public Safety

PCP – Prior Corresponding Period

PIBT – Perth Institute of Business Technology

SEE – Skills for Education and Employment

SSVF – Simplified Student Visa Framework

VFH – VET FEE-HELP