ASX Release

navitas

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Group Chief Executive Officer's Address – Annual General Meeting 2017

Thank you Tracey.

Good morning and thank you for joining us today.

The 2017 financial year was a period of significant transformation for the business. During the year we simplified and streamlined operations, revised our long-term strategy, and continued to invest in the Group's future growth.

Quality outcomes continue to be delivered

Navitas continues to maintain our commitment to academic outcomes and this is demonstrated through strong pass and retention rates, as well as progression rates to our partner universities. Net Promoter Scores and other student satisfaction surveys completed across the Group also confirm the Group's quality delivery.

Our high standards of delivery were also evidenced by one of our colleges, the Australian College of Applied Psychology, being approved to self-accredit courses at both undergraduate and postgraduate level. In addition SAE, ACAP and Health Skills Australia were all approved to access the new VET Student Loan system by the Australian Government.

Efficiency initiatives underpin improved margins

During FY17 significant work was completed to simplify the business and improve efficiency.

We created global shared service centres for Finance and HR and we standardised the University Partnerships operating model. Both initiatives were focused on delivering better outcomes for our students and partners. In addition, a global Learning and Teaching team was created to drive innovation in delivery and best practice across the Group.

We also created a new division, Careers and Industry, by merging the former SAE and Professional and English Programs Divisions. Again this will provide significant efficiencies for the Group.

Following a review of the performance of all business units during FY17, we also closed a small number of sub-optimal operations.

Growth achieved across operational metrics

In the past year we achieved solid growth in student volumes across most operations and this was a major factor in reducing the impact of the closure of two of our Australian University Partnerships colleges.

The closures, together with the conversion of Edith Cowan College to a joint venture and the significant adverse foreign exchange translation movements in the year, reduced Group revenue by 5% to $955.2m. However, improved operating leverage and increased efficiencies offset the lower revenue, with pro-forma EBITDA remaining in line with FY16.

In FY17 the University Partnerships Division grew enrolments by 5% and increased fees by 2.5% on average. New partnership contracts were signed with the University of Idaho and the Richard Bland College of William and Mary in the US. Five existing partner contracts were successfully renewed under similar terms and conditions.

As mentioned earlier Edith Cowan College also converted to a joint venture to expand the strategic opportunity for the college with our partner, Edith Cowan University. Finally, during the year the Macquarie University and Curtin Sydney contracts were concluded with both colleges closing after completing the teach-out of students.

The Careers and Industry Division opened a new SAE campus in Hannover, and entered the attractive Canadian market through the acquisition of a small college in Vancouver. Several SAE campuses were refurbished and relocated, including Sydney and Berlin, to continue to drive improved student outcomes and enrolments.

Lastly, Navitas Ventures was launched to provide a platform to innovate and extend into the next generation of education focused initiatives for growth.

Updated strategy to drive long-term growth

One of the highlights of the year was the launch of our revised strategic direction. A strategic review in the second half of FY17 confirmed continued strong growth in demand for both international and tertiary education across many of Navitas' core markets. We believe this demand will provide extensive growth opportunities for a nimble, well-funded and high-quality education provider like Navitas. We have set ourselves a series of strategic KPIs which we will consistently report against over the next three years.

FY18 Operational update

In terms of achievements in the first few months of this financial year we have had some highlights that are worth noting.

We renewed our partnership with Deakin University in July for another ten years, this was particularly important as Deakin is one of our oldest partnerships and largest colleges. We also renewed our longstanding relationship with Anglia Ruskin University last week.

We have made a number of other small investments since the start of the year including the acquisition of CCEL, an English language college that provided programs for the University of Canterbury and our pathway college UCC in Christchurch, New Zealand. We also increased Navitas' ownership of the Australia School of Applied Management to 80%. Through Navitas Ventures we made some more investments in a small number of emerging technology companies in the education and training space.

At the end of FY17 we signaled that this year's financial performance will be impacted by the decrease in the contribution from fewer Adult Migrant English Program contract regions and no contribution from the now fully closed Macquarie and Curtin Sydney colleges. Outside of these factors, we continue to grow in line with the strategic growth targets we announced earlier this year.

Tracey provided a detailed overview of the process behind David's selection as Navitas' next CEO. I also wanted to say that I am very pleased that a leader of David's calibre will be taking over the role of Group CEO of Navitas from me. I look forward to working with David over the coming years as Navitas goes through its next stage of growth.

Over the past few weeks I have been asked a number of times why I am stepping back. There are a few reasons.

I have been leading this company for 23 years and working for over 50 years. I have had a wonderful working life but it is time for a bit more time for myself and my family. I turn 70 in two weeks and believe that with the near completion of the transformation exercise we have undertaken in the last two years that it is an opportune time for a new person to lead Navitas through the next phase of its growth.

While I will be stepping down as Group CEO and Managing Director in time once David has fully transitioned into the role, I look forward to continuing my association with Navitas as a Non-Executive Director.

Thanks

In closing I would like to thank all Navitas staff for their support in continuing to deliver outstanding student outcomes through the 2017 financial year and their continued commitment to the vision of Navitas.

I would also like to personally thank Jim King for his 13 years of service and support. He is a true gentleman and professional, and someone I have often turned to for advice over the years.

Finally, I would also like to thank the Board for their ongoing support.

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About Navitas

Navitas is a leading global education provider that offers an extensive range of educational services to students and professionals including university programs, creative media education, professional education, English language training and settlement services. Navitas is a S&P/ASX200 company.

Further details about Navitas are available at navitas.com