ASX Release

navitas

15 November 2018

Chairman's Address – Annual General Meeting 2018

2018 was a year of transition for Navitas and, while recent events have been very newsworthy, it is important for me that our shareholders, staff and partners not lose sight of the major achievements that have occurred in the past year. Navitas is certainly better positioned both to deliver growth and the quality education services that we have become renowned for, to our partners and to the thousands of students that pursue their goals by accessing further education.

The indicative proposal received from the BGH Consortium on 10 October - to acquire 100 per cent of the outstanding shares in Navitas for $5.50 per share by way of a scheme of arrangement - has caused the Board to consider matters that are fundamental to the future of the company, its value for all shareholders and, as such, the future ownership of the company.

As shareholders will be aware, on 12 November the company announced that it had received a further proposal where the price offered – $5.50 per share – had not changed.

The Board of Navitas remains of the view that the proposal is significantly below its assessment of value, having regard to the medium and longer term potential of Navitas and – as such – not in the best interests of all Navitas shareholders.

Given the importance of these matters for the company and the interest from shareholders in receiving an update today, the CEO, David Buckingham and I will spend time outlining the Board and management's position regarding the proposal in our addresses.

David will present on the attractive fundamentals of the educational sector and demonstrate that, based on management's strategy and plans, Navitas is positioned to achieve the financial forecasts implied by its 2020 Targets. This business outlook presentation provides evidence of initiatives in place to position Navitas to be able to deliver significant additional value for shareholders, with a medium term, financial 2021 EBITDA forecast of $200 million and a targeted longer term financial year 2023 EBITDA exceeding $250 million.

We have also provided additional information in David's presentation on forecast EBITDA ranges for financial years 2019 and 2020. For financial year 2019, business conditions and initiatives in place give us confidence of achieving this forecast, although – of course – it should be appreciated that Navitas' financials are historically second half weighted due to Australasian student intake levels being at their greatest in the first part of the calendar year; the commencement of the academic year.

First, let me address some key features of the Navitas business in financial year 2018.

2018 – Transition Year

2018 was an important transition year for Navitas. Major achievements fall into the following main categories:

- There has been a seamless CEO transition process to David Buckingham from the co-founder and previous CEO, Rod Jones.

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- David has pursued numerous key strategic, operational and organisational improvement initiatives since his appointment as CEO in April and his commencement as Managing Director in July. These initiatives better position Navitas for future growth.
- There have been continuing favourable trends in our core University Partnerships, through increased enrolments, new partnership agreements and an investment in business development.

I will briefly touch on some key highlights for each.

CEO Transition

The CEO transition process was highly effective. That is a credit to all involved. Rod and David worked together closely in the second half of the year, visiting all global operations of Navitas and many of our partners to communicate the seamless nature of the change and to affirm their confidence in the future success of the company under new leadership. Already, David has made significant progress across a range of areas to improve operational performance. We have received outstanding feedback from our University Partners on the state of their relationships with Navitas and they are, specifically, very complimentary of David and his management team.

Strategic, operational and organisational improvement

Soon after taking the reins as CEO, David quickly demonstrated that he was willing to take decisive action to better position the company to generate more profitable, sustainable business streams. Following a review of the Careers and Industry division, and recognition that several parts of this division, while solid revenue generators, were generating inadequate margins, he announced and quickly implemented a major rationalisation of the division including the consolidation and subsequent planned divestment of SAE USA and the closure of Health Skills Australia.

Now, with a more streamlined and focused business, the Careers and Industry division is well positioned for growth.

Taking these actions resulted in one-off charges of $123.8 million that adversely impacted Navitas' results for the 2018 financial year, resulting in a reported after tax loss of $55.3 million.

While the reported result was clearly disappointing, Group revenue of $931 million was recorded and EBITDA, excluding the C&I restructuring costs, was $142.1 million. The final dividend of 8 cents per share brought the full year dividend to 17.4 cents per share, reflecting the resilient cash generation by the business despite the lower reported results.

Other key initiatives taken by David and his team to improve the profitable growth of Navitas, have included:

- A strengthening of the executive leadership team targeting improvement in key business areas, with some new appointments and changes in responsibilities to match skills and experience with critical business priorities. Some examples include:
    - The appointment of Phil Mirams as CFO. Phil is a highly experienced CFO and has already made a significant contribution;
    - The recent appointment of Dr Brian Stevenson, a recognised leader in international education, as CEO and President of UP North America provides critical in-country knowledge and business development expertise in this important market; and
    - The move of Bev Hudson from North America to take up the role as CEO of University Partnerships Australasia. Bev's deep knowledge of Navitas pathway programs and proven

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success at developing university relationships will prove invaluable in strengthening and expanding our partnerships here in Australia.

Together with David, a new leadership team is ensuring a strengthened focus on establishing key business outcomes and maintaining and enhancing the culture of Navitas – which has been and will always remain a critical element of our success.

Key Business Trends

Turning to key business trends, there were many favourable developments in the business during 2018. These include:

- University Partnerships increased enrolments by 6%, ahead of 2020 targets.

- New partnership agreements were signed with Virginia Commonwealth University and Murdoch University, and since financial year end with the University of Twente and The Hague University of Applied Sciences in the Netherlands. In addition to these new contracts, five existing partner contracts were also renewed.

- Investment in business development resulted in a number of new contracts announced during the year and a forward looking pipeline as healthy as we've seen for years. David will speak to these but in 2018 three new partnership contracts were signed. To date in the 2019 financial year, two have been signed, four awarded although not yet signed and an additional two that we are highly confident will be executed.

  So, in other words, eight new potential contracts in the 2019 financial year, over four times the annual average over the prior 5 years, between 2014 to 2018 inclusive. Furthermore, there are a further ten potential contracts which are being actively pursued.

- Investment in established Partner relationships has led to improved Partner satisfaction. Navitas is well positioned with strong scores across all performance metrics. Confidence has also been expressed in the current Board and management across the broad range of University Partners. Corporate governance, transparency and accountability associated with the public company status of Navitas was cited as a positive contributor to partnership strength. All University Partners since Macquarie in 2014 have renewed their contracts with Navitas and we take great confidence from the satisfaction ratings that we measure regularly from our Partners.

- Longer-term financial performance is ultimately driven by academic outcomes for our students. I am pleased to report that academic outcomes continued to improve during the financial year and are already at 2020 target levels. Net Promoter scores and other student satisfaction scores also demonstrated high quality outcomes. We also remain focused on quality outcomes for our Partners. Our Global Learning and Teaching function leads innovation and change in our core operations, providing support to colleges and University Partners.

As David will cover, the underlying fundamentals of the education industry remain supportive for continued growth. Demographic trends in our traditional recruitment strongholds in China, India and South East Asian countries continue to favour growth in international education as these economies continue to experience middle-income growth, which stimulates demand for international education.

Navitas is competitively positioned with well-established educational partner relationships; a knowledge of the industry and market opportunities; well-established organisational abilities, culture and resources. We are considered to be an industry leader.

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Our diversified operations in North America, Europe and Australasia create opportunities to direct students to geographies with favourable policy and regulatory settings. If policy and regulatory settings change over extended periods, then Navitas is able make appropriate business decisions, as we did with our Careers and Industry business during the year. Navitas closely monitors potential disruption from new entrants and educational technology, and policy and regulatory developments globally. We work together with our partners to find ways to use technology to enhance the student experience.

In summary, 2018 has been a year of transition, but also solid achievement in the key areas for business growth. The University Partnerships and the reconfigured Careers and Industry businesses remain strong and are well positioned for the future.

We believe that the Company is now at an earnings inflection point.

BGH Consortium Proposal

I would like to now turn to the indicative proposal received from the BGH Consortium, which to recap prices the Company at $5.50 cash per share. The Consortium comprises BGH Capital Pty Ltd, AustralianSuper Pty Ltd and Rod Jones. As you know, Rod is a founder of Navitas and former Managing Director and Chief Executive Officer.

The BGH Consortium has made it clear that their Proposal would only proceed with the endorsement of the Board, and with Navitas proposing a scheme of arrangement to its shareholders. This necessarily involves the Board being satisfied with the value proposition offered by the Consortium, before the Board could present it to shareholders as a recommended transaction. The Board cannot commit to that on the basis of the current Proposal because it holds a fundamentally different view of value from the BGH Consortium.

The Board's clear understanding is that the price offered by BGH is based on Navitas' 2020 targets and the growth and value implied by those. The Board must manage the business to generate maximum value for shareholders not just for the short term, but over a longer time frame, and in doing so build a sustainable business and financial profile.

As such, it is the role of the Board to act objectively and dispassionately in determining whether the Proposal represents full and fair value for all shareholders.

I want to share with you now some key points that have informed the Board’s decision to not grant due diligence access to the Consortium, meaning that the Proposal could not proceed in its current form.

After detailed evaluation, the Board remains of the view that the proposal is significantly below its assessment of value, having regard to the medium and longer term potential of Navitas. The Company's business plan, including analysis of financial plans, budgets and forecasts, was carefully and diligently reviewed and appropriately tested by the Board, in conjunction with its external advisers. The business plan underpins the basis for the valuation assessment undertaken by the Board.

From this value assessment, it is the unanimous view of the Board that the proposal is not in the best interests of shareholders. This is the reason for rejecting the Proposal.

A feature of the Proposal is that BGH has entered into a cooperation agreement between AustralianSuper and Mr Jones whereby they have agreed to accept the BGH Proposal and to vote against any competing proposal, even if it were to deliver superior value to all other Navitas shareholders.

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At the time of making the Proposal and entering into this cooperation agreement, Mr Jones was a director of Navitas. The cooperation agreement remains in place. The Navitas Board is not inclined to provide due diligence to any party that places restrictions on other Navitas shareholders from supporting a superior alternative proposal.

It is open to the BGH Consortium to present its proposal directly to Navitas shareholders by way of a takeover offer. This would provide those shareholders with a shorter term investment horizon who do not wish to sell their shares on market, the opportunity to sell to the BGH Consortium.

The Board is exploring alternative change of control options, or any other transaction that has the potential to materially enhance value for all Navitas' shareholders. A number of parties have informed the Board that the cooperation agreement is a potential impediment to proceeding with a competing proposal.

I would like to address the issue which has been raised with me on numerous occasions regarding a certain proportion of shareholders – put at 50 per cent in some quarters – of shareholders in favour of due diligence at an offer price of $5.50.

Let me make a couple of points.

First, the Board listens to the views of all shareholders, as is appropriate because you are the owners of the company. We have canvassed and received views from a wide range of shareholders, some indicating due diligence should be granted and others supporting the board's approach.

The fiduciary duty of directors is to act in the interests of all shareholders, and I am very confident this is exactly what the Board is doing.

Second, I would point out that in terms of the 50 per cent figure cited, approximately 18 per cent are shareholders within the Consortium. Because they are part of the Consortium, this 18 per cent is of course proposing to buy (and in Rod's case, also sell) Navitas shares at this price.

It is, in my view, not appropriate for Board decision-making to be dictated by a particular percentage; our motivation is to ensure that appropriate value is delivered to all shareholders, and the Board must advise and act accordingly.

As I have said, it is the role of the Board to act objectively in determining whether the indicative proposal represents full and fair value for all shareholders. Our unanimous conclusion is that it does not.

Corporate Governance

In concluding and before asking David to address you I would like to make a few final observations.

It is evident from proxies received that there has been a significant no vote against my re-election as a director and a number of shareholders have abstained from voting their shares. Some shareholders discussed their votes with me, and directly linked their voting intentions to the Board's decision regarding whether to grant due diligence to the BGH consortium. Of course, that is the right of shareholders and I accept their judgment.

As I mentioned previously, the Board has engaged with shareholders and is aware of a range of differing views, including those of the bidding Consortium. Recognition of shareholder views is essential, although it is as I said the fiduciary obligation of directors to consider the best interests of all shareholders and to do so in terms of medium to longer term valuation considerations. A significant vote against my re-election, will not influence the independent collective judgment that the board is required to make on such matters

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and the obligations of all directors to pursue the best interests of all shareholders without fear or favour. In this case, the current judgment of the overall board is to reject the indicative proposal.

In terms of the respective roles of value and governance in the Board's consideration of the current Proposal, our decision to reject that Proposal has been based entirely on our assessment of value. But it would be remiss of me not to emphasise that the success of Navitas' business has been founded on mutual trust, respect, support and good governance amongst all our stakeholders. I will ensure that any Board that I lead continues to uphold these values; not just because it is the right thing to do, but because that approach is essential to achieving sustainably strong financial outcomes.

I am tremendously proud to be a director of Navitas and Chairman of the Board. I feel privileged to lead a group of directors that is resolute and rigorous in the pursuit of the best interests of Navitas and its shareholders.

Let me say that any change of control proposal has the potential to disrupt the business, and to distract our people. The Board and management have been striving to ensure the current corporate activities do not disturb or interfere with the professional and efficient services for which Navitas is renowned, and that our vital relationships with all of our stakeholders – partners, students and our employees – are preserved and nurtured.

In recent weeks, the Board confronted a difficult governance matter in relation to Rod Jones' position as a director, a major shareholder and member of the BGH Consortium. Since the announcement of the Proposal, the Board consistently maintained that the simplest and best solution for Rod to resolve the conflict of interest was for him to resign. As all parties will appreciate, this is purely a corporate governance consideration for the Board and one that must be always be addressed as a priority when a director aligns themselves with a control proposal for the company. Following engagement with his fellow directors, Rod agreed to retire as a Director on 7 November to resolve the conflict, and to not seek re-election at this AGM. We thank Rod for this course of action. Consequently, Item 4 seeking his re-election has been withdrawn.

On other Board matters, at the end of this AGM, Harvey Collins will step down as a Director of Navitas after 14 years on the board, including over 10 years as Chairman. Harvey has been a tremendous contributor to the board over an extended period and we will all miss his valued and wise contributions around the Board table. Given the significance of Harvey's tenure on the Board and his previous role as Chairman, I will give him the opportunity to say a few words here today before he formally stands down. Harvey, on behalf of my fellow directors I would like to formally thank you and to acknowledge the significant contribution you have made to getting Navitas to where it is today. On a personal note, thank you for the generous support you have provided to me in my role as Chairman following your retirement from that role.

Before I conclude my Chairman's address, I would like to thank my fellow directors for their advice and diligence in serving the interests of shareholders.

On behalf of my fellow directors I would like to acknowledge and thank our university partners who are critical to our success, as well as our employees and management team for their efforts in ensuring Navitas continues to deliver the best outcomes for our students and education partners. I would also like to thank shareholders for their support and commitment to Navitas and its business.

I would now like to ask Harvey to address shareholders before handing over to David Buckingham for his CEO's presentation.

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About Navitas

Navitas is a leading global education provider that offers an extensive range of educational services through two major Divisions 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 www.navitas.com

Forward looking information

This announcement contains certain forward looking information (including targets, predictions, projections, expectations, opinions, beliefs, plans and other forward looking statements) ("forward looking information"), including with respect to the Navitas Group's financial condition and results, its operations and strategy, and indications of, and guidance or outlook on, its targeted or expected future financial performance and position and future earnings.

Forward looking information in this announcement is not based solely on historical facts, events and results, but also on the current expectations of Navitas about future events and results. It has been prepared on the basis of key assumptions outlined in the accompanying CEO presentation that will be released to ASX concurrently with this announcement. The forward looking information must be considered in conjunction with those assumptions and the further detail included in that presentation (as well as any other information that Navitas has previously released to ASX), and is qualified accordingly.

Forward looking information is necessarily subject to inherent risks and uncertainties, including those specific to the education industries and geographies in which Navitas operates, as well as (among other things) general economic and financial conditions, government policies and regulations, competitive pressures and changes in technology. In particular, forward looking information should not be relied upon as an indicator or guarantee of future performance and: (1) may involve significant elements of subjective judgment, and assumptions as to future events, that may not be (or may ultimately prove not to be) correct; and (2) is subject to known and unknown risks, uncertainties and other factors, many of which are outside the control of Navitas.

While all due care and attention has been taken in the preparation of this announcement, and the Navitas Board believes that there are reasonable grounds to support the inclusion of the forward looking information in it, readers must be aware of the inherent risks and uncertainties involved in estimating future financial performance over the time frames involved and are cautioned to consider this announcement (including the forward looking information and the assumptions to be set out in the presentation to follow) on that basis.