



# FULL YEAR RESULTS

## For the year ended 30 June 2015



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# Company Profile

Navitas (ASX: NVT) is a leading global education provider with a more than 20 year record of providing high quality educational outcomes to students and partners

Market cap	Last 12 months revenue	Last 12 months EBITDA*	Staff headcount	Students	Colleges/ campuses
\$1.61b	\$980.3m	\$163.1m	~5,800	> 80,000	>120

\* Excluding goodwill impairment

**University Programs** – leading provider of 35 pathway colleges and managed campuses across Australia and in the UK, US, Canada, Singapore, New Zealand and Sri Lanka

**Professional and English Programs** – provides quality vocational training, higher education and placement services in areas of key demand across Australia as well as providing English as a second language courses for international students and English language, settlement and work preparation programs for migrants and refugees

**SAE** – creative media education provider delivering vocational and higher education qualifications in audio, film and multimedia via 55 colleges in Australasia, US, Europe and the Middle East

# Operational Highlights

- Continued delivery of strong student experience and academic outcomes
- Developed additional options for partners with the new Joint Venture model
- Signed 4 new University Programs agreements
- All 3 UMass agreements renewed under similar terms and conditions
- Promising discussions with potential new university partners, particularly in the US
- Professional and English Programs continued growth trajectory and leveraged scale benefits
- SAE delivered a strong second half result
- Group capability and capacity further developed
- 21% growth in Economic Value Added®



*® registered trademark of Stern Stewart*

## FY15 Financial Highlights

	Year ended 30 June 2015	Year ended 30 June 2014	Change %
Revenue (\$m)	980.3	878.2	12
Underlying EBITDA* (\$m)	163.1	144.9	13
NPAT* (\$m)	91.4	82.0	11
Reported NPAT (\$m)	71.8	51.6	39
EPS* (cents)	24.3	21.8	11
Reported EPS (cents)	19.1	13.7	39
Full year dividend (cents)	19.5	19.5	-

\* Excluding goodwill impairment

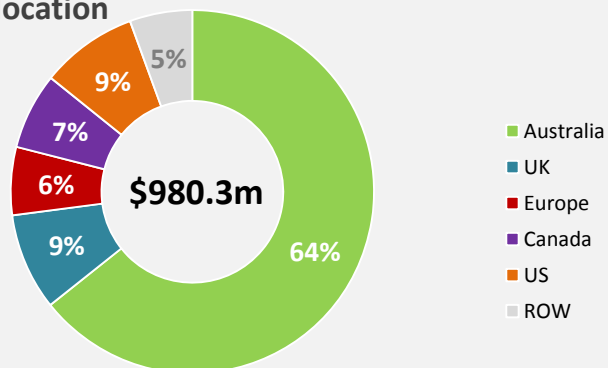


# SEGMENT PERFORMANCE

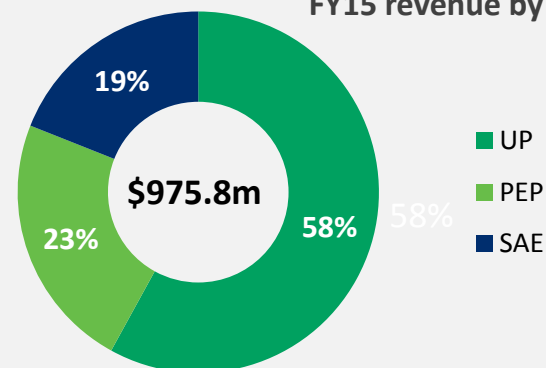
# 12% revenue growth

Revenue (\$m)	FY15	FY14	Δ%
University Programs	566.3	499.2	13
Professional and English Programs	224.0	224.2	0
SAE Group	185.5	150.3	23
<b>Divisional revenue</b>	<b>975.8</b>	<b>873.7</b>	<b>12</b>
Other	4.5	4.5	0
<b>Group revenue</b>	<b>980.3</b>	<b>878.2</b>	<b>12</b>

FY15 revenue by location



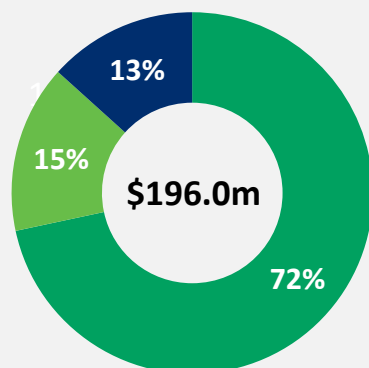
FY15 revenue by Division



# 13% earnings growth – in line with guidance

EBITDA* (\$m)	FY15	FY14	Δ%
University Programs	140.4	121.8	15
Professional and English Programs	29.5	25.3	17
SAE Group	26.1	24.5	7
<b>Divisional EBITDA</b>	<b>196.0</b>	<b>171.6</b>	<b>14</b>
Corporate costs	(32.9)	(26.6)	23
<b>Group EBITDA*</b>	<b>163.1</b>	<b>145.0</b>	<b>13</b>

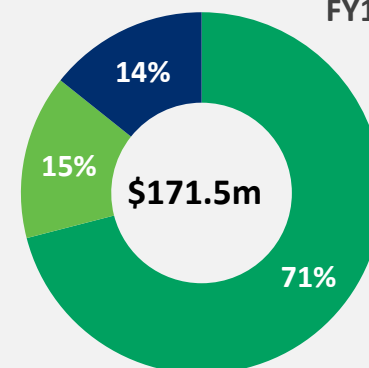
FY15



EBITDA\* by Division

- UP
- PEP
- SAE

FY14

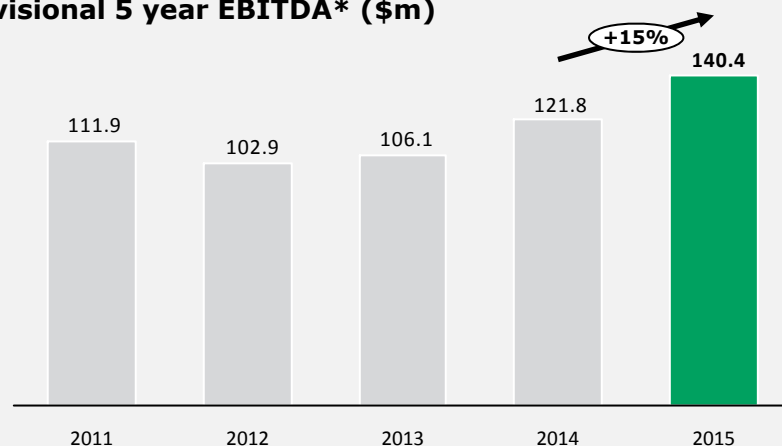


\* excluding goodwill impairment

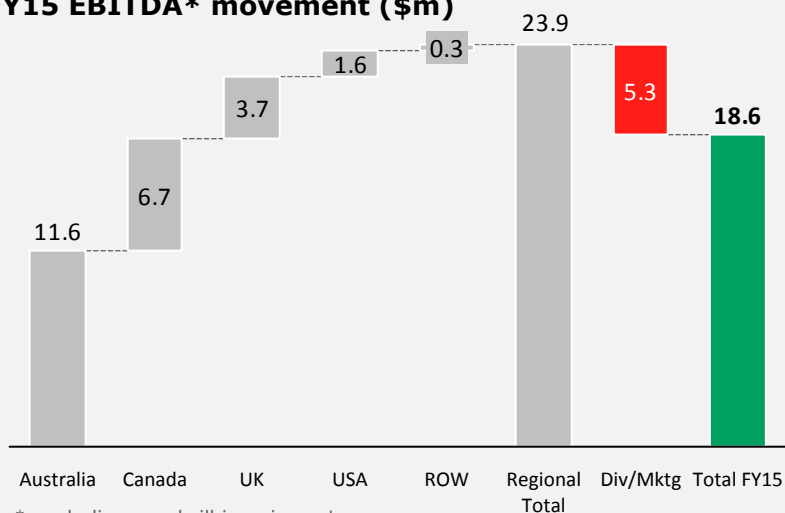


# University Programs achieves 15% EBITDA growth – develops new joint venture model

**Divisional 5 year EBITDA\* (\$m)**



**FY15 EBITDA\* movement (\$m)**

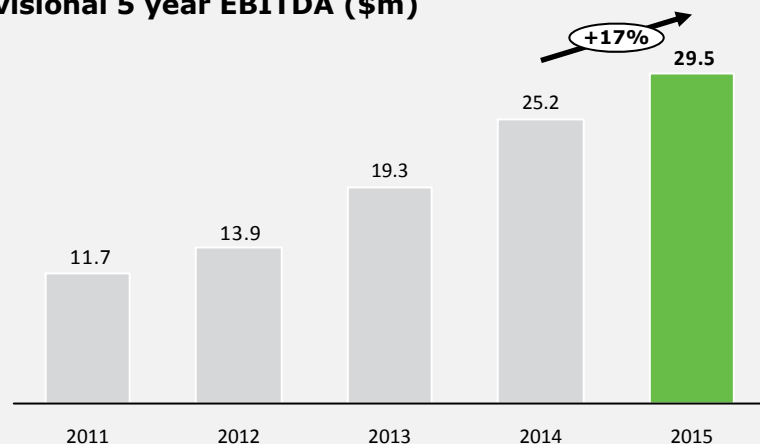


\* excluding goodwill impairment

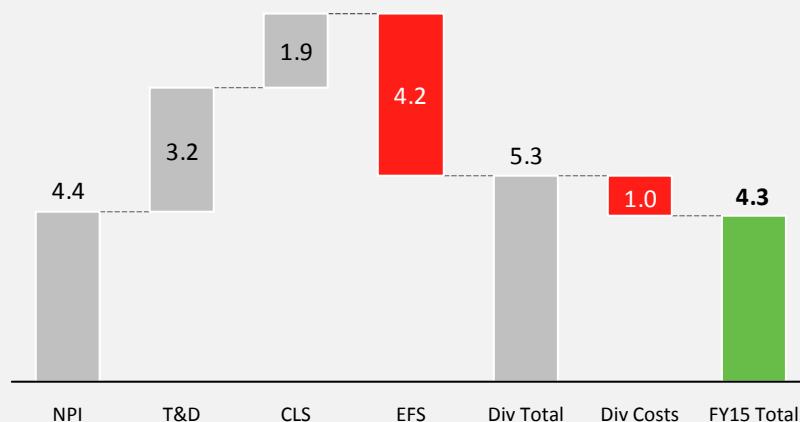
- Excellent academic outcomes – over 90% progression and 85% retention rates
- 15% increase in royalty payments to university partners
- 13% revenue growth and 15% EBITDA growth
- Joint venture model introduced – creates additional options for partners
- 2 new colleges founded under the JV model
- 2 new colleges founded under the royalty model
- All 3 UMass agreements renewed – similar terms and conditions
- Promising discussions with potential new university partners – particularly US
- US college network makes maiden profit
- Macquarie non-renewal to materially impact in FY16 and FY17

# Continued strong growth for Professional and English Programs

**Divisional 5 year EBITDA (\$m)**



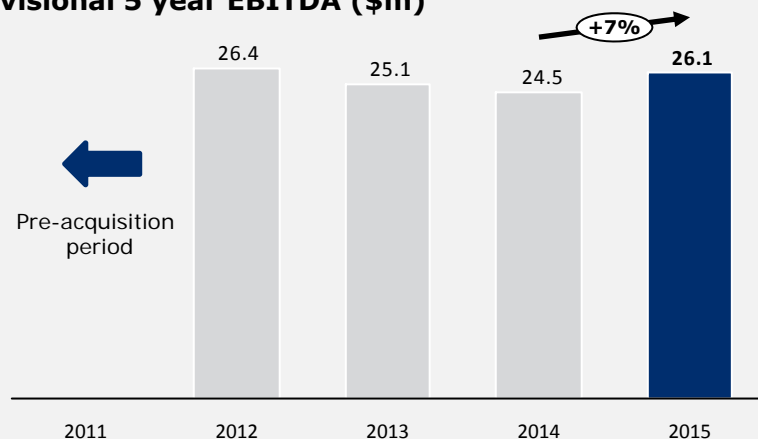
**FY15 EBITDA movement (\$m)**



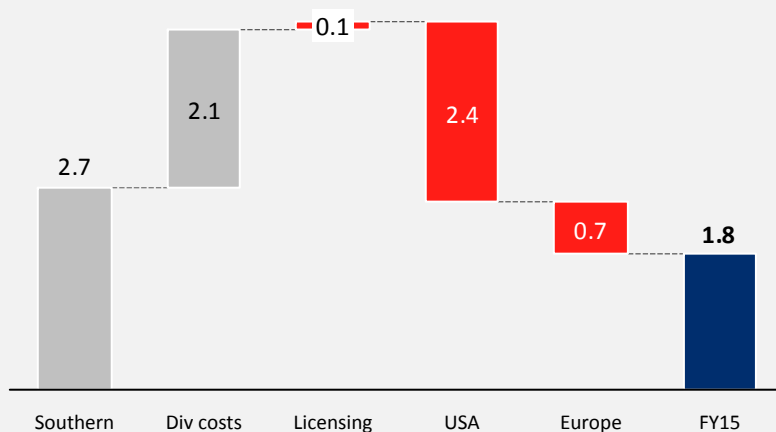
- Continued high student satisfaction and academic outcomes
- 5<sup>th</sup> consecutive year of earnings growth
- Earnings margin improvement following operational efficiency and scale benefits
- Solid performance from Professional Institute businesses such as ACAP, HSA and NCPS – ELICOS and C&I also performed well
- Moderated performance from government contracts following reduced migrant intake
- Won several federal contracts including:
  - ACT AMEP contract
  - 3 year Commonwealth training advisory service contract

# SAE achieves 2<sup>nd</sup> half EBITDA growth – 21%

**Divisional 5 year EBITDA (\$m)**



**FY15 EBITDA movement (\$)**



- 23% revenue growth – approx. half due to the newly acquired Ex'pression College
- 7% EBITDA growth - 21% in H2 FY15
- Continued enrolment growth
- SAE Australia records 28% earnings growth
- Relocation or refurbishment of Barcelona, LA and Melbourne campuses
- Ex'pression College generates \$0.5m EBITDA (\$2.5m before \$2.0m transaction and integration costs)



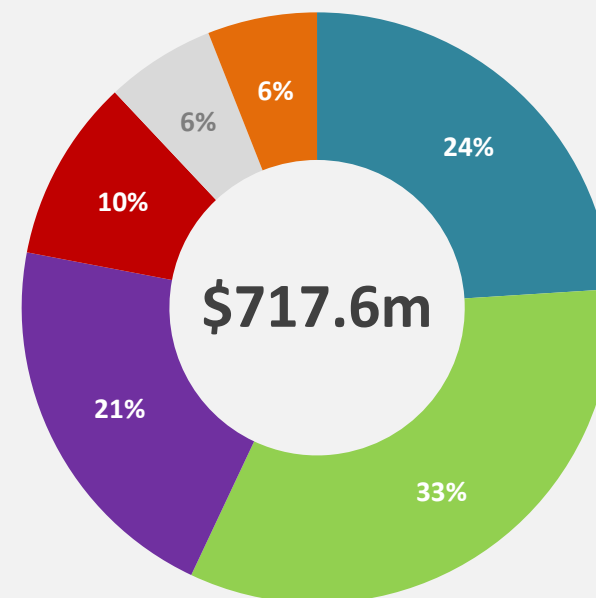
## **FINANCIAL RESULTS**



## Partners, staff, shareholders and governments continue to benefit from growth

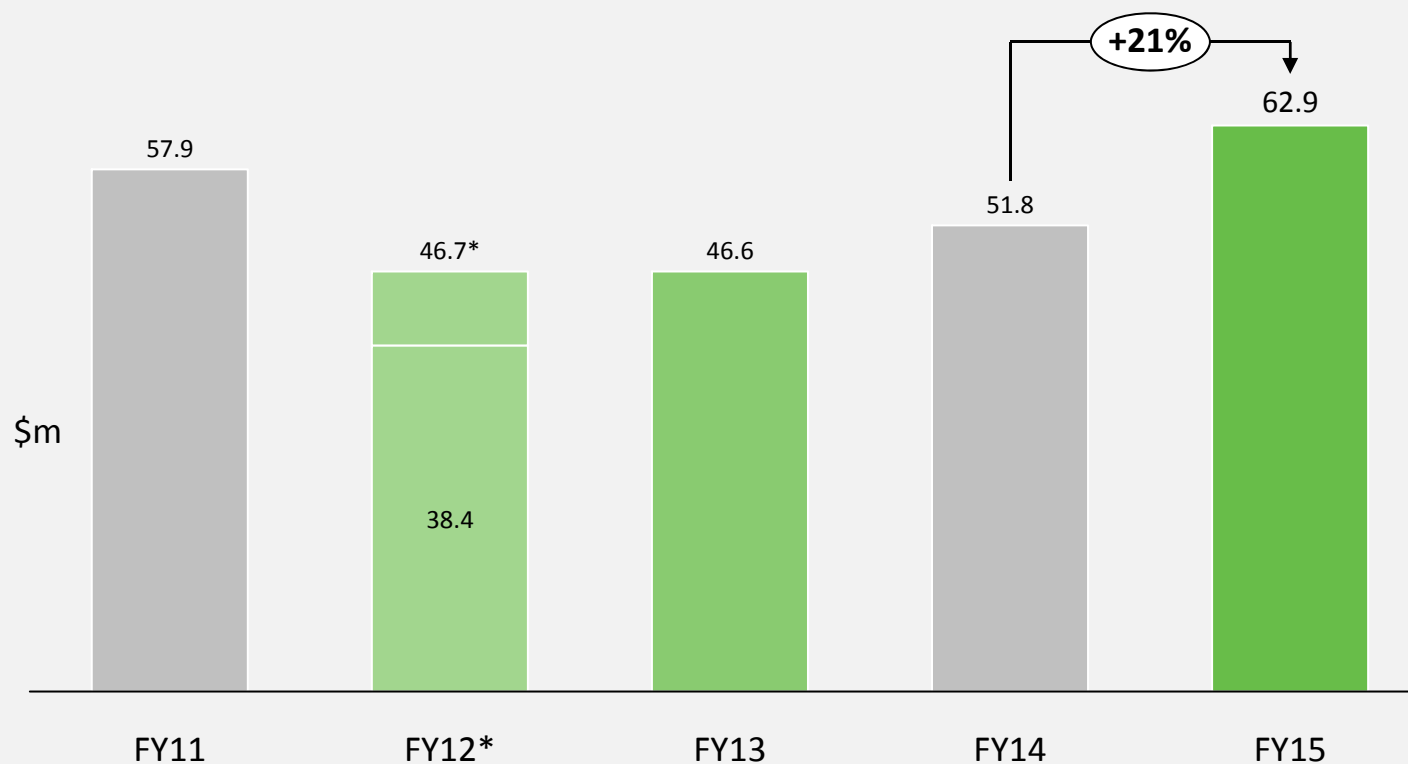
\$m	FY15	FY14	Change %
Operating revenue	980.3	878.2	12
Cost of services and other external costs	(262.7)	(214.2)	23
<b>Total wealth created</b>	<b>717.6</b>	<b>664.0</b>	<b>8</b>
Payments to university and consortium partners	174.7	159.0	10
Payments to teaching and academic employees	236.6	201.0	18
Payments to other employees	147.0	133.5	10
Payments to shareholders – dividends	73.4	73.2	0
Payments to governments – income taxes	39.6	32.1	23
Reinvested as depreciation, amortisation and retained earnings	46.3	65.2	(39)
<b>Total wealth distributed</b>	<b>717.6</b>	<b>664.0</b>	<b>8</b>

Total wealth distribution



- University & consortium partners
- Teaching & academic employees
- Other employees
- Shareholders - dividends
- Governments - income taxes

## 21% growth in Economic Value Added

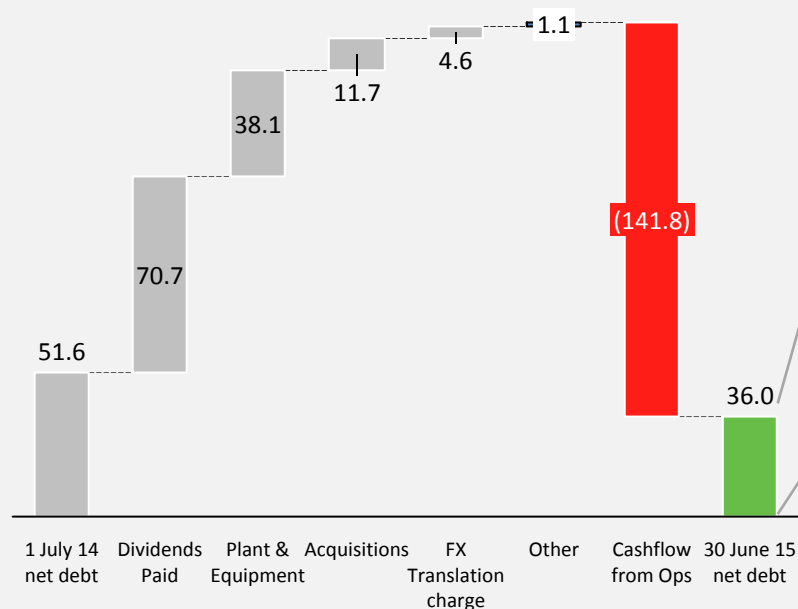


\* Adjusted for an 8% WACC as applied in FY13

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# Net debt reduced to 0.22x EBITDA

Net debt (\$m)



Debt constituents (\$m)	30 June 2015	30 June 2014
Gross Debt	123.1	123.5
Cash related to the Tuition Protection Service	(46.4)	(47.8)
Other Cash	(40.7)	(24.1)
Net Debt at 30 June	36.0	51.6

- Cash realisation ratio<sup>1</sup> of 1.19x (FY14: 1.31x)
- Cashflow from operations remain strong reflecting favourable negative working capital model
- 9% deferred revenue growth reflects strong cash generation and foreshadows FY16 revenue recognition – 5% on a currency adjusted basis
- Interest cover of 42.7x

<sup>1</sup>Cash realisation ratio =  $\frac{\text{Net Operating Cashflow}}{\text{NPAT} + \text{amtsn, depcn and gdwill impt}}$

## Group incurs additional \$10.5m goodwill impairment in H2

- \$7.4m impairment for Study Overseas Limited
- \$3.1m impairment charge for Navitas Resources Institute
- \$9.0m impairment in relation to SIBT - announced in H1 FY15
- Total \$19.5m goodwill impairment in FY15
- Goodwill carrying value for these entities reduced to zero







## **UNIVERSITY PROGRAMS**

# University Programs enrolments impacted by regulatory reform – UK and Australia



Semester 2 2015 EFTSU\* - in line with pcp  
Excluding Macquarie University operations enrolments grew 2% against pcp

\* equivalent full time student units

## Australian enrolments affected by a number of factors



- 2% decline in Australian/NZ enrolment growth - 2% growth excluding Macquarie
  - Continued reduction in onshore international pool
  - Dept. Immigration Border Protection taking a stricter stance in some markets – India, Nepal and Vietnam
  - Decline in enrolments from SIBT and MQC
- Streamlined Visa Processing to be replaced by Simplified Student Visa Framework in FY17
  - Will make Australia more competitive
- NZ - UC International College records good EFTSU growth
  - Maiden profit in FY15

Navitas continues to engage and work with governments globally to seek positive regulatory and policy settings for students seeking high quality educational outcomes

## Demand grows in North America – tightening regulatory regime in the UK



- Enrolments up 18% in semester 2 2015
- Growth in line with recent trends
- Student base increasing
- Strong potential new partner development pipeline



- Enrolments up 17% in semester 2 2015
- Growth off a large base
- Future growth to moderate



- 13% decline in enrolment growth
- Government drop in visa refusal rate from 20% to 10% - impacts enrolments
- Risk mitigation strategies in place but affecting growth





## OUTLOOK

# Outlook

## Group

- FY16 EBITDA result anticipated to be in line with FY15
- SIBT/MQC impact to be mitigated by other UP contracts and by SAE and Professional and English Programs growth
- Global environment highly favourable for sustained growth – Navitas to leverage global leadership position, diversified portfolio and scale

## University Programs

- The non-renewal of Macquarie contracts to materially impact in H2 FY16
- Significant North American growth driven by revenue increases in Canada
- Promising new partnership pipeline – especially in the US



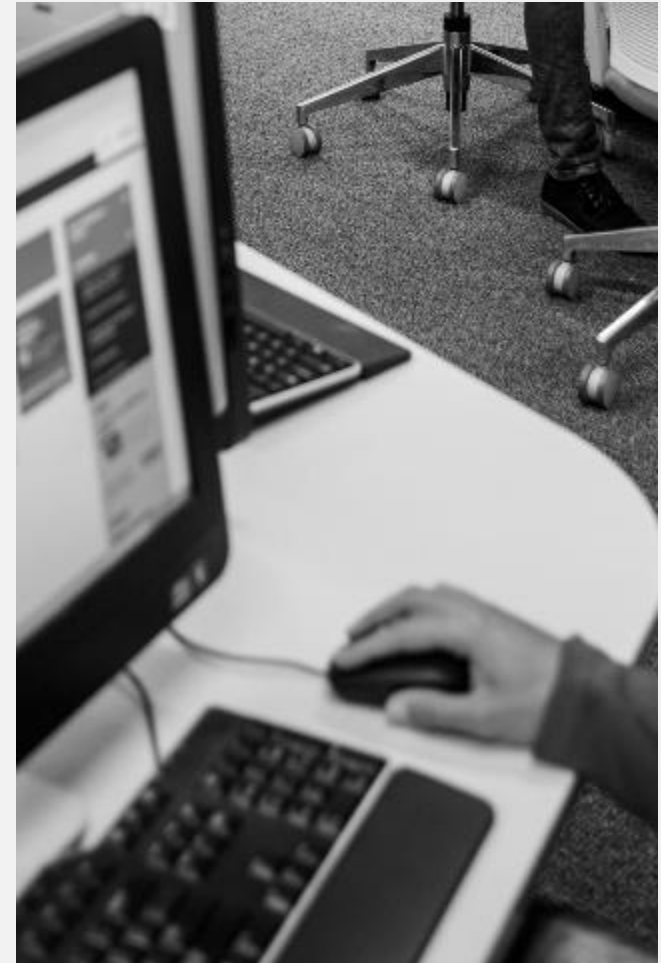
# Outlook

## Professional and English Programs

- Earnings growth anticipated
- Lowered government refugee intake to keep impacting government contracts
- Growth anticipated from educational businesses and operational efficiencies

## SAE

- Earnings improvement anticipated with momentum from strong H2 FY15



# Navitas adapting to meet education sector challenges

- Navitas – a leading global provider with a 20 year history of delivering high quality educational outcomes to students and partners
- The education sector is undergoing significant change – driven by regulation, technology and competition
- These are global shifts but Navitas is well positioned to build on global leadership position and diversified portfolio



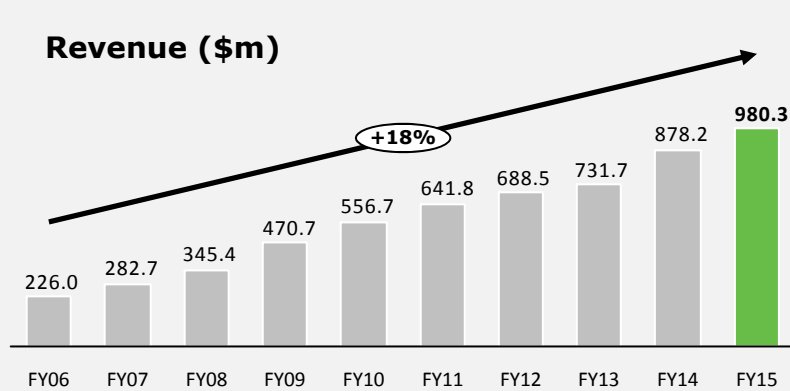




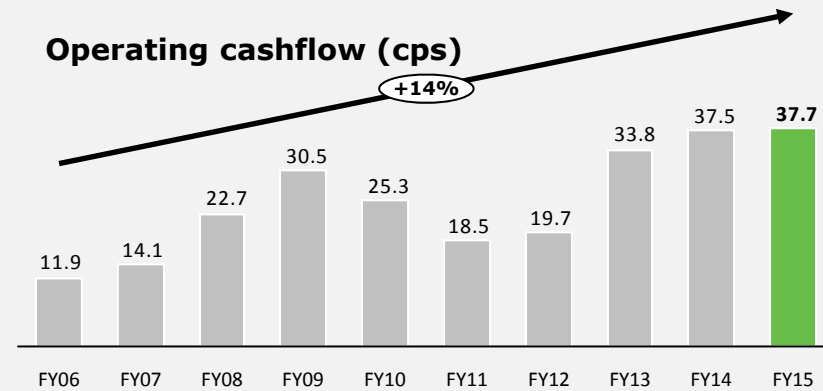
## APPENDIX

# Financial metrics

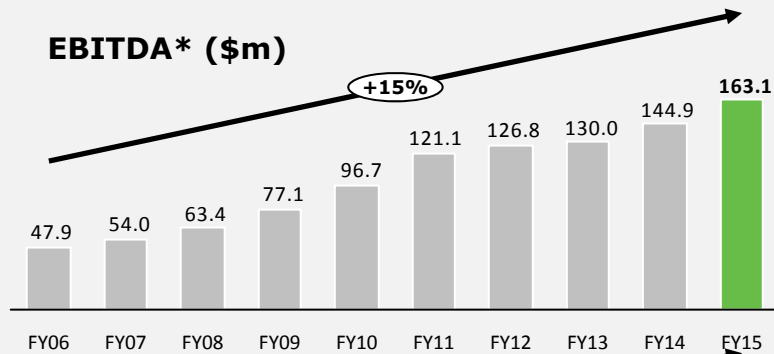
**Revenue (\$m)**



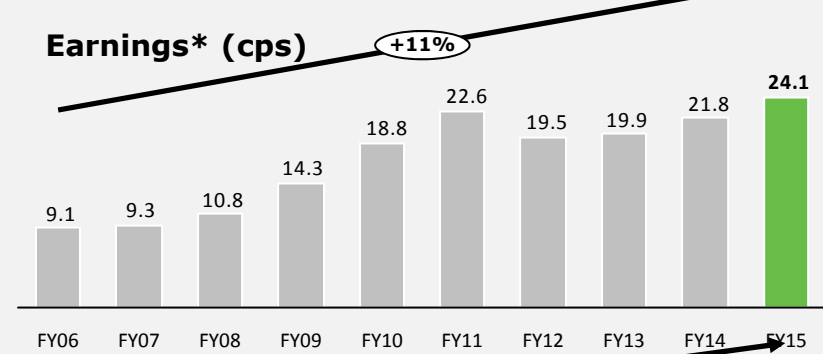
**Operating cashflow (cps)**



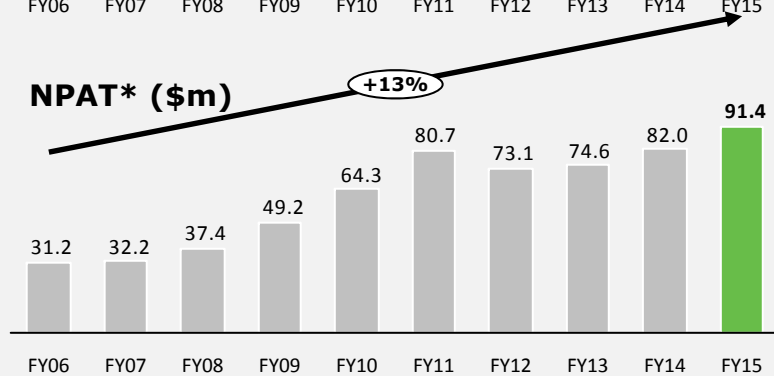
**EBITDA\* (\$m)**



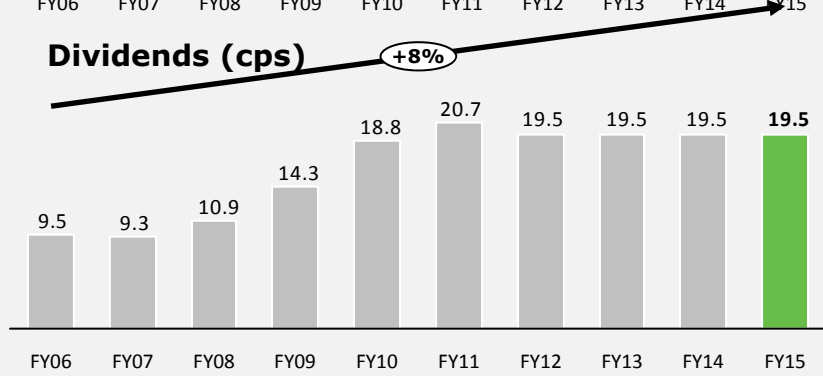
**Earnings\* (cps)**



**NPAT\* (\$m)**



**Dividends (cps)**

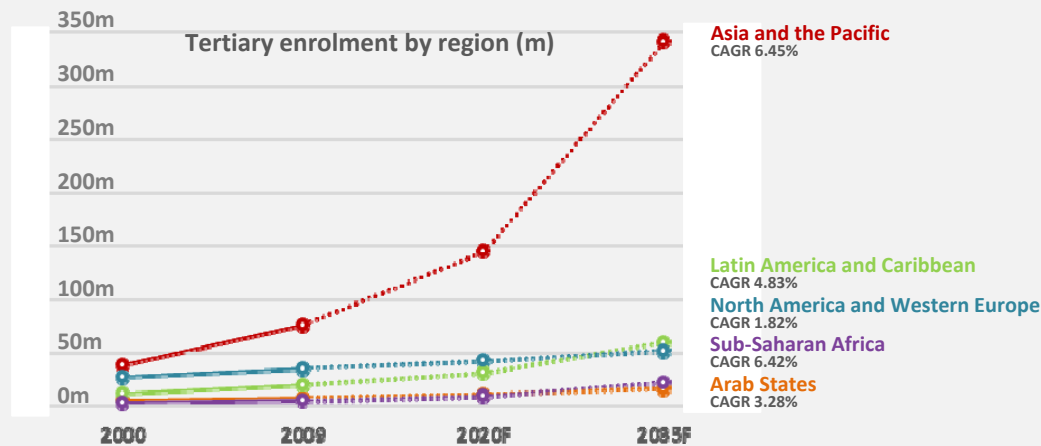
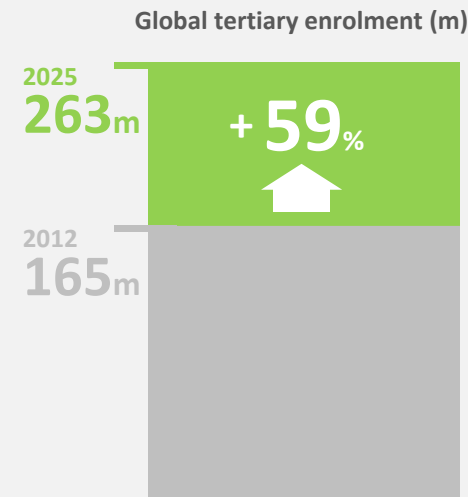


\* excluding goodwill impairment

# Global tertiary enrolment to increase

## Global tertiary enrolment is growing

There will be an additional 98 million tertiary students worldwide by 2025, an increase of 59%



## Asia will see greatest growth in tertiary students

Between 2009 and 2035 there will be an additional...

- +266m in Asia and the Pacific
- +39.7m in Latin America and Caribbean
- +17.3m in Sub-Saharan Africa
- +16.5m in North America and Western Europe
- +9m in Arab States

Source: Education at a Glance, OECD 2014; Higher Education in 2035: The ongoing massification, Angel Calderon 2012

# Macro trends increasing demand

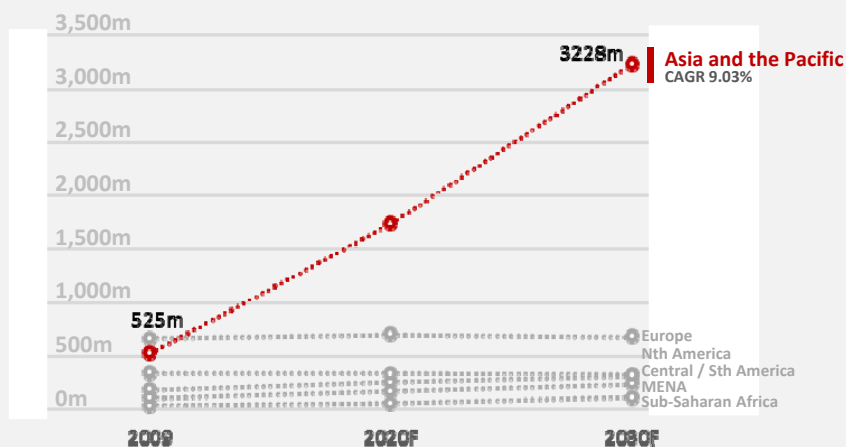
Projected 2020 labour shortage and surplus by skill level (m)

## Significant global labour shortage

There will be a shortage of high and medium-skill workers and an oversupply of low-skill workers



Middle class by region (m)



## A growing middle class

Between 2009 and 2030 there will be an additional...

- +2703m in Asia and the Pacific
- +132m in Central and South America
- +129m in MENA
- +75m in Sub-Saharan Africa
- +16m in Europe

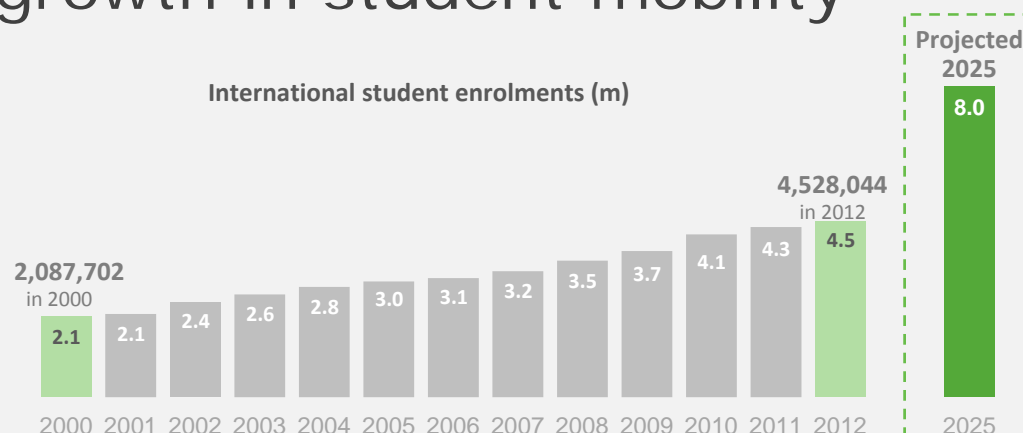
Source: *Hitting the sweet spot*, Ernst & Young 2013; *The world at work: Jobs, pay and skills for 3.5 billion people*, McKinsey and Company 2012

# Significant growth in student mobility

## There will be more international students

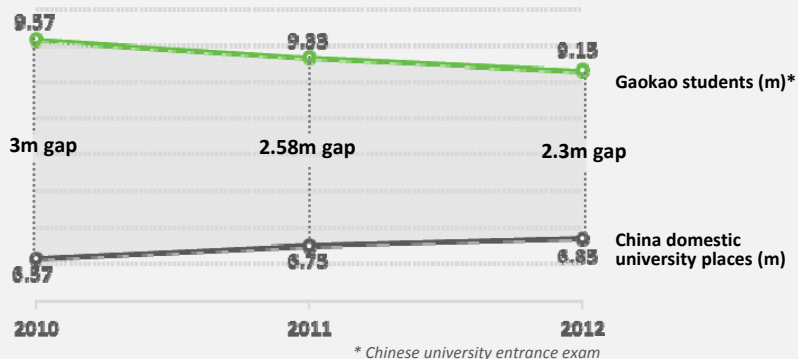
By 2025 there will be 8 million students crossing a border to study

International student enrolments (m)

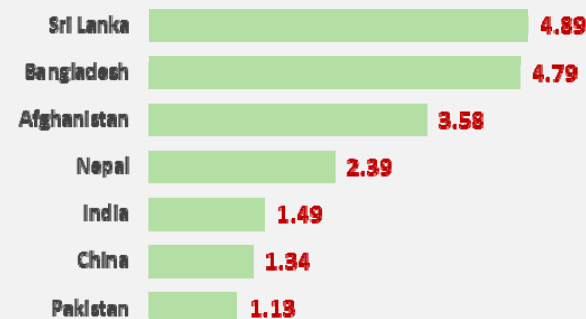


## Current tertiary demand is outstripping supply

Many countries are unable to meet the local demand for tertiary education driving students to go overseas



Number of 'A' level students per available university spaces



Source: Project Atlas, 2014; Education at a Glance, OECD 2013; Connecting universities: Future models of higher education, The Economist 2015

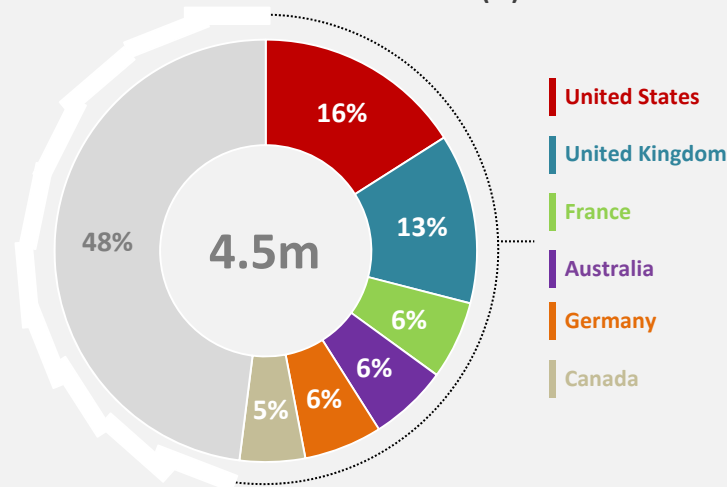
# Key education destinations

## 52% of international students study in just 6 countries

The US, UK and Australia are the 3 top English-speaking destination countries for international students.

The US has the greatest number of international students but they make up less than 4% of their total tertiary enrolment.

International education market share (%)



## Key destination countries of global international students

Number of international students (000s)		International higher education enrolment as a % of total enrolment
740	United States	3.9%
427	United Kingdom	19.0%
271	France	12.1%
249	Australia	26.4%
154	Germany	11.1%
120	Canada	6.5%

## Top 5 factors

When choosing a country to study in

1. Quality of education compared to home country
2. International recognition of qualifications
3. Country's attitude to international students
4. Safety of destination country
5. Ease of getting visa to study

Source: *Education at a Glance*, OECD 2014; *Beyond the data: Influencing international student decision making*, Hobsons 2014

# Navitas – truly a global leading educator

## United Kingdom

- Cambridge
- Hertfordshire
- London
- Plymouth
- Portsmouth
- Swansea
- Aberdeen
- Edinburgh
- Glasgow
- Liverpool
- Oxford
- Birmingham

## North America

- Atlanta
- Los Angeles
- Miami
- Nashville
- New York
- San Francisco
- Chicago
- Boston
- Dartmouth
- Lowell
- Bowling Green
- Durham
- Vancouver
- Winnipeg

## Europe

- Berlin
- Cologne
- Frankfurt
- Bochum
- Munich
- Hamburg
- Leipzig
- Stuttgart
- Geneva
- Zurich
- Ljubljana
- Stockholm
- Istanbul
- Amsterdam
- Rotterdam
- Barcelona
- Madrid
- Vienna
- Brussels
- Paris
- Athens
- Milan

## Africa

- Cape Town

## Sri Lanka

- Colombo

## South East Asia

- Singapore
- Jakarta

## Australia/NZ

- Perth
- Adelaide
- Brisbane
- Melbourne
- Sydney
- Newcastle
- Darwin
- Cairns
- Auckland

# Corporate snapshot

**376.3m**

Shares on issue

**\$1.61b**

Market Capitalisation

**\$4.28**

Share Price  
30 June 2015

ASX100

NVT

52 wk range

**\$4.14 - \$5.61**

Annualised dividend **19.5cps**



# Detailed P&L – 5 years

Navitas Ltd						PCP Change		Growth
	FY11	FY12	FY13	FY14	FY15	\$	Index	CAGR*
<b>Operating Revenue</b>								
UP	390,607	382,479	415,713	499,186	566,340	67,154	113%	10%
SAE	57,947	113,864	114,934	150,319	185,450	35,131	123%	34%
PEP	182,472	188,306	196,377	224,213	224,009	(204)	100%	5%
Corporate & consolidation items	3,727	3,497	2,537	2,255	2,342	87	104%	-11%
<b>Total operating revenue</b>	<b>634,753</b>	<b>688,146</b>	<b>729,561</b>	<b>875,973</b>	<b>978,141</b>	<b>102,168</b>	<b>112%</b>	<b>11%</b>
Expenses	(513,609)	(561,329)	(599,559)	(731,044)	(815,034)	(83,990)	111%	12%
<b>Underlying EBITDA #</b>	<b>121,144</b>	<b>126,817</b>	<b>130,002</b>	<b>144,929</b>	<b>163,107</b>	<b>18,178</b>	<b>113%</b>	<b>8%</b>
Depreciation	(9,981)	(14,120)	(15,492)	(24,593)	(27,318)	(2,725)	111%	29%
Underlying EBITA #	111,163	112,697	114,510	120,336	135,789	15,453	113%	5%
Amortisation	(978)	(977)	(863)	(749)	(749)	-	100%	-6%
Underlying EBIT #	110,185	111,720	113,647	119,587	135,040	15,453	113%	5%
Net Interest (paid)/received	(1,624)	(7,603)	(7,590)	(6,238)	(3,823)	2,415	61%	24%
Underlying net profit before tax #	108,561	104,117	106,057	113,349	131,217	17,868	116%	5%
Income tax	(27,983)	(30,497)	(31,006)	(32,099)	(39,564)	(7,465)	123%	9%
<b>Underlying NPAT #</b>	<b>80,578</b>	<b>73,620</b>	<b>75,051</b>	<b>81,250</b>	<b>91,653</b>	<b>10,403</b>	<b>113%</b>	<b>3%</b>
Outside equity interest	158	(471)	(476)	782	(301)	(1,083)	-38%	n/a
<b>Underlying NPAT attributable to Navitas #</b>	<b>80,736</b>	<b>73,149</b>	<b>74,575</b>	<b>82,032</b>	<b>91,352</b>	<b>9,320</b>	<b>111%</b>	<b>3%</b>
<b>Statutory NPAT</b>	<b>77,234</b>	<b>73,620</b>	<b>75,051</b>	<b>50,802</b>	<b>72,111</b>	<b>21,309</b>	<b>142%</b>	<b>-2%</b>
<b>Statutory NPAT attributable to members</b>	<b>77,392</b>	<b>73,149</b>	<b>74,575</b>	<b>51,584</b>	<b>71,810</b>	<b>20,226</b>	<b>139%</b>	<b>-2%</b>

# excluding impairment of goodwill

\* Cumulative Annual Growth Rate from FY11 to FY15