

VOCATION

Acquisition of Endeavour Learning Group

Mark Hutchinson, CEO

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Summary



Vocation Ltd (“Vocation”) has signed an agreement to acquire 100% of Endeavour Learning Group (“Endeavour”)

- Strong management team and cultural alignment
 - Endeavour’s CEO, Carolyn Barker has led the growth of the business since 2010. She will remain with the business and continue to drive its growth
 - Carolyn and her management team put the student first to assist them in their education and job outcomes
- Endeavour is Australasia’s leading provider of tertiary and vocational education in natural health and wellness, fitness, and beauty
 - Four distinct brands: The Endeavour College of Natural Health, FIA Fitnation, The College of Natural Beauty and The College of Natural Health and Homeopathy in New Zealand
- Endeavour is a dual sector tertiary institution and the largest natural health educator in Australasia
 - Operates six campuses across Australia and two in New Zealand
 - Provides both government accredited higher education degrees and vocational education and training (VET) qualifications
- Focus on direct student delivery
 - Complements Vocation’s current Direct division student offerings
 - All course material for both on-campus and online learning is distributed through the learning management system, MOODLE
- Endeavour attracts no state-based demand funding, further diversifying Vocation’s revenue mix
- Endeavour has forecast revenues of c.\$47 million in FY14
- Acquisition consideration of \$84m will be paid in 100% cash
 - Cash consideration to be funded from both excess cash and debt facilities

Endeavour – M&A criteria



Acquisition is highly complementary and delivers on a number of Vocation's key strategic objectives



M&A Criteria	Explanation	
INCREASE EDUCATIONAL SCOPE	<ul style="list-style-type: none"> Expand educational scope by acquiring a VET provider with a qualification or industry expertise that is not currently within Vocation's scope 	<ul style="list-style-type: none"> Further diversifies Vocation's course enrolments by sector and geography Provides further exposure in the growing health and wellness sector Adds greater national diversification with students across all states of Australia and New Zealand
INCREASE MARKET SHARE	<ul style="list-style-type: none"> Expanding market share by acquiring a VET provider with a substantial student base 	<ul style="list-style-type: none"> Currently operates eight high quality campuses, with one in every major city in Australia and two in New Zealand; which can be used to enhance Vocation's current face-to-face delivery mode Increases exposure to higher education and international markets 8,250 HED and VET students enrolments in FY2013 with further growth experienced in FY2014 Developing education pathways for students, from vocational to higher education
EXPAND TECHNOLOGY PLATFORM	<ul style="list-style-type: none"> Acquiring learning management and quality management systems 	<ul style="list-style-type: none"> Endeavour has a well-developed customised Moodle platform that operates across student enrolment, timetable, content and assessment
FINANCIAL RETURN	<ul style="list-style-type: none"> Achieving an attractive financial where an opportunity exists to improve an underperforming VET provider 	<ul style="list-style-type: none"> EPS accretive Management expect to be able to increase financial performance through revenue and cost synergies
NEW FUNDING	<ul style="list-style-type: none"> Accessing new funding sources (for example, by acquiring an approved CRICOS, Higher Education or VET FEE-HELP provider) 	<ul style="list-style-type: none"> Endeavour does not access any state funding Endeavour's funding sources are: <ul style="list-style-type: none"> Student fees VET FEE-HELP FEE-HELP

Financial Summary



- Endeavour is forecasting revenue of c.\$48m in FY14
- Acquisition consideration represents c.6.5x Endeavour's forecast FY15 EBITDA
- Acquisition expected to be accretive to Vocation's FY15 Earnings Per Share
- Existing debt facility extended from \$100m to \$120m
- Potential revenue synergies from cross-sales and greater training capability in health and beauty sectors
- Acquisition consideration to funded from excess cash and existing debt facility

Integration Update



- Integration of Vocation's Founding businesses across platform, people and procedures is now largely complete
- The integration of Real Institute (acquired by Vocation in May 2014), is underway with considerable headway being made already
- Ross Robinson, the CEO of Real, has been appointed head of our Enterprise business
 - Ross is a proven leader in the Vocational Education sector, particularly around developing new training programs to meet student and employer demands
- Vocation has a defined integration methodology and structure to support its acquisition strategy. Integration work streams include:
 - Education, data and compliance
 - Client integration and sales
 - Accounting and IT systems
 - Branding, people and culture
 - Roll-out of MyVocation careers centres to Endeavour campuses
- Integration of Endeavour during FY15 will be relatively light touch with the exception of easily-identified revenue and cost synergies
 - More complete integration is expected over a 18– 24 month timeframe

Conclusion



- Endeavour Learning Group represents a significant addition to Vocation
- Strengthens Vocation's offering to students to build development pathways via vocational education and higher education qualifications
- Carolyn Barker brings a wealth of additional educational experience, knowledge and management capability to the Vocation team
- Further diversifies enrolments and revenue mix, providing entry into the higher education market as well as strengthening its presence in the health and beauty sector
- Further diversification away from reliance on Victorian government VET funding program
- Again, and similar to Real, both businesses share a genuine commitment to student education and job outcomes



THANK YOU