



## ASX Announcement

### Vocation delivers strong first full year result, exceeding prospectus guidance

21 August 2014

#### Result overview:

Strong result for the 12 months to 30 June 2014, comfortably ahead of prospectus guidance:

- Statutory Sales Revenue of \$128.4 million
- Statutory NPAT of \$8.3 million
- Pro forma Revenue of \$137.2 million (Prospectus forecast: \$118.3m)
- Pro forma EBITA of \$36.1 million (Prospectus forecast: \$34.9m)
- Pro forma NPAT of \$22.1 million (Prospectus forecast: \$19.6m)
- Pro forma NPATA of \$25.5 million (Prospectus forecast \$24.7m)
- Final dividend of 3.2 cents per share based on 70% of H2 FY2014, \$9.3million statutory NPAT
- All three revenue channels performed well ahead of expectations
- Integration of IPO Founding Companies successfully completed, new branding launched post year end
- Made three high quality and complementary acquisitions, providing diversification by geography, revenue stream and course offer
- Integration of acquisitions on track, with integration of Real Institute accelerated
- Strengthened management team from acquisitions and new leadership structure in place
- Accelerated investment in new courses to capitalise on favourable macro dynamics in FY15

Vocation Limited (“Vocation”), one of Australia’s largest private vocational training and higher education providers, today reported a strong result for the 12 months to 30 June 2014. On a pro forma basis, Revenue was \$137.2 million, EBITA was \$36.1 million and NPATA was \$25.5 million.

Group CEO and Managing Director Mark Hutchinson, said, “FY14 has been a transformational first year for the business. We have exceeded our IPO prospectus forecasts while achieving several operational milestones, including completing the integration of our three Founding Companies. We have made significant progress towards diversifying our revenue channels with the acquisition of three high quality education providers at attractive multiples. Through these acquisitions we have enhanced the student experience and our course offerings, while substantially expanding our addressable market into Higher Education and International students. We were pleased with the strong growth in student enrolments, doubling over the last year to just under 50,000 in FY14. We were also delighted to see graduation rates of over 70% this year”.

“With a new leadership structure in place and management aligned to our three year strategy, we are excited about moving forward as one business. Our focus is on delivering high quality education and career opportunities to more students across the country. ”

“After a busy period of expansion and diversification that has laid the foundations for a strong and



sustainable business, our focus in FY15 is on bedding down our new acquisitions and capitalising on the significant momentum in our sector. We will continue to invest in the business through our new brands, including the MyVocation career centres and Endeavour Higher Education.”

### **FY14 Financial Performance:**

Vocation delivered pro forma Revenue of \$137.2 million (Prospectus forecast: \$118.3m) in FY14 and statutory sales revenue of \$128.4 million. Pro forma NPAT was \$22.1 million (Prospectus forecast: \$19.6m), with statutory NPAT of \$8.3 million.

Pro forma EBITA was \$36.1 million (Prospectus forecast: \$34.9m), driven by the strong revenue performance. Pro forma NPATA was \$25.5 million (Prospectus forecast \$24.7m).

Vocation’s Enterprise business, which delivers education and training services to corporate and government employees, performed strongly to deliver revenue of \$50.2 million (Prospectus forecast: \$44.9m).

The Direct channel, which caters to individual students, delivered revenue of \$25.5 million (Prospectus forecast: \$22.3m), with online enrolments in particular growing in momentum during the year.

Vocation’s Solutions business, which delivers outsourced managed services and industry consulting to third-party providers, performed ahead of expectations over the course of the year driven by strong growth in new clients, delivering revenue of \$61.5 million (Prospectus forecast: \$51.1m).

EBITA margins of 26.2% (Prospectus forecast: 29.5%) reflected the revenue mix achieved for the three business channels, and investment made in the business to support FY15 growth and longer term sustainable margins.

Strong levels of cash conversion were achieved in FY14. Operating free cash flow after capital expenditure at year-end was \$27.7 million, representing a cash conversion ratio of 75%<sup>1</sup> in line with Prospectus forecast.

A new three year, \$123 million debt facility was established to fund the acquisitions announced in FY14. At 30 June, borrowings were \$45.1 million reflecting the funding of the ACAE/ASM and Real acquisitions. Following completion of the acquisition of Endeavour on 1 July, the facility is now fully drawn.

The Board has determined a maiden dividend of 3.2 cents per share. This represents a payout ratio of 70% of H2 FY14 statutory NPAT (\$9.3m) and reflects the Board’s confidence in the outlook for the business in FY15.

### **Operational Update:**

Vocation made three acquisitions in FY14 which enabled it to secure new licenses, accelerate entry into new geographies and establish a position of scale in the higher education market. The acquired businesses are each leaders in their fields and bring complementary course offerings to the portfolio as

<sup>1</sup> Cash conversion is defined as operating cash flow after capital expenditure as a percentage of EBITDA



well as significant management expertise.

As a result of these acquisitions Vocation has significantly reduced its reliance on Victorian revenue, increased its exposure to Fee-for-service students and substantially expanded its addressable market.

Vocation now has an integrated national footprint, complemented by an established online platform, and an education offer that enables the business to deliver a complete student lifecycle from Certificate 1 through to Masters degrees.

Vocation gained valuable insights and a robust methodology for combining highly regulated education businesses through the successful integration of its Founding Companies in FY14. These learnings are now being applied to the integration of Real Institute that has been accelerated and is expected to complete in September 2014. Endeavour requires minimal integration as the new Higher Education pillar.

### **FY15 Outlook:**

**Vocation's objective is to become the leading dual sector education brand in Australia.**

To achieve this, over the next three years management will focus on:

- Implementation and substantial investment in MyVocation Careers (circa \$3.0m), linking students to job outcomes, which are a critical success factor in the modern education sector
- Continued focus on Enterprise (B2B) national delivery through a significantly strengthened team, following the Real Institute acquisition
- Development of pathway programs that link our Vocational courses to our Higher Ed programs, bolstered by several new University relationships
- Consolidation and further investment in Vocation's digital ecosystem to increase student online environment (from 7% FY14 to 25% FY15)
- Maintaining a disciplined approach to consolidation in the global education sector.

The macro-economic and policy settings underpinning the sector continue to be robust, and are particularly supportive for providers of scale such as Vocation. During FY14, the demand driven VET model was extended to WA and QLD, with the NSW model due to commence in January 2015.

Mark Hutchinson said, "Our strong track record of partnering with Governments and Enterprises across the country puts us in a great position to respond to the changing industry dynamics. We will continue to invest in high quality course content that delivers positive student outcomes."

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