



## **Vocation Limited Annual General Meeting**

**John Dawkins AO**

**Chairman's Address**

16 October 2014

Ladies and gentlemen it is my pleasure to welcome you all to the first Vocation AGM.

For Vocation it has been an active and remarkable year of growth, building on the integration of the three founding companies and diversifying our business through a number of strategic acquisitions, which have enabled our expansion from VET into Higher Education, offering an impressive range of courses across a broad spectrum from Certificate 1 through to Masters degrees.

The consistent demand for quality education services has assisted Vocation to deliver sound first year results, exceeding our IPO prospectus forecasts. This confidence has been matched by strong growth in enrolments, with some 27,896 students completing their qualifications across 115 nationally accredited qualifications.

Student choice and the continued shift to an open-funding system from government has created significantly more opportunities for students and in the process skills for the economy.

We have built a new management structure lead by Mark Hutchinson as Group Managing Director to steer us into FY15 and beyond. We have welcomed to our senior management team Carolyn Barker AM as CEO of Higher Education and Ross Robinson as Head of Enterprise within the VET business unit. I am confident that together they will deliver on our 3-year strategic plan, which is centred on student employment outcomes, based on developing programs that align with industry needs and prepare young Australians for real and sustainable jobs of the future.

The Vocation team has grown to almost 600 people with a national footprint of campuses across Sydney, Melbourne, Brisbane, Perth, Launceston, Hobart, the Gold Coast and Adelaide.

This has been a very active period for your Board, which has met more than twice a month to deal with initial governance policies, integration issues and acquisitions. In this context we have added an Investment Committee to the Board structure. I am fortunate to have the support of an experienced, diversely qualified and cohesive group of directors, who are all here today, and I thank my colleagues for the effort that has contributed to the company's foundation period.

### **Acquisitions**

The first half of the year has been highlighted by a number of acquisitions. On 30 April 2014, Vocation acquired the WA-based Australian College of Applied Education (ACAE) as well as 50% of the Australian School of Management (ASM), with an option to acquire the remaining 50%.

On 31 May 2014, Vocation acquired Real Institute (Real), which has trained more than 25,000 students since it was founded in 2007. Real is a national provider with some of Australia's most recognised companies among its corporate clients. Real offers courses across multiple industries,



with a particular focus on the logistics and labour hire industries. Real also has a very strong focus on diversity and training for disadvantaged members of the community.

On 1 July 2014, Vocation acquired the Endeavour College of Natural Health (Endeavour), one of Australia's leading health and wellness education providers. Endeavour operates six high-quality campuses in Australia and two in New Zealand, educating more than 8,000 students in FY14.

## **Government & Regulation**

The formation of Vocation coincided with a new Federal Government, which is implementing a number of VET reforms, including improvements to VET FEE-HELP arrangements and the creation of Commonwealth-supported places for students in private higher education institutions. State governments continue their support of VET and Vocation now delivers training through a number of contracts across Victoria, Western Australia, Queensland, New South Wales, ACT and Tasmania.

Effective and appropriate regulation of VET is critical to the reputation of the sector, the confidence of industry and employers in the value of the qualifications we deliver, and individual students and employees having the skills to perform in the workforce.

Personally I have worked for many years on education reform, and most recently on preparing a strong set of standards to allow providers to deliver the best training outcomes for students and industry to maximise the return for the significant government investment in VET.

We look forward to Minister Macfarlane's release of revised standards for RTOs and are ready to support standards that will strengthen quality while providing an opportunity to reduce regulatory burden for established and high performing providers.

## **Vocation Quality Advisory Committee (QAC)**

Vocation is not only supportive of policy reform, but is also serious about continuous improvement within our own providers across VET and Higher Education.

I am pleased to announce today the establishment of a Quality Advisory Committee (QAC). The QAC will provide guidance and advice on quality and compliance to Vocation's registered training organisations and report directly to the Board.

This initiative arose from a review by our CEO on the best way to promote continuous improvement across our education and training provision. The board enthusiastically endorsed Mark's proposal.

We have been very fortunate to confirm independent VET quality expert Claire Field, a former CEO of ACPET, as Chair of the Committee.

Ms Field has a wealth of experience. Claire set-up and ran the National Audit and Registration Agency, the Commonwealth government's first national VET regulator, the predecessor to ASQA. In her recent tenure at ACPET, Claire was widely recognised for her committed efforts to lift quality in the private VET and higher education sectors. Earlier in her career, Claire held a senior leadership position in the former NSW VET regulator (VETAB), and has also held senior strategic roles in other parts of the VET sector, at both the Commonwealth, State and provider level.

Claire will be supported by independent members, Neil Edwards and Ann Doolette.



Neil has extensive experience in tertiary education as a provider, regulator and adviser to Commonwealth and State Governments on policy development.

Ann was Executive Director of the Australian Qualifications Framework secretariat and was formerly the chief regulator of non-university higher education and VET in South Australia.

I have worked with Claire, Neil and Ann and have high confidence in their ability to provide expert and independent advice to the Vocation Board.

### **Victorian Update**

I would like to briefly touch upon the review being undertaken by the Victorian Education Department, which is looking at three courses delivered by Vocation subsidiaries BAWM and Aspin.

We expect this process to conclude over the next couple of weeks.

It is in the nature of this industry that all Vocation RTOs are subject to audits at any time in the normal course of the regulatory process and can cover any and all aspects of training delivery.

### **Concluding Remarks**

With our executive leadership structure and QAC in place we can reaffirm our focus on delivering positive student outcomes and driving continued momentum in the business.

We are committed to working positively and constructively with students, industry and government to deliver the best training outcomes for students and industry to maximise the return for the significant \$9bn government investment in VET.

We look forward to the year ahead.

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John Dawkins AO  
Chairman



## **Vocation Limited Annual General Meeting**

**Mark Hutchinson**

**Managing Director's Presentation**

16 October 2014

Ladies and gentlemen,

Firstly and most importantly I'd like to thank you all as shareholders who have supported the business in our first year as a Public company. We wouldn't be here without you and it's a great pleasure to be able to speak at Vocation's first AGM.

I will keep it brief, however I wanted to take a moment to reflect on "why Vocation?" - to reflect on the purpose of this business forming and on how we intend to stay true to that vision. At the time of the IPO, we saw a significant opportunity to create a high quality, full service private education provider in the context of a supportive macro environment. In particular, the global shift in student demands and learning trends that, for the first time in centuries, is fundamentally changing how education is perceived, delivered and distributed to a far wider demographic. Coupled with this is the demand by industry and government for the skills that will see our country prosper in the future, and in the greater Asian context.

As a business and a management team, we try to look through the inevitable noise that comes with being a newly listed company in a sector undergoing significant change. Our priority, and the source of ongoing motivation for our team, is delivering a high quality education solution to meet future student, government and industry demands.

It has been a transformational year for the business, culminating in the delivery of our first full year result in August. As I'm sure you will have read our full year results materials, I don't intend to spend a lot of time reviewing them, however there are a number of items that I would like to take a moment to highlight:

- The integration of our IPO companies;
- The acquisitions of three high quality and complementary businesses which enabled us to secure new licenses, enter new geographies and establish a position of scale in higher education;



- The significant diversification of the business by geography, revenue stream and course offer;
- The further strengthening of the leadership of our business; and
- The acceleration of our investment in courses and student facing initiatives, particularly via our new MyVocation student career platform.

FY14 was a year in which we laid some solid foundations for the future of this business.

At the same time, management has worked diligently to bring together the three founding businesses, and to acquire and begin the integration of a number of high-quality, value-add acquisitions. Their addition to the Vocation Group has enabled us to reduce our reliance on government funding, expand our addressable market, and most importantly improve our offering to students.

As we've always maintained, if our students have a good experience all other metrics that Vocation will be measured on will take care of themselves. We don't always get it right, however as long as our team remains dedicated to positive student outcomes we will be a strong participant in this growing and consolidating sector.

As we roll into 2015 Vocation now has an integrated national footprint complemented by an online platform, a flexible delivery model, and a full suite of education programs to deliver the complete student life cycle in both Vocational Training and Higher Education.

### **Operations and first quarter update**

The first quarter of FY15 has proceeded largely in line with expectations in our National Enterprise channel and Direct businesses. Our Higher Education business Endeavour also continued to deliver enrolments in line with expectations, and has commenced integration with the Australian School of Management (ASM) to roll out our first East Coast programs in January 2015.

VET FEE-HELP enrolments commenced strongly in Q1, assisted by our investment in our direct student services hubs, MyVocation. Our focus is on creating new course content, delivered flexibly through our campus network, in the workplace and online, and of course, empowering our students to secure employment or progress their career. We are well placed to deliver positive outcomes in this area with wide ranging industry relationships and the further development of our careers



advisory capabilities through MyVocation.

As would be expected, the current review of two of our Victorian registered training organisations, BAWM and ASPIN, has had an impact on our enrolment activity in that state. We've been very mindful of minimising the distraction associated with the review process and ensuring that the Victorian team is able to focus on running the business and enrolling and training students through our remaining two Victorian RTOs.

While John has already addressed this topic, it is worth taking this opportunity to reiterate that we are supportive of a strong compliance culture in our industry that fundamentally supports the interests of students, our number one priority. We look forward to a resolution of the review process over the coming weeks.

In short, our overall business remains on a positive footing as we progress into FY15.

### **Near term priorities**

In the near term, we are focused on the final integration of Real Institute, which is expected to be complete by the end of October.

Over the next few months, Carolyn Barker as CEO of Higher Education will be rolling out our long-term higher education strategy, to include Endeavour and ASM.

Another major focus in the near term will be the amalgamation of our online learning platforms. We have decided to use a single system, the Moodle platform built by Endeavour over the past 4-years that has 10,000 students currently engaged. This platform is proven, scalable and highly sophisticated. It is also a well known and widely used international learning system, demonstrated to deliver good student learning experiences and outcomes. Our aim in FY15 is to have 25% of our students utilising this platform to complement our physical delivery options.

### **Vocation Quality Advisory Committee (QAC)**

John has mentioned this development, of which management and I are fully supportive. Claire Field, in particular, will be a great independent voice for the business.



## Market dynamics

We continue to see the big themes of consolidation and ongoing regulatory change underway in both the Vocational and Higher Education sectors.

We have yet to see the impact of Minister Pyne's Higher Education reforms, which would provide further tailwinds for Endeavour, and Minister Macfarlane's VET reforms.

However, the macro policy setting of the State and Federal Governments remains consistent with our expectations and is supportive of our strategy. We expect State subsidised training to concentrate on critical skills shortage areas and employment gaps, with income contingent loans (VET FEE-HELP, FEE-HELP) providing for the higher level qualifications and bachelor programs.

The trend towards fewer but larger providers continues. We welcome the entry of high quality competition, which we believe will drive the further professionalisation of our sector and more consistent delivery of positive student outcomes. As an established player, we look forward to playing our part in educating a broader base of stakeholders about our sector, how it works, and the important role that it plays.

In November, we will host the first *Vocation Industry Forum* in Sydney. This forum will provide an opportunity for shareholders to engage with Vocation executives, industry experts, members of our newly formed QAC and some of our students. Various topics will be covered, including the regulatory frameworks that exist around Vocational and Higher Education at a State and Federal level. Further information about this event will follow shortly.

## Strategy and Outlook

As ever, delivering positive student outcomes remains the critical measure of success for our business. To that end we will continue to invest in high quality course content, flexible delivery options and links to industry. We are particularly focused on delivering on the three key metrics of enrolment numbers, graduation rates and job outcomes.

Management and the Board have a continued focus on the three-year strategic plan based on:



- Developing programs that align to industry needs and jobs of the future
  - We are proud to be launching our new internal Institute and School structure here today. This will help align our focus on specific areas of expertise, industry speciality and student experience (see *Vocation Offering* slide in the attached presentation)
- Improving internal student procurement channels (MyVocation)
- Linking the education and job outcomes into a single system (MyVocation)

The diagram on screen (see *Student Flow* slide in the attached presentation) shows a graphical illustration of our student flow.

On the back of strong organic and acquisition-led growth in FY14, our focus in FY15 is to position the business to take advantage of the positive macro dynamics. Management will continue to concentrate on organic growth, by further strengthening our student offering and further diversifying our business model.

In addition, we continue to pursue strategic acquisitions where they align with our long-term vision to become the leading dual sector Vocational and Higher Education provider in Australia. We will maintain a disciplined approach and look at opportunities that strengthen our student experience and help to diversify our earnings.

On that final note, I'd like to thank you for allowing me to address you at our first AGM. I will now hand back to John to continue proceedings.