

Vocation has today responded to an ASX “Aware Notice” regarding the chronology of the recent DEECD review and some particular questions raised by the ASX.

Following the ASX release issued by the Company on Monday October 27, the Company has been the subject of media and market speculation on several issues. Accordingly, in order to ensure a fully informed market, the Vocation Board sets out below additional information to clarify these matters including further detail around the reforecast for FY 2015 and a copy of an agreed statement from DEECD setting out the basis on which Vocation businesses and RTOs will continue to operate in Victoria in funded and other vocational training programs now that that DEECD's overarching review (which included input from VRQA and ASQA as per the normal course of business when reviews are undertaken) has been conclusively resolved.

Statement received from DEECD

Following the settlement of all issues arising from the recent review by DEECD of three qualifications offered by RTO's BAWM and Aspin we set out the basis of Vocation's continuing participation in the VTG.

- 1. BAWM and Aspin will complete the training of those students currently enrolled and who are not subject to a full reversal of funding under the agreement with DEECD. Normal funding arrangements will apply until either students complete their qualifications or 31 January 2015, by when BAWM and Aspin have agreed to relinquish their contracts.*

BAWM and Aspin remain as registered training organisations and can participate in the fee for service training market in Victoria.

- 2. Vocation operates other RTO's in Victoria which hold current VTG funding contracts. These RTO's possess the scope to offer all training currently offered by BAWM and Aspin.*

These RTO's are able, and intend to, enrol students across their scope without limitation while they continue to comply with regulator and VTG requirements. The Department will meet with the Chair of Vocation's new quality oversight committee Claire Field, on a regular basis.

Basis of Vocation's FY15 EBITDA guidance

The following table sets out Vocation Group's FY14 proforma actual EBITDA compared to the mid point of the FY15 EBITDA guidance lodged on the ASX on 27 October 2014:

Vocation Group EBITDA

	FY14	FY15
\$m	Proforma Actual*	Estimate**
Higher Education^	11	16
Diplomas and advanced diplomas	1	14
Cert 1 to Cert IV^^	45	25
Vocation Group EBITDA	57	55

Source: Vocation management

^Includes Diplomas offered by Endeavour in both years

^^ Vocation Head office costs are included in this line

*Proforma adjustments include the full year earnings of the three acquisitions made (ACAE/ASM, REAL and Endeavour)

**Represents the mid point of the Earnings guidance provided



Higher Education

The FY14 EBITDA reflect the full year actual EBITDA of the Higher Education assets acquired by Vocation:

- Endeavour Group: \$10.5m
- ASM: \$0.5m

Vocation paid \$84m for Endeavour, which represented a multiple of 6.5x on forecast FY15 diligenced EBITDA of \$13m. In September 2014, Vocation took the steps to accelerate the growth of the Higher Education division including:

- Acquiring the remaining 50% of ASM (completed 22 October 2014);
- A bolt-on acquisition in NZ (due diligence complete, awaiting regulatory clearance)
- Roll out of ASM courses in selected Endeavour campuses
- New Endeavour Bachelor degree in Complementary Medicine commencing January 2015

Diplomas and advanced diplomas

Vocation secured a VET FEE HELP ("VFH") license in April 2014 as part of its acquisition of ACAE and one of its subsidiaries secured another a VFH licence in May 2014. Vocation has taken steps to invest in this significant new revenue stream by developing new diploma content and making a \$3m investment in the *MyVocation* platform to generate enrolments.

The EBITDA for this revenue stream is budgeted at \$14m for FY15 and year to date EBITDA is approximately \$3m from this line.

Note that Endeavour also offers diplomas through its own VFH license, however its diploma offerings in FY14 and FY15 have not been counted under this line are included in Higher Education for the purposes of this analysis.

Cert 1 to Cert IV

This business line in FY14 represented:

- The organic business that was the subject of the company's initial listing (i.e. the old Enterprise, Direct and Solutions businesses) which collectively achieved an EBITDA of \$36m in EBITDA (after adjusting for the \$1m that has been included in the VFH line)
- The \$9m of EBITDA that REAL Institute achieved for FY14 (acquired by Vocation on 31 May 2014).

The FY15 forecast for this business line has been prepared on the following basis:

- \$5m earnings impact in FY15 of the DEECD settlement (non recurring)
- Impact of reduced enrolments in BAWM and ASPIN across September and October.
- Impact of converting the RTO Edge business to a Direct business (Enterprise, Direct and REAL) have been unaffected)
- Victorian restructure:
 - Restructuring charge (non recurring)
 - Cost savings expected from the restructure (part year benefit)
- Offset by the new Doman C contract secured from DEECD (enrolments on which commenced 24 October 2014)



The net EBITDA currently expected from this line is \$25m (inclusive of all the non recurring items set out above) compared to the \$45m this line actually achieved in earnings in FY14.

Vocation continues to generate positive cash flows from its national business. The Victorian RTOs recommencing full enrolments from 27 October 2014 including additional enrolments from the new Domain C contract.