



Vocation – Business Update and Agreement with Bank Group

23 February 2015

Vocation Limited (ASX: VET) ("**Vocation**" or the "**Company**") today announces an update on a range of matters pertaining to its strategic plans, financial situation and operational performance.

Strategic Review Update

As announced on 28 January 2015, the Company initiated a review to determine strategic options to significantly reduce debt and achieve a sustainable capital structure, and which will support the continuing business once the key elements of the review are implemented.

Over 30 expressions of interest have been received, including from a number of the major global and national providers in the sector. Accordingly the Company, with the assistance of its adviser 333 Capital, has commenced a formal competitive sale process in respect of certain businesses with a view to obtaining firm offers for the Board's consideration.

The Company anticipates it will complete any sale processes by the end of April 2015, and expects to have a viable ongoing business after this. The outcome of any sale processes, along with a number of new student enrolment initiatives which have been launched, will allow the Company to maintain its focus on delivering high quality job and skill outcomes for students and businesses.

Amended Loan Facility

Vocation has completed negotiations to amend the terms of its loan facility with its bank group. The new arrangements provide stability while Vocation completes its strategic review and allow time for the Company to align its capital structure with its future business activities.

The facility maturity date is now 30 May 2016 (previously 30 May 2017) and Vocation notes that the new arrangements do not change the cost of funding.

An outline of the terms of the amended loan facility are at the end of this announcement.

The Company currently has cash balances of \$20 million.



Impairment Assessment

Vocation has substantially progressed the review of the carrying value of its non-current assets including intangibles as foreshadowed in its 24 December 2014 ASX announcement.

Although the review is not finalised and is subject to external audit review, Vocation expects to book a non-cash write-down on the carrying value of intangible assets of between \$235 million and \$245 million (after tax) as a significant item in its half year accounts. All of the impairment charge relates to the Vocational Education division, specifically the closure of the BAWM and Aspin businesses and a consequent weakening in other parts of this segment.

Restructure of the Victorian Business

As previously announced, Vocation is taking steps to close one of its Victorian Registered Training Organisations ("RTO"), BAWM Pty Ltd ("BAWM"). To that end, BAWM has now formally applied to the Victorian Regulation and Qualifications Authority ("VRQA") for deregistration as an RTO. BAWM is liaising with the VRQA in relation to that process and attending to any issues or procedures that may be necessary before BAWM is formally deregistered.

Earnings Guidance

The Company is close to finalising its financial reviews and expects to provide revised second half earnings guidance on Friday 27 February 2015 when it reports its first half 2015 results. The matters under review for the second half earnings forecast relate to: (i) the likely costs of closure of the BAWM and Aspin businesses; and (ii) the weakening of revenue in certain Vocational Education businesses in the current half.

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Key Amended Terms of Loan Facility

- Loan facility limit of \$85 million and bank guarantees limit of \$3 million (unchanged).
- Obligation to materially deleverage Vocation's balance sheet and meet certain milestones by no later than 30 May 2015. Vocation has available to it a number of potential options to allow it to satisfy this requirement and no specific assets are required to be sold in order to deleverage its balance sheet.
- Existing amortisation schedule being two payments of \$5 million each on 20 March 2015 (previously 30 April 2015) and 30 June 2015 (unchanged).
- Vocation required to: provide regular reporting to bank group on cash balances, litigation and disputes; maintain or be covered by insurances necessary for it to properly carry on its business; and must continue to be registered as an RTO by the relevant Federal or State regulatory bodies.
- Proceeds of any future capital raising or asset sale/s to be first applied towards reducing existing debt levels.
- Vocation to prepare a sustainable capital structure proposal for discussion with its bank group within 10 business days following the completion of the actions undertaken to materially deleverage its balance sheet.
- Additional security obligations, including certain Vocation subsidiary companies being required to accede to the amended loan facility as guarantors and to provide security on the same terms as existing group security arrangements.