



Vocation – 2015 Half Year Results For the period ending 31 December 2014

2 March 2015

KEY POINTS

- \$273 million statutory NPAT loss and \$265 million statutory EBITDA loss
- Excluding one-off costs, underlying NPAT loss of \$7 million and EBITDA profit of \$2 million
- Solid operating performance by the Higher Education division in the face of severe challenges in Vocational Education and Training division
- Restructure of Victorian business following October 2014 settlement with DEECD and appointment of Doug Halley as Chairman and Stewart Cummins as Interim Group CFO
- Amended loan facility agreed with bank group
- Non-cash write down on the carrying value of intangible assets

CEO REVIEW

As a result of the outcomes of a review by the Victorian Department of Education and Early Childhood Development (DEECD) into two of Vocation's Registered Training Organisations (RTOs), BAWM and Aspin, the Company restructured its Victorian business during the first half.

The restructure led to a broader review of the Company's activities with the aim of realigning to a new revenue profile whilst continuing to focus on delivering quality services across the Group and meeting compliance requirements.

The changes in Victoria involved the deregistration of Aspin and the pending deregistration of BAWM. The Company is now concentrating on its core activities and will adopt a more appropriate capital structure.

Other priorities in the first half were:

- Disciplined approach to cash management
- Focus on continuing cost reduction initiatives
- Repayment and cancellation of \$35 million of bank debt
- Streamlining of management and staff

Commenting on the first half performance, the Chief Executive Officer and Managing Director Mr Mark Hutchinson said the Company's core businesses continued to trade satisfactorily.



“Despite difficult trading conditions and substantial reputational damage to parts of the Vocational Education business, the Higher Education business consisting of Endeavour and the Australian School of Management have performed to expectations and carry momentum into the current half,” Mr Hutchinson said.

“The AVANA and Real Institute brands also performed positively through long-term relationships with enterprise clients, a continued focus on business-to-business national delivery, and a strengthened compliance team.

“Direct enrolments in the Vocational business were affected by the DEECD findings, however online and non-Victorian enrolments are improving in the second half.

“We have made good progress to realign the company’s cost structure to a more appropriate base for the current revenue levels and improved compliance and governance practices”.

FINANCIALS

1H15 PROFIT AND LOSS

\$ million	Actual 1H15	Restated FY14*
Vocational Education Division	2	(1)
Higher Education Division	5	N/A
Corporate	(5)	N/A
Underlying EBITDA	2	(1)
One-off costs	(11)	(19)
Discontinued businesses	(15)	19
Impairment	(241)	--
Statutory EBITDA	(265)	(1)
Net interest expense	(3)	--
Depreciation & amortisation	(8)	(4)
Tax	3	1
Statutory NPAT	(273)	(4)

* – The Company has restated its FY14 numbers due to an arguable misinterpretation of facts at the time in relation to the likely quantum of the DEECD settlement. Refer to Note 3 of the Interim Report for a full explanation of the restatement.

CASH POSITION

The Company currently has cash balances of \$17 million, reflecting normal week-to-week cyclicity of cash flows.



FUNDING

As announced on 23 February 2015, 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.

PROVISIONING FOR COMPLIANCE ISSUES IN VICTORIA

At the current time there remain a number of regulatory audits either in progress, or with outcomes pending and likely to be concluded in the near term. In prospect of this, the Company has taken up further provisions for issues in Learning Verve (CSIA) and BAWM. While there has been no formal claim or conclusion to these matters, the Company considers it appropriate to provide for these potential exposures.

PROGRESS OF STRATEGIC REVIEW AND OUTLOOK

The Company and its adviser 333 Capital are continuing to explore potential asset sales and expect to complete any sale processes by April / May 2015.

Vocation expects to have a viable ongoing business with continuing customer support and pipeline on completion of the review.

Excluding the impact of any potential asset sales, the Company expects to earn an Underlying EBITDA of circa \$10 million in the second half of 2015 and, along with several new student enrolment initiatives, it will maintain its focus on delivering high quality student outcomes. The Company will provide an updated estimate on its 2H15 guidance once its strategic review is completed.

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