



VOCATION LIMITED

2015 Business Update

1 June 2015

Agenda



1. Introduction
2. Business Portfolio
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5. Leadership
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Introduction



Vocation has experienced significant challenges over the past 9 months as it has dealt with the Victorian Government settlement and the resultant impacts

The Company has moved quickly to:

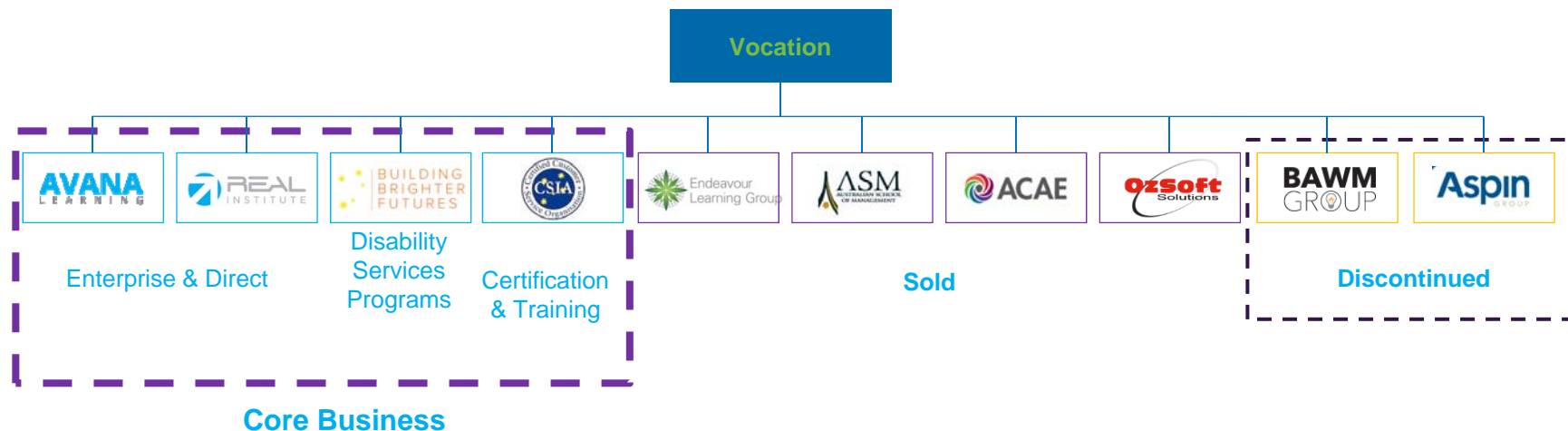
1. Remediate issues, comply with regulatory directives and establish a new quality team in conjunction with the independent Quality Advisory Committee (QAC)
2. Restructure the cost base to a sustainable level including taking steps to deregister two RTOs in Victoria
3. Bolster the market and operating reputation and performance of ongoing VET businesses
4. Establish a capital structure appropriate for the ongoing business
5. Rebuild a well credentialed senior leadership team

This presentation outlines the shape of the ongoing business, the key elements of the turnaround plan and provides a 2H15 trading update

Business Portfolio



- Vocation has streamlined its business portfolio so as to better align within its capital structure



- VET has generated \$85-95 million of gross proceeds from the sale of 4 businesses
- Gross debt has fallen from \$120 million to <\$15 million within 6 months
- VET is in the process of finalising a new long term agreement with its bank group

Strategy



- Vocation's aspiration is to be the best vocational education and training provider in Australia offering a balanced mix of Corporate fee for service and Direct government funded programs
- Excellence in 6 key streams
 1. Sales
 2. Customer Service
 3. Hospitality
 4. Leadership and Management
 5. Logistics
 6. Foundational skills (including disability services and employment re-training)
- Our strategy is built around the twin imperatives of:
 1. **Focus** on core business; and
 2. **Discipline** in execution

So as to deliver the best outcomes and student training experience

Turnaround Plan



A five point turnaround plan is being implemented:

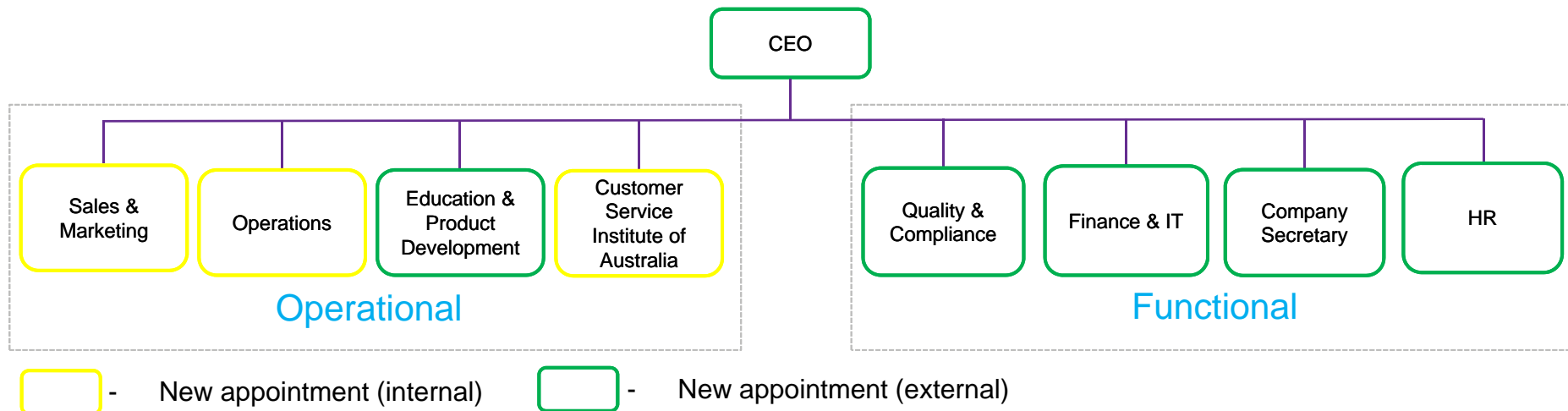
1. Revitalise the management team to drive the turnaround – new organisational structure (refer over page)
2. Revise the course offering around the 6 key streams and re-grow the business
 - Qualifications on scope being reduced from 106 to <60
3. Integrate systems and processes for improved control and efficiency
4. Prioritise internal and external quality control and compliance
 - Additional resources in place at local and national level
5. Re-launch the core businesses under a new brand
 - 'Customer Service Institute of Australia' will be retained alongside the new brand

At the same time, the Company will continue to manage a variety of legal and regulatory risks as it works through the turnaround

Leadership



- Over the past 6 months the Company has appointed a new Chairman (Doug Halley), CEO (Stewart Cummins) and interim CFO (permanent appointment shortly)
- The Company has also established a new organisational structure to reflect its smaller size of ~160 staff (down from 580+ in July 2014)



These changes have strengthened accountability and will drive standards going forward

Trading Update



- The Company expects to report an Underlying 2H15 EBITDA of circa \$1-(5) million

	Underlying EBITDA		
\$ million	1H15	2H15	FY15
Vocational Education & Training	2	(4) – 0	(2) – 2
Higher Education*	5	3 – 4	7 – 9
Corporate	(5)	(4) – (2)	(9) – (7)
Group	2	(5) – 1	(3) – 3

* The HE businesses recorded trading losses in January/February as new academic year does not commence until March, and all HE assets were sold during March/April 2015

- The VET division will generate Underlying Revenue of circa \$15 million in 2H15, softened by the distraction of asset sales and management changes
- The VET division EBITDA will benefit from an intense focus on executing the turnaround plan in FY16

Update on Compliance



- The Company operates Vocational Education and Training businesses in 6 states and territories across Australia and holds 4 RTO licences under the Federal system
 - Vocation will shortly finalise the voluntary deregistration of its BAWM RTO
- The primary regulator of VET's businesses is the Australian Skills Quality Authority (ASQA)
- Funding is received under a range of specific Federal and State Government programs
- The Company is subject to a stringent monitoring and assessment regime, with regular audits undertaken by ASQA in addition to state-based funding audits
- There remain a number of regulatory audits either in progress or with outcomes pending
- While the Company strives to achieve the highest levels of compliance across its business, and has invested significant extra resources and personnel over the past 8 months, more work is required in order to future ensure sustained high performance

Summary



- The Company's two key objectives are to:
 1. Restore credibility with stakeholders; and
 2. Successfully rebuild its core Vocational Education and Training businesses
- The Company has a clearly defined, five point turnaround plan to guide its recovery over the next 2-3 years
 - Focus and discipline will underpin execution of this plan
- The Company is committed to upholding the highest integrity and standards, and strives always to deliver the best quality training programs in Australia

