

# SHAREHOLDER NEWSLETTER

ISSUE 2 | JUNE 2016



**INTUERI**  
EDUCATION GROUP



CHRIS KELLY, CHAIR

## Intueri Chair passionate about tertiary education

### UPCOMING DATES

#### HALF YEAR BALANCE DATE

30 June 2016

#### INTERIM RESULTS ANNOUNCEMENT

30 August 2016

#### INTERIM REPORT

By end-September 2016

### COMPANY INFORMATION

The Intueri website at [www.intueri.co.nz](http://www.intueri.co.nz) has information about the Board of Directors, its governance policies, the management team, our schools and their locations.

Our NZX and ASX news releases and shareholder reports are also available on the website.

### SHAREHOLDER SERVICES

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Chris Kelly's involvement in the education sector started with his appointment to the board of the Agricultural ITO, which evolved into the Primary ITO and provides training for people in the primary sector. Chris says it was during this time that he saw the great benefits that vocational education could provide, especially to second chance learners.

The opportunity to join the Intueri Board came at a time when Chris had just stepped down as CEO of Landcorp Farming. It was Intueri's focus on 'providing quality education that lead to job opportunities' that grabbed his attention, he says.

However, education is not the only area to which Chris has strong ties. He is also recognised as a leader in New Zealand's agricultural sector and was recently awarded an Officer of the New Zealand Order of Merit for his services to agriculture.

Chris has worked in senior executive positions with NZ Dairy Board, was CEO of Landcorp Farming for more than a decade and is currently Chair of Beef and Lamb Genetics, a director of Crown Irrigation Investment Company and Chancellor of Massey University.

He says that while Intueri is currently facing some challenging times, he remains confident in what the company has to offer. Chris describes the current situation as a 'perfect storm', with both a tightening regulatory environment and a number of legacy issues to overcome. However, he sees long term benefits for Intueri, which has the infrastructure, resources and capability to meet the increased regulatory demands, which many smaller PTEs may find more challenging.

The Board, he says, are united in their absolute commitment to getting the company and share price back up, and Chris believes Intueri has a long future ahead of it.



## CEO Update

**We were pleased to welcome a number of shareholders to our recent annual meeting held in Auckland. It provided an opportunity for management and the Board to meet shareholders, answer questions and engage in positive and constructive dialogue about our company.**

The main focus of the meeting was to update our shareholders on our performance, the steps we are taking to adapt to the changing regulatory environment and our continuing commitment to providing quality outcomes for students.

Right sizing and refocusing is a key theme for our domestic segment in 2016 as we adjust to restricted enrolment numbers and the tightening regulatory environment.

We have commenced a rationalisation initiative at Quantum and it is a key focus for our strategic cost review. We have also concluded that a smaller, more focussed Design and Arts College with a more targeted provision of programmes is the most appropriate option at this time, as the school has struggled to recover enrolments to pre-Christchurch earthquake levels. These difficult decisions have unfortunately impacted on staff and students at affected schools. We are committed to supporting them during any transition period and ensuring that all students have support to complete their studies.

International students are an important contributor to New Zealand's education sector and Intueri has significant provision in this segment and a strong brand reputation. There has been softening of student visa approvals from the sub-continent in recent months, which reflects tightening immigration requirements. The majority of our students study at NSIA, the professional hospitality academy; however we also offer a number of courses tailored to meet growing demand, such as IT, Pharmacy and Massage qualifications.

The popularity of online learning continues to grow and this is reflected in the high level of interest in our Australian-based online courses. A large percentage of our students receive VET FEE-HELP (VFH) funding from the Australian Government. A review of this scheme is currently underway and a cap has been imposed on 2016 funding, holding all providers at their 2015 levels. We have identified a number of other opportunities for growth in our Australian operations, including a focus on non-VFH programmes and the provision of services to other training organisations, employers and industry groups.

We see 2016 as a reset year as we adapt to the new environment and right size our organisation to meet funding levels, whilst ensuring we still have ability to grow and take advantage of future opportunities.

**We have some key initiatives which are our priority for the remainder of this year.**

- We are looking to complete the strategic review and progress the right sizing and cost saving initiatives. An element of this is identifying and realising benefits of scale and efficiencies across the group.
- We are co-operating with regulators and working to complete and resolve the review of Quantum currently in progress.
- Debt management is a priority for us and we are focused on driving an overall reduction in our debt levels, maximising earnings and effectively managing our debt servicing.
- We will continue to focus on delivering quality learning opportunities and are looking to leverage a number of growth projects within our existing schools.

We expect to provide guidance for the full year following our interim results announcement and at which time we should have more information on the status of the Quantum TEC review and have received a response to our request to increase our 2016 funding cap in Australia.

As we said at our annual meeting, the fundamentals underlying the opportunities in the vocational education market remain sound and we believe Intueri has the scale, experience and expertise to take advantage of these.

# OUR STORIES

We will continue to focus on quality, invest in our people, harness technology and identify new opportunities for our organisation to grow. Our values underpin all that we do and are an important part of our culture. Our people are committed and passionate about our organisation and the students that we teach.

We are all working hard to realise our potential and deliver value to our students, staff and importantly our shareholders.

Thank you for your continued support.

**Rob Facer**  
**Chief Executive Officer**

## REGULATORY UPDATE

### NEW ZEALAND

The TEC review into the Dive School is now complete and the findings confirm that there were no issues for concern during Intueri's management of the school in 2015.

However, a partial refund of funding received for the period 2010 to 2014, when the school was under the management of the original owners, is required.

Intueri is actively seeking recourse from the Dive School vendors. The full release can be read on Intueri's website.

The TEC review of Quantum is ongoing and they have advised that the review is expected to be completed in the later half of 2016.

In addition, in February, we provided the SFO with information on Quantum as requested. They have not requested any further information and have not provided any update.

### AUSTRALIA

We have seen an increase in the level of regulatory activity being undertaken in recent months in Australia. In addition to routine compliance audits with the Department of Education and Training, and along with a number of other providers, Intueri will be providing information requested by the Australian Skills Quality Authority to assist them with their 2016/17 VFH strategic review.

### GOVERNANCE

All resolutions were passed at the annual meeting including the election/re-election of Chris Kelly, Dame Alison Paterson and Russell Woodard as directors of the company.

In addition, Intueri's Directors advised that they would be reducing their base director fee by 50% from the date of the meeting. Chairman Chris Kelly said that it was a case of 'all shoulders to the wheel at a particularly difficult time' and signalled the Board's commitment to restoring shareholder dividends in the future, although debt reduction remains a priority at this point in time.

## A BEAUTY-FUL CAREER FOR ELITE GRADUATE



The beauty therapy industry is highly competitive, meaning it can be difficult to stamp your mark. But it's something that Elite graduate, Ashleigh Scott, has managed to do in the years since she graduated

with a Diploma in Beauty and Spa Therapy.

Ashleigh has become an influential figure on the Auckland beauty scene by creating a skincare boutique with a difference – an 'old-fashioned' philosophy of machine-free, massage-based facials and a holistic approach to skin care. This has got beauty bloggers and influencers talking and Ashleigh recently featured in the latest edition of Beauty NZ Magazine as someone to watch.

"I want to inspire and educate women on how to care for their skin holistically," says Ashleigh.

"As well as giving amazing facials and products, we teach about the impact of their diet, stress levels, hormones, lifestyle, and home and work environments on their skin."

It's an approach that is striking a chord with consumers. Since Ashleigh Scott Facialist first opened its doors in early 2014, Ashleigh has filled her space and her schedule to capacity, and taken on and trained three therapists in her clinic — not bad for a 25-year-old!

# OUR STORIES

## KEEPING IN TOUCH WITH OUR DEMOGRAPHIC

A third of our student cohort in New Zealand is aged 16-19 years old and half of them are enrolled in our free Youth Guarantee courses around the country. These Government subsidised courses primarily support young people who may be disillusioned with, or don't do well in, a traditional classroom delivery model.

It's an important part of our business and a notoriously difficult age group to effectively engage with. The Intueri Marketing team is always exploring new ways to meaningfully interact but channelling your inner teenager isn't always easy. So for a recent radio campaign we didn't even try. We simply went straight to our students.

A popular local radio station was chosen as the engagement medium, a script was written and a review of the script was worked into a lesson plan for our Youth Guarantee Level 2 Travel and Tourism class at our Manurewa campus. The students provided feedback on the content and tone of the script, pulling out points important to them that should be focused on in the radio ad.

Not keen to settle for half the job, we recruited two students from the class to voice their handiwork. Destiny Carmichael and Michaela Te Moni were like a couple of seasoned professionals, wowing everyone, including the radio station team who record hundreds of such ads every year. They had the ad "in the can" in 20 minutes and it's now live - so far driving a 40% increase in website traffic.

We now have an authentic marketing message, these two students have had a positive real life experience and the whole class is celebrating their involvement.



## UNDERSTANDING THE INDUSTRY JARGON: THE NEW ZEALAND QUALIFICATIONS SYSTEM

**NZQA:** The New Zealand Qualifications Authority role in the education sector is to ensure that New Zealand qualifications are regarded as credible and robust, both nationally and internationally, in order to help learners succeed in their chosen endeavours and to contribute to New Zealand society.

**NZQF:** The New Zealand Qualifications Framework (NZQF) is at the heart of New Zealand's education system. All qualifications, both secondary and tertiary, listed on the NZQF come with an assurance of quality that is recognised and trusted worldwide. New Zealand qualifications are rated from levels 1 – 10, with levels 1 – 6 leading to an NZQF qualification (with 1 being the least complex) and level 7 – 10 being degree programmes. The majority of Intueri's programmes are levels 3 to 6.

**EER:** External Evaluation and Review: The NZQA undertakes external evaluation and reviews of tertiary education providers. These are initiated through an annual scheduling process and occur at least once every four years.

**Provider Categories:** NZQA places non-university providers into one of four provider categories on the basis of the EER. NZQA produces two EER statements of confidence in a tertiary education provider: one about its educational performance and the other about its organisational self-assessment. Category 2 is deemed to be the benchmark for a high quality focused education provider, with Category 1 representing excellence.

CATEGORY	JUDGEMENT
CATEGORY 1	Highly Confident/Highly Confident; OR Highly Confident for educational performance and a Highly Confident/Confident for self-assessment capability
CATEGORY 2	Confident/Confident; OR Confident in educational performance and Highly Confident in self-assessment capability
CATEGORY 3	Any Not Yet Confident judgement
CATEGORY 4	Any Not Confident judgement

INTUERI'S SCHOOLS	
CATEGORY 1	CATEGORY 2
<ul style="list-style-type: none"> <li>Academy New Zealand</li> <li>NZ School of Commercial Diver Training</li> <li>The Cut Above Academy</li> <li>NZ Institute of Sport</li> <li>NZ College of Massage</li> </ul>	<ul style="list-style-type: none"> <li>Design and Arts College</li> <li>Elite International School of Beauty and Spa Therapies</li> <li>Information Training Technology Institute</li> <li>Quantum Education Group</li> <li>NSIA – the Professional Hospitality Academy</li> </ul>

We are continually striving to be the best we can possibly be and our goal is for all our schools to be Category 1 providers.