



31 August 2015

FULL YEAR 2015 RESULTS

- Statutory after-tax loss \$300 million
- Underlying after-tax loss \$24 million
- Debt reduced from \$120 million in early December 2014 to \$11 million
- Turnaround on track
- Real Corporate Partners' RTO licence renewed by ASQA for seven years

Vocation Limited (ASX: VET), the education and training company, today announced a statutory after-tax loss of \$300 million for the year to 30 June 2015 (1H15: \$273 million loss; 2H15: \$27 million loss).

Excluding discontinued businesses, impairment charges and one-off costs, there was an underlying after-tax loss of \$24 million for the full year compared with a restated underlying after-tax profit of \$6.4 million for FY14, while revenue from continuing operations rose 18.6% year-on-year.

Gross debt was reduced from \$120 million in early December 2014 to \$11 million at 30 June 2015, largely due to receipts totalling \$84 million¹ from divestments.

Stewart Cummins, who was appointed Managing Director on 1 May 2015, said: "These results reflect a period when management was diverted first by acquisitions and then by restructuring the Victorian business and by divestments and closures to deleverage the Company's balance sheet. Since May we have been able to focus on the efficient operation of our business, and the turnaround is well underway.

"We have moved quickly to remediate the Company's issues. We have adopted a five-point plan to build a profitable business that is recognised by our stakeholders as providing quality vocational education and training. There are still hurdles to overcome, but the fundamentals of the business are sound. We have a more stable capital structure following renegotiation of our loan facilities at the beginning of July 2015 and a motivated and enthusiastic team to take the business forward.

"We are seeing active re-engagement with our customers and third parties who have recognised that the Company is under new management and is focused on quality training for students. Importantly, the Australian Skills Quality Authority has renewed Real Corporate Partners' RTO licence for seven years, reflecting greater discipline and integrity in our operations."

Five-point turnaround plan

1. Build a strong management team

The management team has been revitalised, with new appointments in all roles reporting to the CEO. This has strengthened accountability and has already begun to improve the efficiency of operational processes.

2. Revise the course offering

The course offering has been refocused into six streams of excellence, with non-strategic and uneconomic courses discontinued. By March 2016, the number of qualifications for which training is provided will have reduced from 106 to 60 focusing on quality delivery.

¹ Excluding deferred and contingent consideration

NSW Office

Level 15, 1 Pacific Highway
North Sydney, NSW 2060

VIC Office

Level 3, 4 Riverside Quay,
Southbank, VIC 3006

QLD Office

Suite 1, Level 1, Tower D, Garden
Square, 643 Kessels Road,
Upper MT Gravatt QLD 4122

WA Office

Level 1, 2 Kings Park Road, West
Perth, WA, 6005

3. Integrate and upgrade systems and processes

Systems and processes are being harmonised and re-engineered to provide more accurate management information on students, trainers and courses, and enable tighter business control.

Costs have been lowered to a sustainable level through reducing the number of staff in line with current student activity and through relocating the Melbourne and Perth offices.

4. Introduce market-leading quality and compliance controls

A three-tiered governance process has been established, including embedding of a quality officer in each state. A 'student lifecycle' blueprint, aligned to national and state contract standards, has been introduced to ensure value is delivered for students and high quality standards are protected. Also, all outsourced training arrangements have been discontinued, except in areas of expertise not offered by Vocation RTOs.

5. Rebrand operations

At present, courses are marketed under six brands, which weakens brand equity and can lead to confusion among stakeholders. Brands will be rationalised so the Company can market a stronger, more cohesive business.

At the same time, the Company continues to manage a variety of legal and regulatory risks.

Harnessing the experience of our people

There is a wide range of training experience in our organisation which is being harnessed through building a strong team culture that encourages everyone to contribute to continuous improvement of our operations. To align the interests of employees and shareholders, the Company is planning to introduce an employee share scheme in 2016 so both groups benefit from the turnaround.

The Company has also introduced an employee engagement program, incorporating monthly surveys, to motivate the team and get regular feedback. Feedback to the first survey was very encouraging, with 96% of employees saying they are positive about the Company's future and 86% saying they are clear on the vision and strategy.

Cash Position and Funding

The Company currently has cash balances of ~\$9-10 million (in line with the last report on 6 July 2015), reflecting normal week-to-week cyclical cash flows.

Where additional funds are needed during the turnaround, management believes that it has a number of potential funding sources available to it in order to support its operations and regrow the business.

Outlook

Mr Cummins said: "Vocation is now more focused, our operations are more disciplined and we have tighter and more effective financial controls and compliance procedures. Our business portfolio has been streamlined and we have a clearly defined, five-point turnaround plan to guide recovery over the next 2-3 years. Future profitability and cash flows will benefit from an intense focus on executing the turnaround plan."

For further details:

Stewart Cummins
CEO, Vocation Limited
D +61 2 8047 6998 M +61 423 782 952

APPENDIX

Summarised P&L – Revenue, Underlying & Statutory EBITDA, NPAT

Results summary	Actual FY15 \$ million	Restated FY14 \$ million
Revenue		
Vocational Education & Training	33	30
Underlying EBITDA		
Vocational Education & Training	(2)	(1)
Corporate costs	(11)	(2)
	(13)	(3)
One-off costs	(15)	(19)
Discontinued businesses	(14)	21
Impairment	(241)	--
Statutory EBITDA	(283)	(1)
Net interest expense	(5)	--
Depreciation and amortisation	(13)	(4)
Tax	1	1
Statutory NPAT	(300)	(4)

Divisional Results

\$ million	1H15	2H15	FY15
Vocational Education & Training (included in Underlying EBITDA)	(2)	(4)	(2)
Higher Education (included in Discontinued Operations)	5	3	8
Corporate costs (included in Underlying EBITDA)	(5)	(6)*	(11)
Total	(2)	(7)	(5)

* Includes ~\$3 million of payroll and other costs reclassified from discontinued operations