ASX Release

navitas

ASX RELEASE
1 August 2017

NAVITAS FY17 FULL YEAR RESULTS
TRANSFORMING THE BUSINESS IN CHALLENGING CONDITIONS

Navitas (ASX: NVT) has reported EBITDA of $155.0m and pro-forma[1] EBITDA of $161.0m in line with market guidance and 5% growth in student enrolments across its University Partnerships division colleges for the 2017 financial year.

Operational Highlights

- Strong progression-to-university and pass rates in University Partnerships colleges and improved student experience and academic outcomes across all Divisions;
- 5% student enrolment growth across University Partnerships colleges in the year (excluding closed colleges) with 8% growth in semester two 2017;
- Continued pathway expansion in the US - new agreements with University of Idaho, and Richard Bland College of William and Mary;
- Five University Partnerships contracts renewed under similar terms and conditions;
- Creation of the Careers and Industry Division to bring together Navitas' vocational teaching businesses into one focused operating division; and
- Government approval to access the new VET Student Loan system in Australia; and
- Navitas Ventures launched.

Financial Highlights

- Group revenue down 5% to $955.2m mainly due to the final wind-down and closure of the Macquarie and Curtin Sydney colleges;
- Reported EBITDA of $155.0m with pro-forma EBITDA[1] of $161.0m;
- 170 bps margin improvement across the Careers and Industry division businesses;
- EBIT up 3% to $136.4m, including gain from conversion of one college to a new joint venture;
- Fully franked full year dividend of 19.5 cps (FY16: 19.5 cps fully franked); and
- NPAT down 11% to $80.3m.

Navitas Group Chief Executive Officer, Rod Jones, said:

“Navitas has once again delivered strong academic and experience outcomes to students and partners while delivering financial results that are in line with our guidance.”

“Our underlying student enrolments have grown by 5% across the year despite tighter market conditions in the US and UK. We signed two new and renewed a number of key University Partnerships contracts and established our new Careers and Industry division, to simplify and focus on the opportunities to grow our vocational teaching businesses. With the launch of Navitas Ventures, we now have a small team focused on innovation for education, targeted at building new growth opportunities for Navitas.”

“Despite delivering a result in line with our guidance, group revenue declined due to a number of factors including the final closures of two University Partnerships colleges.”

[1] Pro-forma EBITDA includes share of EBITDA from joint ventures and excludes foreign currency translation movements.

Navitas Ltd

Head Office
Level 8, Brookfield Place
125 St Georges Terrace
Perth WA 6000 Australia

ABN 69 109 613 309

Main Details
T +61 8 9314 9600
F +61 8 9314 9699
E info@navitas.com
W navitas.com

.

"However we have significantly simplified and streamlined the Company's global operating structures to provide the best platform possible to execute our strategy and deliver on the growth opportunities that lie ahead."

EBITDA Segment Summary

Year ended 30 June $m	2017	2016[1]	% growth (actual FX)	% growth (constant FX)	2017 EBITDA margin (%)
University Partnerships[1]	131.2	146.9	(11)	(8)	**22.9**
Professional and English Programs (PEP)	*31.1*	25.4	22	22	**17.8**
SAE	*29.9*	28.5	5	5	**14.9**
Careers & Industry	61.0	53.9	13	13	**16.3**
Divisional EBITDA	192.2	200.8	(4)	(2)	**-**
Corporate costs	(37.2)	(36.2)	3	3	**-**
Reported Group EBITDA	155.0	164.6	(6)	(3)	**16.3**
Share of EBITDA from joint ventures	1.4	(1.4)	-	-	**-**
Foreign exchange movements	4.6	-	-	-	**-**
Pro-forma EBITDA[2]	**161.0**	**163.2**	**(1)**	**(1)**	**16.3**

Note 1. $64.3m of revenue and $9.7m of EBITDA was reclassified from Professional and English Programs to University Partnerships in FY16 following the transfer of ELICOS colleges to the Division. All comparative periods adjusted accordingly.

Note 2. Pro-forma EBITDA includes $1.4m share of EBITDA from joint ventures and excludes $4.6m foreign currency translation movements.

<u>University Partnerships</u>

The Division once again delivered strong academic and student experience outcomes although EBITDA declined following the closure of two colleges in Australia.

Enrolments grew by 5% over the year and fees increased by 2.5% on average. New agreements were signed with the University of Idaho and the Richard Bland College of William and Mary in the US. Five existing partner contracts were successfully renewed in the year, including with Deakin University, under similar terms and conditions. The Division also converted Edith Cowan College to a Joint Venture to expand its strategic opportunity. Finally the Macquarie University and Curtin Sydney contracts were concluded in the year, as both colleges finished teaching to students and were closed.

Latest University Partnerships enrolments

University Partnership Divisions' equivalent full time student units (EFTSU) for the second semester of 2017 increased by 8% on the pcp. This result includes enrolments from Navitas' three new joint venture colleges with combined enrolments of ~1,000 EFTSU.

- Underlying Australian and New Zealand enrolments increased by 16% following ongoing demand and a stable regulatory environment;
- North American enrolments were flat with growth in Canada offset by declines in the US following continued uncertainty in response to the new administration; and
- UK EFTSU decreased by 3% as the regulatory environment continues to be restrictive.

.

Careers and Industry
The new Careers and Industry Division was formed on 1 January 2017 through the merger of the former SAE and PEP divisions.

A new SAE campus was opened in Hannover and SAE entered the attractive Canadian market via a small acquisition in Vancouver. The Division achieved high Net Promoter Scores as well as strong student experience survey results compared to the wider higher education sector in the year. The Australian College of Applied Psychology (ACAP) won the right to self-accredit and SAE, ACAP and HSA were all approved to access the new VET Student Loan system. SAE's FY17 EBITDA performance was impacted $3.0m by the dismissal of the appeal regarding VAT exemption in the period.

Navitas Ventures
Navitas Ventures was launched in 2016 as a platform for Navitas to scale ideas and invest in new education models and technology. A number of projects and investments are underway across content, platform and technology developments.

Outlook
The Group's near term outlook will be impacted by the decrease in contribution from fewer AMEP contract regions and no contribution in FY18 from the now fully closed Macquarie and Curtin Sydney colleges.

However, global demand for high quality education remains strong and is forecast to continue to grow in Navitas' key markets. With a long history of delivering academic outcomes, a well-established global network of colleges and an active innovation pipeline, Navitas is well positioned to capture growth opportunities and deliver the Group's 2020 strategic KPI's.

------ENDS------

For further information contact:
James Fuller
Head of Investor Relations
Navitas Limited
Tel: +61 (8) 9314 9617
Mob: +61 488 093 763

About Navitas
Navitas is a leading global education provider that offers an extensive range of educational services through three major Divisions to students and professionals including university programs, creative media education, professional education, English language training and settlement services. Navitas is a S&P/ASX200 company.

Further details about Navitas are available at navitas.com