

Half Year Results

For the half year ended 31 December 2018

5 February 2019

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Key Highlights

David Buckingham, Chief Executive Officer

BGH Consortium Proposal – Board intends to recommend offer of \$5.825

- As announced on 15 January 2019, Navitas received a revised non-binding proposal from the BGH Consortium to acquire 100% of the shares in Navitas for \$5.825 cash per share (~\$2.1bn equity valuation) by way of a Scheme of Arrangement (“Revised Proposal”)
- Navitas Board intends to recommend the Revised Proposal to shareholders subject to the BGH Consortium confirming its offer price of \$5.825 per Navitas share, as well as the other conditions outlined in the Navitas’ ASX announcement dated 15 January 2019 (including no superior proposal and an independent expert concluding that the revised proposal is in the best interests of Navitas shareholders)
- BGH Consortium granted exclusive due diligence until 18 February 2019, subject to no superior proposal emerging which the BGH Consortium does not match
- Mechanism available for Mr R. Jones and AustralianSuper to support a superior proposal should any emerge and not be matched by the BGH Consortium
- The Revised Proposal represents a 6% increase of \$0.325 per share (or \$116m) relative to the BGH Consortium’s previous proposal (\$5.50 per share) and a premium of 34% to the pre-bid share price on 9 October 2018 (being the last closing price prior to the announcement of the prior proposals)
- The offer price of \$5.825 will be reduced by the amount of any dividends paid by Navitas prior to implementation of any scheme of arrangement:
 - no interim dividend declared in respect of the 6 months ending 31 December 2018; and
 - the Board intends to pay a dividend (of an amount to be determined) prior to implementation of the scheme, in order to distribute available franking credits

Operational highlights – HY19

1 REVENUE SUSTAINABILITY AND GROWTH

- Academic quality targets met – pass rates of 82%, retention rates of 88% and progression rates of 93%
- 3 new contracts announced – University of Twente, The Hague University of Applied Sciences and James Cook University
- Strong business development pipeline for H219 and FY20

2 PORTFOLIO

- C&I rationalisation program well progressed
 - Completed closure of Los Angeles and San Jose campuses
 - Advisors appointed to market the divestment of the US SAE business
 - Completed sale of Health Skills Australia to Holmesglen and Queensland TAFE
 - Closure of SAE Oxford operations underway
 - SAE Indonesia converted to license operation

3 FINANCIAL PERFORMANCE

- 5.4% enrollment growth YTD in UP division
- Strong student growth in Canada and UK
- Improved performance in SAE business following FY18 rationalisation

4 TECHNOLOGY / DIGITAL CAPABILITY

- Roll out of new student management and agent portal system progressing to completion
- Digital program established with 5 pilot developments underway

5 LEADERSHIP DEVELOPMENT

- Appointment of experienced new CEO for UP North America



6% growth in revenue and EBITDA in Continuing Operations

\$m	Consolidated		
	HY19	HY18	vs pcp (%)
CONTINUING OPERATIONS¹			
Revenue	472.2	446.6	6%
Pro forma² EBITDA	73.6	69.1	6%
REPORTED			
Revenue	477.4	456.7	5%
Pro forma ² EBITDA	50.9	67.3	(24%)
NPAT	21.4	25.0	(14%)
KEY METRICS			
Earnings per Share (cents)	6.0	6.9	(13%)
Operating cash flow per share (cents)	10.5	11.5	(9%)

Continuing Operations

- Pro forma EBITDA in line with market guidance
- Revenue up 6% despite 10% revenue decline in PEP
- Pro forma EBITDA up 6%, with strong improvement in SAE

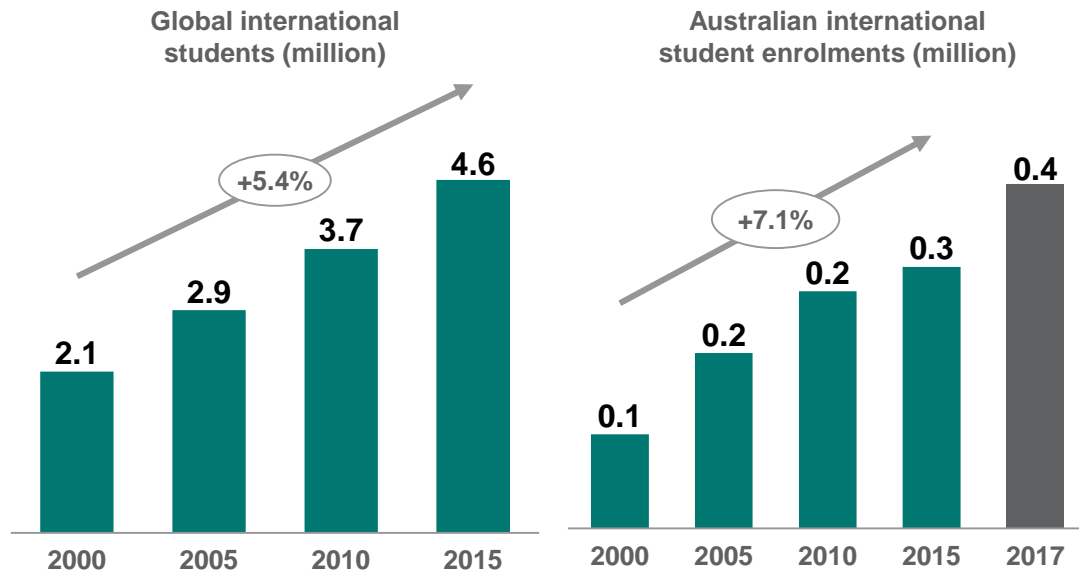
Note: Appendix includes a reconciliation of Continuing, Non-Continuing and Reported numbers for HY18 & HY19

¹ Excludes the trading contribution and closure costs of US SAE closed colleges in LA and San Jose, the Health Skills Australia business and bid advisory fees and other expenses accrued in connection with the BGH proposals

² Pro forma EBITDA includes share of Joint Ventures EBITDA

Market dynamics continue to support our growth aspirations

Global international students



The number of international students is expected to reach 7m – 8.5m by 2030

Australia has captured share from other destination countries

Student enrolments up 5.4% in first two semesters

- Strong growth in UK division (up 16%)
- Canada demand continues (North America up 7%)
- Smaller intake in Australia and New Zealand (up 2%)

Additional new Partner contracts imminent

- Significant US partnership
- European managed campus
- Top 50 UK-ranked University

Financial Performance

Phil Mirams, Chief Financial Officer

Actions taken to improve quality of Continuing Operations

\$m	Continuing Operations ¹			Reported ³		
	HY19	HY18	vs pcp (%)	HY19	HY18	vs pcp (%)
<u>Revenue</u>						
UP	315.0	296.9	6%	315.0	296.9	6%
SAE	104.8	92.7	13%	107.3	98.4	9%
PEP	49.6	55.0	(10%)	51.5	58.8	(12%)
Corporate	2.8	2.0	37%	2.8	2.0	37%
Total Revenue	472.2	446.6	6%	476.5	456.1	5%
<u>EBITDA</u>						
UP	67.2	66.2	2%	67.2	66.2	2%
SAE	18.4	14.5	27%	9.2	13.1	(30%)
PEP	6.3	7.2	(12%)	6.7	6.7	(1%)
Corporate - Operating Costs	(19.4)	(19.3)	0%	(19.4)	(19.3)	0%
Corporate - Bid Advisory Fees	-	-	-	(13.8)	-	-
Share of Joint Ventures EBITDA	1.1	0.6	71%	1.1	0.6	71%
Pro forma² EBITDA	73.6	69.1	6%	50.9	67.3	(24%)

Continuing Operations

- Excludes closed C&I operations following FY18 rationalisation and bid advisory fees and other expenses accrued in response to BGH proposals
- Strong revenue growth in UP and SAE businesses
- HY18 PEP revenue higher due to one-off Syrian migrant volume
- Growth in SAE EBITDA following FY18 rationalisation
- Pro forma EBITDA growth of 6% excluding bid advisory fees and other expenses for BGH proposals

Note: Appendix includes a reconciliation of Continuing, Non-Continuing and Reported numbers for HY18 & HY19

¹ Excludes the trading contribution and closure costs of US SAE closed colleges in LA and San Jose, the Health Skills Australia business and bid advisory fees and other expenses accrued in connection with the BGH proposals

² Pro forma EBITDA includes share of Joint Ventures EBITDA

³ Reported Revenue excludes interest income

\$m	HY19	HY18	vs pcp (%)
Revenue	315.0	296.9	6%
EBITDA	67.2	66.2	2%
<i>EBITDA margin</i>	21%	22%	
Share of Joint Ventures EBITDA	1.1	0.6	71%
Pro forma¹ EBITDA	68.3	66.8	2%
New Partner Start Up costs	2.1	0.6	
Pro forma¹ EBITDA (ex-New Partner Start Up costs)	70.4	67.4	4%

Commentary

- 5.4% YTD enrolment growth and price increases delivering solid 6% revenue growth
- Start-up costs were incurred during the period with no significant revenue contribution from:
 - Murdoch Dubai
 - The Hague University of Applied Sciences
 - University of Twente
 - Idaho University
 - Richard Bland College
 - Virginia Commonwealth University
- EBITDA margins impacted by:
 - Investment in sales transformation program (eg new direct sales channel)
 - Additional teaching staff to improve student outcomes

¹ Pro forma EBITDA includes share of Joint Ventures EBITDA

Careers & Industry – improved SAE results following FY18 rationalisation

Continuing Operations ¹ (\$m)	HY19	HY18	vs pcp (%)
SAE	104.8	92.7	13%
Professional and English Programs	49.6	55.0	(10%)
Revenue	154.4	147.7	5%
SAE	18.4	14.5	27%
Professional and English Programs	6.3	7.2	(12%)
EBITDA	24.7	21.7	14%
SAE	18%	16%	
Professional and English Programs	13%	13%	
EBITDA margin	16%	15%	

Continuing Operations

- Strong growth in SAE revenue (up 13%) driven by improved enrolments
- PEP revenue has declined by 10% - prior period included one-off benefit of Syrian migrant students
- Stronger margins following the decision to rationalise the US business and close HSA
- SAE still contains lower margin US businesses held for sale

US SAE Business

- Successful closure of LA and San Jose campuses
- Structural improvements made to cost base
- Closure of a number of direct competitors has increased demand
- Lower attrition supporting revenues
- Sale advisors have been appointed

¹ Excludes the trading contribution and closure costs of US SAE closed colleges in LA and San Jose and the Health Skills Australia business

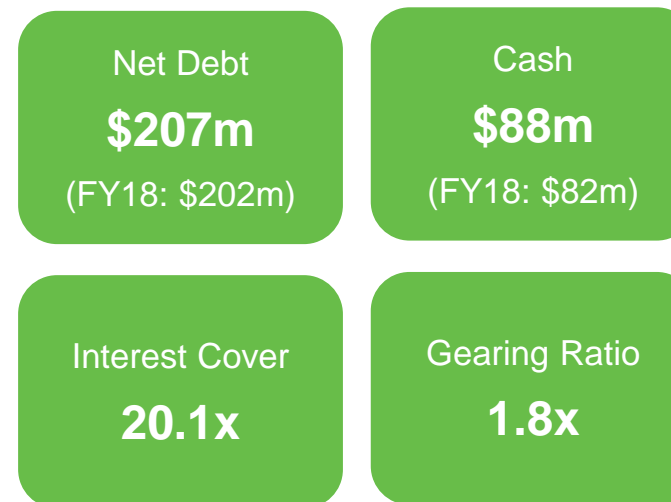
Cash flow and key debt metrics

\$m	HY19	HY18
Pro forma ¹ EBITDA	50.9	67.3
Share of Joint Ventures EBITDA	(1.1)	(0.6)
EBITDA	49.8	66.7
Net working capital	2.5	2.0
Accrued Bid Advisory Fees	13.8	-
Tax	(25.6)	(23.5)
Net interest	(3.0)	(3.9)
Operating cash flow	37.5	41.3
Capex	(14.2)	(8.3)
Acquisitions/disposals	-	(10.3)
Other investments	(0.6)	(0.2)
Net cash flow before financing	22.8	22.5

Commentary

- Operating cash flow impacted by costs of closing discontinued businesses
- Bid advisory fees and other expenses of \$13.8m accrued (not yet paid)
- HY19 capex of \$14.2m, with lower spend expected in second half
- HY18 cash outflow of \$10.3m for the acquisitions of ASAM and CCEL

KEY DEBT METRICS



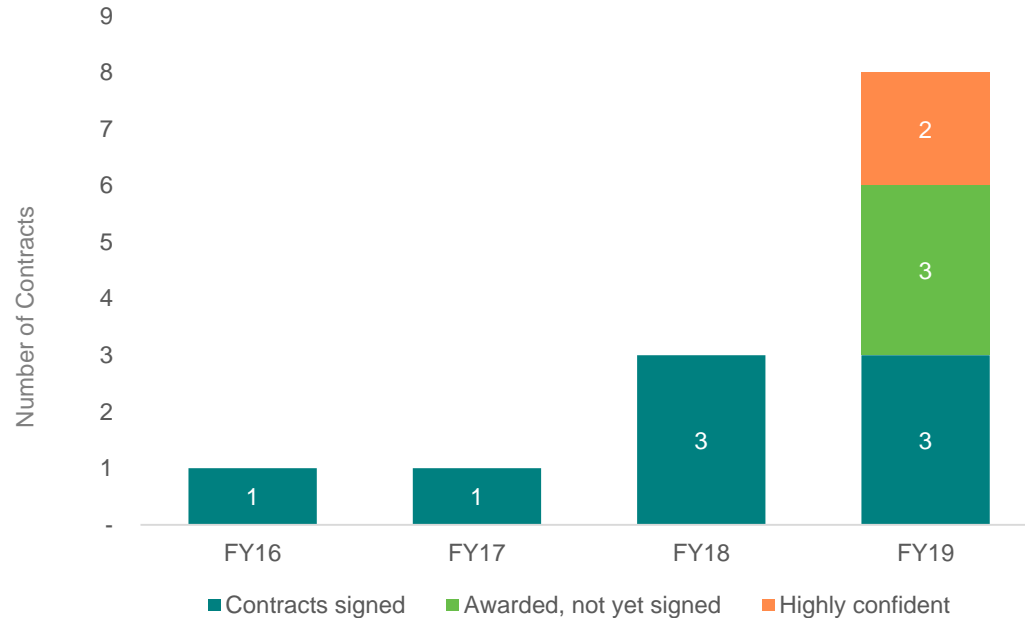
¹ Pro forma EBITDA includes share of Joint Ventures EBITDA

Outlook

David Buckingham, Chief Executive Officer

Strong new partner pipeline will drive additional growth

Contract wins through time



- Target partners that complement our portfolio
- 2 recent renewals – Robert Gordon University in Scotland and Canterbury in New Zealand
- Portsmouth and Plymouth renewals due imminently
- FY18 new contracts included:
 - Murdoch Dubai
 - Richard Bland College
 - Virginia Commonwealth
- HY19 new contracts include:
 - The Hague University of Applied Sciences
 - University of Twente
 - James Cook University
- Five additional contracts targeted in FY19:
 - Three further contracts imminent
 - Advanced discussion with a further two partners

Outlook

- **FY19 Continuing Operations¹ Pro forma² EBITDA guidance \$148m-\$153m maintained**
- Growing global demand for education services despite uncertainty in some markets
- Strong enrolment growth in University Partnerships division
- Contract renewal and business development to deliver medium to long term growth
- Profitability improvement coming through in C&I division post recent rationalisation
- No interim dividend declared in respect of the six months ending 31 December 2018
- Board intends to pay a dividend (of an amount to be determined) prior to implementation of the scheme, in order to distribute available franking credits



¹ Excludes the trading contribution and closure costs of US SAE closed colleges in LA and San Jose, the Health Skills Australia business and bid advisory fees and other expenses accrued in connection with the BGH proposals

² Pro forma EBITDA includes share of Joint Ventures EBITDA

Appendix

Navitas – differentiated global position in the sector

Scale



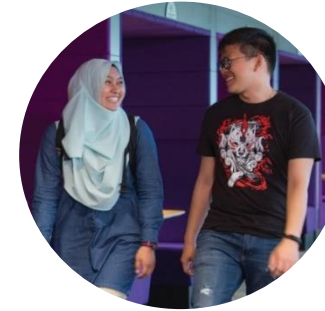
**OVER 7,000
EMPLOYEES**



120 COLLEGES



**PRESENCE IN
33 COUNTRIES**



**70,000
LEARNERS**

Sector Leader



**\$2.0B¹ MARKET
CAPITALISATION**



**36 UNIVERSITY
PARTNERS ACROSS
42 COLLEGES**



**9 UNIVERSITY
PRODUCT LINES**

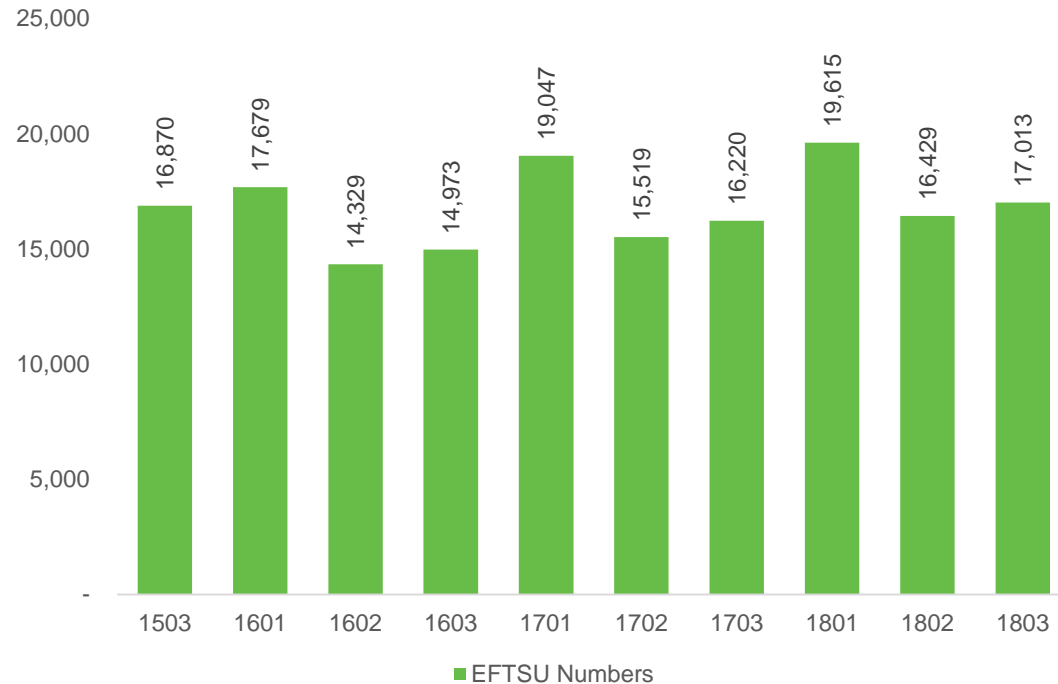


**8 STUDENT
FACING BRANDS**

¹ as at 4 February 2019

University Partnerships enrolments increased 5% in Semester 3 2018

University Partnerships EFTSU

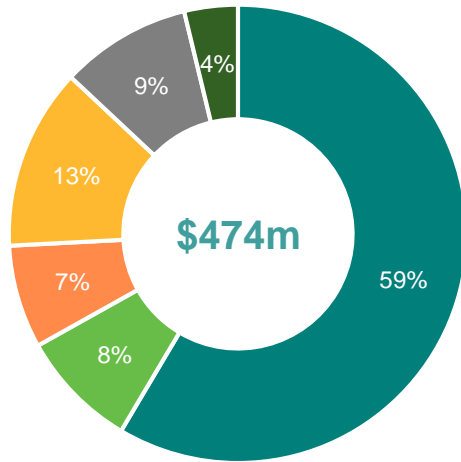


Commentary

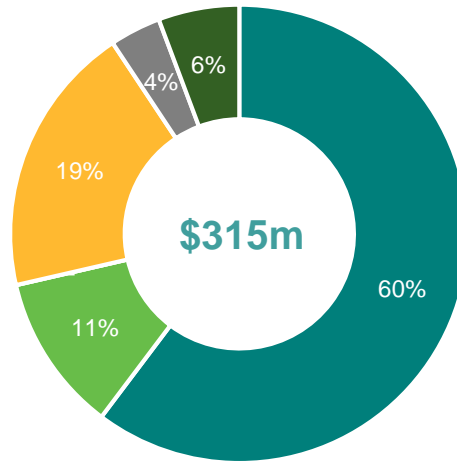
- EFTSU for 1803 increased to 17,013, which represents a 5% increase compared with the PCP
- This brings the total growth in student enrolments across the first two semesters of 5.4%
- UK enrolments increased by 16% relative to 1703, despite a continued tough student recruitment environment
- North America increased by 7%, with Canadian colleges continuing to perform well which more than offset the fall in US volumes
- Australia and NZ college enrolments increased by 2% compared with PCP, noting that semester one is a significantly larger intake for this region
- In Australia, NSW experienced strong growth, which was offset by WA and SA

Operating Revenue by Geography – HY19

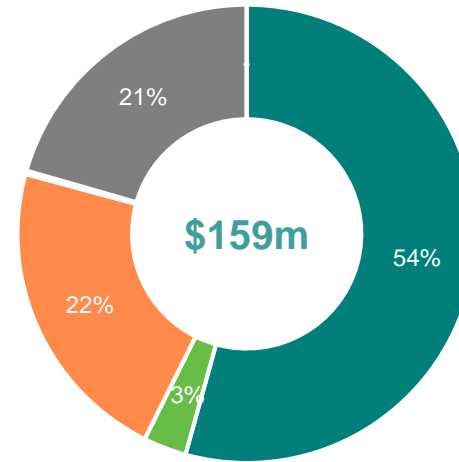
Consolidated



University Partnerships



Careers & Industry



■ Australia ■ UK ■ Europe ■ Canada ■ US ■ ROW

Financial Reconciliation – Reported, Continuing & Non-Continuing

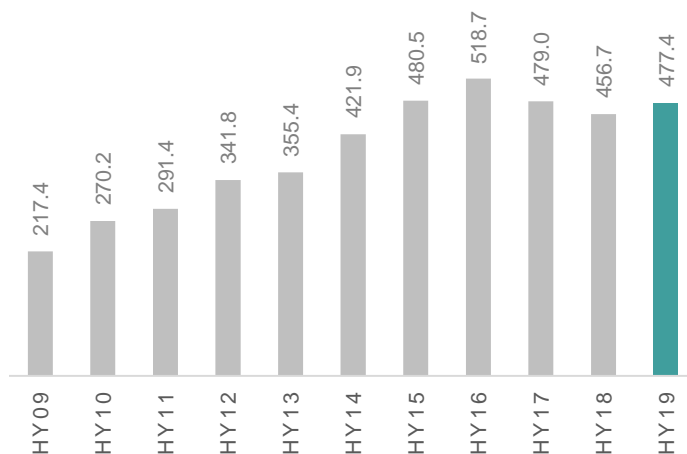
\$m	Continuing Operations ²			Non-Continuing Operations			Reported ³		
	HY19	HY18	vs pcp (%)	HY19	HY18	vs pcp (%)	HY19	HY18	vs pcp (%)
<i>Revenue</i>									
UP	315.0	296.9	6%	-	-	-	315.0	296.9	6%
SAE	104.8	92.7	13%	2.5	5.7	(56%)	107.3	98.4	9%
PEP	49.6	55.0	(10%)	1.8	3.8	(52%)	51.5	58.8	(12%)
Corporate	2.8	2.0	37%	-	-	-	2.8	2.0	37%
Total Revenue	472.2	446.6	6%	4.4	9.5	(54%)	476.5	456.1	5%
<i>EBITDA</i>									
UP	67.2	66.2	2%	-	-	-	67.2	66.2	2%
SAE	18.4	14.5	27%	(9.2)	(1.4)	-	9.2	13.1	(30%)
PEP	6.3	7.2	(12%)	0.4	(0.4)	-	6.7	6.7	(1%)
Corporate - Operating Costs	(19.4)	(19.3)	0%	-	-	-	(19.4)	(19.3)	0%
Corporate - Bid Advisory Fees	-	-	-	(13.8)	-	-	(13.8)	-	-
EBITDA	72.5	68.5	6%	(22.6)	(1.8)	-	49.8	66.7	(25%)
Share of Joint Ventures EBITDA	1.1	0.6	71%	-	-	-	1.1	0.6	71%
Pro forma¹ EBITDA	73.6	69.1	6%	(22.6)	(1.8)	-	50.9	67.3	(24%)

¹ Pro forma EBITDA includes share of Joint Ventures EBITDA

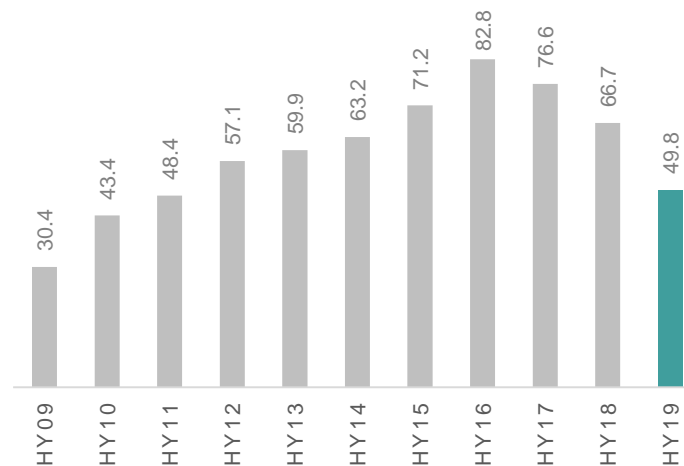
² Excludes the trading contribution and closure costs of US SAE closed colleges in LA and San Jose, the Health Skills Australia business and bid advisory fees and other expenses accrued in connection with the BGH proposals

³ Reported Revenue excludes interest income

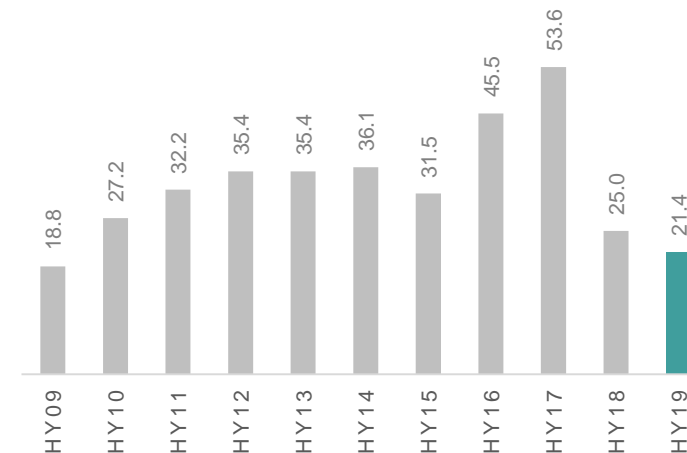
Total Revenue (\$m)



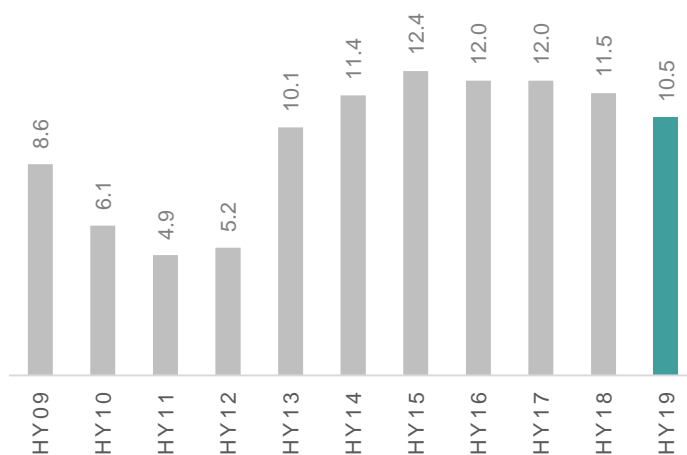
EBITDA¹ (\$m)



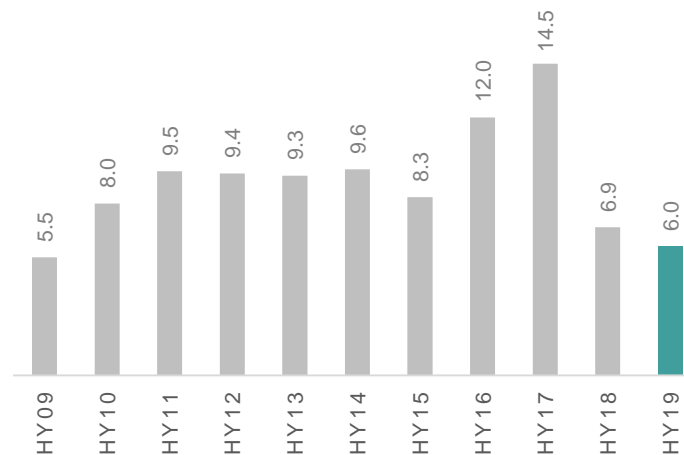
Statutory NPAT (\$m)



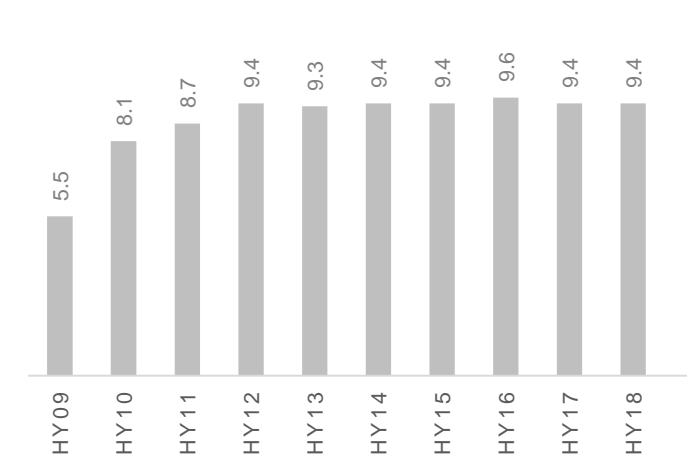
Operating Cash Flow (cps)



Earnings per Share (cps)



Dividends (cps)



Detailed Profit & Loss: 5 years

\$m	HY15	HY16	HY17	HY18	HY19	PCP Change		Growth
						\$	% Mvmt	CAGR
<u>Revenue</u>								
UP	308.6	329.0	290.6	296.9	315.0	18.1	6%	1%
SAE	86.8	101.5	99.4	98.4	107.3	8.8	9%	5%
PEP	82.8	85.6	85.8	58.8	51.5	(7.3)	(12%)	(11%)
Corporate & consolidation items	1.2	1.4	2.3	2.0	2.8	0.8	37%	25%
Total Revenue	479.4	517.5	478.1	456.1	476.5	20.4	4%	(0%)
Expenses	(408.3)	(434.7)	(401.5)	(389.4)	(426.7)	(37.2)	10%	1%
EBITDA *	71.2	82.8	76.6	66.7	49.8	(16.9)	(25%)	(9%)
Depreciation	(12.5)	(15.2)	(14.5)	(15.2)	(13.4)	1.8	(12%)	2%
EBITA *	58.6	67.6	62.1	51.6	36.4	(15.1)	(29%)	(11%)
Amortisation	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.0)	0%	(5%)
EBIT *	58.2	67.2	61.8	51.3	36.1	(15.1)	(29%)	(11%)
Net Interest (paid)/received	(2.4)	(1.8)	(2.4)	(4.3)	(3.3)	1.0	(23%)	9%
Share of Joint Ventures (losses)/profits	-	(0.4)	(0.1)	0.5	0.6	0.1	24%	-
Profit Before Tax *	55.9	65.1	59.3	47.5	33.5	(14.0)	(29%)	(12%)
Income Tax	(15.3)	(19.6)	(20.0)	(23.7)	(12.1)	11.6	(49%)	(6%)
Net Profit After Tax *	40.6	45.5	39.3	23.8	21.4	(2.4)	(10%)	(15%)
Outside Equity Interest	(0.2)	(0.4)	(0.3)	(0.3)	(0.0)	0.3	(94%)	(43%)
NPAT attributable to Navitas *	40.4	45.1	39.0	23.5	21.4	(2.1)	(9%)	(15%)
Reported NPAT	31.5	45.5	53.6	25.0	21.4	(2.4)	(10%)	(9%)
Reported NPAT attributable to members	31.3	45.1	53.3	24.7	21.4	(2.1)	(9%)	(9%)

Abbreviations

ACAP – Australian College of Applied Psychology

AMEP – Adult Migrant English Program

ASAM – Australian School of Applied Management

ASX – Australian Securities Exchange

CAGR – Cumulative Annual Growth rate

Capex - Capital Expenditure

CCEL – Christchurch College of English Language

C&I – Careers and Industry

CPS – Cents Per Share

EBITDA – Earnings Before Interest, Tax, Depreciation & Amortisation

H1 – the first half of the financial year

H2 – the second half of the financial year

HSA – Health Skills Australia

HY – the six months ended 31 December

FY – Financial Year ended 30 June

FX – Foreign Exchange

KPI – Key Performance Indicator

NPAT – Net Profit After Tax

PCP – Prior Corresponding Period

PEP – Professional and English Programs

ROW – Rest of World

SAE – School of Audio Engineering, now known as SAE

UP – University Partnerships

YTD – Year to Date

