

30 January 2018

REVENUE GROWTH IN ONGOING OPERATIONS OFFSET BY IMPACT OF CLOSED COLLEGES AND REDUCED AUSTRALIAN MIGRANT ENGLISH CONTRACTS

Navitas has reported growth in revenue and EBITDA for continuing operations but the comparison to prior period is affected by the completion of Macquarie contracts, reduced AMEP contract regions and the conversion of Edith Cowan College (ECC) to a joint venture.

Key Highlights

Operational

- Excellent student outcomes across all Divisions including University Partnerships pass rates (84%), retention rates (90%) and progression rates (94%);
- 8% underlying growth in H1 FY18 University Partnerships enrolments;
- Deakin, Anglia Ruskin, Curtin and Brunel university partnership agreements renewed and Swansea converting to a joint venture;
- New college agreement signed with Virginia Commonwealth University;
- Continued solid SAE enrolment growth in Australia; and
- New Group CEO announced and transition well progressed for 1 March 2018 handover.

Financial

- Group revenue decreased 5%, EBITDA decreased 13% - prior period (H1 FY17) included income from closed colleges, more AMEP contract regions and a contribution from ECC before it converted to a joint venture;
- University Partnerships earnings margin increased by 21 bps (excluding closed colleges) and SAE by 29 bps;
- NPAT further impacted by reduction in carrying value of US tax loss assets and one-off gain on conversion of ECC to a joint venture in the pcp;
- Strong operating cash flow held steady despite NPAT decline - fully franked interim dividend maintained at 9.4 cents per share (H1 FY17: 9.4); and
- Share buy back substantially completed and closed after capital management objectives met.

Navitas Group Chief Executive Officer, Rod Jones, said:

"Navitas has continued to deliver on strong academic and experience outcomes to students and partners while delivering growth and improved cash flows from our continuing operations."

"Key highlights included: a further improvement in academic and student support outcomes across all Divisions; a new agreement with Virginia Commonwealth University and 100% renewal rate in University Partnerships contracts, and the start of our transition to a new Group CEO."

"Our University Partnerships operations performed strongly as global demand for high quality tertiary education in key destinations continued to grow. The performance of the Careers and Industry Division was impacted by fewer AMEP contract regions and reduced

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student intakes in ACAP following the reforms of the Vocational Education sector in Australia.”

“Global demand for education and training continues to increase steadily providing Navitas with growth opportunities in traditional and emerging fields.”

“We are pleased to have maintained the fully franked interim dividend following strong cash flows. It is anticipated that we will move to a partially franked dividend sometime in the near future.”

Segment Summary

Divisional EBITDA results are as follows:

Period ended 31 December	2017	2016	% growth (actual FX)	% growth (constant FX)	EBITDA margin (%)
\$m					
University Partnerships	66.2	70.3	(6)	(6)	22.3
Careers & Industry	19.8	24.4	(18)	(21)	12.6
- Professional and English Programs (PEP)	6.7	11.4	(41)	-	11.5
- SAE	13.1	13.0	1	(4)	13.4
Divisional EBITDA	86.0	94.7	(9)	-	-
Corporate costs	(19.3)	(18.1)	7	4	-
Group EBITDA	66.7	76.6	(13)	(14)	14.6
Share of EBITDA from joint ventures	0.6	0.3	100		
Foreign exchange movements	(0.6)	-			
Pro-forma EBITDA¹	66.7	76.9	(13)		

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

University Partnerships Division

The Division delivered high academic outcomes while for continuing University Partnerships colleges revenue increased by 11%, EBITDA increased by 12% and EBITDA margin improved 21bps following solid growth in enrolments across several regions. Reported EBITDA declined 6% mainly due to the contribution from closed colleges in the comparative prior period.

One new agreement was signed with Virginia Commonwealth University in the period. Agreements with partners including Deakin, Anglia Ruskin, Curtin and Brunel were renewed with the Swansea University agreement converting to a joint venture model in H2 FY18. Following a review of its longer term growth potential, management progressed plans to close Edinburgh International College in 2018.

Careers and Industry Division

The Division continued to focus on academic outcomes and student experience with students reporting high levels of satisfaction with program and teaching quality. The Division was impacted by a reduced contribution from Adult Migrant English Programs

(AMEP) following the loss of several contract regions in a re-tender process in FY17. Enrolments at ACAP were affected by the flow on of reforms to Vocational Education funding in Australia which came into effect in 2017.

The Division continued to focus on the transition of SAE colleges to a new accrediting body in the US following the closure of the regulator ACICS. This approval is expected to be completed by mid-2018 and new course approval is delayed until the process is complete. SAE's UK business has also been granted permission to appeal the UK VAT ruling and has instructed its counsel to file a notice of intention to proceed with the appeal.

Navitas Ventures

Navitas Ventures continued to map the education technology sector and invested in a small number of emerging education technology (EdTech) businesses. During the period Navitas increased its ownership of the Australian School of Applied Management to 80%.

Summary

These results demonstrate strong underlying growth in continuing University Partnerships colleges. Six university partnerships agreements were renewed leaving only three contracts due for renewal in the next two years.

Navitas' operating businesses are performing in-line with the previously released 2020 strategic KPI's and the transition of the Group CEO is well progressed and on-track for the 1 March 2018 handover.

Demand for high quality education services continues to grow globally despite uncertainty in some markets. Navitas is well positioned for future growth with a track record of delivering quality outcomes, a leading global network and a strong innovation pipeline.

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About Navitas

Navitas is a leading global education provider that offers an extensive range of educational services through two 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