

ASX RELEASE

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NAVITAS FY14 FULL YEAR RESULTS - BUILDING A PLATFORM FOR CONTINUED GROWTH

Financial Highlights

- Total Group revenue up 20% to \$878.2m;
- Underlying EBITDA up 11% to \$144.9m (excluding goodwill impairment of \$30.5m);
- Net profit after tax (NPAT), excluding goodwill impairment, up 10% to \$82.0m;
- Earnings per Share, excluding goodwill impairment, of 21.8 cents;
- Inclusive of \$30.5m goodwill impairment, NPAT decreases 31% to \$51.6m (FY13: \$74.6m) and Earnings per Share decreases 31% to 13.7 cents (FY13: 19.9 cents); and
- Fully franked full year dividend of 19.5 cents per Share.

Highlights for the year

- Navitas enters the ASX100;
- Navitas ranked 25th in Forbes 2014 World's 100 Most Innovative Growth Companies list;
- Continued student enrolment growth across University Programs produces record result;
- Opened two new University Programs Colleges, one in the UK and one in New Zealand;
- Significantly increased business development activities for new University Programs colleges in the US;
- Added significant systems and management capability in SAE resulting in increased student enrolments and strong revenue growth;
- Record year for Professional and English Programs with continued growth in education businesses and government contracts; and
- AMEP contracts extended for a further three years from 1 July 2014.

Navitas Limited

Level 2, Kirin Centre
15 Ogilvie Road
Mount Pleasant WA 6153
Australia

Postal: PO Box 1001
Canning Bridge WA 6153
Australia

ABN 69 109 613 309

T +61 8 9314 9600
F +61 8 9314 9699
W navitas.com



In a year of solid growth, global education services provider Navitas Limited (ASX: NVT) has today announced a 20% increase in revenue to \$878.2m (FY13: 731.7m).

Following significant investments in systems, people and processes across the Group, and in line with the October guidance, underlying EBITDA grew by 11% to \$144.9m (FY13: \$130.0m). Excluding goodwill impairment, NPAT increased by 10% to \$82.0m (FY13: \$74.6m).

An 11% increase in cashflows from operations to \$140.9m (FY13: \$126.8m) has enabled Navitas' cash realisation ratio to remain steady at 1.32x (FY13: 1.39x).

The Company has declared a final dividend of 10.1 cents per Share (FY13: 10.2 cents) bringing the fully franked full year dividend to 19.5 cents per Share (FY13: 19.5 cents). The dividend will be paid on 15 September 2014 with the record date being 1 September 2014.

"FY14 was a critical year for Navitas as we recorded significant revenue growth but were also focused on investing in the business so that the Company is better positioned to maximise identified growth strategies," Navitas Group CEO, Rod Jones said.

"Navitas' balance sheet is robust with increased unearned income, decreased net debt and solid shareholder funds," Mr Jones said.

Divisional summary

The University Programs Division achieved record results, increasing revenue by 20% to \$499.2m (FY13: \$415.7m) following a full year of solid enrolment growth across all key regions. On a same currency basis this is a 16% increase in revenue compared to pcp. This is comprised of 10% volume growth with the balance being price increases and mix.

Underlying EBITDA grew by 15% to \$121.8m (FY13: \$106.1m), but was affected by investments in management capability, systems (including Salesforce) and additional marketing resources being placed in source countries.

"With relatively positive regulatory and visa policy environments, and strong interest in high quality higher education destinations, our colleges have been ideally positioned to meet demand," Mr Jones said.

"We have continued to invest in the business so that growth opportunities can be appropriately leveraged over the long term."

The University Programs Division incurred a \$23.3m goodwill impairment in relation to SIBT. More information on this is provided in the significant events section. The Division also incurred a \$7.2m goodwill impairment for EduGlobal and AUSI following declines in performance over the last few years. The carrying value of EduGlobal and AUSI has been reduced to nil.

Navitas and Edith Cowan University have agreed a 12 month extension (until 31 December 2015) of the agreement for Perth Institute of Business and Technology (PIBT), under the same terms and conditions.

"We have been in discussion with the University for a number of months but with the current Vice-Chancellor due to retire in September 2014 a longer term contract will be negotiated once the new Vice-Chancellor commences in April 2015," Mr Jones said.

SAE recorded an increase in revenue of 31% to \$150.3m (FY13: \$114.9m), excluding currency impacts this is a 21% underlying increase in revenue for the year.

FY14 EBITDA was \$24.5m (FY13: \$25.1m) representing a 24% increase in EBITDA from H2 FY13 to H2 FY14 following solid enrolment growth and a slowing in investment across the Division. SAE USA achieved a breakeven EBITDA result after a H1 FY14 \$2.0m loss and in the year also acquired Ex'pression College, a California based creative media college. The Division recognised \$4.0m in one-off depreciation in FY14.

"Following significant investment in systems, people and processes we are now seeing some of this year's revenue growth flow through to earnings," Mr Jones said.

The Professional and English Programs Division had a record year delivering revenue growth of 14% to \$224.2m (FY13: \$196.4m) and EBITDA growth of 31% to \$25.2m (FY13: \$19.3m) as education based businesses delivered strong returns. ACAP was the standout with a 57% increase in earnings compared to pcp. Government contracts managed by the English and Foundation Skills area also performed well, as did ELICOS programs.

"The Professional and English Programs Division has continued to improve, delivering a record result for the year. Education businesses improved strongly while increased volumes supported English and Foundation Skills growth."

"Synergies and efficiencies following the merger of the former Professional and English divisions also supported growth," Mr Jones said.

Significant events

On 9 July 2014 Navitas announced an agreement with Macquarie University for SIBT to continue on-campus for a further 12 months from the expiry date of the existing agreement. From this time SIBT will only operate from its Sydney CBD location and place students into Macquarie University as a Streamlined Visa Processing (SVP) business partner. Macquarie University has announced that it intends to establish its own on-campus pathway programs.

This decision was not a reflection on the quality of SIBT, the success of its students or the financial returns delivered to Macquarie University. However it is consistent with the University's future direction as announced by Macquarie University's new leadership team. Subsequent discussions with other university partners, agents and stakeholders have been reassuring and endorse Navitas' core University Programs model.

The loss of SIBT's capacity to deliver programs on Macquarie University's North Ryde campus from February 2016 will likely result in a one off decline in growth in University Programs earnings which will impact the second half of FY16 and the first half of FY17. However it is anticipated that this impact will be mitigated by other growth initiatives.

Outlook

The Group anticipates strong earnings growth in FY15 as all three Divisions are forecast to increase their contributions with similar EBITDA margins to the prior year.

"At this stage in the financial year we expect to achieve FY15 underlying earnings before interest, tax, depreciation and amortisation of \$162m to \$172m," Mr Jones said.

"Navitas' broader growth strategies across University Programs, SAE and Professional and English Programs are progressing as planned and will continue to deliver value for students, partners and shareholders well into the future," Mr Jones concluded.

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For further information contact:

James Fuller, Group Manager Public and 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/ASX100 company.

Further details about Navitas are available at navitas.com