

ASX RELEASE
27 July 2015

NAVITAS FY15 FULL YEAR RESULTS

NAVITAS DELIVERS 13% EBITDA GROWTH AHEAD OF A CHALLENGING YEAR

Financial Summary

	FY15	FY14	Change %
Group revenue (\$m)	980.3	878.2	+12
Underlying EBITDA* (\$m)	163.1	144.9	+13
NPAT* (\$m)	91.4	82.0	+11
Reported NPAT (\$m)	71.8	51.6	+39
EPS* (cents)	24.3	21.8	+11
Reported EPS (cents)	19.1	13.7	+39
DPS (fully franked) (cents)	19.5	19.5	-

*excluding goodwill impairment

Key Highlights

- Continued delivery of strong student experience and academic outcomes including higher than 90% progression rates to university for University Programs and continued improvement of Net Promoter Scores for Professional and English Programs and SAE;
- Two new university agreements announced under the existing royalty model – partnering with Florida Atlantic University and University of Northampton;
- Two new university agreements announced under the new joint venture model – partnering with the University of Western Sydney and the University of Canberra;
- Three university partner contracts renewed with similar terms and conditions;
- Promising discussions with potential new university partners, particularly in the US;
- Professional and English Programs continued its growth trajectory and leveraged scale benefits and operational efficiency;
- SAE delivered a strong second half result;
- Group capability and capacity further developed; and
- 21% growth in Economic Value Added®.

® Registered trademark of Stern Stewart

Navitas Limited

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

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

ABN 69 109 613 309

Navitas Group Chief Executive Officer, Rod Jones, said:

"In FY15 Navitas celebrated 20 years of delivering high quality educational outcomes to students and partners."

"A number of key achievements were; continued high progression rates in the University Programs Division, improved Net Promoter Scores in the Professional and English Programs and SAE Divisions, an expansion of our global agent network and an increase of 15% in the royalties paid to our university partners."

"Financially we delivered 12% growth in revenues and met earnings guidance with 13% underlying EBITDA growth."

"As the global education sector undergoes significant change driven by regulatory, technological and competitive forces, we are also evolving our strategy by building on our leadership position, our diversified portfolio and our global capacity to achieve growth for the longer term."

Group overview

Navitas Limited (ASX: NVT) has today announced:

- A 12% increase in revenue to \$980.3m (FY14: \$878.2m);
- Underlying EBITDA growth of 13% to \$163.1m (FY14: \$144.9m), in line with guidance;
- A 10% increase in NPAT to \$90.8m (FY14: \$82.0m), excluding goodwill impairment;
- Steady cashflows from operations at \$141.8m (FY14: \$140.9m);
- The Group incurred an additional \$10.5m goodwill impairment charge in the second half of FY15 comprised of \$7.4m for Study Overseas Limited and \$3.1m for Navitas Resources Institute. Including the \$9.0m impairment for Sydney Institute of Business and Technology announced in the first half, total goodwill impairments for FY15 were \$19.5m. The carrying value for these businesses has been reduced to zero; and
- A final dividend of 10.1 cents per Share (FY14: 10.1 cents), bringing the fully franked full year dividend to 19.5 cents per Share (FY14: 19.5 cents).

The dividend will be paid on 15 September 2015 with the record date being 1 September 2015. The Navitas Dividend Reinvestment Plan (DRP) will be again offered at no discount to market. The last date for receipt of an election notice to participate in the DRP is by 5.00pm (AEST) on 2 September 2015.

Divisional summary

University Programs

The University Programs Division remains focused on academic quality and student outcomes. Recent outcomes highlighted pleasing results including retention rates of over 85% and progression to partner university rates of over 90%. The Division also engaged with partner universities in the development of new programs and to support the achievement of their strategic goals. In FY15, royalties paid to university partners increased by 15%.

The Division increased revenue by 13% to \$566.3m (FY14: \$499.2m), 11% on a same currency basis. Underlying EBITDA grew by 15% to \$140.4m (FY14: \$121.8m), on the back of revenue growth and a 0.4% improvement in margin.

The 2015 financial year commenced with the non-renewal of the SIBT and Macquarie City Campus contracts with Macquarie University. The loss of these contracts will impact student enrolments and financial performance for the Division in FY16 and FY17 - most significantly in the 12 months from February 2016.

The Division's 2015 semester two enrolments were in line with the prior corresponding period, representing 16,396 (201402: 16,420) equivalent full time student units (EFTSU). EFTSU growth in Australian and New Zealand University Programs colleges has continued to moderate with a 2% decline in enrolments for this period. Excluding Macquarie University operations (SIBT and Macquarie City Campus) Australian/New Zealand enrolments grew by 2% compared to pcp.

A number of factors have impacted on Australian enrolments for the semester including the continuing reduction in international students recruited onshore as the pool has been significantly reduced, increased Department of Immigration and Border Protection involvement in visa assessment in higher risk markets such as Nepal, India and Vietnam and a decline in enrolments from SIBT and Macquarie City Campus.

As announced in late June, semester two enrolments in the US grew by 18% and 17% in Canada but declined by 13% in the UK as government changes to the visa refusal rate continue to impact.

Australian and UK colleges face a number of challenges which are impacting enrolment growth in the short term. Navitas is working with university partners, the agent network and governments to mitigate these issues.

Two new agreements were signed under the existing royalty model in FY15 and in addition the Division renewed three existing agreements under similar terms and conditions.

To create additional options for partners the Division also developed the new joint venture model. Two new university agreements were signed under the joint venture model in the year.

Professional and English Programs (PEP)

The Professional and English Programs Division achieved a further improvement in student survey results during the year with Net Promoter Scores increasing in FY15 surveys. Financially, the Division had another record year delivering 17% underlying EBITDA growth of \$29.5m (FY14: \$25.2m) from revenue of \$224.0m (FY14: \$224.2m).

Much of the growth was delivered by the Australian College of Applied Psychology (ACAP), Health Skills Australia (HSA), Navitas College of Public Safety (NCPS), English Language Intensive Courses for Overseas Students (ELICOS) and Careers & Internships businesses following continued interest in their programs. Scale benefits and operational efficiency also contributed to the 1.9% improvement in EBITDA margin.

As anticipated, Adult Migrant English Program (AMEP) volumes declined following changes to Australia's humanitarian and refugee intake.

SAE

SAE recorded a 23% increase in revenue to \$185.5m (FY14: \$150.3m), of which just over half was the first year contribution from Ex'pression College.

FY15 EBITDA was \$26.1m (FY14: \$24.5m) representing a 7% increase compared to FY14 and a 21% increase in the second half compared to the prior corresponding period. This result followed solid enrolment growth, particularly in Australia. Ex'pression College generated \$0.5m EBITDA in its first full year of Navitas ownership (\$2.5m before \$2.0m of transaction and integration costs).

Outlook

In accordance with previous announcements, the Group anticipates FY16 EBITDA will remain broadly in line with FY15.

The material earnings impact from the loss of the University Programs MQC and SIBT on-campus contracts will take effect from February 2016. This is expected to be mitigated by earnings growth from other University Programs contracts and the other Divisions within the Group.

The significant changes currently being experienced by the education sector globally, including the effect of regulation, technology and competition is unprecedented in Navitas' 20 year history.

As a leading global education provider with a diversified portfolio and a strong heritage of delivering high quality educational outcomes to students and partners Navitas is well positioned to adapt to, and manage, such change.

-----ENDS-----

For further information contact:

James Fuller, Group Manager Corporate Affairs
Navitas Limited
Email: james.fuller@navitas.com
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 (University Programs, SAE, Professional and English Programs) 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