

**ASX RELEASE**  
2 February 2016

**NAVITAS REPORTS SOLID FY16 INTERIM RESULTS  
FY16 GUIDANCE REAFFIRMED**

**Financial Summary**

	<b>H1 FY16</b>	<b>H1 FY15</b>	<b>Change %</b>
<b>Group Revenue (\$m)</b>	517.5	479.4	8
<b>Underlying Earnings Before Impairment, Taxes, Depreciation and Amortisation (EBITDA) (\$m)</b>	82.8	71.1*	16
<b>Net Profit After Tax (NPAT) (\$m)</b>	45.1	40.4*	12
<b>Reported NPAT (\$m)</b>	45.5	31.5	44
<b>Earnings Per Share (EPS) (cents)</b>	12.0	10.7*	12
<b>Reported EPS (cents)</b>	12.0	8.3	45
<b>Interim Dividend Per Share (fully franked) (cents)</b>	9.6	9.4	2

\*excluding \$9.0m H1 FY15 goodwill impairment as disclosed in Navitas' FY15 Annual Report

**Key Highlights**

- Increases in progression-to-university and pass rates for University Programs and continued delivery of strong student experience and academic outcomes across all Divisions;
- Contract renewal with the University of South Australia for a 10 year period under similar terms and conditions;
- Solid revenue, earnings and margin growth;
- Robust SAE result following improved US performance; and
- Leadership team capacity and depth enhanced including the appointment of David Buckingham as Chief Financial Officer.

**Navitas Group Chief Executive Officer, Rod Jones, said:**

*"Navitas delivered a solid first half result with pleasing academic outcomes and earnings growth across all Divisions. This is an outcome of our continued focus on academic excellence and enhancing greater return on investment."*

*"Key achievements included: increased progression-to-university and pass rates for University Programs, continued high student satisfaction rates across Professional and English Programs and an ongoing focus on cost controls resulting in margin improvement and supporting 16% underlying EBITDA growth."*

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*"Navitas is also refreshing and enhancing its leadership team to align the Company with its global footprint and to strengthen the executive group to lead Navitas into the future."*

*"Navitas has made a strong start to the year. As expected, the second half will be impacted by the completion of the Macquarie University contracts in February 2016 and as such the Group reaffirms guidance that FY16 EBITDA is anticipated to remain broadly in line with FY15."*

## Group Overview

Global education services provider Navitas Limited (ASX: NVT) announces interim results for the six months ended 31 December 2015. Navitas has today announced:

- An 8% increase in revenue to \$517.5m (H1 FY15: \$479.4m);
- Underlying EBITDA growth of 16% to \$82.8m (H1 FY15: \$71.2m);
- A 12% increase in NPAT to \$45.1m (H1 FY15: \$40.4m, excluding \$9.0m goodwill impairment);
- Cashflows from operations of \$45.2m (H1 FY15: \$46.8m); and
- Fully franked interim dividend up to 9.6 cents per Share (H1 FY15: 9.4 cents).

The dividend will be paid on 15 March 2016 with the record date being 1 March 2016. The Navitas Dividend Reinvestment Plan (DRP) will again be offered at no discount to market. The last date for receipt of an election notice to participate in the DRP is by 5.00pm (AEDT) on 2 March 2016.

Capex for the half year was \$13.2m (H1 FY15: \$19.4m) and included the relocation of the SAE Perth campus. The prior year comparative period included the SAE Los Angeles campus relocation.

The Navitas balance sheet at 31 December 2015 remained robust with total equity of \$225.4m (H1 FY15: \$205.3m), an increase of 10%. Funds held in the Australian Tuition Protection Service have reduced to \$55.3m (H1 FY15: \$63.3m) following slowing enrolments in Macquarie University related colleges, reducing working capital by ~\$8.0m. Net debt decreased to \$46.8m (H1 FY15: \$73.7m).

## Segment Summary

Divisional EBITDA results are as follows:

\$m	Half year ended 31 December 2015	Half year ended 31 December 2014	Change %
<b>University Programs</b>	69.2	68.6*	1
<b>Professional and English Programs</b>	16.8	13.0	29
<b>SAE</b>	14.5	7.4	96
<b>Divisional EBITDA</b>	<b>100.5</b>	<b>89.0*</b>	<b>13</b>
<b>Corporate costs</b>	(17.7)	(17.9)	(1)
<b>Group EBITDA</b>	<b>82.8</b>	<b>71.1*</b>	<b>16</b>

\* excluding \$9.0m H1 FY15 goodwill impairment as disclosed in Navitas' FY15 Annual Report

### *University Programs*

The University Programs Division is a global leader in pre-university, managed campus and university pathway programs enhancing students' probability of success in higher education via specialised and supportive programs.

The Division remains focused on academic quality and student experience with recent outcomes highlighting increases in progression-to-university and pass rates across the Division.

The contract for the South Australian Institute of Business and Technology (SAIBT) with the University of South Australia was also renewed for 10 years under similar terms and conditions, demonstrating our partners' ongoing commitment to Navitas' services.

Revenue for the Division increased by 6% to \$295.5m (H1 FY15: \$277.5m) and underlying EBITDA by 1% to \$69.2m (H1 FY15: \$68.6m), with the result being impacted by some reduction in enrolments from Macquarie University associated colleges namely, the Sydney Institute of Business and Technology (SIBT) and the Macquarie City Campus (MQC).

The Division's FY16 interim growth was supported by:

- Revenue and margin growth in the UK, despite only moderate student volume improvement;
- Continued strong growth across North America; and
- Solid earnings growth across Australian operations (excluding Macquarie operations).

With the closure of the Macquarie City Campus and the relocation of SIBT off the Macquarie University campus, both due to occur in February 2016, NSW-based enrolments are expected to decline more substantially in the second half of 2016, impacting the Division's full year result. A number of steps have been taken to mitigate this impact including the full relocation of SIBT to Navitas' Wynyard Green education precinct and the establishment of alternate articulation arrangements for SIBT students.

### *Professional and English Programs*

The Professional and English Programs Division encompasses quality vocational training and higher education programs, career and internship placement services, English as second language courses for international students and English language, settlement and work preparation programs for migrants and refugees.

The Division achieved a further improvement in student survey results during the year with Net Promoter Scores increasing on FY15 surveys.

The Division continued to focus on cost control and efficiency, increasing EBITDA by 29% to \$16.8m (H1 FY15: \$13.0m) from revenue of \$119.1m (H1 FY15: \$114.0m). This improved EBITDA margins by 2.6% to 14.1% for the half.

Revenue and earnings growth was delivered across the Division with highlights being the Professional Year Program, the Australian College of Applied Psychology and the Navitas College of Public Safety.

## SAE

SAE is one of the world's largest creative media education companies, with 54 campuses across 28 countries. The Division offers a range of predominantly higher education opportunities including Certificate, Diploma, Degree and Masters programs across several major fields of study: audio, film, animation, gaming, design, and web.

Following volume growth across key regions, SAE recorded a 17% increase in revenue to \$101.5m (H1 FY15: \$86.8m) and a 96% increase in EBITDA to \$14.5m (H1 FY15: \$7.4m).

Underlying EBITDA growth was 28% after adjusting for one off costs from the impact in H1 FY15 of the integration of Ex'pression College and other US restructuring costs.

SAE also progressed its efficiency program reducing divisional costs, improving asset utilisation, enhancing program collaboration and announcing plans to close its underperforming Singapore college. These actions contributed to a 5.8% improvement in EBITDA margin to 14.3% for the half.

## Sector Developments and Trends

Despite economic cycles, demand for international education continues to grow globally, with the number of students enrolled outside their country of citizenship rising, from 2.1m worldwide in 2000 to over 4.5m in 2012<sup>1</sup>. This is largely due to the growing wealth of the middle class in developing countries and capacity shortfalls in these regions. Demand is projected to keep growing to over 8.0m by 2025 with Navitas well positioned with colleges in all key destination countries.

Enrolment growth rates in Navitas' UK University Programs operations continued to be impacted by the Home Offices' requirements for low visa refusal rates with enrolment growth moderating in the period.

More recent UK government commentary does not indicate any immediate positive change to education policy though we believe the well-known economic and social benefits of international education to destination countries may influence policy settings over time.

Australia's regulatory environment continues to evolve with the government expanding its streamlined visa processing regime via a new system called the Simplified Student Visa Framework (SSVF). Under the SSVF program student visa requirements will be determined by their country of origin and the risk rating of the education provider. The SSVF system will be implemented on 1 July 2016 and should help to ensure Australia retains its reputation as a hospitable education destination.

Regulatory and policy settings for international students in both Canada and the US remained stable throughout the year.

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<sup>1</sup> *Education at a Glance*, OECD 2015

Navitas continues to engage and work with governments globally to seek appropriate regulatory and policy settings for genuine students pursuing high quality education outcomes.

### **Outlook**

Navitas continues to focus on the three pillars of world class quality, global efficiency and sustainable growth. This includes the creation of a Group-wide learning and teaching team to drive academic quality across all businesses, a focus on efficiency, standardisation and cost control, and refreshing and enhancing the leadership team to better reflect global operations.

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 future of education remains highly promising with sustained demand for high quality education and training globally. With a global profile, proven track record of academic outcomes and a significant initiative underway to reposition the business, Navitas is well placed for long term success.

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### **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](http://navitas.com)