

HALF YEAR RESULTS

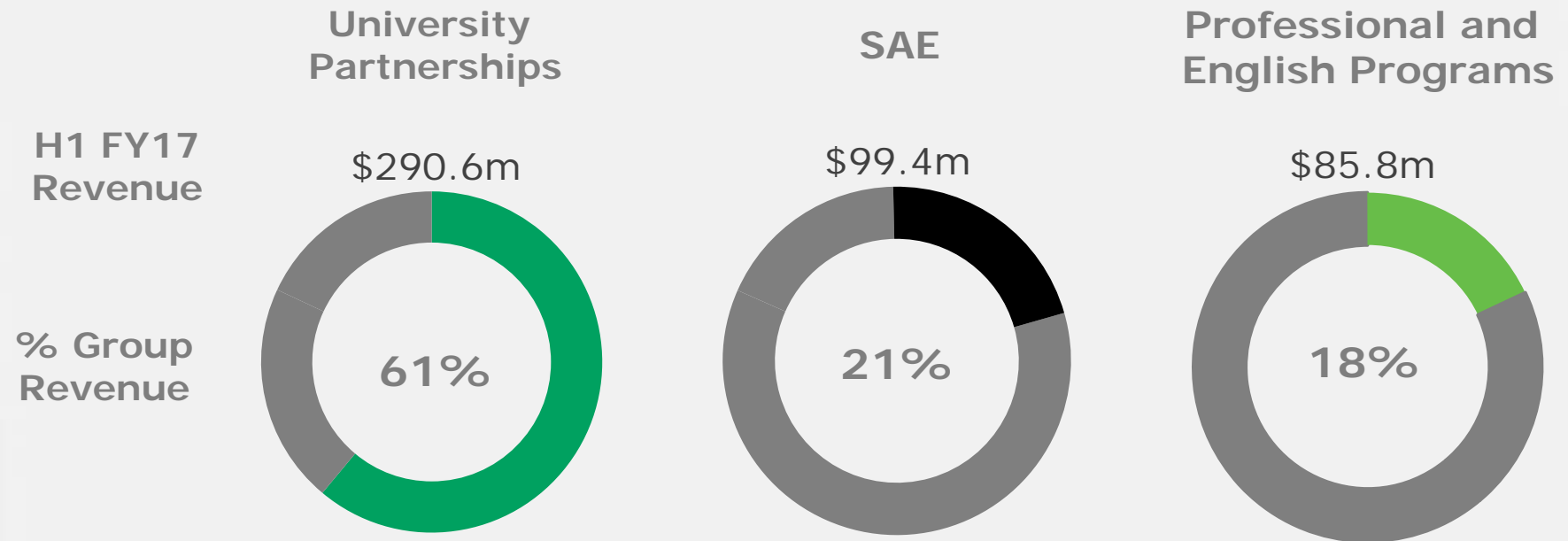
For the half year ended
31 December 2016

WORLD
CLASS
QUALITY

navitas 

Company profile

Navitas (ASX: NVT) is a leading global education provider with over 120 colleges and campuses across 31 countries offering an extensive range of educational services to more than 80,000 students, clients and professionals. Navitas operates across three Divisions.



Overview

The University Partnerships Division continued to deliver strong academic outcomes while achieving ongoing contract renewal.

SAE continued to improve its student outcomes and gained approvals for new courses and programs.

The Professional and English Programs Division achieved pleasing academic outcomes while managing regulatory reform.

Key highlights

Operational

- Excellent student support and engagement outcomes across all Divisions including University Partnerships pass rates (+80%), retention rates (+85%) and progression to partner university rates (+90%)
- Result heavily impacted by final closure of Macquarie and Curtin Sydney colleges – platform for future growth now reset
- 6% and 2% underlying growth in semester 2 / 3 University Partnerships enrolments (excluding closed colleges)
- New US college agreement signed with University of Idaho
- Strong SAE growth in Australia and new programs approved in SAE US
- Vocational funding reforms underway – marginal impact on H1 result but likely to limit future PEP division growth
- Ongoing restructuring for future growth progressing well

Financial

- Underlying 8% EBITDA growth and 1.7% margin expansion for University Partnerships Division
- Group revenue and EBITDA declines driven by two closed colleges, FX translation impacts and regulatory change
- NPAT up 18% helped by non-recurring, non-cash gain on disposal of PIBT to a JV (net \$14.3m)
- Earnings per share up by 21% and strong balance sheet allows continuation of buy-back and strong interim dividend – in line with policy

Financial overview

Profit and Loss (\$m)	H1 FY17	H1 FY16	Change (%)
Revenue			
University Partnerships	290.6	329.0	(12)
SAE	99.4	101.5	(2)
PEP	85.8	85.6	0
Other	2.3	1.4	N/A
Group Revenue	478.1	517.5	(8)
EBITDA			
University Partnerships	70.3	74.2	(5)
SAE	13.0	14.5	(10)
PEP	11.4	11.8	(3)
Corporate	(18.1)	(17.7)	2
Group EBITDA	76.6	82.8	(8)
Reported NPAT	53.3	45.1	18
Reported Earnings per Share (cents)	14.5	12.0	21
Interim Dividend per Share (cents)	9.4	9.6	(2)
Dividend yield (%)	3.9%	4.1%	(5)

Commentary

- Closed colleges impacting University Partnerships and Group revenue
- Material FX effect on revenue and EBITDA – underlying revenue down by 5% and EBITDA down by 5% excluding FX
- ELICOS colleges reallocated to University Partnerships Division – all historical numbers adjusted
- Reported NPAT includes a gain on disposal of PIBT following conversion to a Joint Venture (net \$14.3m profit)
- Earnings per share increase 21% - supported by share buy-back
- Strong balance sheet allows continued share buy-back and strong fully franked interim dividend of 9.4 cps

Restructuring for the future

Navitas continued its restructuring program to maintain its leadership position globally

- Implementation of a standardised optimal University Partnerships model – enhance best practice and efficiency
- Creation of a global Learning and Teaching function
- Relocation of ELICOS colleges to University Partnerships Division – supports delivery of better student outcomes
- Upgrades to key systems – Moodle, Navigate and HR systems
- Launch of global shared service centres for Finance, HR, IT – best practice and efficiency
- Launch of Navitas Ventures – scaling ideas and delivering education innovation through incubation, investment and partnerships

**An update on our strategy will occur on 4 April at the
Navitas Investor Day**



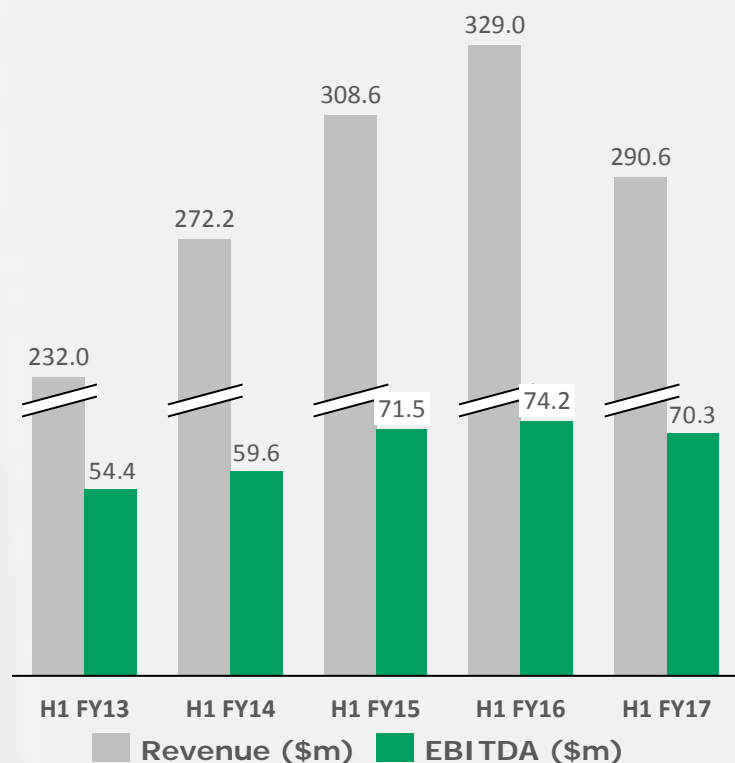


OPERATIONAL PERFORMANCE

Rod Jones
Group CEO

University Partnerships

Revenue \$290.6m	-12%	
EBITDA \$70.3m	-5%	
Underlying EBITDA	8%	

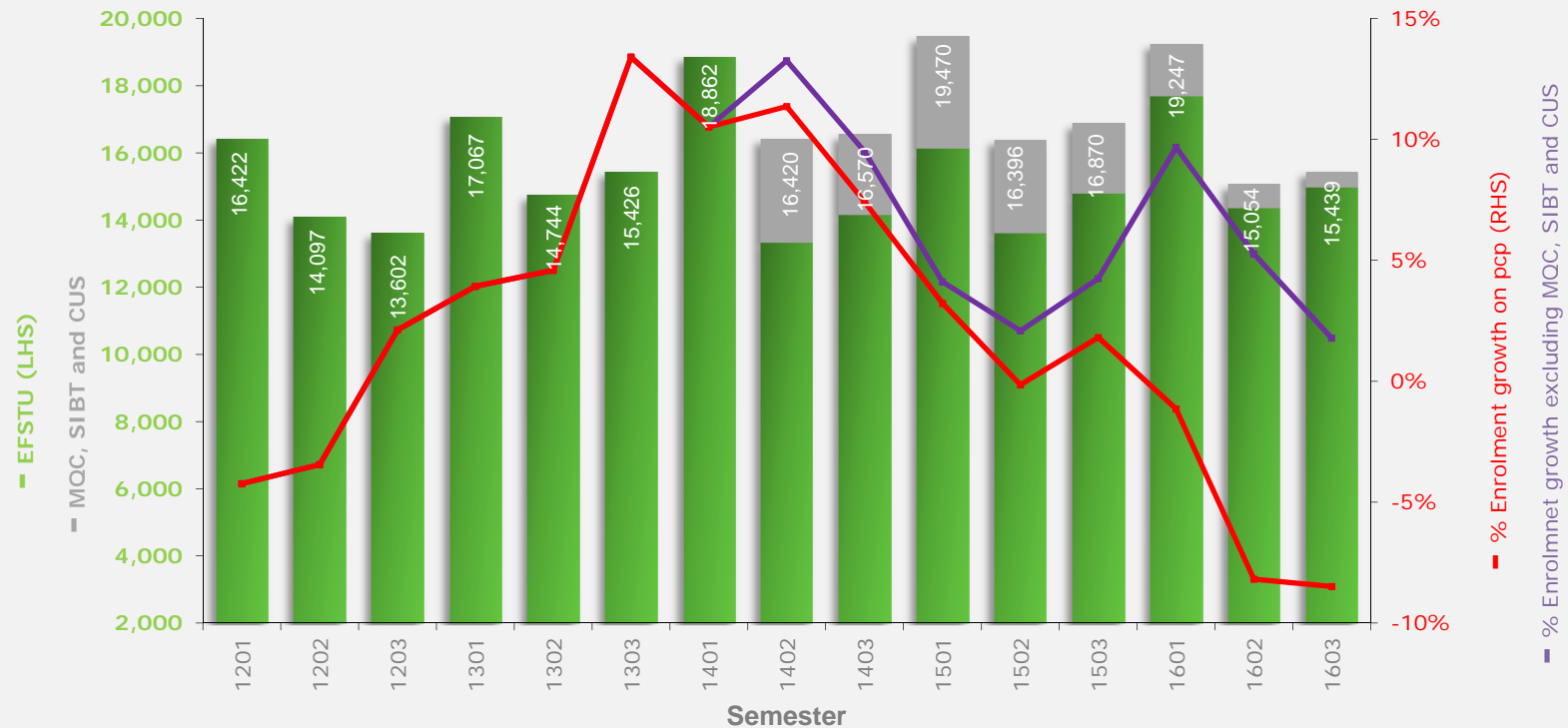


- Strong pass rates (+80%), retention rates (+85%), progression to partner university rates (+90%)
- Underlying 8% EBITDA growth – excluding closed Macquarie and Curtin Sydney colleges
- 1.7% absolute improvement in EBITDA margin to 24.2%:
 - Driven by leverage, optimal operating model changes and other efficiency improvements
 - Includes lower margin ELICOS colleges¹
- New college with the University of Idaho in the US
- PIBT converted to a Joint Venture model and Eynesbury renewed

Note 1. \$33.5m of revenue and \$5.0m of EBITDA reclassified to University Partnerships in H1 FY16 following the restructuring of ELICOS colleges to the Division. All comparative periods adjusted accordingly.

Semester 3 2016 University Partnership enrolments – declining impact of Macquarie and Curtin Sydney

Historical University Partnerships EFTSU and enrolment growth



- Semester 3 2016 underlying global enrolments grew by **2%** vs pcp
 - Including closing colleges, global enrolments decreased by **8%**
- Semester 2 2016 underlying global enrolments grew by **6%** vs pcp

Contract update



2 year progress report

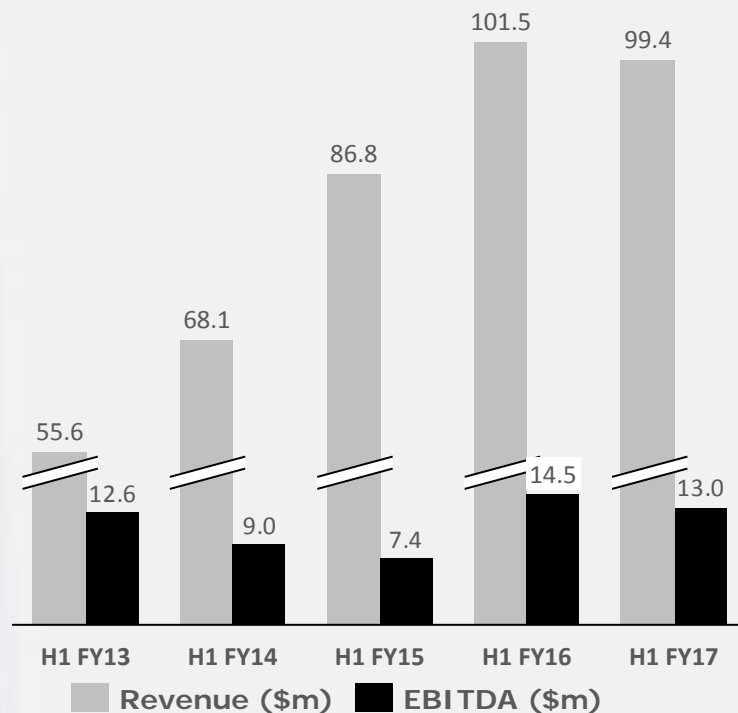
- ✓ **4** new agreements
 - University of Idaho
 - University of Northampton International College
 - Western Sydney University International College (JV)
 - University of Canberra College (JV)
- ✓ **7** agreements renewed under materially similar terms and conditions – **1** converted to a JV (ECU)
- ✓ **2** Curtin agreements extended

Upcoming in CY17

- Adult Migrant English Program – June 2017
- HIC with University of Hertfordshire – July 2017
- ICWS with University of Swansea – Nov 17
- CRIC with Anglia Ruskin University – Nov 17
- Curtin College with Curtin University – Dec 17
- Deakin College with Deakin University – Dec 17
- ICM with University of Manitoba – Dec 17



SAE

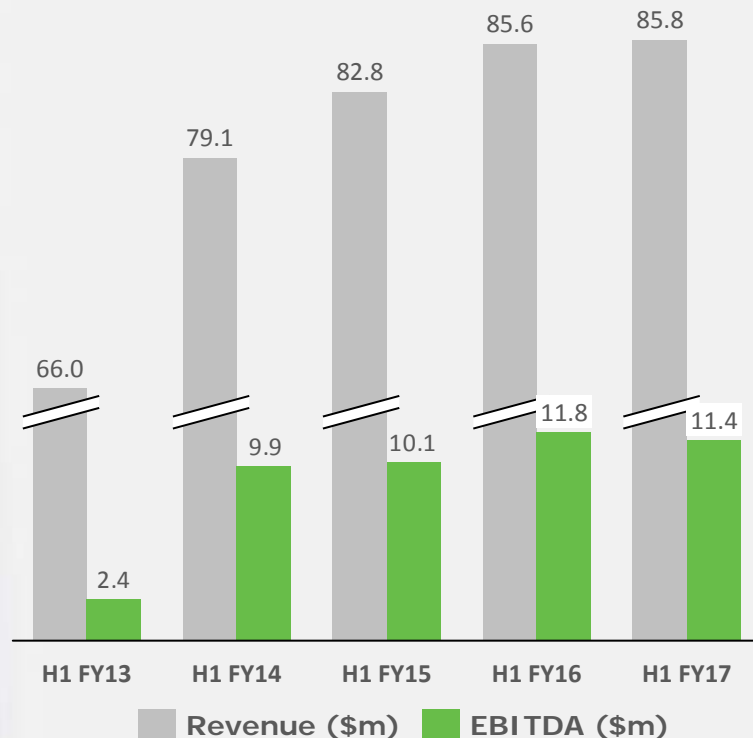
Revenue \$99.4m	-2%	
EBITDA \$13.0m	-10%	



- Student surveys highlight strong student support and engagement outcomes
- Pipeline of new courses starting to reach approval stage in the US – delivery to commence in H2
- New unaccredited short courses developed and delivered
- Strong Australian result despite some exposure to changed Vocational funding rules
- Result affected by:
 - Exit costs from closing 4 sub-scale colleges
 - First time provision of VAT on UK courses until legal appeal finalised in H2 2017

Professional and English Programs

Revenue \$85.8m	0%	
EBITDA \$11.4m	-3%	



- Continued high student satisfaction and academic outcomes - including increases in Net Promoter Score and Student Experience Survey results
- Improved efficiency in ACAP
- AMEP result impacted by initial low humanitarian arrivals but outcomes improving following recent increase in Syrian arrivals
- Uncertainty caused by ongoing reforms to vocational education funding affected enrolments – impact to be more pronounced in H2
- AMEP contract re-tendered – outcome known in H2
- ELICOS and English language colleges relocated to University Partnerships Division for better delivery of student outcomes

FINANCIAL PERFORMANCE

David Buckingham
CFO

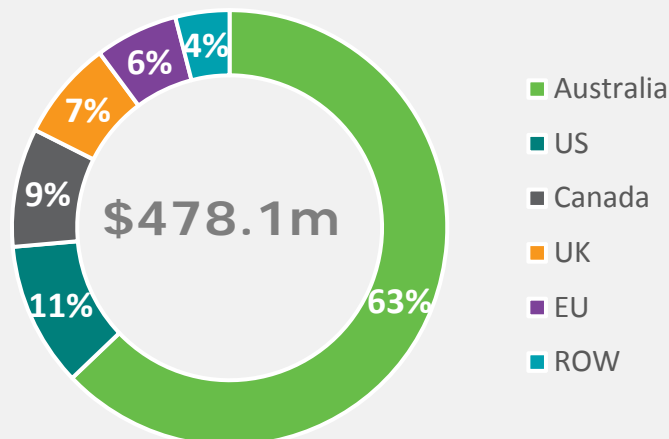
Revenue impacted by closed colleges and FX movements

Operating revenue (\$m)	H1 FY17	vs pcp actual %	vs pcp constant currency %
University Partnerships	290.6	(12)	(8)
SAE	99.4	(2)	2
Professional and English Programs	85.8	0	0
Other	2.3	N/A	N/A
Group revenue	478.1	(8)	(5)

Commentary

- University Partnerships revenue up 7% - excluding impact of closed colleges and FX movement
- SAE records 2% growth excluding FX – mostly Australian and US operations
- PEP revenue growth marginally impacted by ongoing reform to Vocational funding
- Reported revenue includes \$15.6m unfavourable FX impact vs pcp

Revenue by location



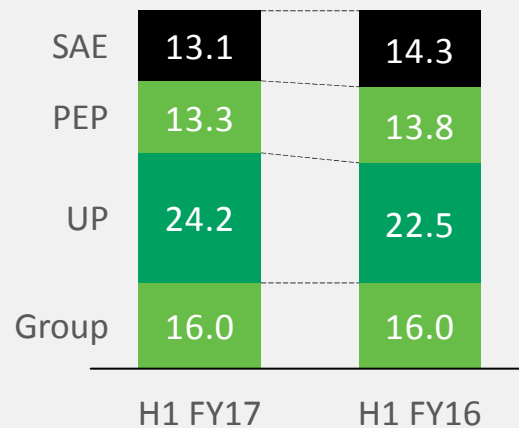
EBITDA also impacted by closed colleges and FX movements

EBITDA (\$m)	H1 FY17	vs pcp actual %	vs pcp constant currency %
University Partnerships	70.3	(5)	(1)
SAE	13.0	(10)	(12)
Professional and English Programs	11.4	(3)	NA
Corporate costs	(18.1)	2	NA
Group EBITDA	76.6	(8)	(5)

Commentary

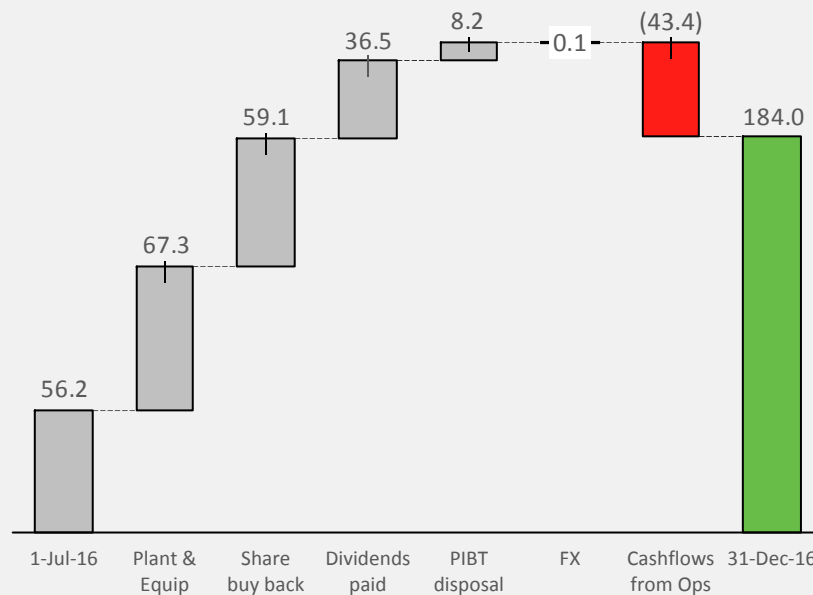
- Underlying University Partnerships EBITDA growth of 8% excluding closed colleges
- University Partnerships grow margin 170 basis points through increased leverage and a focus on efficiency
- SAE results impacted by provision of VAT (not actually charging students) on UK programs pending outcome of tax appeal in H2 17
- Corporate costs impacted by restructuring to deliver shared services
- Reported EBITDA includes \$2.4m unfavourable FX movement vs pcp
- EBITDA excludes additional non-recurring, non-cash net gain of \$17.3m from disposal of 50% PIBT following transition to JV

EBITDA Margin (%)



Net debt

Net debt (\$m)



Debt constituents (\$m)	31 Dec 2016
Gross Debt	255.5
Cash requirements of the Tuition Protection Service	(48.1)
Other Cash	(23.4)
Net Debt at 31 Dec 2016	184.0

¹Cash realisation ratio = $\frac{\text{Net Operating Cashflow}}{\text{NPAT} + \text{amtsn, depcn and gdwill impt} - \text{non-cash (gains/losses)}}$

Commentary

- Cash realisation ratio¹ of 0.80x
- Cashflow includes \$34.6m lease incentive – underlying cashflow of \$8.8m, impacted by unwind of closed colleges deferred revenues
- Plant and Equipment includes capex purchases (part funded by lease incentive) for Sydney CBD relocation and other college enhancements
- Other includes cash disposal on conversion of Edith Cowan College to JV

Share buy-back update

- Buy-back improved return to shareholders
- Ensuring an appropriate capital position while maintaining flexibility
- Total of 17.0m shares purchased and cancelled – valued at \$85.9m
- Buy-back to continue

Outlook - guidance re-affirmed

**Closure of Macquarie and Curtin Sydney
now complete**

**Solid underlying organic growth
expectations going forward**

**FY17 EBITDA result expected to remain
broadly in line with FY16**

(on a constant currency basis and including the addition of EBITDA
from the new ECU Joint Venture)

**Guidance takes into account regulatory
changes globally but uncertainty still
exists in some markets**



APPENDIX



Market summary for external pathway programs

Global

Demand for international education continues to grow due to increases in population and middle class wealth in developing countries while investment in tertiary infrastructure lags

US

- ~2,000 universities
- ~50 pathway colleges - 6 Navitas
- 842k international tertiary students
- International enrolments as a % of students – 4%
- Government strategy – focused on domestic benefits, no targets

UK

- 130 universities
- ~55 pathway colleges – 10 Navitas
- 428k international tertiary students
- International enrolments as a % of students – 17.5%
- [Government strategy](#) – increase sector value by 66% to GBP30b by 2020

Australia

- 39 universities
- ~20 pathway colleges – 12 Navitas
- 266k international tertiary students
- International enrolments as a % of students – 18%
- [Government strategy](#) – increase total international enrolments by 45% to 720k by 2025

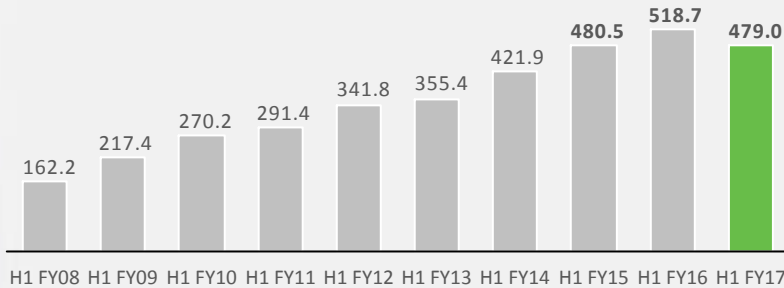
Canada

- 49 universities
- 2 pathway colleges – both Navitas
- 151k international tertiary students
- International enrolments as a % of students – 2.7%
- [Government strategy](#) – increase total international enrolments by 34% to 450k by 2022

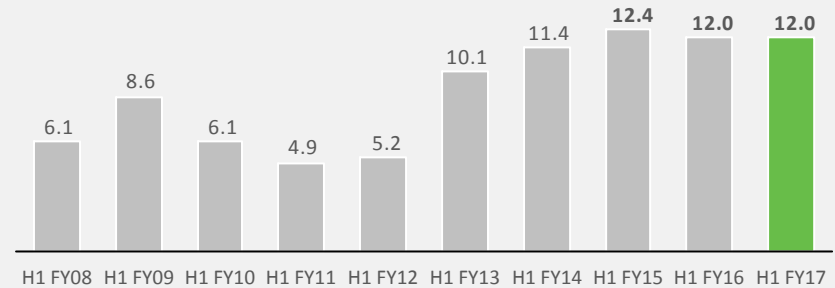
Source: *Global flow of tertiary level students*, UNESCO Institute of Statistics; US Dept of Education; Australian Dept of Education and Training; UK Dept of Business, Innovation and Skills; Global Affairs Canada.

Navitas financial metrics

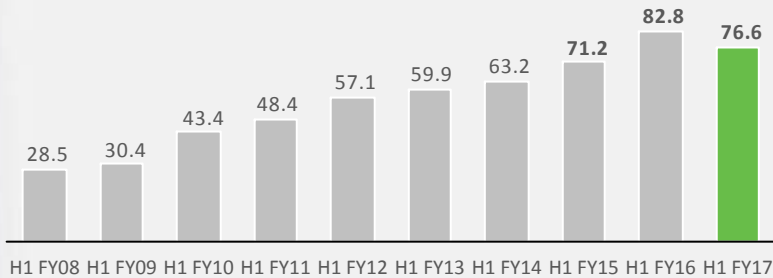
Total revenue (\$m)



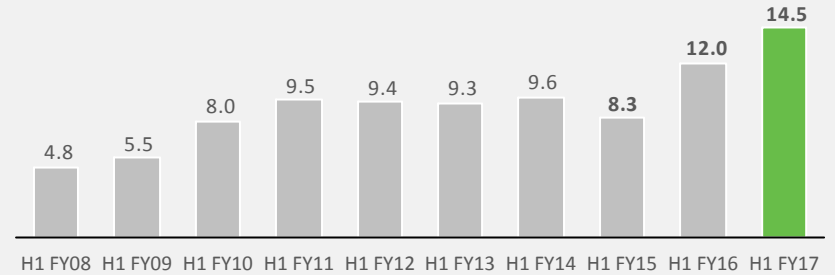
Operating cashflow (cps)



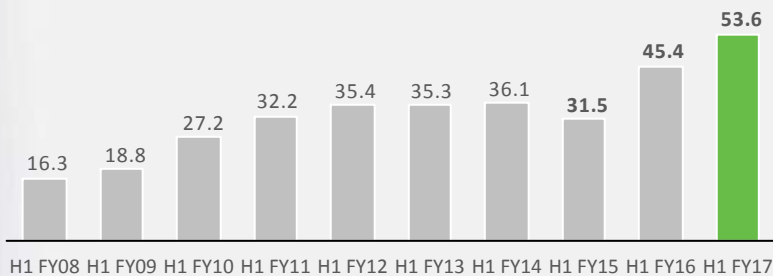
Underlying EBITDA (\$m)



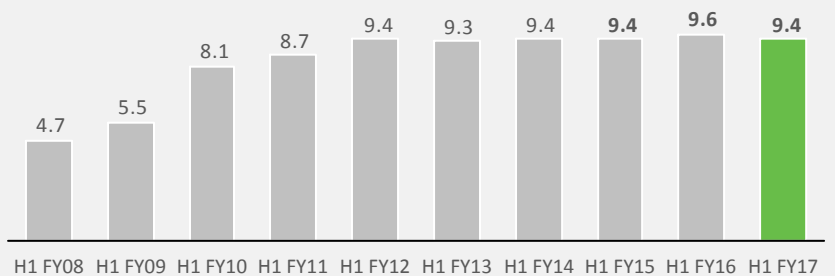
Earnings per share (cps)



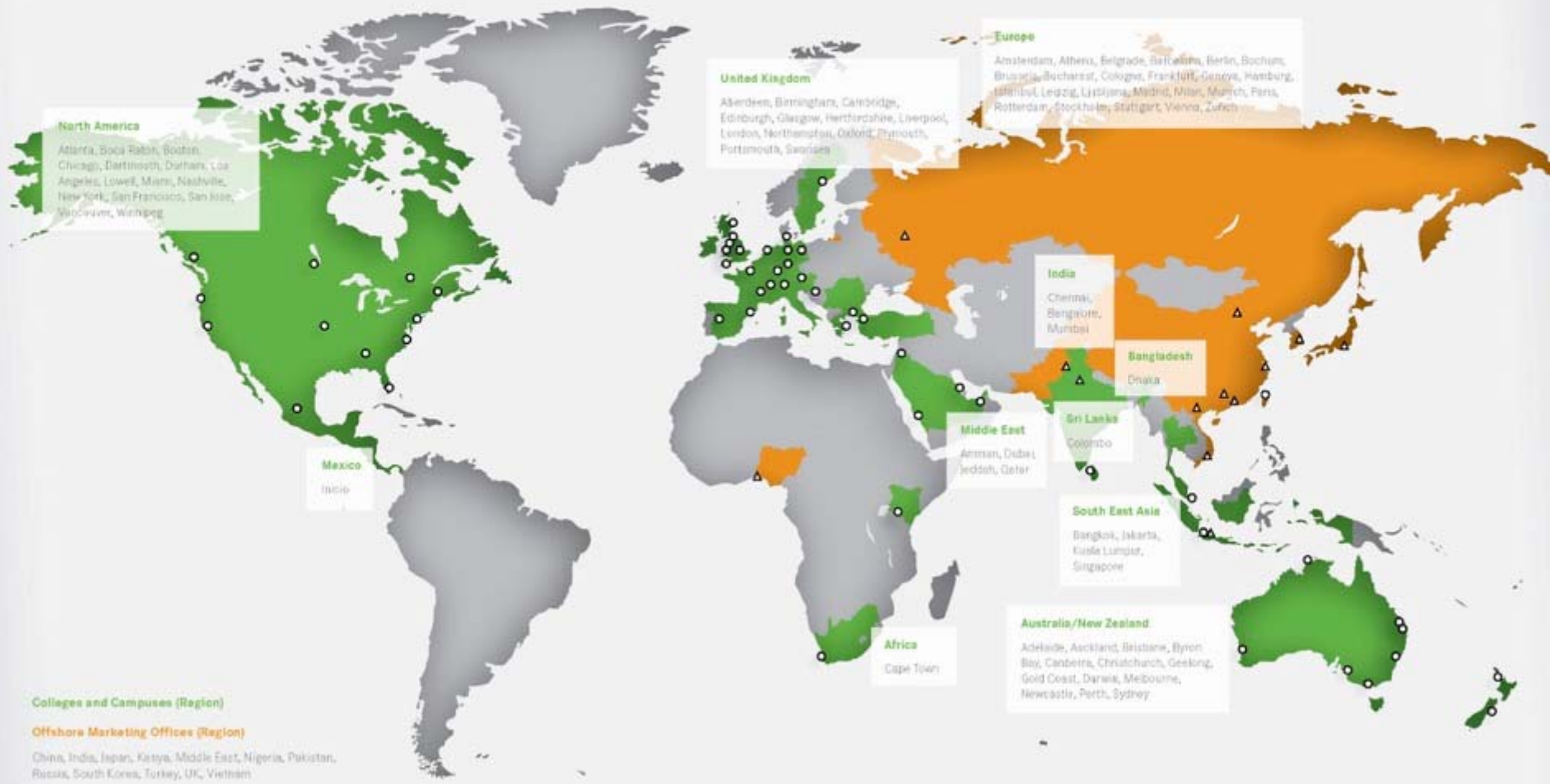
Statutory NPAT (\$m)



Dividends (cps)



Navitas' global footprint



- Colleges and Campuses (Region)**
- Offshore Marketing Offices (Region)**
China, India, Japan, Korea, Middle East, Nigeria, Pakistan, Russia, South Korea, Turkey, UK, Vietnam
- Colleges and Campuses (City)**
- Offshore Marketing Offices (City)**
Beijing, Beyoglu, Dubai, Guangzhou, Harok, Ho Chi Minh City, Hong Kong, Jakarta, Lagos, Lahore, London, Moscow, Nairobi, New Delhi, Seoul, Shanghai, Taipei, Tokyo

Corporate snapshot



Detailed P&L – 5 years

Navitas Ltd	H1 FY13	H1 FY14	H1 FY15	H1 FY16	H1 FY17	PCP Change		Growth
						\$	Index	CAGR#
Operating Revenue								
UP	231,939	272,220	308,633	329,001	290,595	(38,406)	88%	6%
SAE	55,594	68,130	86,814	101,472	99,359	(2,113)	98%	16%
PEP	65,956	79,058	82,813	85,635	85,804	169	100%	7%
Corporate & consolidation items	1,350	1,149	1,159	1,360	2,310	950	170%	14%
Total operating revenue	354,839	420,557	479,419	517,468	478,068	(39,400)	92%	8%
Expenses	(297,702)	(360,683)	(416,208)	(446,312)	(395,257)	51,055	89%	7%
Underlying EBITDA *	59,875	63,211	71,156	82,811	76,577	(6,234)	92%	6%
Depreciation	(7,040)	(9,634)	(12,542)	(15,215)	(14,470)	745	95%	20%
Underlying EBITA *	52,835	53,577	58,614	67,596	62,107	(5,489)	92%	4%
Amortisation	(488)	(375)	(375)	(375)	(302)	73	81%	-11%
Underlying EBIT *	52,347	53,202	58,239	67,221	61,805	(5,416)	92%	4%
Net Interest (paid)/received	(3,802)	(3,509)	(2,376)	(1,761)	(2,366)	(605)	134%	-11%
Share of Joint Ventures (losses)/profits	-	-	-	(388)	(119)	269	31%	n/a
Net profit before tax *	48,545	49,693	55,863	65,072	59,320	(5,752)	91%	5%
Income tax	(13,242)	(13,602)	(15,300)	(19,619)	(19,979)	(360)	112%	11%
NPAT *	35,303	36,091	40,563	45,453	39,341	(6,112)	87%	3%
Outside equity interest	(233)	(11)	(184)	(395)	(325)	70	82%	9%
NPAT attributable to Navitas *	35,070	36,080	40,379	45,058	39,016	(6,042)	87%	3%
Reported NPAT	35,303	36,091	31,516	45,453	53,604	8,151	118%	11%
Reported NPAT attributable to members	35,070	36,080	31,332	45,058	53,279	8,221	118%	11%

* excluding goodwill impairment and one off gains/(losses)
Cumulative Annual Growth Rate

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Glossary

ACAP – Australian College of Applied Psychology

ASX – Australian Securities Exchange

EBITDA – Earnings Before Interest Tax, Depreciation and Amortisation

HSA – Health Skills Australia

NPAT – Net Profit After Tax

PEP – Professional and English Programs

SAE – School of Audio Engineering, now known as SAE

SLPET – Settlement, Language Pathways to Employment and Training

UP – University Partnerships

AMEP – Adult Migrant English Program

CPS – Cents Per Share

ELICOS – English Language Intensive Courses for Overseas Students

NCPS – Navitas College of Public Safety

PCP – Prior Corresponding Period

PIBT – Perth Institute of Business Technology

SEE – Skills for Education and Employment

SSVF – Simplified Student Visa Framework

VFH – VET FEE-HELP