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VOCATION LIMITED

FY14 RESULTS PRESENTATION

August 2014

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Agenda

1. **FY2014 Results**
2. **FY2015 Outlook & Strategy**
3. **Government Policy**
4. **Team & Integration Update**
5. **Social Responsibility**
6. **Appendix**

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FY2014 – Transformational First Year



We have achieved all our major objectives for FY14

- 1 Prospectus forecast comfortably exceeded** - Significant ramp up in organic growth benefitting from scale and operating leverage. Vocation's three revenue channels have performed ahead of Prospectus forecast for FY2014
- 2 Integration and Talent** - Organic integration of the Founding Companies completed. As a result the Real Institute integration has been accelerated and will be complete in September 2014. Endeavour requires minimal integration as the new Higher Education pillar. Executive management team strengthened through addition of Carolyn Barker (CEO of Higher Education) and Ross Robinson (Head of Enterprise)
- 3 Completion of three high quality acquisitions at attractive multiples** - Supports diversification of revenue into other States through the Real Institute acquisition. Also provides enhanced exposure to the attractive Higher Education, Fee for service and International student market through the Endeavour and ACAE/ASM acquisitions. For example Victorian revenue in FY15 is expected to contribute 40% of Group revenue versus 80% in FY14
- 4 Macro landscape evolving favourably** - During FY14, the demand driven VET model rolled out in WA, went from pilot to full launch in QLD and further positive clarity was received on the NSW model to go live in 2015. Proposed Higher Education changes were announced by the Federal government, which if passed, will have a positive impact on Vocation
- 5 Branding** - Relaunch of the Vocation and MyVocation brands with a focus on high quality education, career progression and job outcomes

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Basis of preparation of FY2014

\$millions	Statutory Actual	IPO related ¹	Acquisitions related ²	ITA related ³	Pro forma Actual	Notes:
Revenue	128.4	12.8	(4.0)	-	137.2	1. Refer to notes 1,3 & 4 in the reconciliation of the FY2014 pro forma financial results to the FY2014 statutory financial results in the appendix
NPAT	8.3	15.6	5.8	(7.6)	22.1	2. Refer to notes 2&5 in the reconciliation of the FY2014 pro forma financial results to the FY2014 statutory financial results in the appendix
EPS ⁴	4.2 cps				11.1 cps	3. ITA relates to interest, tax and amortisation – refer to notes 6-8 in the reconciliation of the FY2014 pro forma financial results to the FY2014 statutory financial results in the appendix
						4. EPS calculated as NPAT per share and based on 200 million shares outstanding.

The financials presented in this Investor Pack predominantly relate to the pro forma FY14 results for Vocation Limited. The appendices include a detailed reconciliation of the pro forma revenue and NPAT to the statutory revenue and NPAT. Refer to the 4E Preliminary Financial statements for further detail on the statutory financial information for FY14.

The pro forma FY14 results presented in this document relate purely to the IPO businesses (i.e. the Founding Companies and Ancillary Businesses as defined in the Prospectus).

To ensure a like for like comparison to the FY14 forecast earnings and cash flows presented in the Prospectus, the pro forma results presented in this Investor Pack exclude the following:

- Earnings and cash flows for ACAE/ASM for May/June 2014 (transaction completed 30 April 2014) and transaction costs
- Earnings and cash flows for the Real Institute for June 2014 (transaction completed 31 May 2014) and transaction costs

Note that the Endeavour acquisition was completed post FY14 on 1 July 2014 and therefore its earnings and cash flows are not included in either the pro forma or the statutory FY14 results. Transaction costs incurred in FY14 in relation to this transaction have been excluded from the pro forma results.

The statutory balance sheet presented for 30 June 2014 includes ACAE/ASM and Real Institute, but excludes Endeavour.

FY2014 Results Overview

Prospectus forecast comfortably exceeded. FY14 earnings 2.9x FY13

\$millions	Pro forma Actual ^{1,3}	Pro forma Prospectus	Variance to Prospectus	Variance to FY13
Revenue	137.2	118.3	↑ 16.0%	↑ 2.3x
EBITA ²	36.1	34.9	↑ 3.4%	↑ 2.9x
NPATA ²	25.5	24.7	↑ 3.2%	↑ 2.9x
EPSA ³	12.8 cps	12.4 cps	↑ 3.2%	↑ 2.9x

Notes:

1. The appendix includes a reconciliation of the FY2014 pro forma financial results to the FY2014 statutory financial results
2. EBITA and NPATA exclude amortisation of acquired intangibles of \$4.9m for FY2014, and related tax impacts
3. EPSA calculated as NPATA per share and based on 200 million shares outstanding

Proforma Income Statement – FY2014

Prospectus revenue and earnings forecast comfortably exceeded

\$millions	Pro forma Prospectus	Pro forma Actual
Enterprise	44.9	50.2
Direct	22.3	25.5
Solutions	51.1	61.5
Total Revenue	118.3	137.2
Staff and contractor costs	(33.6)	(39.9)
Course delivery costs	(32.1)	(42.4)
External student acquisition costs	(4.7)	(4.8)
Other expenses	(13.0)	(14.0)
Total Expenses	(83.4)	(101.1)
EBITA¹	34.9	36.1
Amortisation of acquired intangibles ²	(5.1)	(4.9)
EBIT	29.8	31.2
Net interest income	0.4	0.4
Profit before tax	30.2	31.6
Income tax expense	(10.6)	(9.5)
NPAT	19.6	22.1
NPATA¹	24.7	25.5

Notes:

1. EBITA and NPATA include amortisation of capitalised course material development costs, however they exclude the amortisation of acquisition related intangibles and related tax impact
2. The estimated amortisation of acquired intangibles for FY2014F of \$5.1m included in the Prospectus has been revised to \$4.9m following further refinement of the estimate

Revenue

- Total revenue exceeded the Prospectus by 16%. All three revenue channels higher than Prospectus forecast

Expenses

- Staff and contractor cost increase correlated to growth in Enterprise and Direct revenue
- Increase in course delivery fees correlated to increase in Solutions revenue

Earnings

- EBITA 3.2% ahead of prospectus forecast due to strong revenue performance
- EBITA margin at 26.3% is lower than the 29.5% per the prospectus forecast, partly reflecting the revenue mix of the three channels achieved in FY14 compared to the prospectus forecast and the investment made in the business to support FY15 forecast growth and longer term sustainable margins
- NPAT and NPATA 12.8% and 3.2% ahead of prospectus forecasts respectively

Proforma Cash Flows – FY2014

Strong proforma operating cash flow and cash conversion

\$millions	Prospectus proforma	Actual proforma
EBITA¹	34.9	36.1
Depreciation	0.6	0.7
Amortisation ²	0.5	0.4
EBITDA	36.0	37.2
Change in working capital	(7.2)	(6.1)
Operating free cash flow before capex	28.8	31.1
Capitalised course material development costs		
- Maintenance	(0.7)	(0.5)
- Expansion	(0.2)	(1.5)
Total course materials	(0.9)	(2.0)
Property, plant and equipment	(0.8)	(1.4)
Total capital expenditure	(1.7)	(3.4)
Operating free cash flow after capex	27.1	27.7
<i>Cash conversion ratio³</i>	<i>75%</i>	<i>75%</i>

Notes:

1. EBITA includes the amortisation of capitalised course material development costs, however excludes the amortisation of acquisition related intangibles
2. Represents amortisation of capitalised course material development costs
3. Operating free cash flow after capital expenditure as a percentage of EBITDA

Capital expenditure

- Accelerated investment in new Diplomas and Advanced Diplomas to support forecast FY15 growth in VET FEE-HELP
- Accelerated the integration of the IPO Founding Companies resulting in the earlier than planned move to the new Sydney head office in April 2014 - unbudgeted fit out costs of \$0.6m in FY14 for PPE

Cash conversion

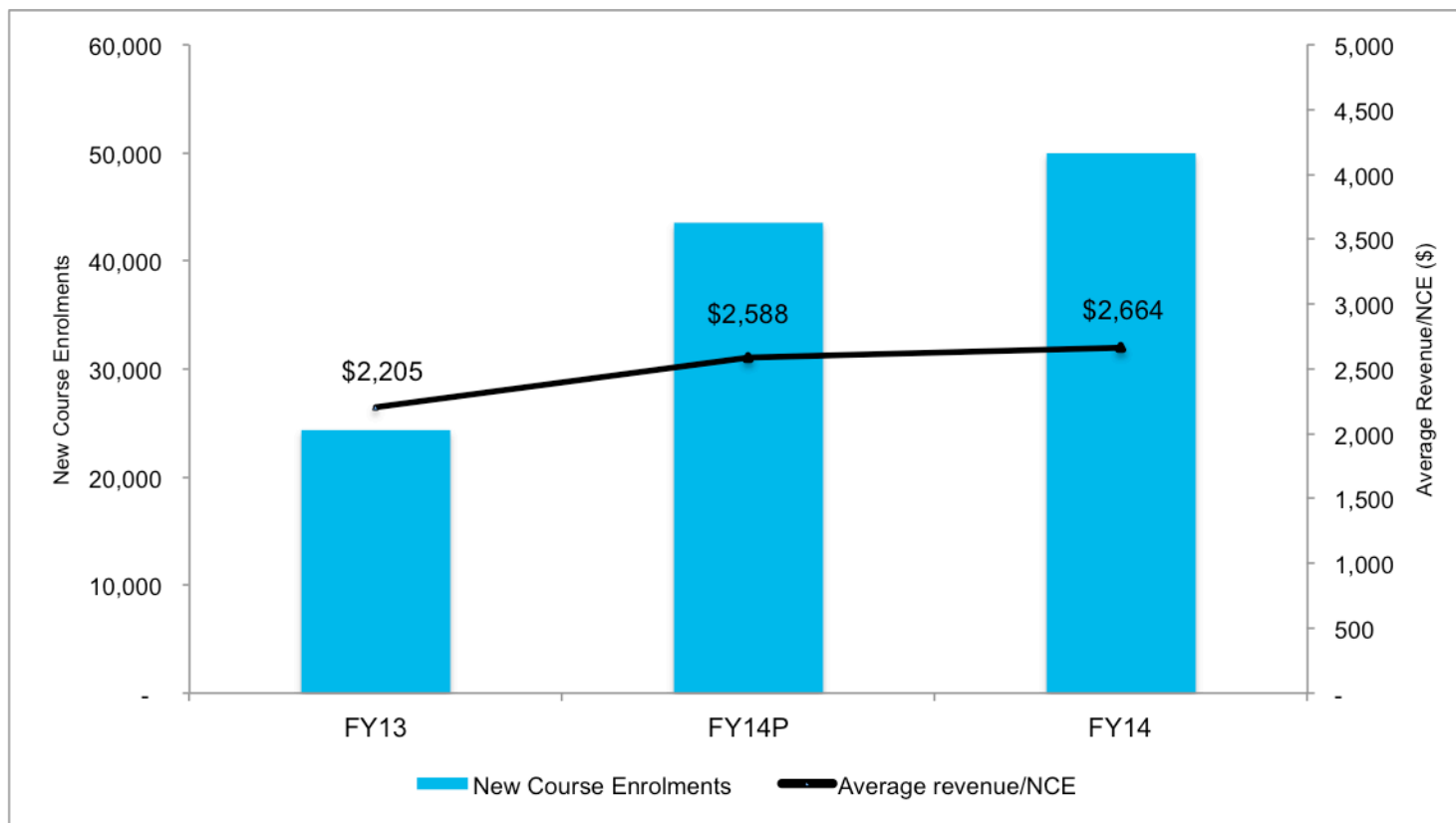
- Strong levels of cash conversion achieved in FY14. Cash conversion (pre capex) of 84% is above prospectus forecast. Post capex cash conversion is in line with prospectus forecast

Dividend

- No interim dividend in respect of FY14 – as per Prospectus.
- Final FY14 dividend \$6.5m based on 70% of the H2 FY14 \$9.3m statutory NPAT (dividend of 3.2 cps)
- Record date for dividend is 1 September 2014. Dividend payment date is 10 October 2014

Revenue metrics – FY2014

New course enrolments (NCE) and revenue per NCE exceeded prospectus



Notes:

1. FY14P reflects the Prospectus forecast

Statutory Net Assets

Strong balance sheet with conservative debt levels

\$millions	Proforma 30 Jun 2013	Statutory 30 Jun 2014
Cash and cash equivalents	11.5	21.7
Receivables	10.9	44.0
Intangible Assets	190.7	35.2
Goodwill		218.6
Property, Plant and Equipment	0.8	2.3
Deferred Tax Assets	6.5	7.8
Other assets	1.7	-
Total assets	222.1	329.6
Payables ¹	(7.0)	(46.4)
Provisions	(0.9)	(1.3)
Current tax liabilities	(1.4)	(3.6)
Borrowings	-	(45.0)
Deferred tax liabilities	(0.1)	(9.6)
Total liabilities	(9.4)	(105.9)
Net assets	212.7	223.7

Notes:

1. Payables at 30 June 2014 includes \$8.9m deferred consideration in relation to the Real Institute acquisition

Net Debt

- New \$123m debt facility established during the year to fund growth
- Borrowings at 30 June 2014 of \$45m
- Net debt at 30 June 2014 reflects the draw down on the facility to fund the ACAE/ASM and the Real Institute acquisitions
- Following the completion of the Endeavour acquisition on 1 July 2014, the facility is now fully drawn
- LTM FY14 gearing (net debt to EBITDA) including Endeavour is 1.9x and this is expected to reduce in FY15

Goodwill and intangibles

- Increase in Goodwill and Intangibles reflects ACAE/ASM and the Real Institute acquisitions, but not Endeavour
- Initial Purchase Price Allocation (PPA) exercise performed at the IPO has been refined, resulting in the (proforma) amortisation charge reducing marginally to \$4.9m for FY14

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Our Education Footprint

Vocation now has an integrated national footprint complemented by a significant online platform

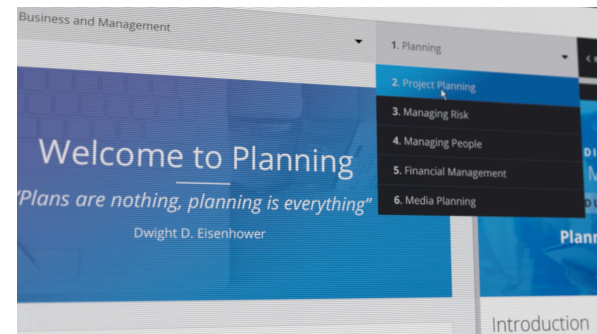
National footprint

- Campuses in all major metropolitan areas
- Enhanced ability to deliver national training programs for Enterprise clients
- Over 580 team members across the country



Flexible delivery model

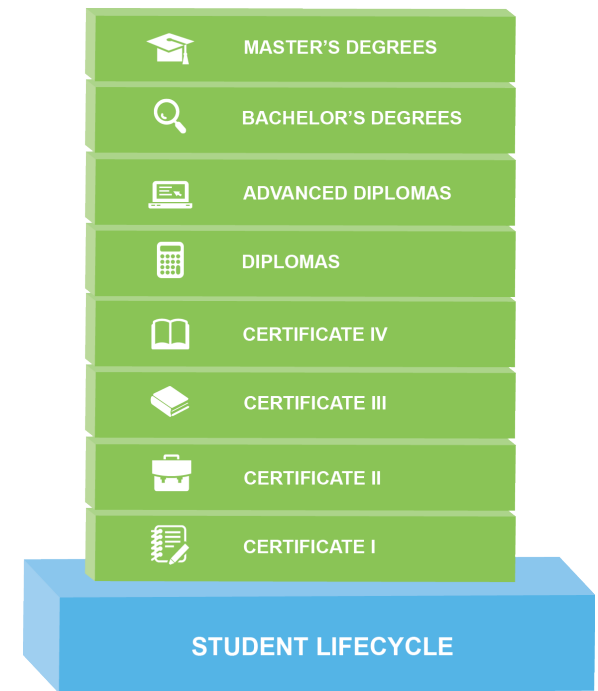
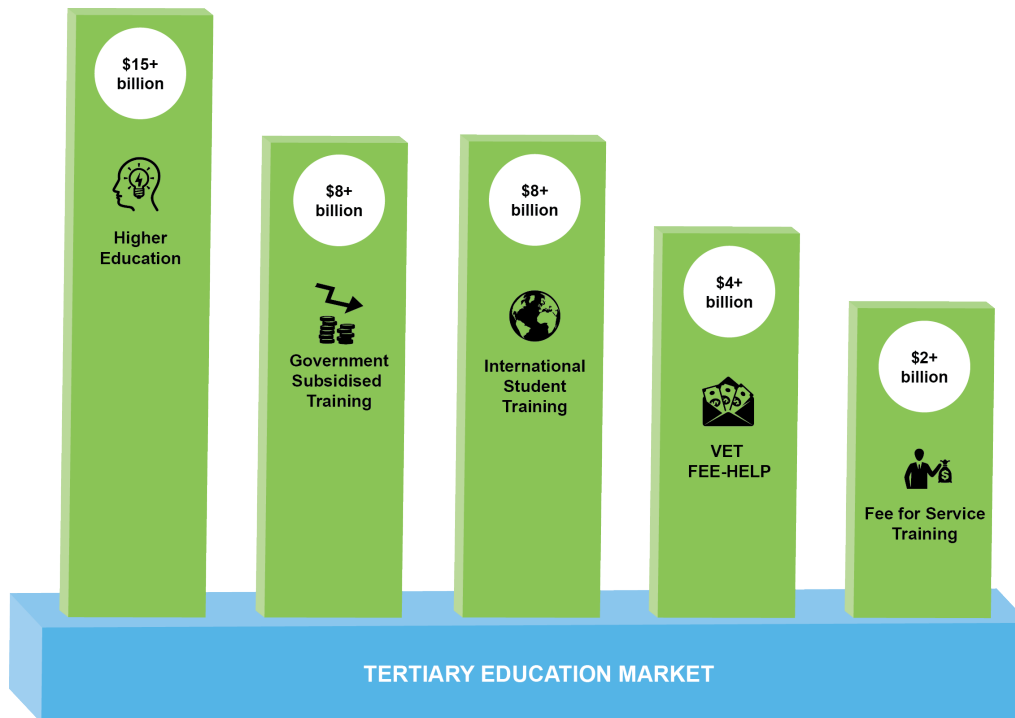
- Digital ecosystem supports flexible delivery: online, in the workplace and on campus
- Online capability significantly enhanced through Endeavour acquisition
- Strong growth in online platform utilisation (circa 25% of students in FY15 versus 7% in FY14)
- Blended delivery key to achieving strong student outcomes



Our Education Footprint

Vocation now has the full suite of education programs to deliver the complete student lifecycle

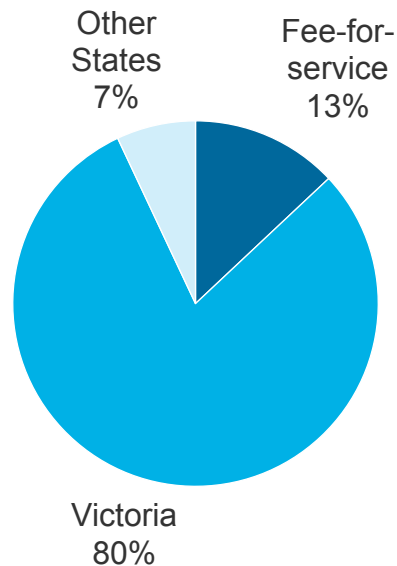
- Assembled the education assets to underpin diversified sustainable growth
- Deliver the complete student lifecycle from **Certificate I to Master's Degrees**
- Offer 115 certificates/diplomas and 11 bachelor degrees across Vocation and Endeavour
- Expanded access to entire tertiary education market (as pictured below)



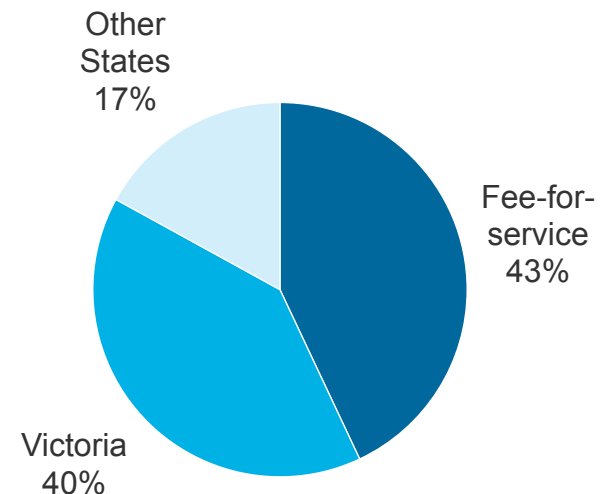
FY2015 Snapshot

Diversification in FY14 significantly reduced reliance on Victorian government funding and expanded addressable market to over \$35bn

FY14



FY15 estimates



Recent acquisitions and organic expansion nationally (NSW, QLD, WA), qualifications (Diploma, Advanced Diploma and Bachelor degrees) and sectors (Health, Management, Digital) have diversified Vocation's group revenues for FY15

Fee-for-service includes VET FEE-HELP, FEE-HELP, private fees and international students

FY2015 Outlook

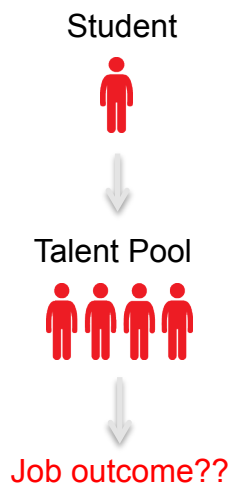
JOB OUTCOMES (MyVocation)	<p>Implementation and substantial investment in MyVocation Careers (circa. \$3.0m), linking students to job outcomes</p> <p>The job outcome is a critical success factor for the modern education sector</p>
ENTERPRISE FOCUS	Continued focus on Enterprise (B2B) national delivery though significantly strengthened team, specifically due to the Real Institute acquisition
PATHWAYS	Development of pathway programs that link our Vocational courses to our Higher Ed programs, bolstered by several new University relationships
DIGITAL INVESTMENT	Consolidation and further investment in Vocation's digital ecosystem to increase student online environment (from 7% FY14 to 25% FY15)
M&A	Global education sector continues to consolidate. Vocation will maintain a disciplined approach to this over FY15 & FY16
DIVERSIFICATION	The initiatives above continue to accelerate diversification

Management are comfortable with current market consensus range

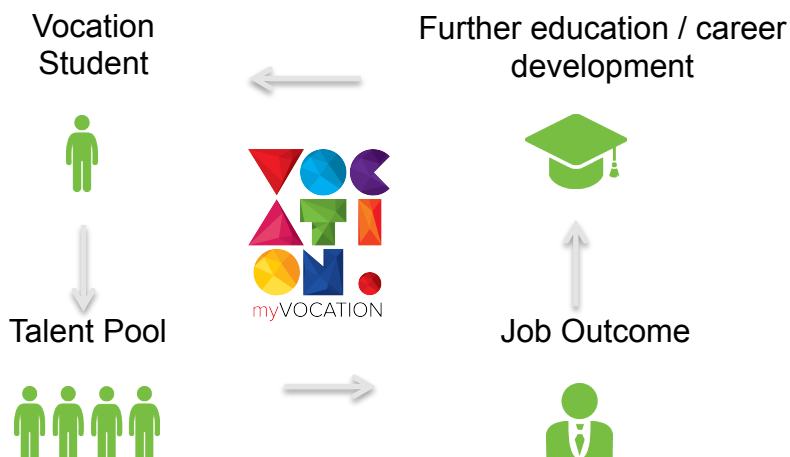
Strategy

Objective: become the leading dual sector education brand in Australia

Traditional Model



Vocation Student Lifecycle Model



Key success metrics

- Enrolment numbers
- Graduation rates
- Job outcomes

Key focus areas

- Focus on investment in the student education experience
- MyVocation Careers roll-out, to underpin our Student Lifecycle model
- Align with Enterprise clients and Industry verticals to ensure delivery of relevant course content and work-ready graduates
- Utilise our scalable digital platform to enhance flexible learning

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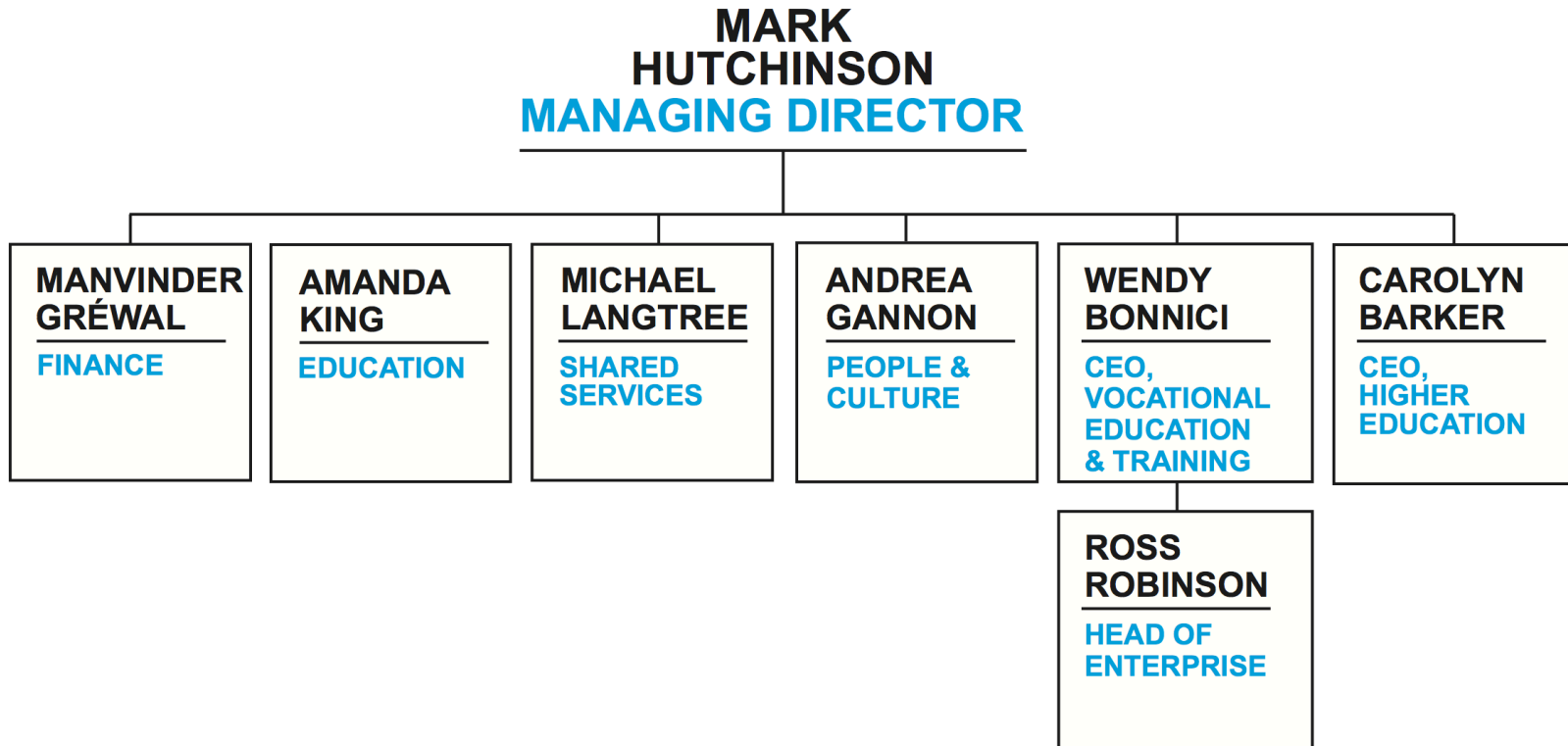
Government Policy Setting

VIC	<ul style="list-style-type: none"> ▪ Continued use of the pricing mechanism to ensure balancing of supply and demand ▪ Current government support of \$1.2bn of funding over next 3 years
NSW	<ul style="list-style-type: none"> ▪ Smart and skilled roll-out in Jan 2015 ▪ Capped system and quotas per provider to ease TAFE restructure
WA	<ul style="list-style-type: none"> ▪ Successful launch of FutureSkills in Jan 2014 ▪ Guaranteed training in over 600 courses
QLD	<ul style="list-style-type: none"> ▪ Expansion of Cert III Guarantee in Jul 2014 from initial pilot program ▪ Significant TAFE restructure to fund expansion
Federal	<ul style="list-style-type: none"> ▪ Continued support and expansion of income contingent loans (i.e. VET FEE-HELP and FEE-HELP) ▪ Policy focused on market-driven education outcomes (e.g. deregulation of fees, uncapped places) ▪ Withdrawal from state-based funding initiatives as the demand-driven model gains traction ▪ International student market reopening through lifting of visa restrictions

- Continued roll-out of demand-driven programs a positive, albeit at a slower pace to VIC
- Significant growth for private operators through income contingent loans
- Our continued focus on brands and student outcomes is important for all funding sources

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Our Team



- New organisational structure established through integration
- Executive management team strengthened through the addition of Carolyn Barker (CEO of Higher Education) and Ross Robinson (Head of Enterprise)

Integration update

- Three founding businesses fully integrated
- Real Institute integration accelerated
- Endeavour requires minimal integration as the new Higher Education pillar and Brand
- The new management and brand structure will operate in two distinct revenue channels going forward: **Endeavour Higher Education** and **Vocational Education** (opposed to FY14 structure of Enterprise, Direct and Solutions)
- FY15 results and announcements will follow these two revenue channels

OUR BRANDS

HIGHER EDUCATION



VOCATIONAL EDUCATION & TRAINING



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Student Focus and Vocation Forest

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Vocation Forest

- By the end of 2014, we will have planted over 135,000 trees on sites across Australia
- The growth of the forest represents our students' learning and career journeys with us

Student Focus

- Our students are at the heart of everything we do
- Our goal is to deliver high quality education that leads to real career opportunities

Vocation has the platform, people and products to become the leading dual sector private educator in Australia, delivering quality student outcomes coupled with shareholder returns

QUESTIONS?

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Statutory to Pro forma Profit and Loss Reconciliation

Reconciliation to statutory revenue

\$millions	Note	FY2014
Statutory sales revenue		128.4
Pro forma impact of the Merger	1	12.8
Revenue from acquisitions	2	(4.0)
Pro forma revenue		137.2

Reconciliation to statutory NPAT

\$millions	Note	FY2014
Statutory NPAT		8.3
Pro forma impact of the Merger	1	2.7
Impact of acquisitions	2	(1.4)
Public company costs	3	(0.5)
IPO costs	4	13.4
Acquisitions related costs	5	7.2
Amortisation of intangibles	6	(2.3)
Net interest income	7	0.4
Income tax effect	8	(5.7)
Pro forma NPAT		22.1

Notes:

- Pro forma impact of the Merger** – the unaudited income statements of the Founding Companies and the Ancillary Businesses (excluding BAWM Pty Ltd) have been adjusted to eliminate non-recurring items or items not relevant to the operations of these entities and businesses post their acquisition by Vocation
- Impact of acquisitions** – an adjustment has been made to the Pro forma results to eliminate the revenue and net profit after tax of acquisitions (ACAE/ASM and Real Institute) during the year reported in the income statement
- Public company costs** – an adjustment has been made to include the pro forma estimate of annualised costs Vocation has incurred as a listed public company. These costs include Director and executive remuneration, additional audit and tax costs, listing fees, and share registry fees
- IPO costs** – include IPO transaction costs of \$12.4m (\$8.7m net of tax) that have been expensed and other IPO related costs of \$1.0m. A further \$9.1m of IPO transaction costs were directly attributable to the issue of Shares and hence were offset against equity raised in the IPO Offer
- Acquisition related costs** – Include transaction costs of \$6.7m in relation to the ACAE/ASM, the Real Institute and Endeavour acquisitions and \$0.5m of other acquisition related costs
- Amortisation of intangibles** – reflects annualisation of the amortisation expense incurred in respect of the identified intangible assets recognised following completion of the Merger. This value of identified intangible assets is based on a provisional purchase price allocation exercise conducted by Vocation. Vocation has 12 months from the completion of the Merger in which to finalise this provisional purchase price allocation
- Net interest income** – reflects the inclusion of interest income of \$0.4m
- Income tax effect** – the forecast income tax rate applicable to Vocation is approximately 30%. This tax rate has been applied in calculating the tax impact of the above adjustments



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Be extraordinary.