



Vocation – Financial and Business Update

28 January 2015

Vocation ASX: VET (Vocation) today announces a continuation of its voluntary suspension, an earnings update, a strategic review of its asset portfolio and future structure, and the planned departure of Group CEO and Managing Director Mark Hutchinson.

The Company now expects to report a statutory NPAT loss of around \$27 million for the six months to 31 December 2014. Excluding one-off costs and discontinued businesses, the Company expects to report an underlying EBITDA of \$3 million in the six months to 31 December 2014. The NPAT and EBITDA figures are subject to review by the external auditors.

The revised result reflects the heavier than anticipated earnings impact of the Company's settlement with the Victorian Department of Education and Early Childhood Development (DEECD) last October, which has had some knock-on effects to student enrolments and the enterprise business.

The earnings update follows a financial assessment by the recently appointed interim CFO Stewart Cummins in conjunction with the Board and the Company's external advisers. The deterioration can predominantly be ascribed to: (i) \$5 million in one-off costs for professional and other fees in relation to the DEECD settlement and financing arrangements; (ii) \$10 million in additional revenue and other adjustments pertaining to discontinued businesses; and (iii) an additional \$12.8 million in unanticipated additional impact from the DEECD settlement. This is up from the previous estimate of \$5 million to \$17.8 million. \$11 million of that amount has been reflected in a restatement of previously reported income and \$6.8 million of which is included in 1H15 results.

The Company also announced that there has been a weakening of revenue in certain of its Vocational Education businesses in the current half. Management is not yet in a position to provide revised guidance for the full year while the nature of that impact is unclear, but intends to do so by the time the Company reports its first half results on 27 February 2015.

Commenting on the update, the Chairman of Vocation Doug Halley said that despite the deterioration in the 1H results, the underlying performance of the ongoing businesses remained sound, with the Higher Education division performing well and Vocational Education division (trading as Avana Learning and Real Institute) cash positive.

"With the ongoing support of our banks, Vocation has initiated a strategic assessment of the Company structure with the view to the possible sale of some assets", Mr Halley said.

The Company has received a number of approaches from credible parties interested in acquiring some of its businesses and it has appointed 333 Capital to assist the Board to explore the potential sale of some assets with the aim of eliminating debt.

The announcement today of the strategic review and the restatement of earnings has consequences for the Company's syndicated debt facility, and requires revisions to existing arrangements. The Company expects to finalise documentation in the next few weeks. The Company currently has cash balances of \$20 million.



Group CEO and Managing Director Mark Hutchinson has also informed the Board of his intention to resign.

The Board has agreed with Mark that he will step down after a replacement has been found. The Board will be considering internal and external candidates in parallel with the execution of the strategic review.

“The Board thanks Mark for his contribution to the formation of the Group and his work as Group CEO, as well as the integrity and commitment he has shown to the Company during difficult circumstances”, Mr Halley said.

Commenting on his planned departure, Mr Hutchinson said: “I will continue to be fully committed to working in the best interest of all shareholders during the strategic review and the search for a new CEO.”

The statutory Earnings Before Interest, Tax and Depreciation and Amortisation (EBITDA) for the December half was a \$20 million loss compared to the previous guidance of an \$8 million loss.

KEY FINANCIALS

\$ million	Revised 1H15 guidance	Restated FY14
Vocational Education Division	1	3
Higher Education Division	5	--
Corporate	(3)	(2)
Underlying EBITDA	3	1
One-off costs	(5)	(19)
Discontinued businesses	(18)*	23**
Statutory EBITDA	(20)	5
Interest	(3)	--
Depreciation & amortisation	(8)	(4)
Tax	4	(1)
Statutory NPAT (before outcome of impairment review)	(27)	--

* - Includes \$6.8 million pre-tax charge re DEECD settlement.

** - Net of \$11 million pre-tax adjustment re DEECD settlement.

These figures in the above table exclude the outcome of the previously announced impairment review. It is anticipated that this work will be concluded by the time the Company reports its results on 27 February 2015 and will incorporate the results of the strategic review currently underway.

Strategic Review

Commenting on the Strategic Review, Mr Halley said that the Company would consider all options, including mergers, divestments, and recapitalisation.

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“We would anticipate that given the level of interest we have received for some assets, we expect to be in a position to make a decision about the best options within weeks rather than months.

“We believe that this course of action is in the best interest of all shareholders and will see the Company best placed to move forward.”

The Company requested, and the ASX has agreed to, a continuation of the voluntary suspension of trading in the Company’s securities.

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