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# Business outlook

13 November 2018



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# Market fundamentals for growth

## Growth outlook is strong – favourable sector dynamics

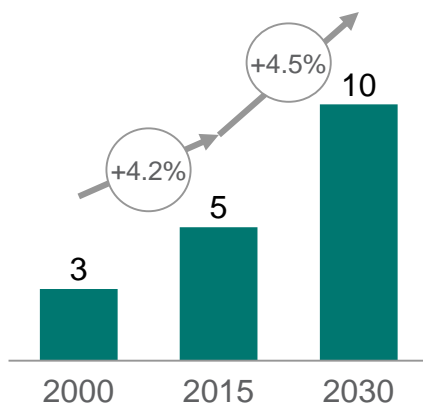


- **Initiatives already in place to position Navitas to be able to deliver significant additional financial value for shareholders**
  - New leadership team and organisational focus in place
  - On track to achieve the financial forecasts implied by our 2020 growth targets
  - 5 new partner contracts signed in FY16-18 to deliver growth in FY20-21
  - 8 new partner contracts already signed or expected to be signed in FY19
  - Refocused C&I business will deliver improved profitability
- **Forecast of \$200m EBITDA in FY21 – 39% increase from FY18**
- **Targeting to exceed \$250m EBITDA in FY23 - ~74% increase from FY18**

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# Favourable sector dynamics

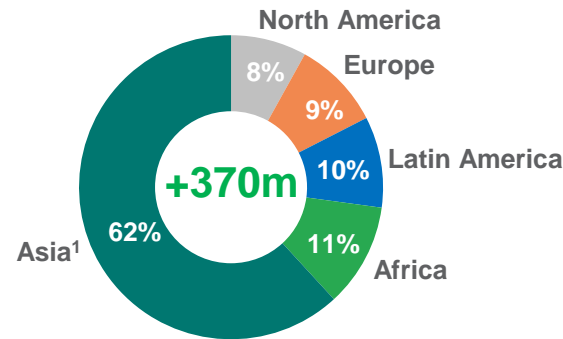
**Global education and training expenditure (USD trillion)**



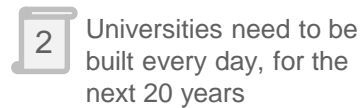
To place education expenditure in context....



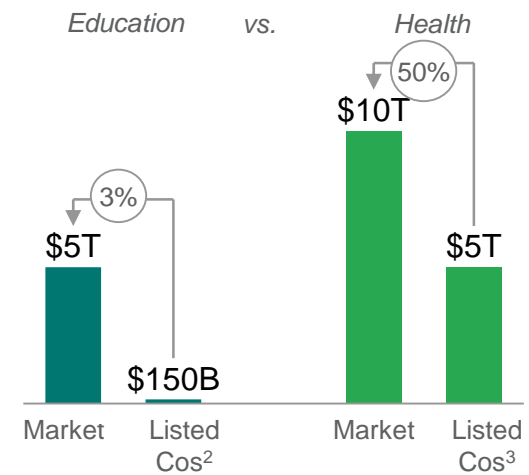
**Population with post secondary education (2015 → 2030, millions)**



To meet Higher Education demand....



**Significant upside for private education providers**



We believe that the private sector will play an increasingly important role in the changes to the Higher Education sector

Source: HolonIQ; Goldman Sachs; GSV; IBS Capital; Citi; BASA; Wittgenstein Centre

<sup>1</sup> Includes Oceania

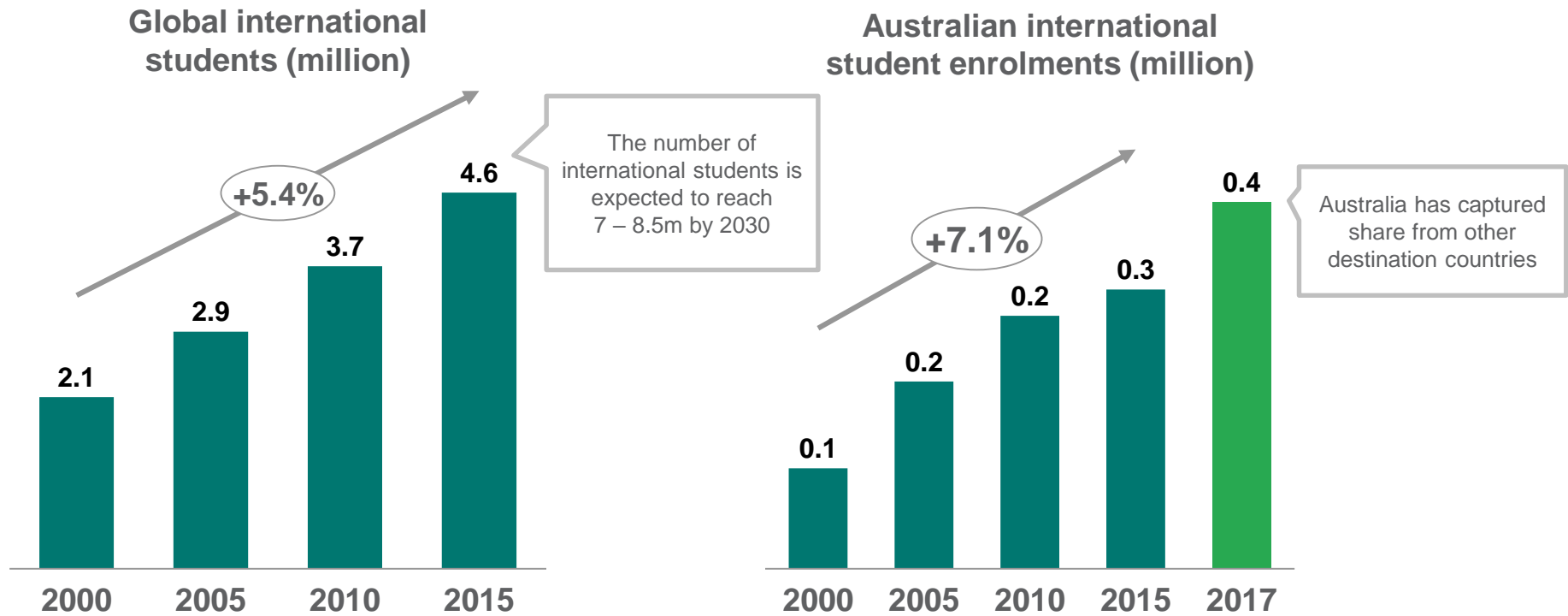
<sup>2</sup> HolonIQ Education Index

<sup>3</sup> S&P Global 1200 Healthcare index

# With attractive growth trends in international education



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# Navitas – differentiated global position in the sector



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## Scale



**OVER 7,000  
EMPLOYEES**

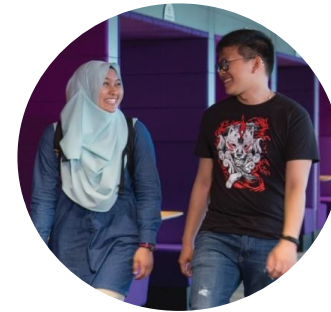


**120 COLLEGES**

## Geographical Diversification



**PRESENCE IN  
33 COUNTRIES**



**80,000  
LEARNERS**

## Industry Leader



**\$1.8B<sup>1</sup> MARKET  
CAPITALISATION**



**38 UNIVERSITY  
PARTNERSHIPS**

## Market Reach



**9 UNIVERSITY  
PRODUCT LINES**



**8 STUDENT  
FACING BRANDS**

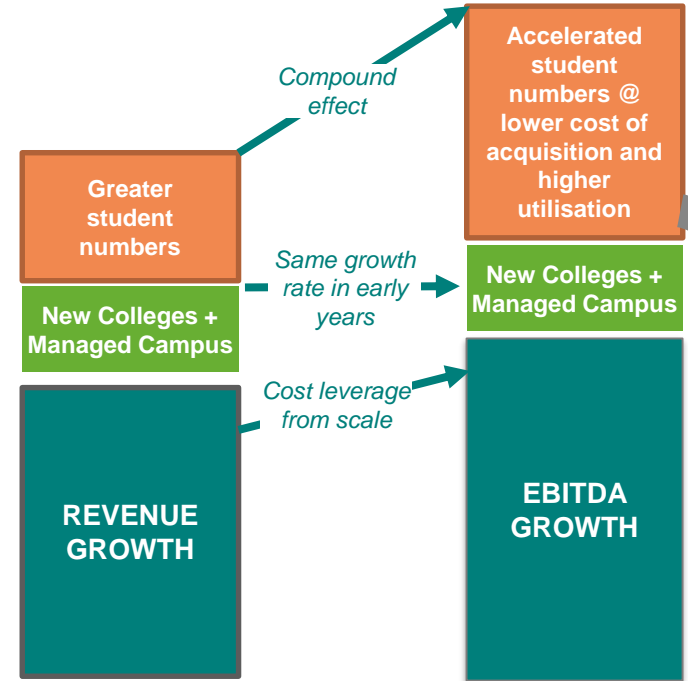
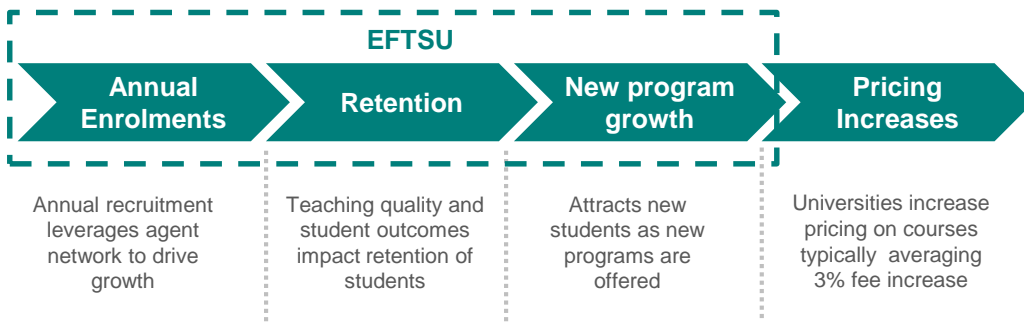
<sup>1</sup> As at 12 November 2018

# Business model attributes drive compounding effect

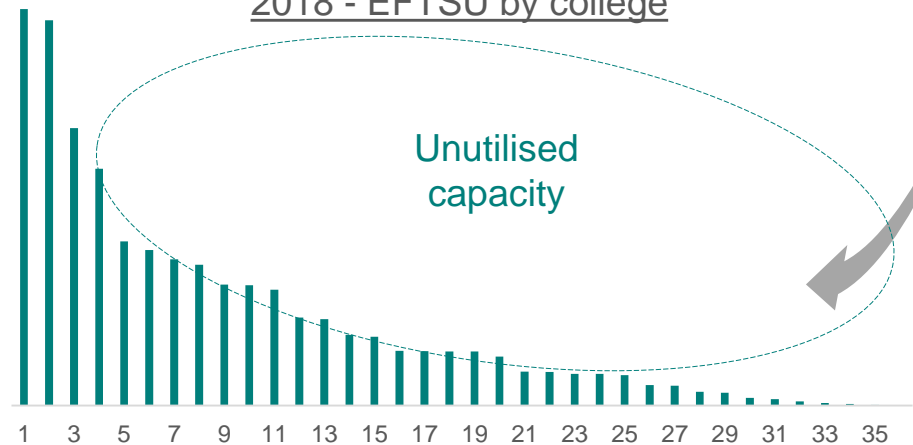


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## core growth drivers



2018 - EFTSU by college



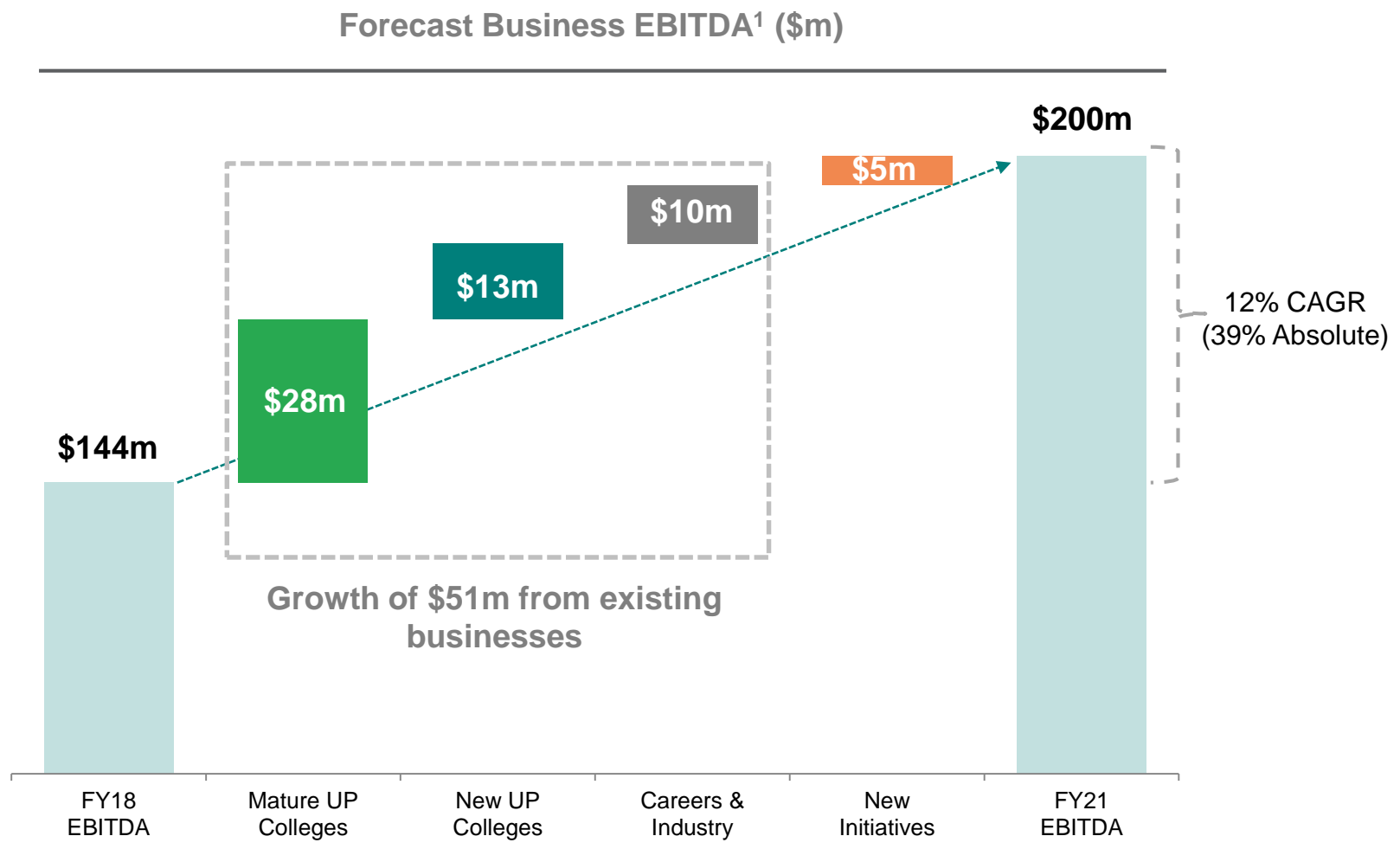
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## Growth outlook

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# Strong growth from existing business delivers \$200m EBITDA by FY21



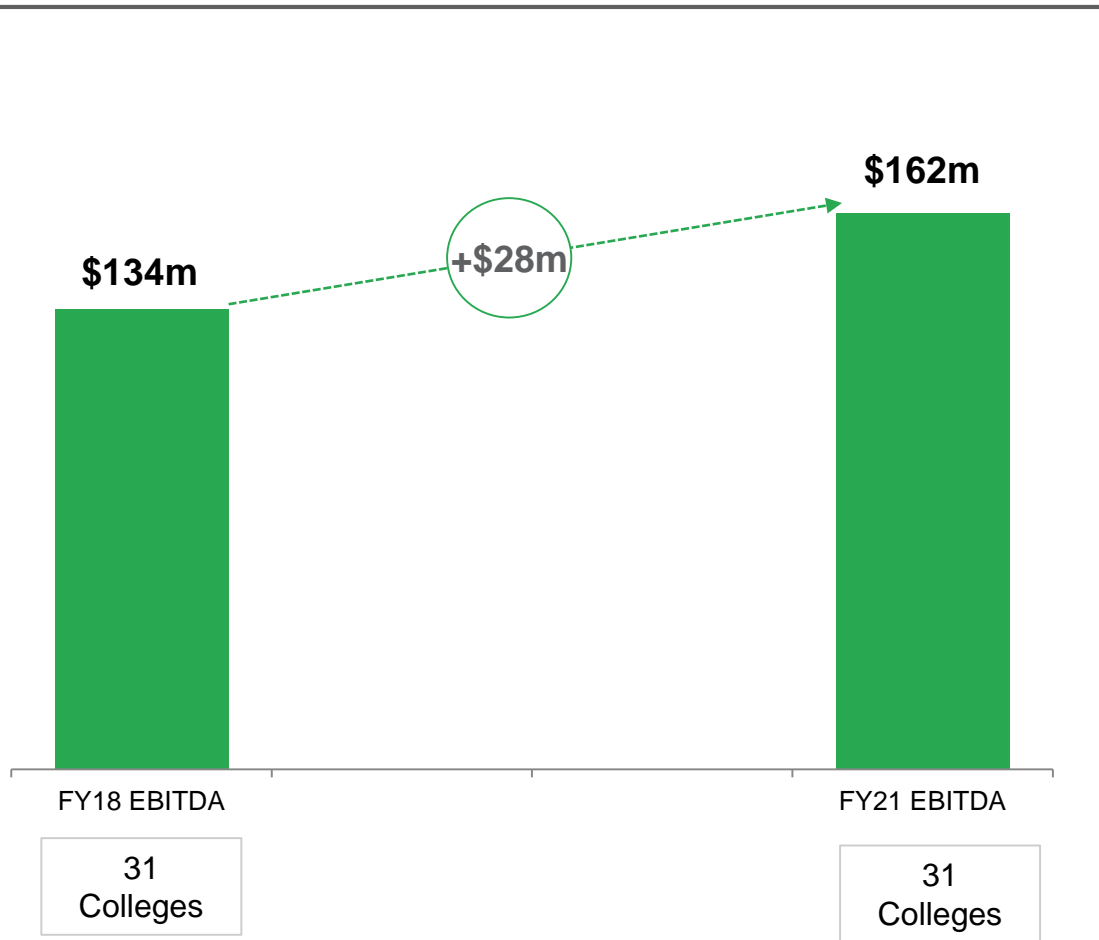
<sup>1</sup> EBITDA includes pro forma share of JV EBITDA

# 3 year growth of 21% from established UP colleges



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## Forecast EBITDA (\$m)



## Key assumptions

- No change to current immigration status across key markets
- 3.3% p.a. student EFTSU growth
- 2.0% p.a. course pricing growth
- +1.0% EBITDA margin improvement to 23%

## Assumptions Validation

- 5.2% CAGR in EFTSU over FY12-18
- Annual pricing growth of 3.3% over FY12-18
- EBITDA margin improved from 23% in FY11 to 24% in FY14 before impact of Macquarie loss

<sup>1</sup> EBITDA includes pro forma share of JV EBITDA

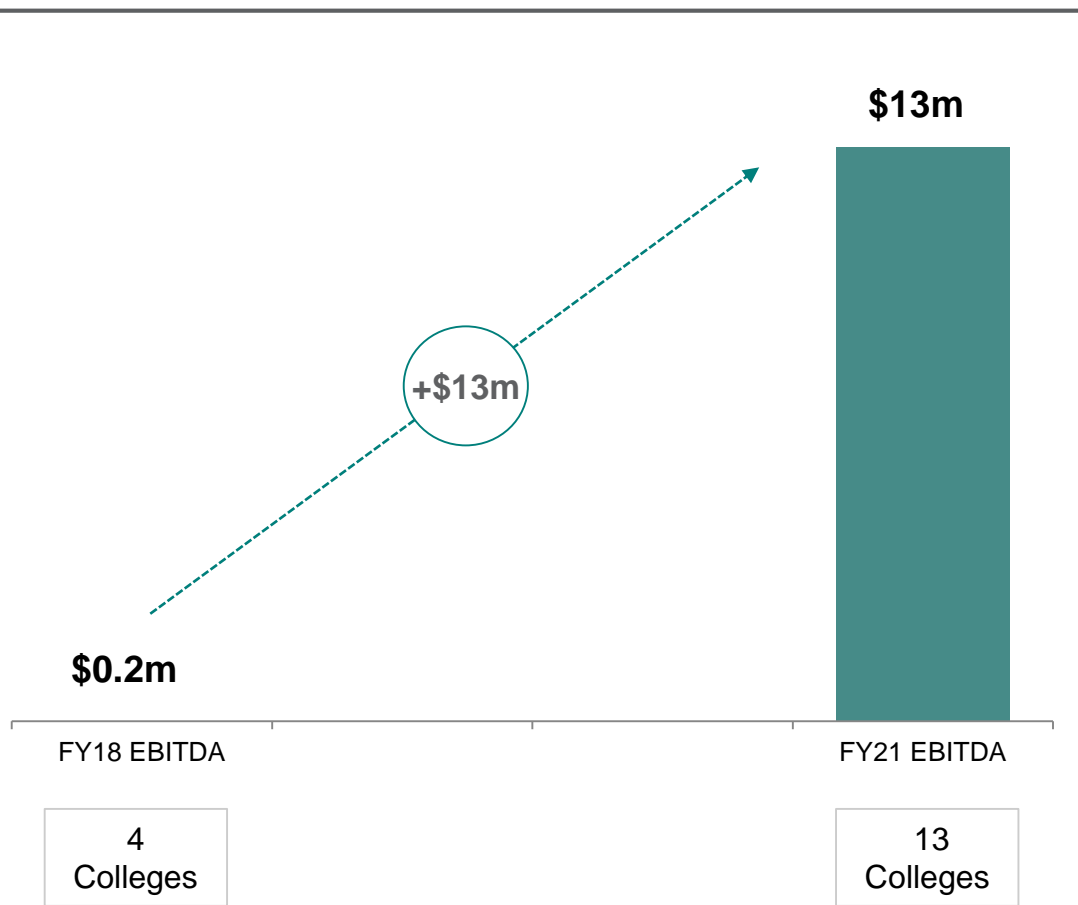


# New colleges will add a further \$13m EBITDA growth



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## Forecast EBITDA (\$m)



## Key assumptions

- No change to current immigration status across key markets
- 7 new partners signed since FY15
- 6 more new partners to sign in FY19
- Delivers ~10% of total forecast EFTSU growth

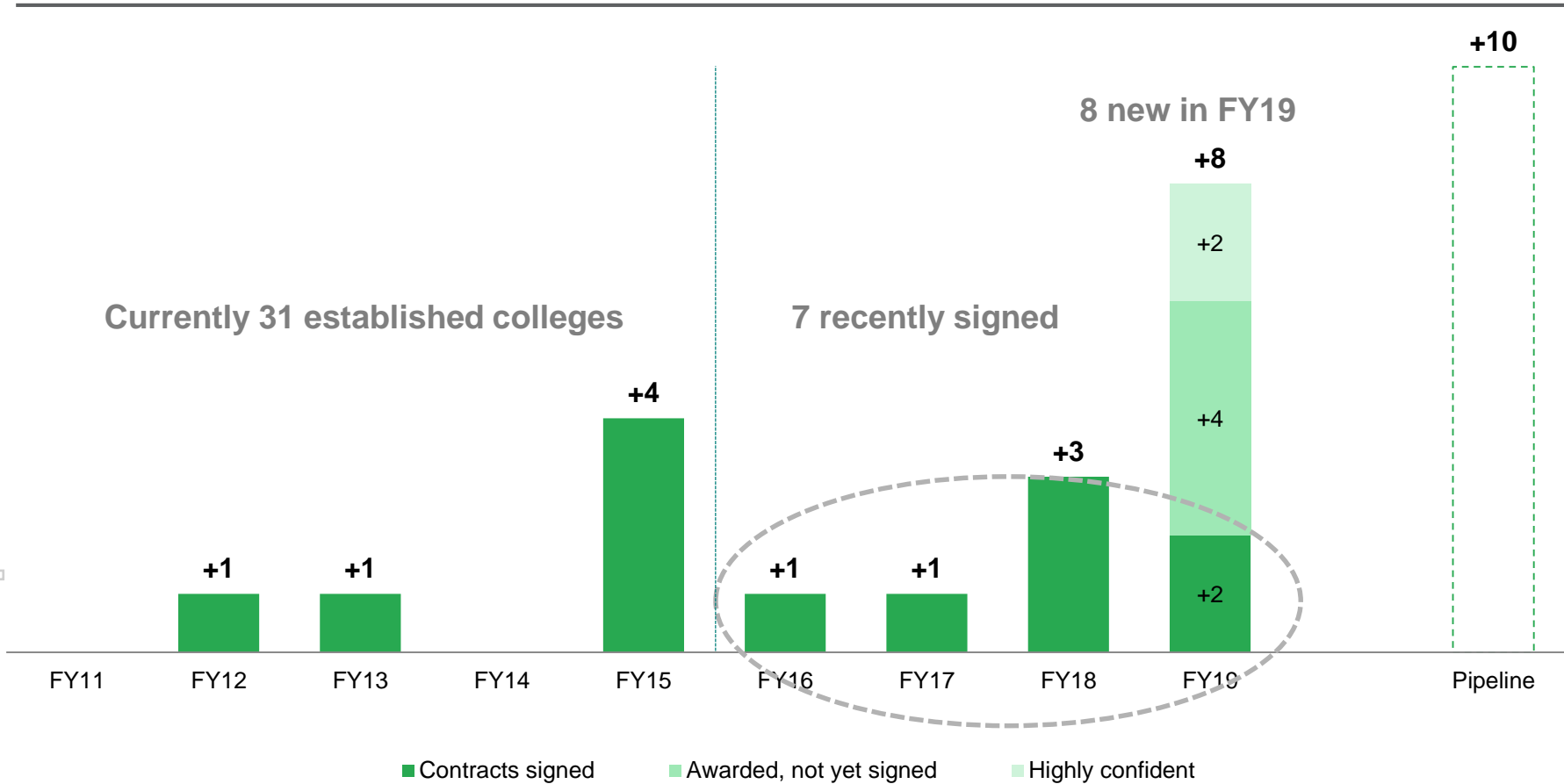
## Assumptions Validation

- See overleaf for new partner pipeline and historic run rate
- Assumed growth rates based on historic and recent performance profile of prior new colleges now reaching 4 year maturity

# Step change in new partners will drive additional increase in students and revenues

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Contract wins through time



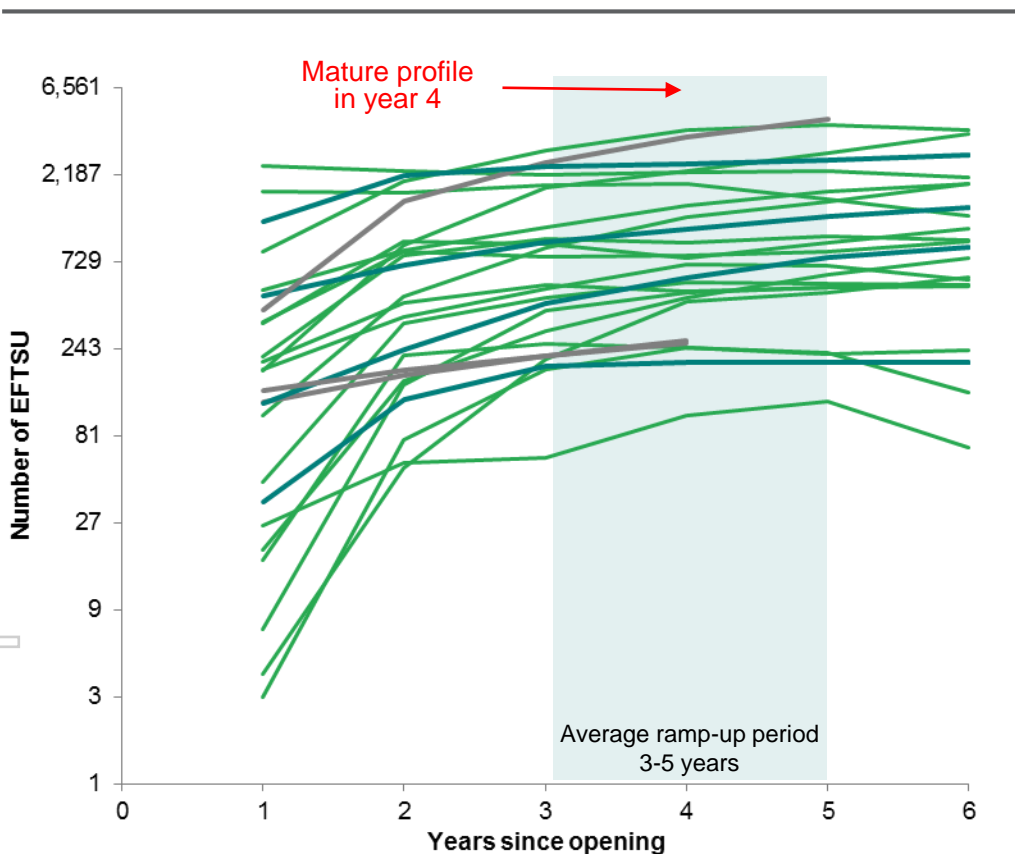
Goal is to target new partners that complement our portfolio in each market

# New signed colleges add EBITDA of \$17m after 4 years



Four recently opened colleges still in ramp up and three newly signed colleges expected to deliver EBITDA of over \$17m p.a. once they reach maturity after 3-5 years

Average ramp-up profile across portfolio



— Established colleges — Signing and operating — Signed with launch in FY 19

New Colleges	FY18 EBITDA	EBITDA forecast in Year 4
<u>Launched</u>		
Western Sydney City Idaho Virginia College Richard Bland College	\$0.1m	\$8m
<u>Pending launch</u>		
Murdoch Dubai Twente Hague	Nil	\$9m
7	\$0.1m	\$17m

Further 6 colleges expected to be signed in FY19 to deliver additional growth beyond FY21

# Growth in Careers and Industry division



Navitas has rationalised the C&I business which is now well positioned for growth through geographic and product expansion. C&I expected to contribute an additional \$10m of EBITDA in FY21

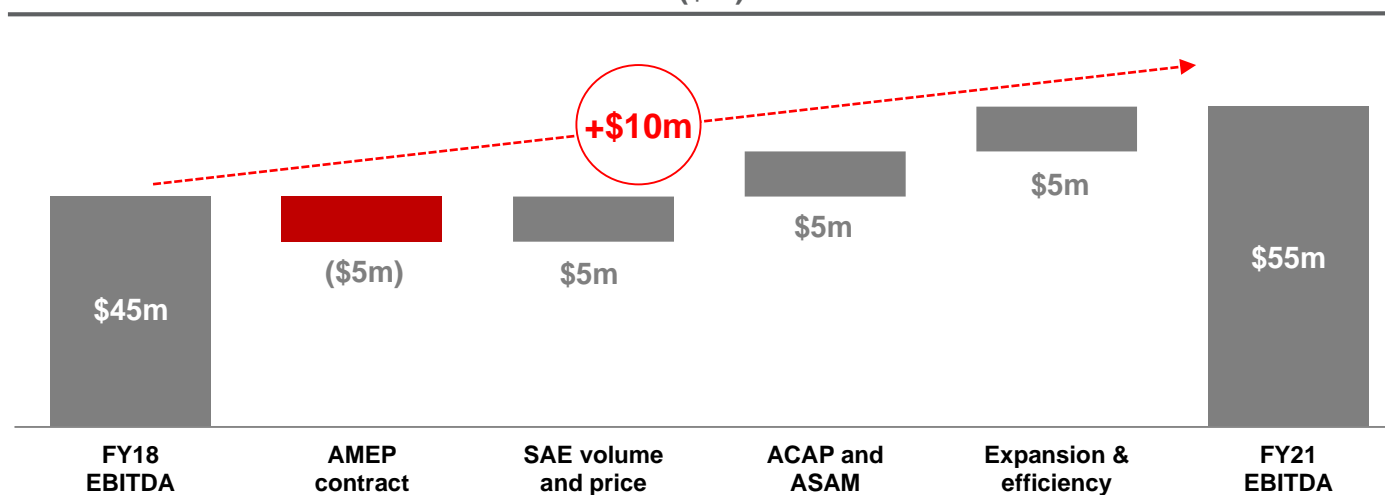
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## C&I restructuring program

- C&I rationalisation program includes
  - Closure of two sub scale SAE US colleges on West Coast
  - Closure of Health Skills Australia
  - Closure of SAE Oxford
  - Conversion of SAE Indonesia into a licensed operation
  - Closure of campuses in Singapore and Europe (Ljubljana, Rotterdam and Istanbul)
- Investigation of a divestment of all SAE US colleges



## C&I EBITDA (\$m)



- Expansion of ACAP into Perth and exploring further expansion opportunities
- ASAM product growth in home market
- Opportunity for expansion in France, backed by strong market research, particularly for gaming
- Strong market in Canada for greater expansion
- New or relocated campuses in Germany, Switzerland and Austria
- Creative industry large and growing
- Faster route to new product accreditation

## Other initiatives

- **Transformation Partner strategy – examples**
  - 3 existing managed campuses
  - Direct entry recruitment in US colleges
  - Online recruitment pilot in UK
  - Work-integrated-learning solutions in Australia
- **UP sales and marketing initiatives**
  - Direct channel and agent incentive program
- **Cost efficiency**

**\$5m growth  
expected from  
these initiatives  
by FY21**



# Outlook beyond 2021 – targeting to exceed \$250m EBITDA by FY23

Existing business at current growth compounds to significant further value

Growth	EBITDA	Key assumptions
FY21 Forecast	\$200m	<ul style="list-style-type: none"> <li>As set out in this presentation</li> </ul>
Established UP Colleges	\$20m	<ul style="list-style-type: none"> <li>Stable student migration conditions in major markets</li> <li>3.3% EFTSU growth and 2% pricing growth per annum</li> <li>31 Colleges retained</li> <li>23% EBITDA margin maintained</li> </ul>
New UP Colleges Continuing to Mature	\$30m	<ul style="list-style-type: none"> <li>Maturing of recently signed colleges</li> <li>Contribution from 6 new partners - 4 awarded but not yet signed contracts + 2 highly confident (refer slide 15)</li> <li>Additional contract wins from pipeline beyond FY19 (refer slide 15)</li> </ul>
C&I Division Growth	\$5m	<ul style="list-style-type: none"> <li>Volume and price growth</li> <li>Campus expansion</li> </ul>
<b>FY23 Target</b>	<b>&gt;\$250m</b>	

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# Summary

## Growth outlook is strong



- **Initiatives already in place to position Navitas to be able to deliver significant additional financial value for shareholders**
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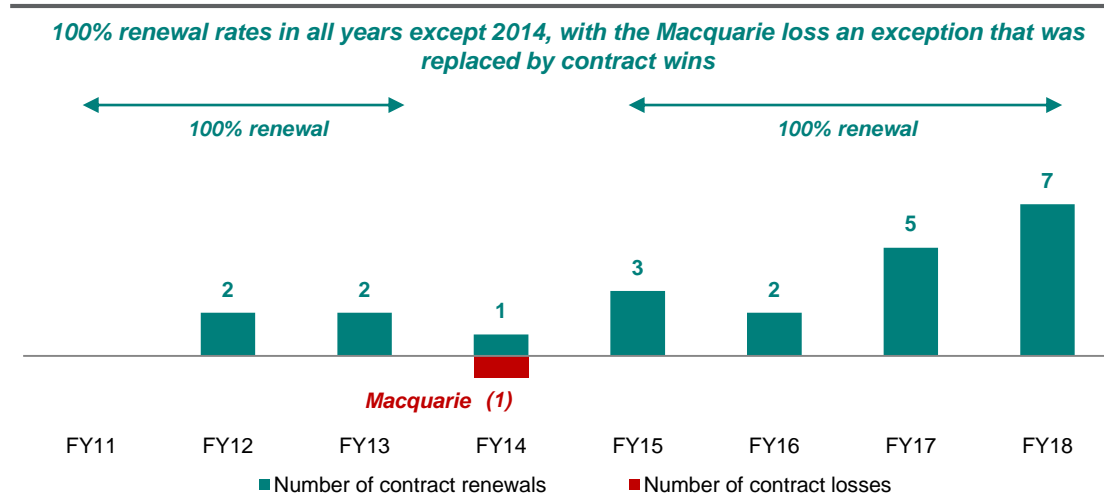
# Appendix

# 100% UP contract renewal rate since Macquarie



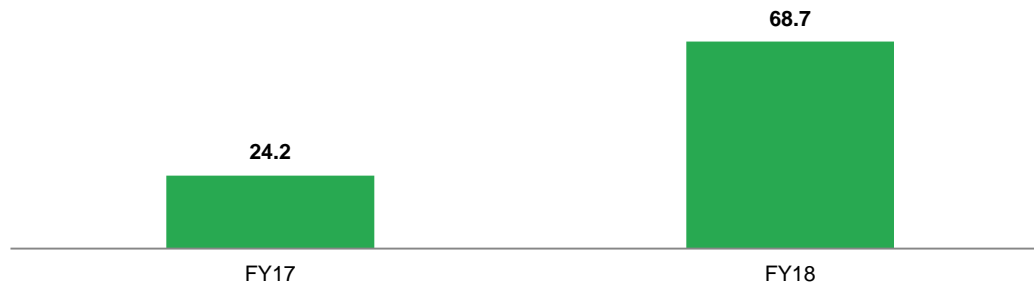
Navitas has achieved a 100% contract renewal rate since Macquarie and over the last two years has renewed contracts representing ~\$93m (~65%) of FY18 EBITDA<sup>1,2</sup>

## Historical UP contract renewal profile<sup>2</sup>



## Contract renewals (\$m FY18 EBITDA)

~\$93m of FY18 EBITDA renewed across 10 contracts in the last two years, ~65% of FY18 EBITDA



## Commentary

- 100% UP contract renewals since Macquarie, with a structured approach to renewals mitigating risk of loss:
- History of delivering student outcomes (demonstrated through high student retention and progression rates)
- Partnership health continuously monitored
- Proactive process commences ~18 months before renewal
- Range of business models offered

<sup>1</sup> EBITDA including associates.

<sup>2</sup> Excludes contracts not re-tendered by Navitas.



# Upcoming renewals well positioned with strong scores across all key performance metrics



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## Performance metrics

Key metrics	Macquarie	College 1	College 2	College 3
Student concentration by source country				
Change in EFTSU (% p.a., as at balanced scorecard vs. 4 years prior)	(6%) 	+7% 	+5% 	+4% 
Pass rates	73% <sup>1</sup> 	78% 	89% 	83% 
Staff turnover (% of current staff who have been with the group for >1 year)	78% 	100% 	100% 	100% 
Performance culture (Performance review completion rate)	31% 	95% 	100% 	100% 

■ Australia 
 ■ China 
 ■ Hong Kong 
 ■ Vietnam 
 ■ South Korea 
 ■ Canada 
 ■ India 
 ■ All other

## Feedback from partners (FY19 Survey)

- 1 **"They keep me informed of new programs and their expectations on a regular basis. I can also contact them freely and they are responsive and professional in their feedback."**
- 2 **"We have been able to work very constructively with Navitas and 'College 1' on the renewal of our partnership agreement."**
- 3 **"We've always found them proactive, we have no trouble getting engagement both locally and at senior levels when issues have arose; it's a respectful collaboration."**
- 4 **"Both parties work collaboratively for a mutual and best outcome. Friendly staff who make things happen."**
- 5 **"A long standing partnership - working very well. We get immediate responses and they are very client focused."**
- 6 **"We work well with their team. Highly strategic in their approach. Working on new initiatives. Quality of students is good. Would like greater volume of students."**
- 7 **"Over all it has been a successful partnership that is gaining traction and increasing enrolments."**
- 8 **"It was a seamless transition and the relationship has continued positively despite the change of leadership."**

● Good performance 
 ● Average performance 
 ● Underperformance

<sup>1</sup> Pass rate for the financial year ending 30 June 2014.