

NZX/ASX RELEASE

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IQE: Intueri Provides Performance and Leadership Update

Listed vocational education provider, Intueri Education Group Limited (NZX/ASX: IQE) has provided an update on its first half performance and guidance for the full year, ahead of its interim results announcement on 29 August 2016.

In summary:

- Solid first half (1H16) earnings performance in line with prior comparable period of 1H15 (pcp), with expected 1H16 underlying EBITDA of \$10.0 million (1H15: \$10.5 million).
- Strong first half growth in Australian Online revenue, primarily due to 2H15 enrolments. Impact of VET FEE-HELP (VFH) funding cap will be more obvious in second half.
- Softer second half year expected due to phasing of Australian Online revenue and slowing demand in International segment, with full year EBITDA guidance of approximately \$15 million, subject to receiving confirmation of final 2016 VFH funding cap.
- Group-wide cost saving initiatives and Domestic restructuring programme are on track to generate \$5 million in savings this year, and \$8 million annualised savings from 2017 onwards. Based on current trading, this would translate into an annualised EBITDA in excess of \$18 million.
- Favourable cash flows in 2H16 will enable debt to reduce by \$10 million by year end.
- Intueri continues to maintain a supportive relationship with its banking partner. Intueri and its bank are currently working together to ensure future covenants accommodate the latest outlook.
- Rob Facer has stepped aside as CEO and Director.

1H16 Performance Overview

The Group has experienced a solid first half for the six months to 30 June 2016.

Revenue from Online students has grown strongly and is double that of the pcp, primarily due to high enrolment levels in 2H15.

The effects of the Domestic restructuring programme at Quantum and the Design & Arts College in 1H16 have been largely offset by the revenue contribution from the acquisition of the New Zealand Institute of Sport and the New Zealand College of Massage, resulting in revenue from Domestic students 10% below pcp.

International student revenue is up on pcp, however the Group is seeing slowing demand in international enrolments reflecting tightening immigration requirements and a reduction in student visa approvals from the Indian sub-continent, being offset, in part, by increased enrolments from China and South East Asia.

Cost saving initiatives are on track as the Group looks to right size and refocus Domestic provision and realise benefits of scale. In particular, these have focused on the rationalisation of Quantum's campus network and programme delivery, as well as reducing the course provision at the Design & Arts

College. Cost savings will start to flow through in the second half of FY16, with the full benefits expected to be realised in FY17.

Regulatory Developments

Quality learning remains the heart of Intueri's strategy and two External Evaluation Reviews (EERs) were completed by the New Zealand Qualifications Authority in 1H16. These have seen The Cut Above Academy retain its Category 1 status, and NSIA - The Professional Hospitality Academy, move from Category 2 to Category 1.

The TEC review of the Dive School was resolved in 1H16, and the TEC review of Quantum is expected to conclude in 2H16. Intueri continues to work closely with regulators on both sides of the Tasman to complete the regulatory activity that currently includes our Australian colleges, ITTI and the College of Massage in New Zealand.

Updated Guidance and FY16 Outlook

Excluding a \$0.4 million addition to the sum previously provided for the refund to the TEC in relation to the Dive School review, underlying EBITDA for the first half of FY16 is expected to be \$10.0 million (1H15: \$10.5 million).

A softer second half of the year is anticipated, primarily due to lower Domestic enrolments as the rationalisation of courses at Quantum and the Design & Arts College takes effect; a slowdown in International student enrolments; and lower Online enrolments in line with the VFH funding cap.

Intueri has applied to increase its VFH funding cap by AUD\$6 million and is also progressing a number of other opportunities for growth in online learning, including the provision of services to other organisations. These are forecast to boost revenues, but come at a lower margin. Australian costs are expected to increase significantly in 2H16 due to additional investment into learning support and infrastructure ahead of anticipated regulatory changes in FY17.

Intueri will continue to progress its Domestic rationalisation programme including amalgamating a number of its NZ colleges into a combined Private Training Enterprise (PTE) which will provide scale benefits and funding flexibility. In addition, a strategic review is being undertaken of the Dive School, which is a niche provider delivering limited cross-group synergies and will require additional investment and variations in course structure in order to grow.

The Group remains on track to generate the target level of \$5 million of cost savings in New Zealand in 2016, and \$8 million of annualised savings from 2017 onwards. Based on current trading this would translate into an annualised EBITDA in excess of \$18 million.

Taking the above into account, and subject to confirmation of the lift in the VFH funding cap, underlying EBITDA for the full year to 31 December 2016 is expected to be approximately \$15 million (FY15: \$23.5 million).

Cash Flow and Debt Status

Favourable cash flow is expected in the second half, subject to confirmation of the uplift in the VFH funding cap and receipt of a final 2015 VFH payment of AUD\$4.3 million. This will enable debt to reduce by \$10 million by year end. Intueri remains focused on effectively servicing and reducing debt and has a supportive relationship with its banking partner. Intueri and its bank are currently working together to ensure future covenants accommodate the latest outlook.

Leadership Change

Intueri CEO and Director Rob Facer has stepped aside today. Rob will continue in an advisory capacity for a period of time to assist Intueri in respect of regulatory reviews.

Intueri CFO Rod Marvin is appointed as Interim CEO effective immediately. The Board has commenced a recruitment process for a permanent CEO.

Rob Facer said: “We have taken the organisation on a significant journey since listing and this is now an opportunity for the Board to pursue some fresh input to shepherd Intueri into the next phase of what I firmly believe is an exciting future.”

Intueri Board Chair, Chris Kelly, thanked Rob for his tenure, acknowledging his hard work and the considerable progress made since listing, despite difficult market conditions and significant regulatory changes. The Board is totally supportive of Rod Marvin and is confident in his ability to lead Intueri at this time.

A sub-committee of the Board has been formed to support the execution of the recently developed, and Board-approved, strategy to deliver improved business performance and position Intueri for future growth.

Chair’s Comment

Chris Kelly, Chair of Intueri, said: “Intueri continues to trade profitably and we believe the initiatives we are undertaking this year will strengthen our organisation and create a solid platform for future growth.

“FY16 is a reset year as we adapt to meet the changing regulatory and operating environment and transition into a more focused and efficient organisation.

“Vocational education remains an essential part of the sector and we are committed to meeting and exceeding our regulatory obligations and delivering quality education. The recent positive EER reviews are a reflection of our focus on continually striving to be the best we can be.”

-ENDS-

For more information, please contact:

Rod Marvin
Interim CEO
Tel: + 64 (0) 27 499 7822
rod.marvin@intueri.co.nz

Chris Kelly
Board Chair
Tel: +64 (0) 27 24 8883
chris.kelly@intueri.co.nz

About Intueri:

Intueri Education is a New Zealand headquartered group of private training establishments delivering vocational education to students in New Zealand and Australia and from around the world.

We provide industry-appropriate courses and qualifications across a diverse range of industries, working closely with those industries to ensure training remains relevant and employment-outcome focused.

Intueri is dual listed on the NZX and ASX under the ticker symbol IQE.