



# **IDP Education Half Year Results Presentation**

**Six months to 31 December 2015**

**11 February 2016**

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Note All financial amounts contained in this presentation are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Presentation are due to rounding.

# Agenda

I. Highlights

II. Financial Performance

III. Investment Highlights and Outlook

Appendix A. Overview of IDP Education

Appendix B. Industry Drivers



**01**

**Highlights**

# H1 FY16 Highlights

## Successful IPO

- Successful IPO completed during the half
- Commenced trading on ASX on 26 November 2015

## Record half year revenue and earnings

- Revenue up 24.6% on H1 FY15 to A\$181.6m
- EBITDA up 19.8% on H1 FY15 to A\$32.6m

## Multi-destination strategy delivering results

- Multi-destination revenue up 121%
- Australian placement revenue up 18.2%

## Global IELTS revenue up strongly

- IDP Education's IELTS revenue up 18.4%
- The performance highlights the benefits of IDP's broadly diversified global portfolio of testing locations

## Strong cash flow and balance sheet

- Strong cash flow generation
- Net cash position of \$13.3m as at 31 December 2015

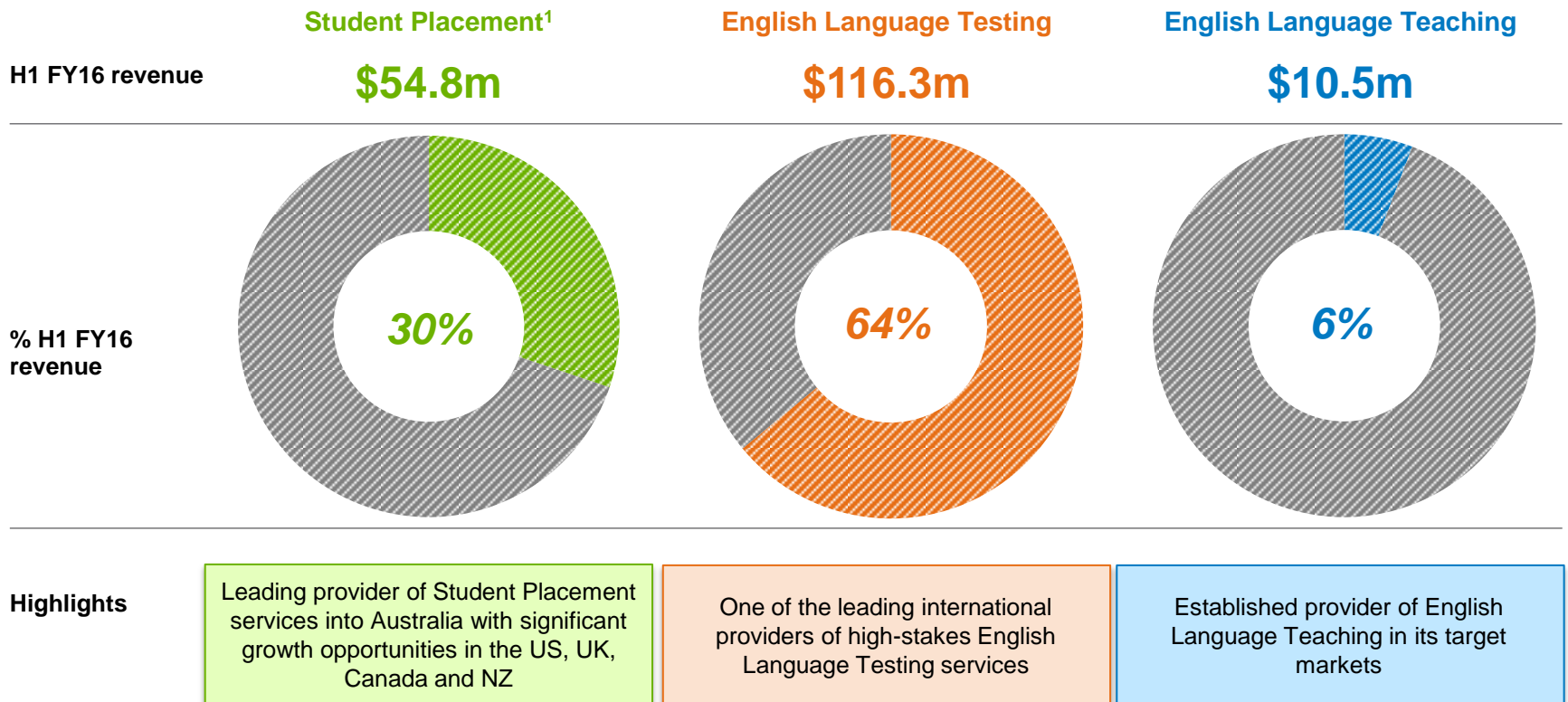
## On-track to deliver FY16 prospectus forecast

- Business performing well in each product category
- Reconfirm prospectus forecasts for FY16

\* Comparison to H1 FY15 financials are made on a pro-forma basis consistent with the prospectus dated 12 November 2015. Adjustments to H1 FY15 statutory results are \$0.5m for public company costs and \$0.2m for net interest adjustment

# Introduction to IDP Education

IDP Education is a leading provider of international Student Placement services, high-stakes English Language Testing services and operator of English language schools in South-East Asia



Note: 1 Student Placement revenue on this page includes revenue from events associated with Student Placement and contracted activities for developmental programs initiated by government or semi-government bodies.

# Leading global provider with broad network and diverse business model

For Student Placement, IDP Education sources students through 89 offices across 30 countries, placing them into over 600 education institutions across 5 destination countries...



## Student Placement

- 89 offices
- 30 source countries
- 600+ institutions
- 5 destination countries

## IELTS™

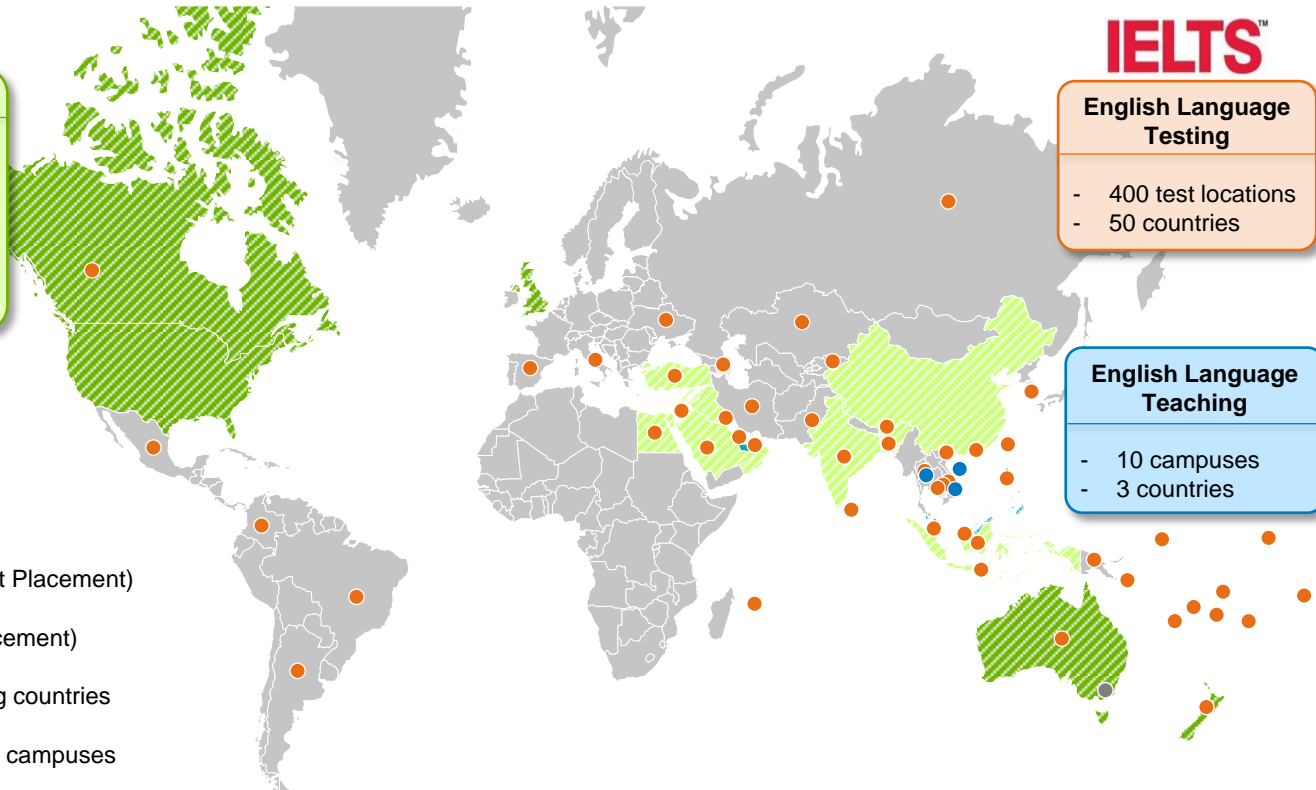
### English Language Testing

- 400 test locations
- 50 countries

### English Language Teaching

- 10 campuses
- 3 countries

- Destination country (Student Placement)
- Source region (Student Placement)
- IDP Education IELTS testing countries
- English Language Teaching campuses
- Head office - Melbourne



...as part-owner of IELTS, IDP Education has over 400 IELTS test locations in 50 countries



**02**

**Financial Highlights**



# Overview of H1 FY16

Record half year financial performance with Revenue up 24.6% and NPAT up 23.2% on H1FY15 Pro-forma

## Income Statement Summary (A\$m)

Six months to 31 December	Half Year Actuals		Growth	
	H1 FY15 (Pro-forma*)	H1 FY16	\$	%
English Language Testing	98.2	116.3	18.1	18.4%
Student Placement ("SP")				
- <i>Australia ("AU")</i>	26.0	30.7	4.7	18.2%
- <i>Multi-destination ("MD")</i>	8.2	18.1	9.9	120.8%
English Language Teaching	7.6	10.5	2.9	37.9%
Other	5.8	6.0	0.2	3.6%
<b>Total revenue</b>	<b>145.8</b>	<b>181.6</b>	<b>35.8</b>	<b>24.6%</b>
Direct Costs	72.2	86.7	14.5	20.0%
Gross Profit	73.6	94.9	21.3	29.0%
Overhead costs	46.3	62.2	15.9	34.4%
<b>EBITDA</b>	<b>27.2</b>	<b>32.6</b>	<b>5.4</b>	<b>19.8%</b>
Depreciation and Amortisation	3.3	4.0	0.7	21.2%
<b>EBIT</b>	<b>24.0</b>	<b>28.7</b>	<b>4.7</b>	<b>19.5%</b>
Net interest Income	0.1	0.2	0.1	141.5%
Profit before tax	24.2	28.8	4.6	18.9%
Income tax expense	7.7	8.5	0.7	9.6%
<b>NPAT</b>	<b>16.5</b>	<b>20.3</b>	<b>3.8</b>	<b>23.2%</b>

- Strong revenue growth in all product categories
- Multi-destination Student Placement ("MD") a highlight with the strategy delivering
- English Language Testing (IELTS) showing the benefits of a broadly diversified global portfolio
- English Language Teaching continues to deliver solid organic growth in IDP's target markets

\* H1 FY15 financials are presented on a pro-forma basis consistent with the prospectus dated 12 November 2015. Adjustments to H1 FY15 statutory results as presented in the Appendix 4D are \$0.5m for public company costs and \$0.2m for net interest adjustment

# Key operating metrics

## Revenue growth being driven by both volume growth and price increases

### Summary of Key Operational Metrics

Six months to 31 December	Half Year Actuals		Growth	
	H1 FY15	H1 FY16	'000s / \$	%
<b>Volumes (000s)</b>				
English Language Testing	400.0	423.5	23.5	5.9%
Student Placement ("SP")	13.8	16.7	2.9	21.0%
- Australia ("AU")	10.9	11.6	0.7	6.4%
- Multi-destination ("MD")	2.9	5.1	2.2	75.9%
<b>Average Test Fee (A\$)</b>				
English Language Testing Fee	245.5	274.6	29.1	11.8%
<b>Average Application Processing Fee (A\$)</b>				
Student Placement APF	2,491	2,925	434	17.4%
- Australia APF	2,395	2,661	266	11.1%
- Multi-destination APF	2,851	3,518	667	23.4%

- Revenue growth driven by both volume and price growth
- Multi-destination a key driver of volume growth in SP
- Australian student placement delivering a strong half reflecting broader industry growth
- Solid increases in average fees driven by a combination of tuition fee increases, changes in course mix, price increases and FX impacts

# Segmental earnings

## Strong growth across Asia and Rest of World underpins the result for the half

### Revenue and EBIT by Geographic Segment

Six months to 31 December	Half Year Actuals		Growth	
	H1 FY15 (Pro-forma*)	H1 FY16	'000s / \$	%
<b>Revenue</b>				
Asia	77.1	111.5	34.4	44.6%
Australasia	40.5	35.6	(4.8)	(11.9)%
Rest of World	28.2	34.5	6.2	22.1%
<b>Total revenue</b>	<b>145.8</b>	<b>181.6</b>	<b>35.8</b>	<b>24.6%</b>
<b>EBIT</b>				
Asia	24.7	33.6	8.9	36.0%
Australasia	12.2	9.3	(2.9)	(23.6)%
Rest of World	6.0	7.7	1.7	27.5%
<b>Total EBIT pre corporate costs</b>	<b>42.9</b>	<b>50.5</b>	<b>7.7</b>	<b>17.8%</b>
Overhead & corporate costs	18.9	21.9	3.0	15.7%
<b>Total EBIT</b>	<b>24.0</b>	<b>28.7</b>	<b>4.7</b>	<b>19.5%</b>

- IDP is a global company - 80% of revenue generated outside of Australasia
- Asia the key growth segment in the half across all product categories
- India and China delivering strong Student Placement performance for both AU and MD
- India also a key market for IDP's English Language Testing performance
- Decline in Australasian revenue largely as expected due to introduction of competition in English Language Testing in November 2014

\* H1 FY15 financials are presented on a pro-forma basis consistent with the prospectus dated 12 November 2015. Adjustments to H1 FY15 statutory results as presented in the Appendix 4D are \$0.5m for public company costs and \$0.2m for net interest adjustment

# Cash flow and Net Debt

## Strong net cash flow generation and low debt levels

### Summary Cash Movements (A\$m)

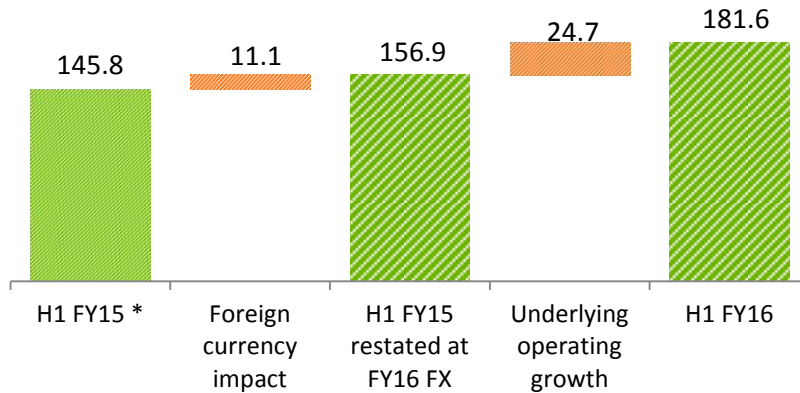


- Cash Balance as at 31 Dec 15 of \$20.3m
- Only \$7.0m of debt outstanding from draw-down made to fund pre-IPO dividends
- Strong MD performance reduces cash flow conversion in H1. Expect to be reversed in H2
- A\$48m of dividends paid to shareholders during the half
- First dividend as a public company will be declared at full year result

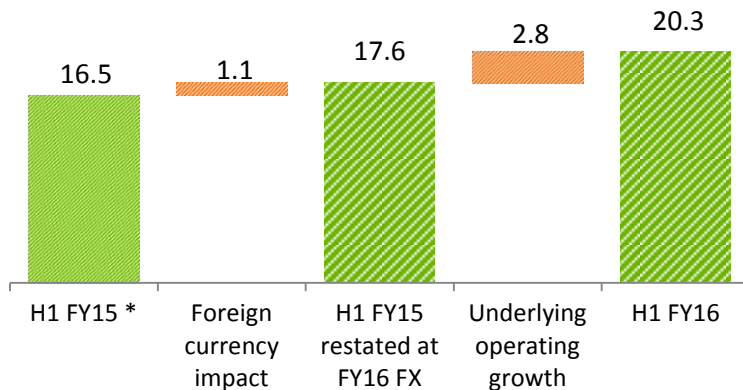
# Foreign exchange

## Strong underlying operational performance with foreign exchange movements providing some benefit in H1 FY16

### Revenue (A\$m)



### NPAT (A\$m)



- IDP Education earns revenues and incurs expenses in approximately 45 currencies and as a result is exposed to movements in foreign currency exchange rates
- IDP Education's most significant individual foreign currency exposure is to GBP, mainly due to the quarterly fee paid to Cambridge Assessment for its role in IELTS, denominated in GBP
- H1 FY16 reflected a weaker AUD relative to H1 FY15
  - The weaker AUD increases AUD revenue, but the GBP hedge reduces the foreign currency exchange rate impact on AUD costs of the English Language Testing business, which is IDP Education's largest foreign currency cost
- Even after excluding the benefit of foreign currency movements from H1FY15 the "underlying" growth of the business was strong:
  - 15.7% underlying growth in revenue
  - 15.3% underlying growth in NPAT

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# 03

## Outlook and Investment Highlights

# Outlook

## A strong first half has IDP Education well positioned to deliver the FY16 prospectus forecast

- A good start to the year has IDP Education on track to deliver its FY16 prospectus forecasts:
  - FY16 Revenue forecast of A\$357.3m (15.3% growth FY15 pro-forma)
  - FY16 EBITDA forecast of \$58.7m (15.8% growth FY15 pro-forma)
  - FY16 NPAT forecast of \$35.5m (17.2% growth FY15 pro-forma)
- In aggregate the Company should see a slight seasonal bias to H1 earnings given the timing of the Multi-destination (UK, US, Canada and NZ) Student Placement revenues

### Clearly Identified Pathways for Growth

#### Student Placement

- ✓ **Multi-destination strategy**
  - +121% revenue growth in H1
- ✓ **Maintain** leadership for Australia
  - H1 volume growth in line with industry trends
- ✓ Ongoing **expansion of client portfolio**
- **Additional source markets** to be added in the medium term

#### English Language Testing

- ✓ **Enhance reputation, brand and presence** of IELTS
  - UK Government contract evidence of global leadership and reputation of IELTS
- ✓ Optimise global network and **cross promote the benefits** of IELTS to SP business
  - IDP taking advantage of strong growth in key Asian markets

#### English Language Teaching

- ✓ Continue discipline in **managing student volumes and course fees** in each local market
  - 37.9% revenue growth in H1 FY16
- ✓ Improve competitive positioning of each school through **targeted marketing programs**

# Investment highlights

- 1 Attractive macro industry dynamics leveraging the desire of the developing world to study, live and work in English speaking countries**
- 2 Leading global provider with broad network and diverse business model**
- 3 Long term relationships with leading education institutions and government departments**
- 4 Strong operating metrics and financial profile**
- 5 Clearly identified pathways to continued growth**
- 6 Experienced global management team and Board**





# Appendix A

## Overview of IDP Education

# Overview of Student Placement

IDP Education provides services to students who are exploring overseas study opportunities, including counselling regarding potential study destinations, education institutions and courses, assistance with the processing of applications and pre-departure guidance

## Student Placement model

### Students

**Source regions:**  
Australasia, South Asia, South East Asia, North Asia, Middle East

**Number of courses in which students have been placed:**  
FY15 – approximately 26,700  
Last 10 years – over 220,000



**FY15 Average Application Processing Fee: \$2,602**

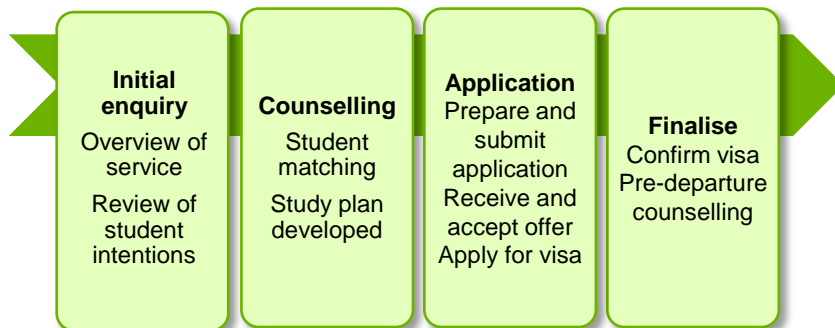
### Educational institutions

**Destination countries:**  
Australia, US, UK, Canada and New Zealand

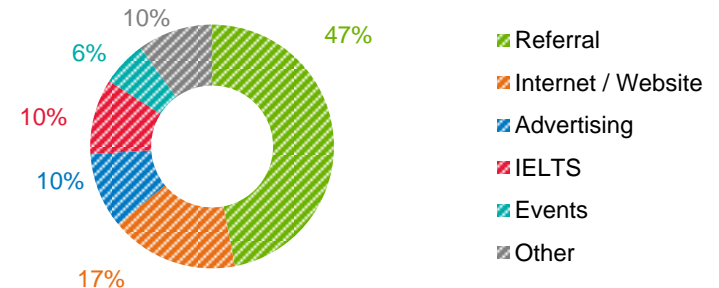
**Number of client institutions:**  
Over 600

**Institution type:**  
Universities, College/VET/TAFE, Foundation/Pathway, English School/ ELICOS

## Overview of counselling service



## Ways in which students first found out about IDP Education's Australian Student Placement business



# English Language Testing

International English Language Testing System (IELTS) is a leading “high-stakes” English language test for tertiary education, work and global migration

- **What is IELTS?** High stakes global English language test
- **Why do people take it?** Tertiary education, work, migration
- **Where is it accepted?** 9,000+ organisations in 140+ countries
- **When was it created?** Launched in 1989
- **How has the test grown overtime?**

Over 17 million IELTS tests have been conducted since 2003<sup>1</sup>

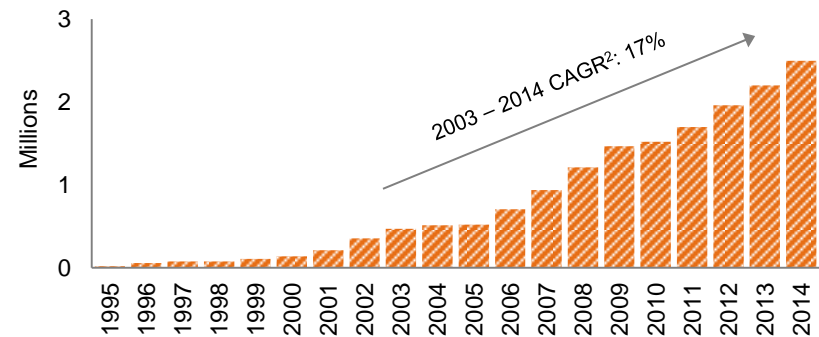
~2.6 million IELTS tests taken in 12 months to June 2015

20<sup>th</sup> consecutive year of growth

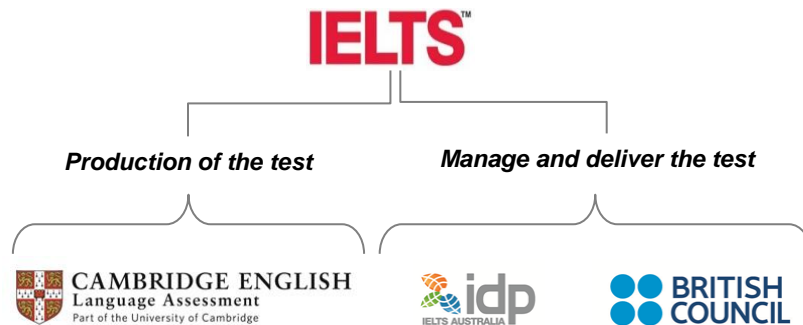
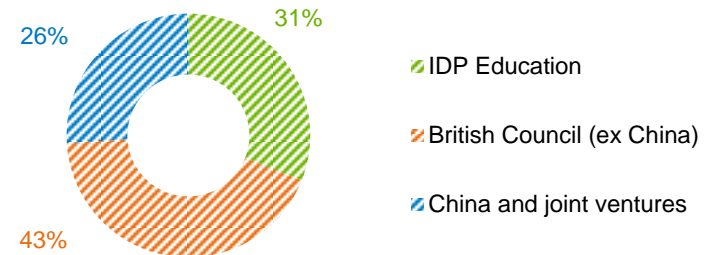
1,000+ IELTS test centres locations worldwide, of which IDP Education operates 400+ test locations in over 50 countries

- **Who owns the test?** Jointly owned by IDP Education, British Council and Cambridge. Parties have a long standing and stable relationship spanning 26 years

Number of IELTS tests conducted annually (m)






IELTS test volumes by party (FY15)



Notes: 1 To 30 June 2015. 2 CAGR refers to Compound Annual Growth Rate.

# English Language Teaching

IDP Education owns and operates English language schools in Asia, operating ten campuses across Vietnam, Cambodia and Thailand with the total number of courses undertaken by students in FY15 of approximately 60,000

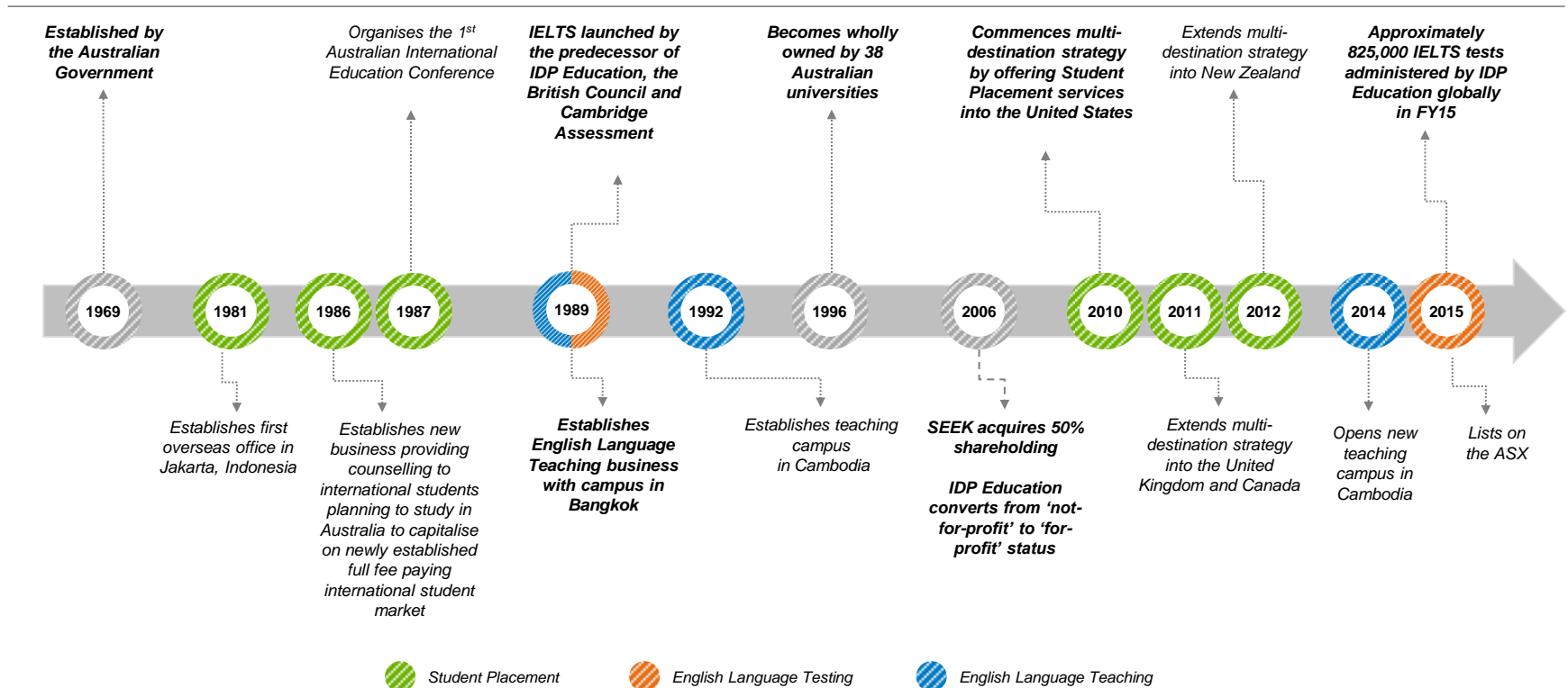
	 <b>Cambodia</b>	 <b>Vietnam</b>	 <b>Thailand</b>
<b>Name</b>	Australia Centre for Education (ACE)	Australia Centre for Education & Training (ACET)	IDP English
<b>Ownership</b>	100%	100% of entity and licence <sup>1</sup>	100%
<b>Curriculum</b>	IDP Education	UTS: INSEARCH & IDP Education	IDP Education
<b>Established</b>	1992	2001	1989
<b>Campuses</b>	4 Phnom Penh (3), Siem Reap (1)	5 Ho Chi Minh (3), Hanoi (2)	1 Bangkok

Note: 1 In return for providing the curriculum materials, UTS:INSEARCH is entitled to 40% of the profits from ACET.

# Company history

## IDP Education has a long history in the international education sector

- Initially began in 1969 in connection with an aid program funded by the Australian Government
- Played a central role in establishment of international education sector in Australia
- Long history with Australian universities building strong relationships
- Owned 50:50 by Education Australia (an entity representing 38 Australian universities) and SEEK Limited prior to listing





# Appendix B

## Additional information

# Expenses Summary

## Expenses tracking in-line with expectations

### Summary of historical and forecast income statements

Six months to 31 December	Half Year Actuals		Growth	
	H1 FY15 (Pro-forma*)	H1 FY16	'000s / \$	%
<b>Direct Costs</b>	72.2	86.7	14.5	20.0%
<b>Overhead Costs</b>				
- Employee benefits expenses	28.8	39.1	10.4	36.1%
- Occupancy expense	5.0	6.9	1.8	36.6%
- Promotion and publicity expense	3.8	6.1	2.3	60.6%
- Other expenses	8.7	10.1	1.4	16.2%
<b>Total Expenses</b>	<b>118.6</b>	<b>149.0</b>	<b>30.4</b>	<b>25.6%</b>

- Total expenses growth is slightly above revenue growth due to half on half impact of expansionary investment made in headcount and occupancy during FY15

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# Product Category Summary

**H1 FY16 revenue growth of 24.6% and gross profit growth of 29.0% leading to gross profit margin expansion**

Six months to 31 December	Half Year Actuals		Growth	
	H1 FY15 (Pro-forma*)	H1 FY16	'000s / \$	%
<b>Revenue</b>				
English Language Testing	98.2	116.3	18.1	18.4%
Student Placement				
- <i>Australia</i>	26.0	30.7	4.7	18.2%
- <i>Multi-destination</i>	8.2	18.1	9.9	120.8%
English Language Teaching	7.6	10.5	2.9	37.9%
Other	5.8	6.0	0.2	3.6%
<b>Total revenue</b>	<b>145.8</b>	<b>181.6</b>	<b>35.8</b>	<b>24.6%</b>
<b>Gross profit</b>				
English Language Testing	37.6	45.5	7.9	21.1%
Student Placement	29.2	41.4	12.2	41.9%
English Language Teaching	5.3	7.0	1.8	33.3%
Other	1.5	1.0	(0.6)	(37.5)%
<b>Total gross profit</b>	<b>73.6</b>	<b>94.9</b>	<b>21.3</b>	<b>29.0%</b>

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# Cash flow

**Strong cash generation with MD related cashflow expected to driven even higher cash conversion in H2**

## Summary Cash Flow (A\$m)

Six months to 31 December	Half Year Actuals		Growth	
	H1 FY15 (Pro-forma*)	H1 FY16	'000s / \$	%
<b>EBITDA</b>	27.2	32.6	5.4	20%
Non-cash items	0.3	0.9	0.6	200%
Change in working capital	(7.0)	(8.0)	(1.1)	16%
Income Tax Paid	(8.9)	(10.3)	(1.4)	16%
Net interest received	0.5	0.3	(0.2)	40%
<b>Operating cash flow</b>	<b>12.1</b>	<b>15.5</b>	<b>(3.4)</b>	<b>28%</b>
Capital Expenditure	(2.5)	(3.1)	(0.6)	25%
<b>Net cash flow before Financing</b>	<b>9.6</b>	<b>12.4</b>	<b>2.8</b>	<b>29%</b>
Payment for treasury shares	-	(2.4)	(2.4)	100%
Proceeds from Borrowings	-	15.0	15.0	100%
Repayment from Borrowings	-	(8.0)	(8.0)	100%
Dividend Payments	(20.0)	(48.0)	(28.0)	140%
<b>Net Cash flow</b>	<b>(10.4)</b>	<b>(31.0)</b>	<b>(20.6)</b>	<b>199%</b>

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# Strong balance sheet

## \$13.3m net cash position as at 31 December 2015

### Pro forma consolidated historical balance sheet

June year end; \$ millions	Statutory 30 Jun 2015	Adjustments	Pro forma 30 Jun 2015	Statutory 31 Dec 2015	Change
<b>Current assets</b>					
Cash and cash equivalents	51.2	(36.0)	15.2	20.3	5.1
Trade and other receivables	28.0	-	28.0	37.0	9.0
Derivative financial instruments	6.0	-	6.0	3.4	(2.6)
Other current assets	10.9	(2.0)	8.9	9.5	0.6
<b>Current assets</b>	<b>96.1</b>	<b>(38.0)</b>	<b>58.1</b>	<b>70.2</b>	<b>12.1</b>
<b>Non-current assets</b>	<b>69.2</b>	<b>-</b>	<b>69.2</b>	<b>70.5</b>	<b>1.3</b>
<b>Total assets</b>	<b>165.3</b>	<b>(38.0)</b>	<b>127.3</b>	<b>140.7</b>	<b>13.4</b>
<b>Current liabilities</b>					
Trade and other payables	39.1	-	39.1	32.2	(6.9)
Deferred revenue	15.3	-	15.3	17.8	2.5
Current tax liabilities	8.8	-	8.8	9.4	0.6
Borrowings	-	10.0	10.0	7.0	(3.0)
Other current liabilities	4.4	-	4.4	10.2	5.8
<b>Current liabilities</b>	<b>67.6</b>	<b>10.0</b>	<b>77.6</b>	<b>76.6</b>	<b>(1.0)</b>
<b>Non-current liabilities</b>	<b>6.3</b>	<b>-</b>	<b>6.3</b>	<b>3.0</b>	<b>(3.3)</b>
<b>Total liabilities</b>	<b>73.9</b>	<b>10.0</b>	<b>83.9</b>	<b>79.6</b>	<b>(4.3)</b>
<b>Total equity</b>	<b>91.4</b>	<b>(48.0)</b>	<b>43.4</b>	<b>61.1</b>	<b>17.7</b>

- Cash balance of \$20.3m as at 31 December 2015
- Borrowings of \$15.0m were drawn down during the half to fund the dividends paid to shareholders prior to the IPO
- The outstanding debt balance at 31 December 2015 was \$7.0m
- Current Assets < Current Liabilities at 31 December 15 due to pre-IPO dividends. This has no implications for liquidity and will be reversed in H2 from strong operating performance