



# IDP Education Half Year Results Presentation

Six months to 31 December 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. Hotcourses

Appendix A. Additional Financial Information

Appendix B. About IDP Education



01

Highlights

# H1 FY17 Highlights

## Strong earnings growth

- EBIT and NPAT +19%. On a constant currency basis EBIT +29% and NPAT +33%
- Revenue growth and margin improvement driving earnings

## Good volume growth across all product categories

- IELTS growth reflects strong performance of new and emerging markets

## Strong student placement (“SP”) growth driven by multi-destination (“MD”)

- MD volumes +32%
- Canada a standout at 105% volume growth

## Strategic acquisition of Hotcourses

- Leader in digital education search and student engagement
- Brings strong capabilities aligned to our digital strategy

## EPS and dividend

- EPS of 9.6 cps and a 73% payout ratio results in a 7.0cps interim dividend



**02**

## **Financial Performance**

# Overview of H1 FY17

## Strong earnings growth with EBIT and NPAT up 19%

### Income Statement Summary (A\$m)

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	H1 FY17	H1 FY16	\$m	%	
English Language Testing	118.7	116.3	2.4	2%	7%
Student Placement	54.0	48.8	5.2	11%	17%
<i>-Australia</i>	34.5	30.7	3.7	12%	13%
<i>-Multi-destination</i>	19.5	18.1	1.4	8%	26%
English Language Teaching	10.5	10.5	0.1	1%	4%
Other	6.5	6.0	0.5	9%	11%
<b>Total Revenue</b>	<b>189.8</b>	<b>181.6</b>	<b>8.2</b>	<b>5%</b>	<b>9%</b>
Direct Costs	87.1	86.7	0.3	0%	5%
Gross Profit	102.7	94.9	7.9	8%	14%
Overhead costs	66.4	62.3	4.0	6%	11%
<b>EBITDA</b>	<b>36.4</b>	<b>32.6</b>	<b>3.8</b>	<b>12%</b>	<b>21%</b>
Depreciation and Amortisation	2.5	4.0	-1.5	-37%	-36%
<b>EBIT</b>	<b>33.9</b>	<b>28.6</b>	<b>5.3</b>	<b>19%</b>	<b>29%</b>
Net interest Income	0.1	0.2	-0.1	-41%	-40%
Profit before tax	34.0	28.8	5.2	18%	29%
Income tax expense	9.9	8.5	1.4	17%	19%
<b>NPAT</b>	<b>24.1</b>	<b>20.3</b>	<b>3.8</b>	<b>19%</b>	<b>33%</b>

- Solid revenue growth across all product categories
- Constant currency growth rates show impact of movements in FX v pcp
- EBIT and NPAT +29% and 33% respectively on a constant currency basis
- English Language Testing (“IELTS”) showing the benefits of a broadly diversified global portfolio
- Multi-destination student placement (“MD”) a highlight with the strategy delivering
- Basic EPS of 9.64 cps
- Interim dividend of 7.0 cps franked at 50%

\* “Constant Currency Growth” is calculated by restating the prior comparable period’s financial results using the actual FX rates that were recorded during the current period

# Key operating metrics

## Revenue growth during the half driven primarily by ongoing volume increases

### Summary of Key Operational Metrics

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	H1 FY17	H1 FY16	'000s / \$	%	
<b>Volumes (000s)</b>					
English Language Testing	436.9	423.5	13.3	3%	
Student Placement	<b>18.9</b>	<b>16.7</b>	<b>2.2</b>	<b>13%</b>	
-Australia	12.1	11.6	0.5	4%	
-Multi-destination	6.8	5.1	1.7	32%	
English Language Teaching students	37.4	34.8	2.5	7%	
<b>Average Test Fee (A\$)</b>					
English Language Testing Fee	272	<b>275</b>	<b>-2.9</b>	<b>-1%</b>	<b>3%</b>
<b>Average Application Processing Fee (A\$)</b>					
Student Placement APF	<b>2,865</b>	<b>2,925</b>	<b>-60</b>	<b>-2%</b>	<b>4%</b>
-Australia APF	2,860	2,661	199	7%	8%
-Multi-destination APF	2,873	3,518	-645	-18%	-4%
<b>Average Course Fee (A\$)</b>					
English Language Teaching Course fee	282	300	-18	-6%	-3%

- Strong IELTS volume growth in Nepal, Canada and the Middle East
- Multi-destination a key driver of volume growth in SP
- Canada placement volumes up 105% and UK volumes up 36%
- Australian SP volume growth underpinned by double digit growth from China and India
- Solid increases in average fees in Australian SP
- Reduction in MD average fee primarily reflects FX movements

\* "Constant Currency Growth" is calculated by restating the prior comparable period's financial results using the actual FX rates that were recorded during the current period



# Growth Initiatives

Investment in strategic initiatives to drive future growth

## Digital



- Investing in design and development of customer centric technology
- Near term focus on developing the platform and processes that will support digital lead generation and nurturing

## Investing in our People



- Investing in new tools and systems to support our people in their professional development and learning
- eLearning and accreditation tools that will further differentiate IDP people from other players in our industry

## New and Emerging Markets



- Canada benefitting from strong demand and supportive policies
- Strong start to IDP:IELTS testing in Nepal

## Student Services



- Promising pilot of new services to add value for our customers in China travelling to Australia
- Strategy designed to enhance customer service and extend relationship through the student journey

# Segmental earnings

## Strong growth across Asia and Rest of World (“ROW”) underpins the result for the half

### Revenue and EBIT by Geographic Segment

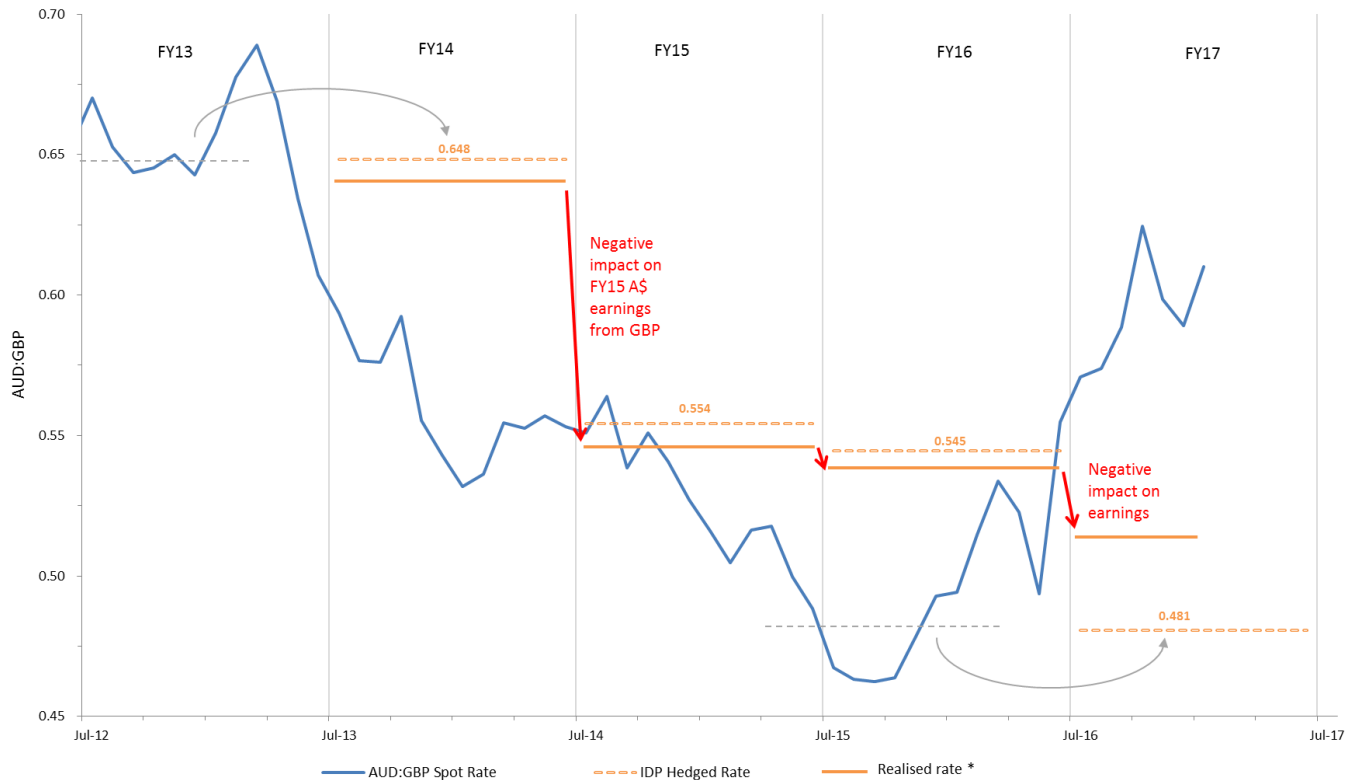
Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY17	H1 FY16	\$m	%
<b>Revenue</b>				
Asia	120.7	111.5	9.2	8%
Australasia	31.6	35.6	-4.0	-11%
Rest of World	37.5	34.5	3.0	9%
<b>Total revenue</b>	<b>189.8</b>	<b>181.6</b>	<b>8.2</b>	<b>5%</b>
<b>EBIT</b>				
Asia	38.2	33.6	4.6	14%
Australasia	8.7	9.3	-0.6	-7%
Rest of World	8.3	7.7	0.6	8%
<b>Total EBIT pre corporate costs</b>	<b>55.1</b>	<b>50.5</b>	<b>4.6</b>	<b>9%</b>
Overhead & corporate costs	21.2	22.0	-0.7	-3%
<b>Total EBIT</b>	<b>33.9</b>	<b>28.6</b>	<b>5.3</b>	<b>19%</b>

- Asia the key growth segment 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
- ROW growth driven by strong IELTS performance in the Middle East and Canada
- Decline in Australasian revenue largely as expected with market share losses tapering off

# FX Hedging

IDP Education earns revenues and incurs expenses in ~45 currencies and as a result is exposed to movements in FX rates

## AUD:GBP Movements



- IDP Education's most significant individual foreign currency exposure is to GBP (~GBP20m short in FY16), mainly due to the quarterly fee paid to Cambridge for its role in IELTS
- Hedging policy is to cover following year's forecast net cash FX exposure on key currencies
- 25% of the hedge put in place each quarter using a combination of FECs and options
- Lower AUD:GBP hedge rate for FY17 presented A\$ earnings headwind which is being partially offset by recent weakness in the GBP
- Growth in GBP revenue over time (UK client revenue and now via Hotcourses) will reduce net exposure

\* The realised rate will depend on a number of variables including the timing of receipt of cash in the relevant currency, the variance between forecast net operating cashflows to the actual cashflows. The overall net FX impact on IDP's reported A\$ earnings will also obviously be the aggregate of these movements across the entire portfolio of currencies



03

Hotcourses

# Hotcourses

Hotcourses is one of the world's leading digital student engagement and marketing businesses

## International



In-person and online courses for overseas students

## Domestic (UK)



UK undergraduate, postgraduate and further education in the UK

### Description

### Key Brands

**hotcoursesabroad.com**  
for students looking to study abroad



hotcourses

postgraduate search

Floodlight

### Key Statistics

- 34m visits across 12 English and local language websites
- ~400,000 courses from ~5,000 providers
- ~430 clients
- FY16 revenue c. £4.7m
- 90% of revenue from clients in UK, USA, Australia, Canada and New Zealand

- 32m visits p.a. from UK and abroad
- ~200k courses
- ~500 clients
- FY16 revenue c. £6.1m

# The opportunity

**A unique opportunity to bring together one of the world's leading digital student engagement and marketing businesses with one of the world's largest student placement businesses**



- Experienced management team
  - All key execs staying with business
- Vast and growing global audience
- Growing and profitable
  - 20% + EBITDA margins
- Long track record
  - Established in 1996
  - High client retention rates
- 100+ strong tech team
  - Proven digital innovators
- World's largest course database
  - Sophisticated search technology for students
  - Data and insights for clients

A strategic combination that will

- Broaden our offer to both students and clients
- Expand our addressable market to students who may otherwise not use a placement agent
- Accelerate our ability to develop and deploy world class digital solutions tailored for the education industry
- Enhance our connectivity to the strategically important UK market
- Support the roll-out of a “virtual” agency model

# Our digital strategy

Hotcourses complements our digital strategy by providing world class digital engagement skills at the discovery stage of the international student journey

## The Student Journey



Discover study abroad

Search for real stories via social media  
Research career and study options

Look for advice  
Study English, prepare for IELTS

Attend events  
O2O engagement with IDP through preferred channel

Make applications  
Take an IELTS test

Receive offers  
Make decision  
Accept offer

Arranges  
- Visa  
- Accommodation  
- Flights  
- Insurance  
- Telco  
- Onshore support

Settle in  
Establish social networks  
Seek part time work

Further study  
Asses career options  
Internships  
Job placement  
Alumni/Referral

hotcourses

idp

Data driven tools and technology to navigate complex global study choices

- Comprehensive coverage of study options
- Unique preference and eligibility based qualification tools
- Personalised, local language content
- Peer reviews and social support



# Appendix A

## Additional Financial Information



# Expenses summary

## Total expense growth tracking below revenue growth

### Summary of historical and forecast income statements

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	FY17	FY16	\$m	%	
<b>Direct Costs</b>	<b>87.1</b>	<b>86.7</b>	<b>0.3</b>	<b>0%</b>	<b>5%</b>
<b>Overhead Costs</b>	<b>66.4</b>	<b>62.3</b>	<b>4.0</b>	<b>6%</b>	<b>11%</b>
- Employee benefits expenses	41.1	39.1	2.0	5%	9%
- Occupancy expense	7.8	6.9	0.9	14%	19%
- Promotion and publicity expense	5.7	6.1	-0.4	-7%	-2%
- Other expenses	11.7	10.2	1.5	14%	17%
<b>Total Expenses</b>	<b>153.4</b>	<b>149.1</b>	<b>4.4</b>	<b>3%</b>	<b>7%</b>

- Total expenses growth is below revenue growth which is driving margin expansion

\* "Constant Currency Growth" is calculated by restating the prior comparable period's financial results using the actual FX rates that were recorded during the current period

# Product category summary

Revenue growth of 5% (9% ex FX) and gross profit growth of 8% (14% ex FX) leading to further gross profit margin expansion

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	H1 FY17	H1 FY16	\$m	%	
<b>Revenue</b>					
English Language Testing	118.7	116.3	2.4	2%	7%
Student Placement	<b>54.0</b>	<b>48.8</b>	<b>5.2</b>	<b>11%</b>	<b>17%</b>
- <i>Australia</i>	34.5	30.7	3.7	12%	13%
- <i>Multi-destination</i>	19.5	18.1	1.4	8%	26%
English Language Teaching	10.5	10.5	0.1	1%	4%
Other	6.5	6.0	0.5	9%	11%
<b>Total revenue</b>	<b>189.8</b>	<b>181.6</b>	<b>8.2</b>	<b>5%</b>	<b>9%</b>
<b>Gross profit</b>					
English Language Testing	49.5	45.5	4.0	9%	14%
Student Placement	45.7	41.4	4.4	11%	18%
English Language Teaching	7.0	7.0	-0.1	-1%	2%
Other	0.5	1.0	-0.4	-45%	-45%
<b>Total gross profit</b>	<b>102.7</b>	<b>94.9</b>	<b>7.9</b>	<b>8%</b>	<b>14%</b>

\* "Constant Currency Growth" is calculated by restating the prior comparable period's financial results using the actual FX rates that were recorded during the current period

# Cash flow

## Strong cash generation with GOCF/EBITDA = 100%

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

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY17	H1 FY16	\$m	%
<b>EBITDA</b>	36.4	32.6	3.8	12%
Non-cash items	1.7	0.9	0.8	92%
Change in working capital	-17.0	-8	-9.0	113%
Income Tax Paid	-10.5	-10.3	-0.2	2%
Net interest received	0.2	0.3	-0.1	-33%
<b>Operating cash flow</b>	<b>10.8</b>	<b>15.5</b>	-4.6	-30%
Contingent consideration payments for acquisition of a subsidiary	-2.4	0.0	-2.4	N/A
Capital Expenditure	-5.4	-3.1	-2.3	74%
<b>Net cash flow before Financing</b>	<b>3.0</b>	<b>12.4</b>	-9.3	-76%
Payments for Treasury Shares	-0.6	-2.4	1.8	-75%
Proceeds from Borrowings	0.0	15.0	-15.0	N/A
Repayment from Borrowings	0.0	-8.0	8.0	N/A
Dividend Payments	-13.8	-48.0	34.2	-71%
<b>Net Cash Flow</b>	<b>-11.4</b>	<b>-31.0</b>	19.7	-63%

- GOCF\* of \$21.1m reflects ~60% conversion from reported EBITDA reflecting timing of receipts for multi-destination student placement and China royalty
- Expecting full year cash flow conversion to approach 100% as per the results for FY16
- Dividends paid in H1 FY17 reflect the 5.5cps final dividend paid in September 2016

\* Gross Operating Cash Flow ("GOCF") calculated as Operating Cash Flow less Net Interest less Income Tax paid

# Strong balance sheet

## \$24m net cash position as at 31 December 2016

### Consolidated historical balance sheet

Summary Balance Sheet (A\$m)	31-Dec-16	30-Jun-16	Change
<b>Current assets</b>			
Cash and cash equivalents	24.0	35.4	-11.4
Trade and other receivables	47.4	31.1	16.3
Other current assets	10.1	10.8	-0.7
<b>Current assets</b>	<b>81.4</b>	<b>77.3</b>	<b>4.2</b>
<b>Non-current assets</b>	<b>79.5</b>	<b>76.8</b>	<b>2.7</b>
<b>Total assets</b>	<b>160.9</b>	<b>154.1</b>	<b>6.8</b>
<b>Current liabilities</b>			
Trade and other payables	39.4	41.3	-1.9
Deferred revenue	15.3	14.1	1.2
Current tax liabilities	2.2	2.8	-0.7
Borrowings	0.0	0.0	0.0
Other current liabilities	10.9	13.4	-2.5
<b>Current liabilities</b>	<b>67.8</b>	<b>71.7</b>	<b>-3.9</b>
<b>Non-current liabilities</b>	<b>3.2</b>	<b>3.1</b>	<b>0.2</b>
<b>Total liabilities</b>	<b>71.0</b>	<b>74.8</b>	<b>-3.7</b>
<b>Total equity</b>	<b>89.9</b>	<b>79.3</b>	<b>10.6</b>

- Cash balance of \$24m as at 31 Dec 2016
- No debt outstanding at balance date
- Increase in trade receivables reflect timing of MD and BC royalty payments
- Acquisition of Hotcourses to be 100% debt funded in GBP
- Maximum drawdown for acquisition would be GBP 30.1m

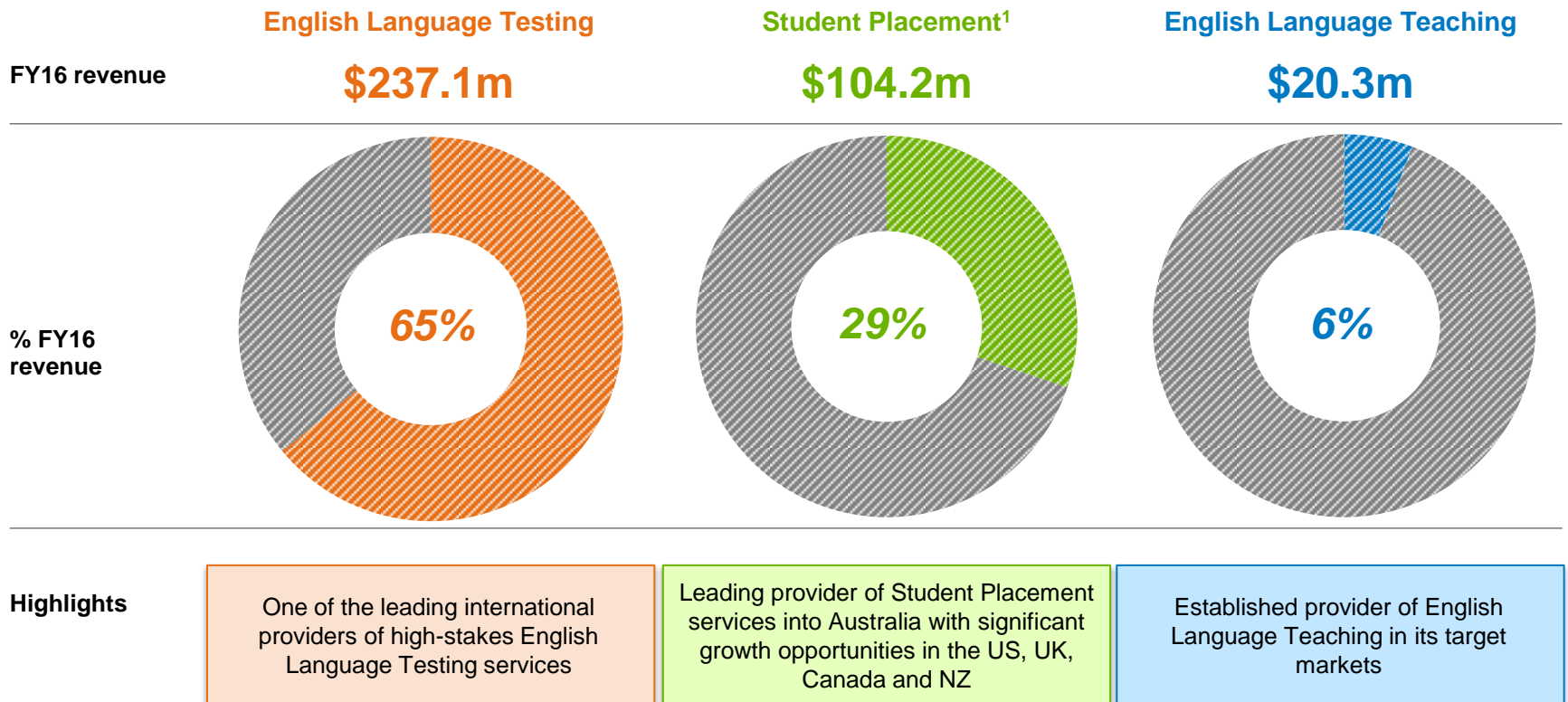


# Appendix B

About IDP Education

# 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, contracted activities for developmental programs initiated by government or semi-government bodies, and other revenue.

# Leading global provider with broad network and diverse business model

For Student Placement, IDP Education sources students through 93 offices across 30 countries, placing them into over 600 education institutions across 5 destination countries...



## Student Placement

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

## IELTS™

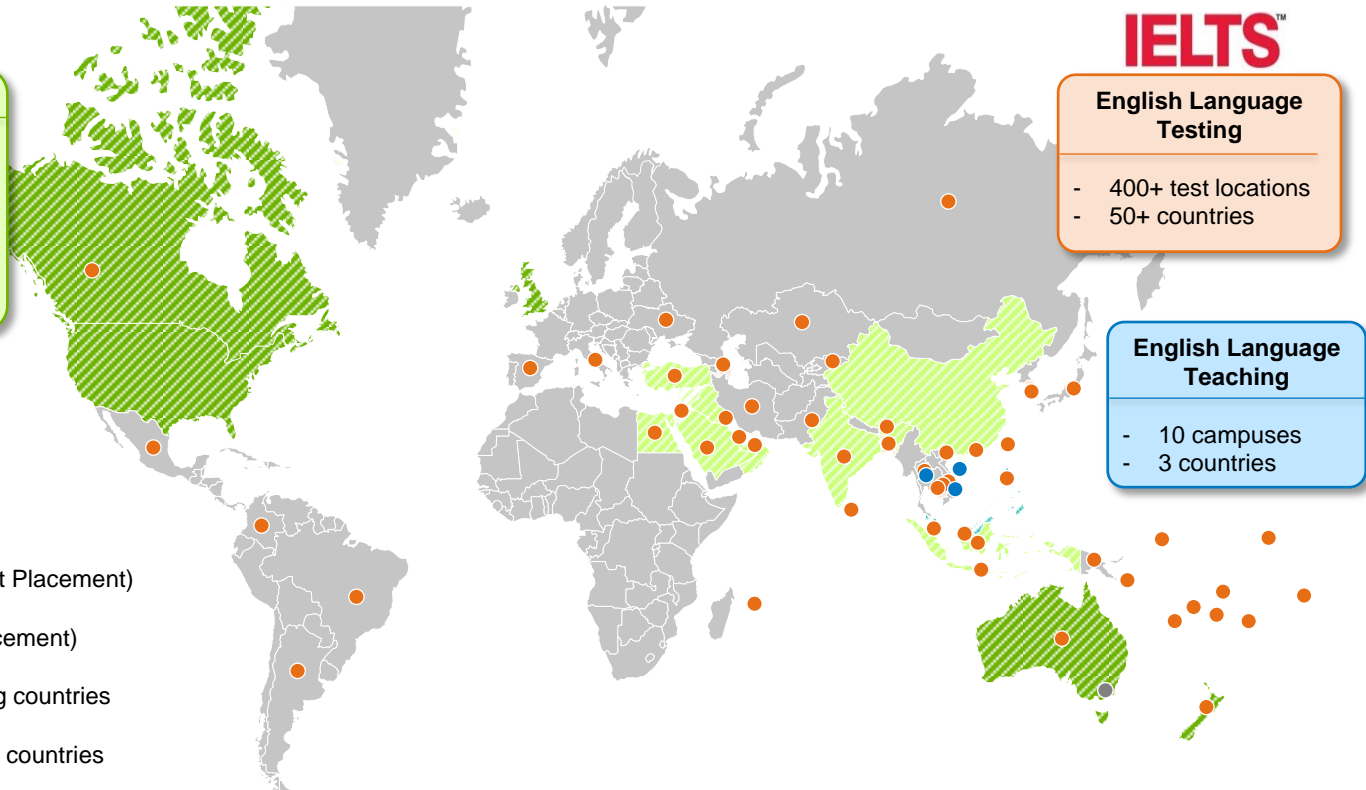
### English Language Testing

- 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 countries
- Head office - Melbourne



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