



# FY17 Results

## IDP Education FY17 Results Presentation

22 August 2017



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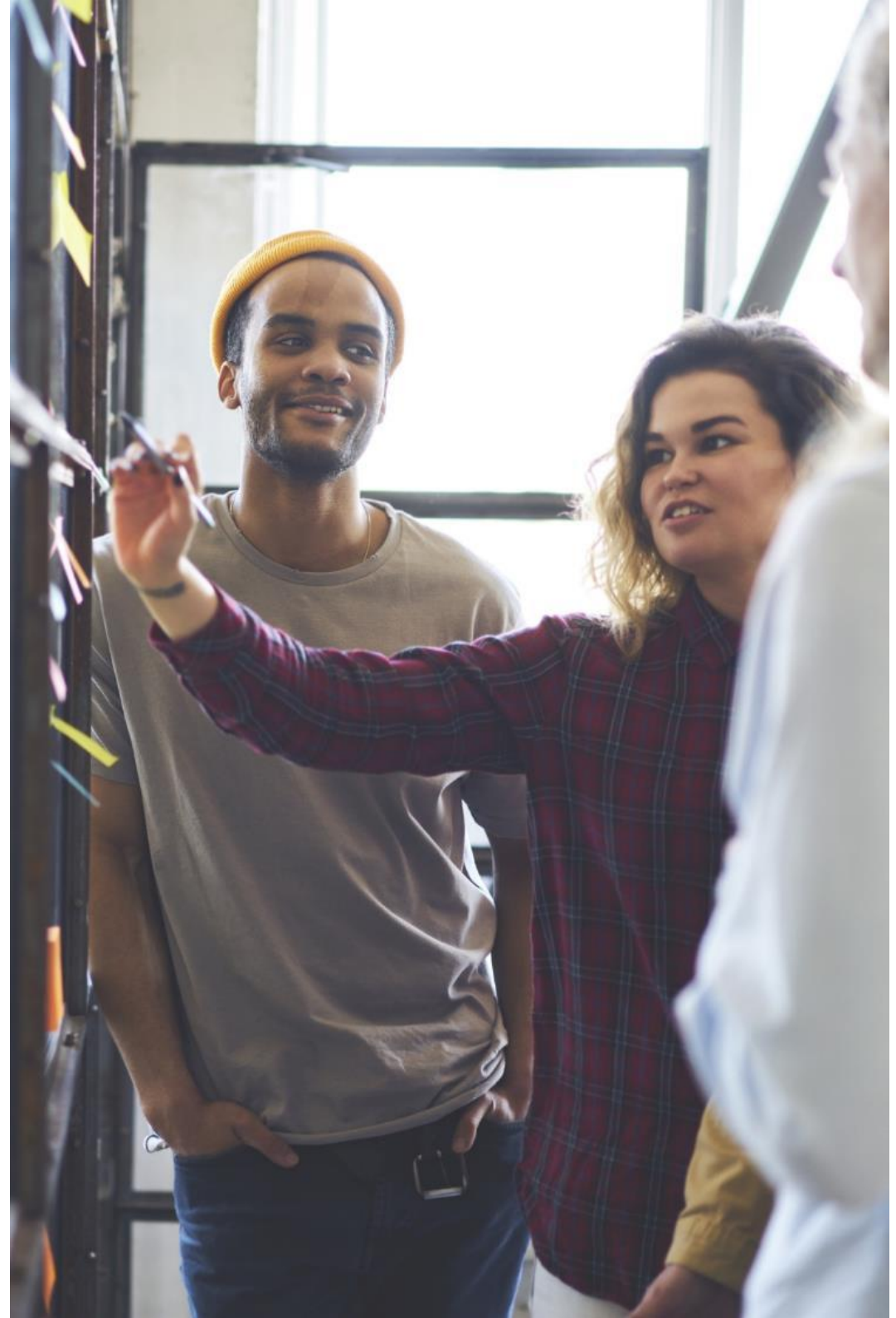
## Presenters

Andrew Barkla - Chief Executive Officer

Murray Walton - Chief Financial Officer

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# FY17 Highlights

# 01

# FY17 Highlights

Strong operating and financial performance

## Revenue

↑ **\$394.2m**

Up 13% on a constant currency basis

## EBITDA

↑ **\$68.4m**

Up 17% on a constant currency basis

## NPATA

↑ **\$42.6m**

Up 13% on a constant currency basis

## NPAT

↑ **\$41.5m**

Up 10% on a constant currency basis

## Dividend

→ **5.5 cps**

Same as FY16

## English Language Testing

↑ **909,000**

IELTS tests, up 6% on FY16

## Student Placement

↑ **34,471**

APFs up 10% on FY16

## English Language Teaching

↑ **76,400**

Courses, up 11% on FY16



# Strategy

# 02

# Our vision

To build a global platform and connected community to guide international students along their journey to achieve their lifelong learning and career aspirations.

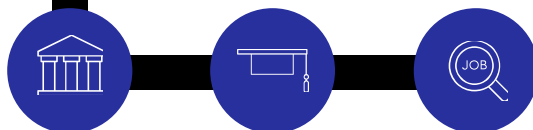
Discover  
(Hotcourses)  
and IDP



Convert  
(IDP)



Support  
(IDP)





# IDP's Digital Transformation

A bold strategy to transform our industry by establishing a digital platform that enables and empowers our customer's journey

Deliver world-leading capabilities and services...



World's best course search

Leading CRM and CMS

Digitising student expos

Global contact centre

Virtual Agency

Leading office network

Value added services

Career support

...on an integrated global platform...



The world's definitive international student dataset and connected community



...ensures that we understand the needs and expectations of students and clients

Connecting our customers to success



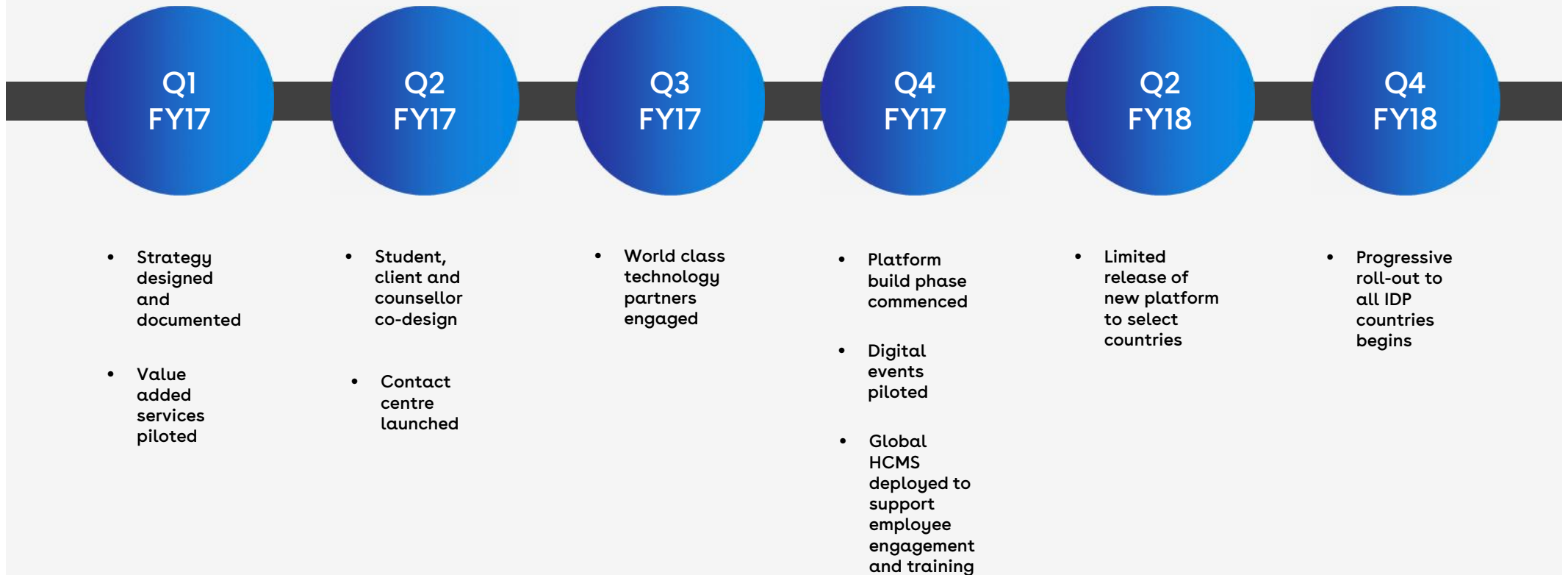
# IDP's Digital Transformation

A three year digital transformation program



## Design and Delivery Timeline

- A \$20m investment over three years (FY17-FY19)



# Financial Summary

# 03



# FY17 Overview

Strong earnings growth with EBITDA up 17% on a constant currency basis

## Income Statement Summary

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY17	FY16	\$m	%	
English Language Testing	250.7	237.1	13.6	6%	10%
Student Placement	103.4	92.4	11.0	12%	16%
- Australia	74.5	65.5	9.0	14%	14%
- Multi-destination	28.9	27.0	2.0	7%	22%
English Language Teaching	21.2	20.3	0.9	4%	8%
Advertising and Events	15.3	8.0	7.3	90%	90%
Other	3.6	3.7	-0.1	-3%	7%
<b>Total Revenue</b>	<b>394.2</b>	<b>361.6</b>	<b>32.6</b>	<b>9%</b>	<b>13%</b>
Direct Costs	181.4	173.3	8.2	5%	8%
Gross Profit	212.7	188.4	24.4	13%	17%
Overhead costs	144.4	127.3	17.1	13%	18%
<b>EBITDA</b>	<b>68.4</b>	<b>61.1</b>	<b>7.3</b>	<b>12%</b>	<b>17%</b>
Depreciation	5.8	7.1	-1.4	-19%	-18%
Amortisation of Acquired Intangibles	1.4	0.3	1.1	438%	438%
<b>EBIT</b>	<b>61.2</b>	<b>53.7</b>	<b>7.6</b>	<b>14%</b>	<b>22%</b>
Net interest Income	-0.7	0.5	-1.2	-255%	-255%
Profit before tax	60.5	54.1	6.4	12%	17%
Income tax expense	19.0	14.2	4.8	34%	36%
<b>NPAT</b>	<b>41.5</b>	<b>39.9</b>	<b>1.6</b>	<b>4%</b>	<b>10%</b>
<b>NPATA **</b>	<b>42.6</b>	<b>40.1</b>	<b>2.5</b>	<b>6%</b>	<b>13%</b>

- Revenue growth of 13% (constant currency basis)
- Margin expansion driven by increased student placement contribution and operational efficiencies in English Language Testing
- Foreign exchange a headwind for the year with a stronger Australian dollar impacting A\$ reported revenue
- Hotcourses (5 month contribution) key driver of growth in Advertising and Events
- Amortisation of acquired Intangibles a non-cash item relating primarily to Hotcourses
- Effective Tax Rate at 31% v 26% in FY16
  - FY16 included one-off R&D benefits
- Normalised FY17 NPATA growth at 30% tax rate is 13%, or 19% on a constant currency basis

\* "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

\*\* NPATA is NPAT adjusted by adding back the non-cash post-tax charges relating to the amortisation of acquired intangible assets. The FY16 charge related to the FY15 acquisition of Promising Education while the majority of the FY17 charge relates to the acquisition of Hotcourses which was completed on 31 January 2017

# Key Operating Metrics

Solid volume growth across all products

## Summary of Key Operational Metrics

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY17	FY16	'000s / \$	%	
<b>Volumes (000s)</b>					
English Language Testing	909.8	857.2	52.7	6%	
Student Placement	<b>34.5</b>	<b>31.4</b>	<b>3.1</b>	<b>10%</b>	
-Australia	25.2	24.1	1.0	4%	
-Multi-destination	9.3	7.2	2.1	28%	
English Language Teaching students	76.4	68.8	7.6	11%	
<b>Average Test Fee (A\$)</b>					
English Language Testing Fee	276	<b>277</b>	-1.1	<b>0%</b>	<b>3%</b>
<b>Average Application Processing Fee (A\$)</b>					
Student Placement APF	<b>3,000</b>	<b>2,947</b>	<b>53</b>	<b>2%</b>	<b>6%</b>
-Australia APF	2,956	2,711	245	9%	10%
-Multi-destination APF	3,119	3,735	-616	-17%	-5%
<b>Average Course Fee (A\$)</b>					
English Language Teaching Course fee	277	295	-18	-6%	-3%

### Volumes

- IELTS volume growth of 6% despite disruptions of Indian demonetisation
- SP volume growth trends continuing
  - Strong offshore AU growth offset by onshore weakness
  - Canada and UK continuing to post strong growth
  - US weaker
- Australian offshore volume growth of 7% partially offset by an 18% decline in onshore volumes v FY16

### Average Price

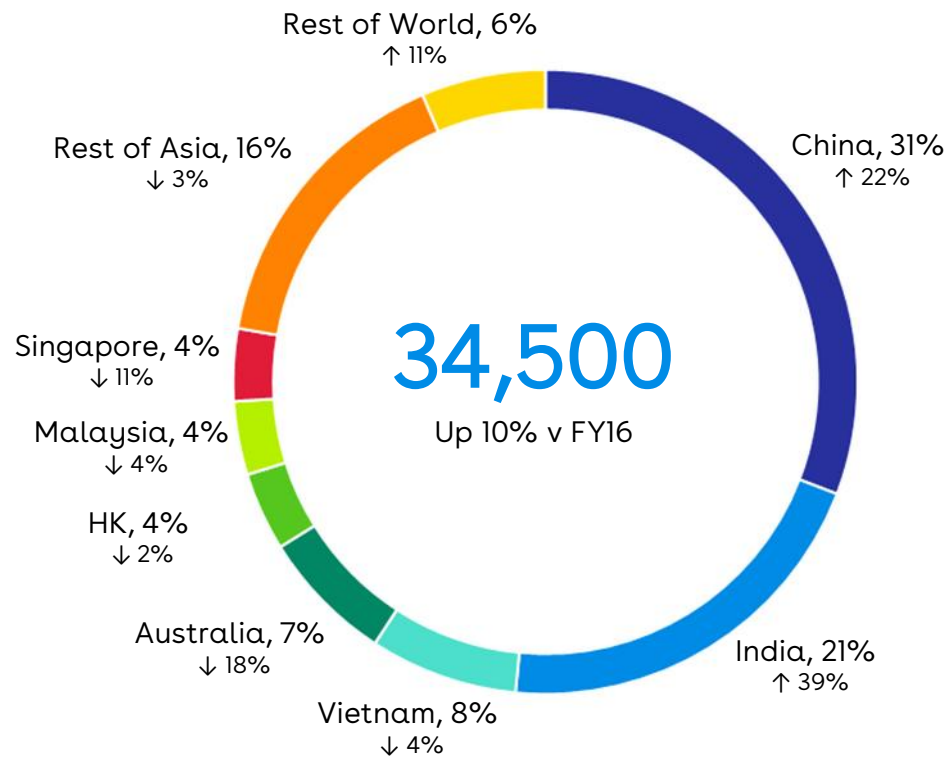
- Currency and mix shift impacting IELTS and MD average price
- SP AU benefitting from contract changes



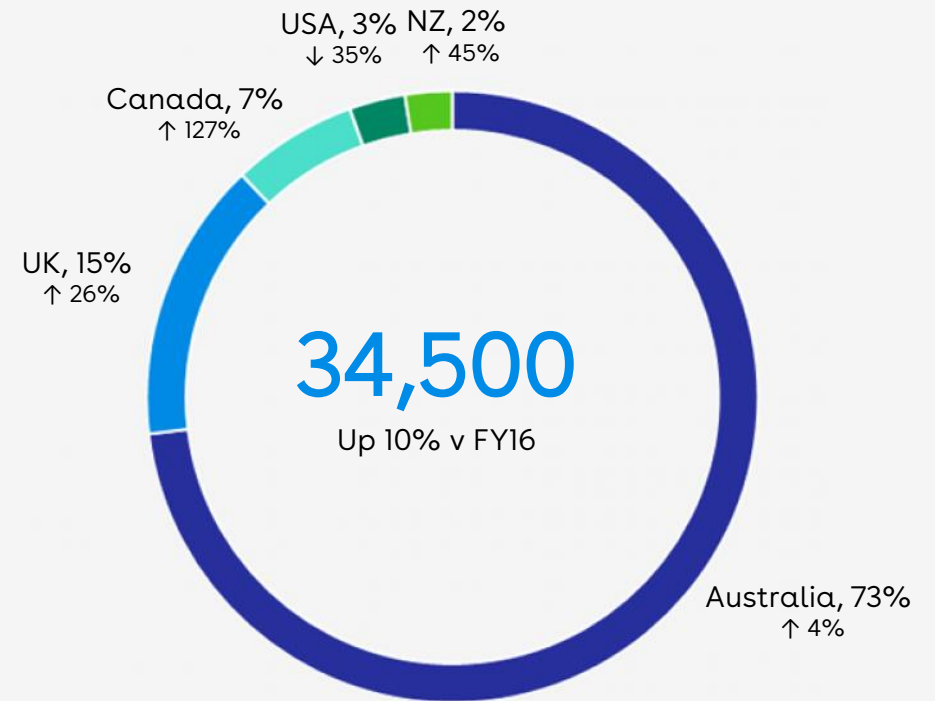
# Student Placement Volumes

China & India - the key engines of growth

Number of course enrolments by source country (FY17)



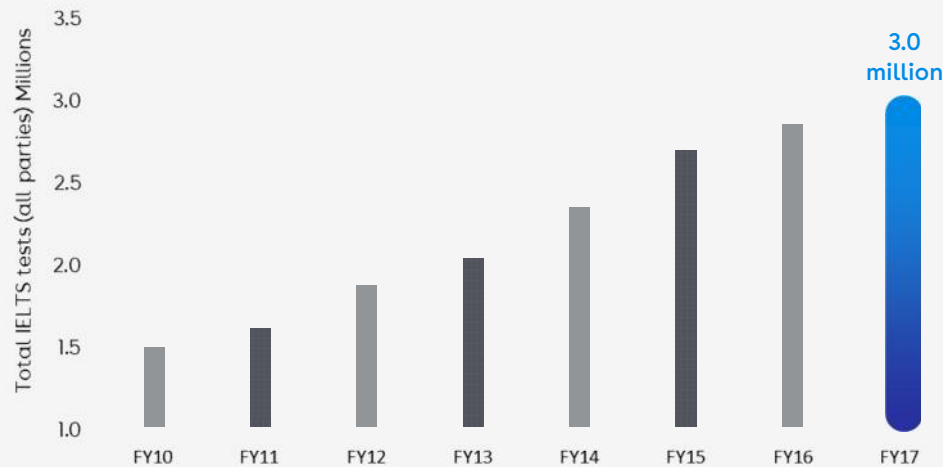
Number of course enrolments by destination country (FY17)



# English Language Testing

IELTS maintains its global leadership in high stakes English Language Testing

## Continued global leadership in test volumes...



## Now recognised by over 10,000 organisations

**IELTS™**



Required by Governments



Required by Education Providers



## Geographic Expansion

New Countries (FY17)



Nepal Japan Greece



Germany Cyprus

Direct Testing Capability Established (FY17)



Canada NZ



New Countries (FY18)  
Nigeria Switzerland

## Operational Efficiencies

On-screen marking

- 29 countries now live
- 9 countries to be migrated in FY18
- Accuracy and cost advantages being realised



# Segmental Earnings

Strong Growth in Asia & RoW with Australasia showing improvement in H2 FY17

## Revenue and EBIT by Geographic Segment

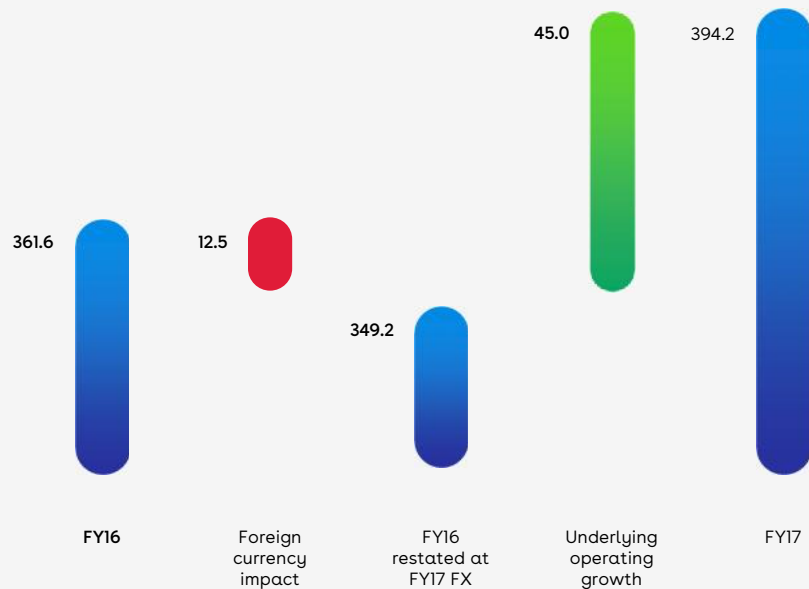
Twelve Months to 30 June	Full Year Actuals		Growth	
	FY17	FY16	\$m	%
<b>Revenue</b>				
Asia	238.0	220.3	17.8	8%
Australasia	69.0	70.4	-1.4	-2%
Rest of World	87.2	71.0	16.2	23%
<b>Total revenue</b>	<b>394.2</b>	<b>361.6</b>	<b>32.6</b>	<b>9%</b>
<b>EBIT</b>				
Asia	70.5	64.4	6.1	9%
Australasia	18.6	19.8	-1.2	-6%
Rest of World	17.3	13.9	3.4	24%
<b>Total EBITA pre corporate costs</b>	<b>106.4</b>	<b>98.1</b>	<b>8.3</b>	<b>8%</b>
Overhead & corporate costs	43.8	44.2	-0.3	-1%
<b>Total EBITA</b>	<b>62.6</b>	<b>53.9</b>	<b>8.7</b>	<b>16%</b>

- Strong performance from India and China underpin Asia segment
- Solid Australasian performance from IELTS offset by weaker onshore SP
- Onshore Canada IELTS a key driver for Rest of World with solid performance from Middle East

# Foreign Exchange

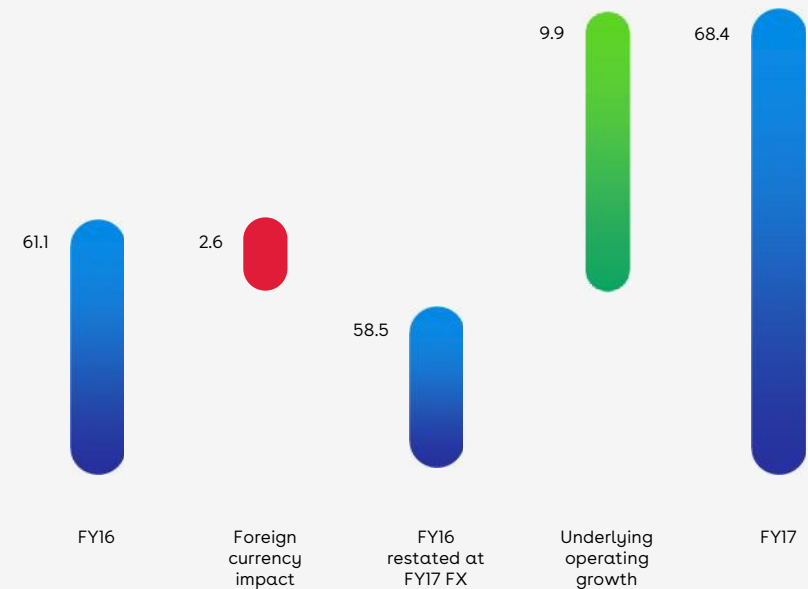
Strong underlying operational performance with foreign exchange movements a headwind in FY17

## Revenue (A\$m)



- Approximately 60% of revenue is in currencies other than AUD
- FY17 reflected a stronger AUD relative to FY16 against most currencies and was therefore a headwind for A\$ reported revenue

## EBITDA (A\$m)

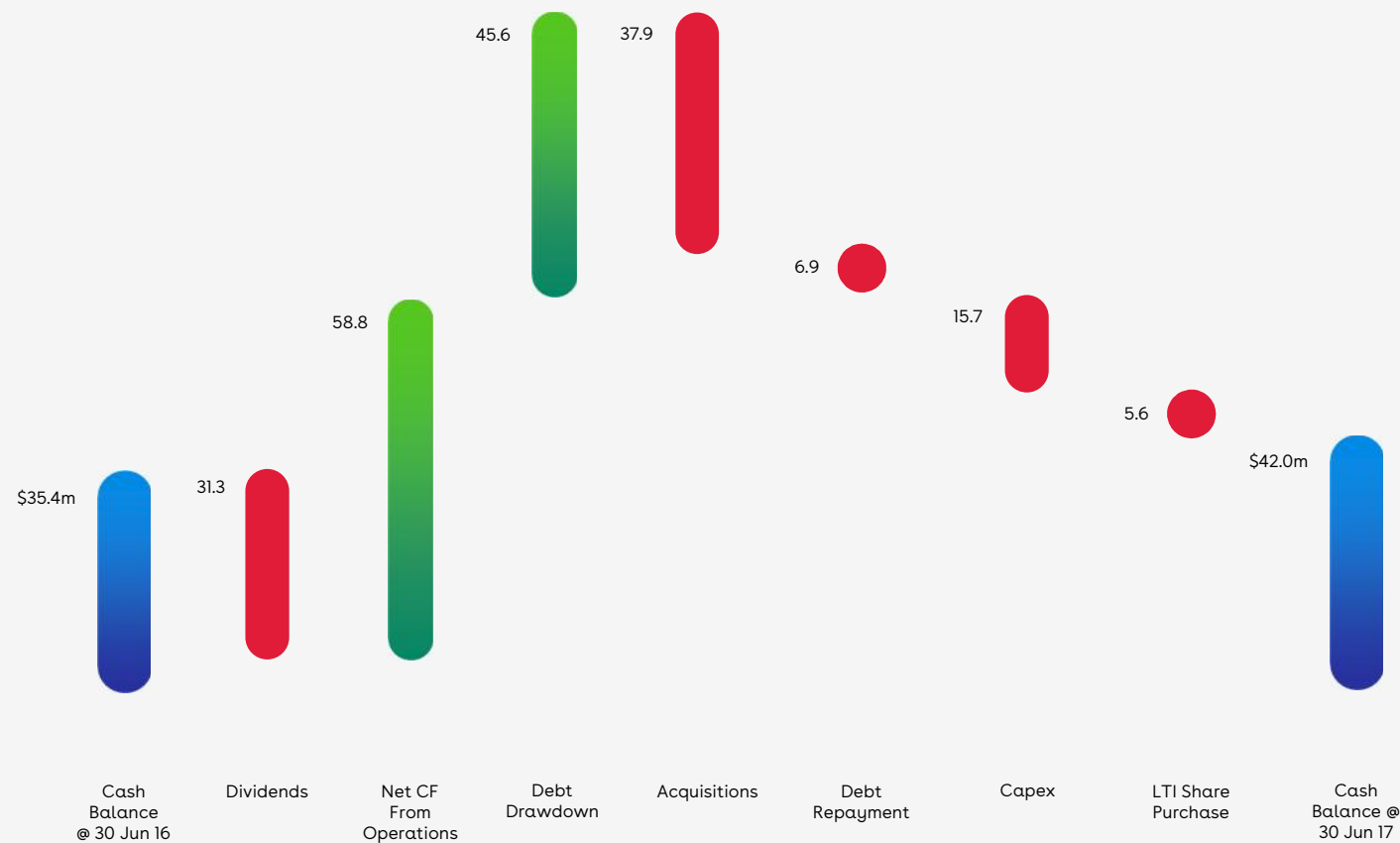


- Stronger AUD impacted EBITDA by A\$2.6m
- Most significant individual foreign currency cost is to GBP mainly due to the quarterly fee paid to Cambridge for its role in IELTS
- IDP benefitted from some of the AUD:GBP strength during FY17 but hedges put in place during FY16 meant the realised GBP rate was broadly same as that realised in FY16



# Cashflow & Gearing

Strong operating cashflow and net cash position at year end







## Summary Cash Movements (A\$m)

- Strong year of cash generation
- Operating cash flow up 33% on FY16
- Borrowings balance as at 30 June A\$39.6m
  - Net Cash \$2.4m
- HC acquisition facility
  - £27.5m initial drawdown for tranche 1 payment
  - £4.1m repaid
  - up to £7.5m tranche 2 payable in Feb/Mar 18 depending on KPIs

# Summary

Continued growth provides solid foundations for digital transformation

-  Strong financial performance with record revenue and earnings in FY17
-  Hotcourses acquisition enhances our digital reach and capability
-  Aligned to macro trends in key markets for international education and the use of the English language
-  A bold and transformative strategy that will drive long term growth

# Appendices

# A



# Product Category Summary

Strong margin expansion in IELTS

## Revenue and GP by Product Segment

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY17	FY16	\$m	%	
<b>Revenue</b>					
English Language Testing	250.7	237.1	13.6	6%	10%
Student Placement	103.4	92.4	11.0	12%	16%
- Australia	74.5	65.5	9.0	14%	14%
- Multi-destination	28.9	27.0	2.0	7%	22%
English Language Teaching	21.2	20.3	0.9	4%	8%
Events and Advertising	15.3	8.0	7.3	90%	90%
Other	18.9	11.8	7.2	61%	7%
<b>Total revenue</b>	<b>409.5</b>	<b>369.7</b>	<b>39.8</b>	<b>11%</b>	<b>13%</b>
<b>Gross profit</b>					
English Language Testing	103.6	95.1	8.5	9%	13%
Student Placement	87.2	78.2	9.0	12%	16%
English Language Teaching	14.0	13.4	0.5	4%	7%
Events and Advertising	6.0	-0.7	6.7	778%	1787%
Other	1.9	2.3	-0.4	-16%	-16%
<b>Total gross profit</b>	<b>212.7</b>	<b>188.4</b>	<b>24.4</b>	<b>13%</b>	<b>17%</b>

- Strong margin expansion in English Language testing driven by efficiencies from on-screen marking
- Group GP margin also benefitted from greater contribution of (higher margin) student placement earnings
- Hotcourses (5 month contribution) key driver of growth in Advertising and Events

# Expenses

Employee expenses represent 63% of overheads

## Expenses Summary

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY17	FY16	\$m	%	
<b>Direct Costs</b>	<b>181.4</b>	<b>173.3</b>	<b>8.2</b>	<b>5%</b>	<b>8%</b>
<b>Overhead Costs</b>	<b>144.4</b>	<b>127.3</b>	<b>17.1</b>	<b>13%</b>	<b>18%</b>
- Employee benefits expenses	90.4	79.4	11.0	14%	18%
- Occupancy expense	16.4	14.3	2.1	15%	20%
- Promotion and publicity expense	11.2	11.8	-0.6	-5%	0%
- Other expenses	26.4	21.9	4.5	21%	21%
<b>Total Expenses</b>	<b>325.8</b>	<b>300.6</b>	<b>25.2</b>	<b>8%</b>	<b>12%</b>

- Investments made in headcount and occupancy in FY17 include six new Indian offices
- A\$0.9m of M&A/DD expenses for Hotcourses acquisition included in "Other expenses"

# Cash Flow

Strong Cash generation with GOCG/EBITDA = 113%

## Summary Cash Flow

Twelve Months to 30 June	Full Year Actuals		Growth	
	FY17	FY16	\$m	%
EBITDA	68.4	61.1	7.3	12%
Non-cash items	6.0	2.5	3.6	146%
Change in working capital	3.0	-3.1	6.1	-197%
Income Tax Paid	-18.7	-17.1	-1.6	9%
Net interest received	0.1	0.5	-0.4	-87%
<b>Operating cash flow</b>	<b>58.8</b>	<b>43.8</b>	<b>15.0</b>	<b>34%</b>
Payments for Acquisitions	-37.9	0.0	-37.9	N/A
Capital Expenditure	-15.7	-9.2	-6.5	70%
<b>Net cash flow before Financing</b>	<b>5.2</b>	<b>34.6</b>	<b>-29.4</b>	<b>-85%</b>
Payments for Treasury Shares	-5.6	-2.4	-3.2	134%
Proceeds from Borrowings	45.6	15.0	30.6	N/A
Repayment from Borrowings	-6.9	-15.0	8.1	N/A
Dividend Payments	-31.3	-48.0	16.7	-35%
Effect of FX on cash holdings in foreign currency	-0.4	0.0	-0.4	N/A
<b>Net Cash Flow</b>	<b>6.6</b>	<b>-15.8</b>	<b>22.5</b>	<b>-142%</b>

- GOCF\* of \$77.0m reflects 113% conversion from reported EBITDA reflecting strong cash generation of the business

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



# Balance Sheet

\$2.4m net cash position at 30 June 2017

## Consolidated historical balance sheet

June year end, A\$ million	30-Jun-17	30-Jun-16	Change
<b>Current assets</b>			
Cash and cash equivalents	42.0	35.4	6.6
Trade and other receivables	41.5	31.1	10.4
Other current assets	11.1	10.8	0.3
<b>Current assets</b>	<b>94.6</b>	<b>77.3</b>	<b>17.3</b>
<b>Non-current assets</b>	<b>145.3</b>	<b>76.8</b>	<b>68.5</b>
<b>Total assets</b>	<b>239.8</b>	<b>154.1</b>	<b>85.8</b>
<b>Current liabilities</b>			
Trade and other payables	50.3	41.3	9.0
Deferred revenue	25.7	14.1	11.6
Current tax liabilities	2.8	2.8	0.0
Borrowings	0.0	0.0	0.0
Other current liabilities	22.8	13.4	9.4
<b>Current liabilities</b>	<b>101.6</b>	<b>71.7</b>	<b>29.9</b>
<b>Non-current liabilities</b>	<b>49.5</b>	<b>3.1</b>	<b>46.4</b>
<b>Total liabilities</b>	<b>151.0</b>	<b>74.8</b>	<b>76.3</b>
<b>Total equity</b>	<b>88.8</b>	<b>79.3</b>	<b>9.5</b>

- Borrowings balance as at 30 June A\$39.6m
- HC acquisition facility
  - £27.5m initial drawdown for tranche 1 payment
  - £4.1m repaid
  - up to £7.5m tranche 2 payable in Feb/Mar 18 depending on KPIs