



Connected  
community

Global  
platform

IDP Education  
FY18 Results Presentation

23 August 2018



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## Presenters

Andrew Barkla - Chief Executive Officer  
Murray Walton - Chief Financial Officer

# 01

## FY18 Highlights




## FY18 Highlights

Strong operating and financial performance

### Revenue

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 **\$487m**

Up **25%** on a constant currency basis

### EBITDA


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 **\$89.0m**

Up **28%** on a constant currency basis

### NPATA

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 **\$55.3m**

Up **27%** on a constant currency basis

### NPAT

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 **\$51.5m**

Up **21%** on a constant currency basis

### English Language Testing

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 **1,141,200**

IELTS tests, up **25%** on FY17

### Student Placement

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 **39,700**

APFs, up **15%** on FY17

### Digital Marketing & Events

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 **42m**

Hotcourses International web traffic, up **26%**

### English Language Teaching

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 **83,300**

Courses up **9%** on FY17

# 02

## Strategic Update



## Strategic Update

Continued investment driving organic growth and digital transformation

## Student Placement

- 13 new offices established in key growth markets - India, Bangladesh, Indonesia, China, New Zealand and Egypt
- Ireland established as a new full service destination with University College Dublin a cornerstone client

## English Language Testing

- Additional geographic diversification added with new test centres opened in Nigeria, Uzbekistan and Switzerland during FY18
- Strong market share performance in key offshore markets
- Computer-delivered IELTS launched

## Hotcourses Group

- Delivered strong lead generation, industry leading digital capability and product innovation
- Revenue up 22% yoy in GBP terms

## English Language teaching

- IDP Cambodia celebrated 25 years of helping students learn English



## Progress to date

Building the world's definitive international student dataset and connected community

### Discover



#### World's best digital experiences

- 12 websites launched
- 37% increase in student placement leads



#### Digitising student expos

- Launched in 16 countries
- 90 events completed
- 30,000 student interactions

### Engage



#### Global contact centre

- Regional and country contact centres established



#### Lead nurturing and marketing automation

- Marketing automation system connecting web activity with customer relationship management system

### Support



#### Leading office network

- Office network, expanded to 110 offices.
- Seven new offices in India



#### Virtual Agency

- Currently focused on India and China

### Arrival



#### Student essentials

- Key services include health insurance, accommodation money transfer and banking
- Over 9,000 customer purchases in FY18



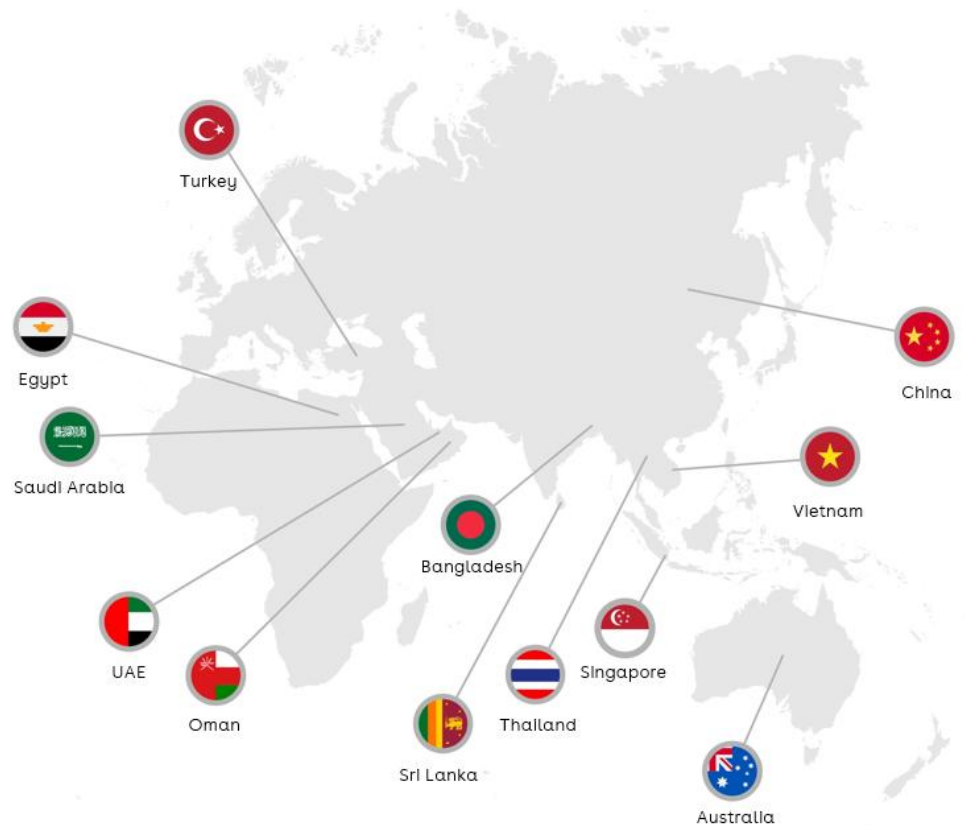
#### Career support

- Emerging area of focus. Pilot internship program launched



## Global roll-out of platform on time and on budget

Twelve countries currently live on core components of the platform



- 12 countries now live on the platform
- 17 countries to go live over next 6 months

- |               |             |
|---------------|-------------|
| - India       | - Mauritius |
| - Hong Kong   | - Kuwait    |
| - Philippines | - Iran      |
| - Malaysia    | - Bahrain   |
| - South Korea | - Jordan    |
| - Taiwan      | - Lebanon   |
| - Indonesia   | - Germany   |
| - New Zealand |             |
| - Canada      |             |

### Digital Innovation Hub

- Digital hub in Chennai expanding and leveraging off Hotcourses' pre-existing capability to lead and ongoing innovation of the platform

Industry leading web sites drive the top of the funnel and generate valuable insights



56

Global and country specific websites



115

Million combined web traffic



27%

Increase in international site web traffic



37%

Increase in student placement leads



## Computer-Delivered IELTS

A faster more convenient test

### Positive Customer Experience

- Empowering customers to choose option that suits their needs
- Google reviews in Australia averaging almost five stars since launch, with customers welcoming faster results and quiet test environment

### Global Roll-out

- All IDP owned Australian and New Zealand IELTS centres now offering computer-delivered option
- Global roll-out commenced
- Testing offered in 11 countries (as at 22 Aug) – Australia, New Zealand, Vietnam, Thailand, Philippines, Turkey, Russia, Pakistan, Sri Lanka, Korea, Hong Kong

### Well received by industry

- Maintains IELTS trust, integrity and recognition

### Product improvements

- Continued product improvement with roadmap of ongoing innovation



### What others are saying about computer-delivered IELTS:



*"The new computer-based IELTS test is a MASSIVE improvement on the paper-based test. Not only was the whole experience much more enjoyable and far less stressful, the computer-based test itself felt fairer (but no less challenging!)"*

**Jarrad**  
Computer-delivered IELTS at IDP Melbourne

# 03

## Financial Results





## FY18 Overview

Revenue and EBITDA up 25% and 28% respectively on a constant currency basis

### Income Statement Summary

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%)*
	FY18	FY17	\$m	%	
English Language Testing	306.8	250.7	56.1	22%	24%
Student Placement	122.7	103.4	19.2	19%	19%
- Australia	80.6	74.5	6.1	8%	8%
- Multi-destination	42.1	28.9	13.2	45%	45%
English Language Teaching	22.2	21.2	1.1	5%	8%
Digital Marketing and Events	31.9	15.3	16.6	108%	103%
Other	3.6	3.6	0.0	-1%	1%
<b>Total Revenue</b>	<b>487.2</b>	<b>394.2</b>	<b>93.0</b>	<b>24%</b>	<b>25%</b>
Direct Costs	217.7	181.4	36.2	20%	22%
Gross Profit	269.5	212.7	56.7	27%	27%
Overhead costs	180.2	144.4	35.8	25%	25%
Share of Profit/(Loss) of Associate	-0.3	0.0	-0.3	0%	0%
<b>EBITDA</b>	<b>89.0</b>	<b>68.4</b>	<b>20.7</b>	<b>30%</b>	<b>28%</b>
Depreciation & Amortisation	8.2	5.8	2.4	41%	42%
Amortisation of Acquired Intangibles	4.9	1.4	3.6	263%	263%
<b>EBIT</b>	<b>75.9</b>	<b>61.2</b>	<b>14.7</b>	<b>24%</b>	<b>23%</b>
Net finance expense	-2.1	-0.7	-1.3	186%	187%
Profit before tax	73.9	60.5	13.4	22%	20%
Income tax expense	22.4	19.0	3.4	18%	19%
<b>NPAT</b>	<b>51.5</b>	<b>41.5</b>	<b>10.0</b>	<b>24%</b>	<b>21%</b>
<b>NPATA **</b>	<b>55.3</b>	<b>42.6</b>	<b>12.7</b>	<b>30%</b>	<b>27%</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

\*\* NPATA is NPAT adjusted by adding back the non-cash post-tax charges relating to the amortisation of acquired intangible assets. The charges relate to the FY15 acquisition of Promising Education and the FY17 acquisition of Hotcourses

Note: Columns may not sum due to rounding

- Revenue growth of 25% (constant currency basis)
- Very strong revenue growth in English Language Testing, Multi Destination student placement and Digital Marketing and Events
- Outstanding contribution from India in both IELTS and Student Placement
- Overhead costs include first full year of Hotcourses Group, 13 new SP offices, and investment in digital marketing capability - underlying growth in total expenses 16%
- Increase in depreciation reflects investment in IELTS systems and growth in SP office network
- Amortisation of Intangibles includes \$2.0m of accelerated amortisation relating to an SP license in China
- NPATA growth of 27% (Constant currency basis)
- Final dividend of 6.5cps franked at 60%

## Key Operating Metrics

Strong volume growth across all products

### Summary of Key Operational Metrics

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY18	FY17	'000s / \$	%	
<b>Volumes (000s)</b>					
English Language Testing	1141.2	909.8	231.3	25%	
Student Placement	<b>39.7</b>	<b>34.5</b>	<b>5.2</b>	<b>15%</b>	
-Australia	25.9	25.2	0.7	3%	
-Multi-destination	13.9	9.3	4.6	50%	
English Language Teaching students	83.3	76.4	6.9	9%	
<b>Average Test Fee (A\$)</b>					
English Language Testing Fee	269	<b>276</b>	<b>-7</b>	<b>-2%</b>	<b>-1%</b>
<b>Average Application Processing Fee (A\$)</b>					
Student Placement APF	<b>3,087</b>	<b>3,000</b>	<b>87</b>	<b>3%</b>	<b>3%</b>
-Australia APF	3,115	2,956	159	5%	5%
-Multi-destination APF	3,034	3,119	-85	-3%	-3%
<b>Average Course Fee (A\$)</b>					
English Language Teaching Course fee	267	277	-10	-4%	-1%

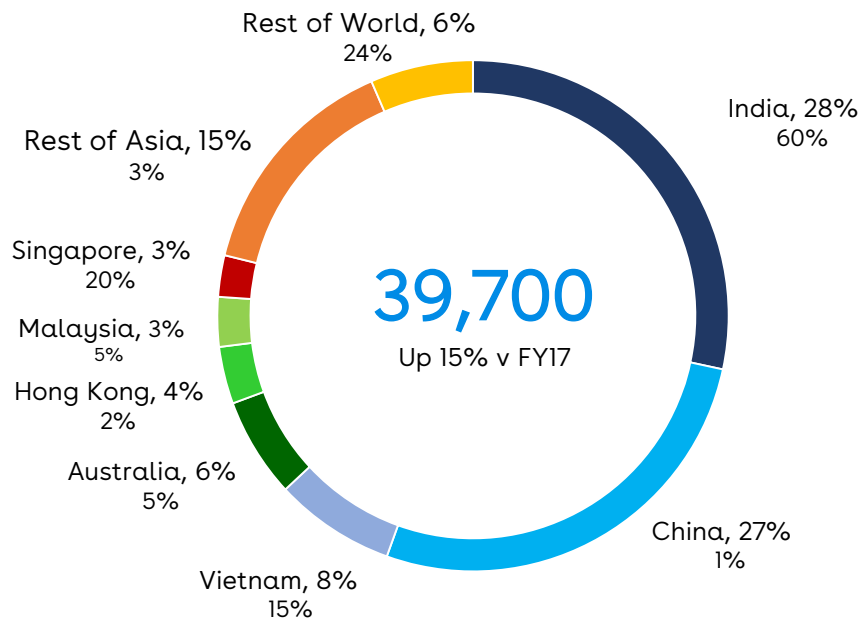
### Volumes

- 25% growth in IELTS volumes a highlight of the result
  - Asia remains the engine of growth in IELTS with 60% volume growth in that region
  - Additional geographic diversification added to growth with new test centres opened in Nigeria, Uzbekistan and Switzerland
  - SP volume growth driven by Canada and UK with USA reporting a return to growth albeit volumes remain small.
  - SP office expansion continued with seven new offices in India alongside new offices in Bangladesh, Indonesia, China, New Zealand and Egypt
  - Australia posted modest growth reflecting overall industry trends
- ### Average Price
- Currency and mix shift impacting IELTS and MD average price
  - SP AU benefiting from contract changes

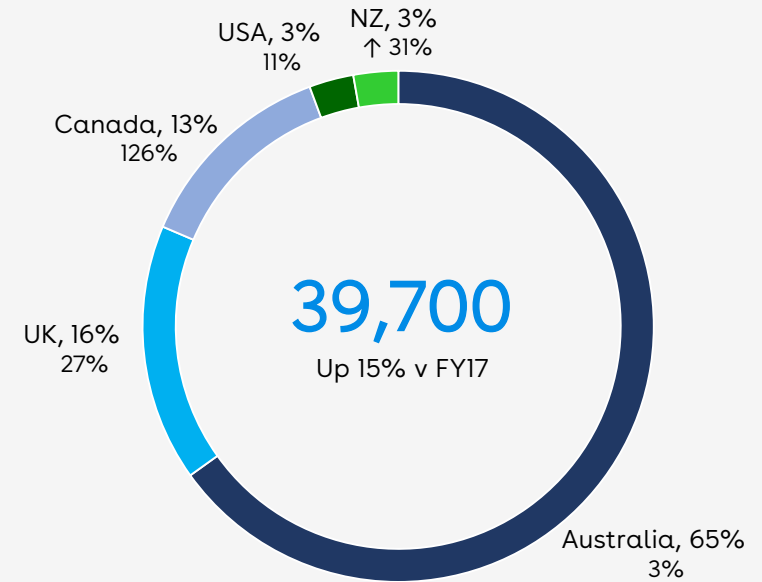
## Student Placement Volumes

15% increase in student placement volumes

Number of course enrolments by source country (FY18)



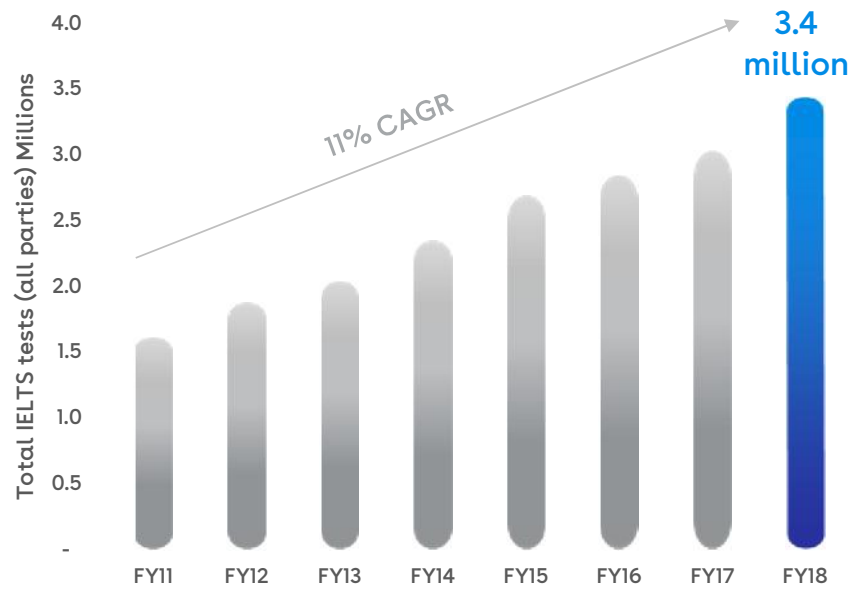
Number of course enrolments by destination country (FY18)



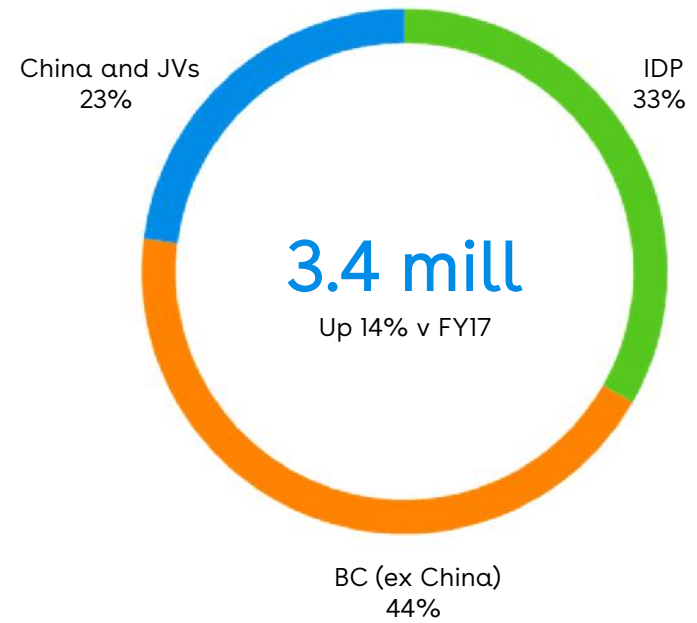
## English Language Testing

Continued growth in IELTS as it maintains its high-stakes testing leadership position

Total Global IELTS Volumes



IELTS test volumes by party (FY18)





## Segmental Earnings

Asia the main engine of growth

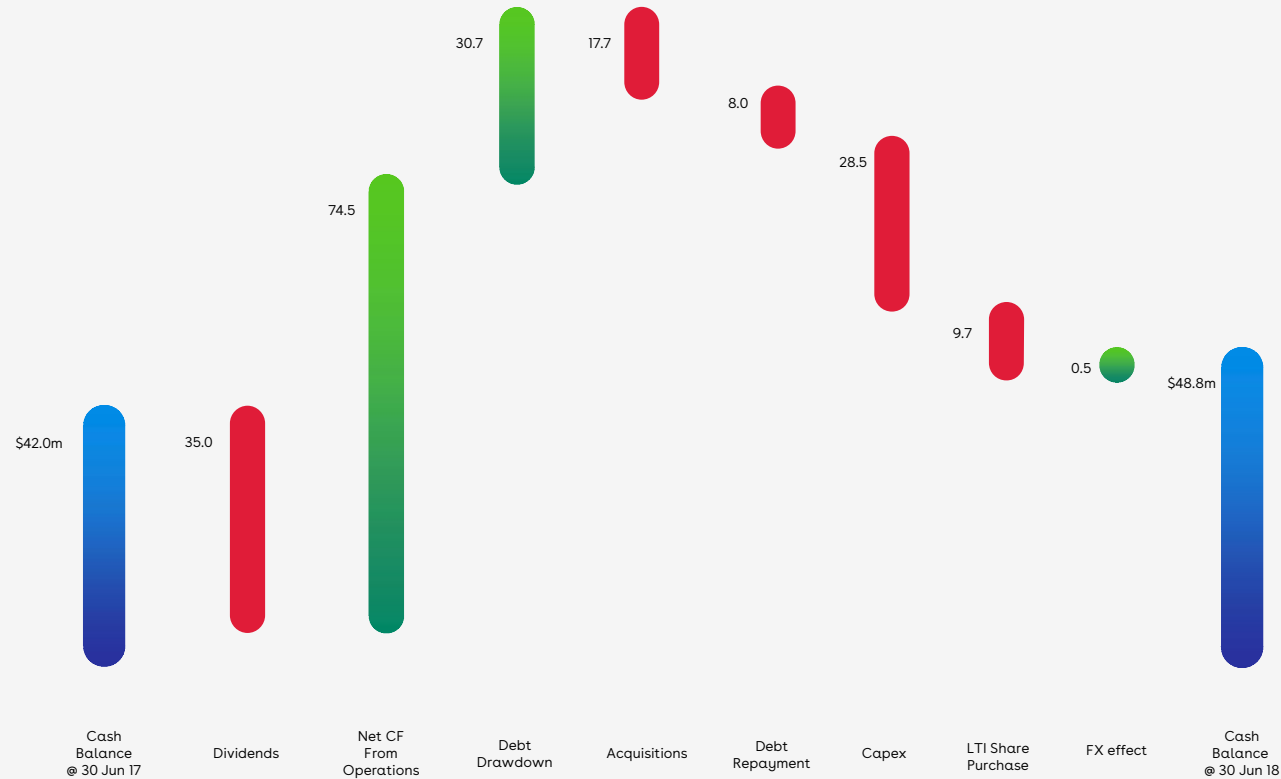
### Revenue and EBIT by Geographic Segment

Twelve Months to 30 June	Full Year Actuals		Growth	
	FY18	FY17	\$m	%
<b>Revenue</b>				
Asia	304.9	238.0	67.0	28%
Australasia	68.5	69.0	-0.4	-1%
Rest of World	113.8	87.2	26.6	30%
<b>Total revenue</b>	<b>487.2</b>	<b>394.2</b>	<b>93.1</b>	<b>25%</b>
<b>EBIT</b>				
Asia	82.6	70.3	12.2	18%
Australasia	16.3	18.6	-2.3	-11%
Rest of World	24.9	16.2	8.7	54%
<b>Total EBIT pre corporate costs</b>	<b>123.7</b>	<b>105.0</b>	<b>18.8</b>	<b>18%</b>
Corporate costs	47.8	43.8	4.0	9%
<b>Total EBIT</b>	<b>75.9</b>	<b>61.2</b>	<b>14.7</b>	<b>24%</b>

- Asia represents 62% of revenue and 67% of EBIT (ex corporate overheads)
- Indian IELTS volumes returned to strong growth following impact of demonetisation in FY17
- China SP revenue rose 8% driven primarily by growth in demand for UK
- Revenue and earnings in Australasia were impacted by a decline in IELTS volumes with on shore student placement posting an increase in revenue versus pcp
- The Rest of World recorded a strong performance for the year with the Middle East, UK (primarily Hotcourses Group) and Canada underpinning the segment's growth

# Cashflow

Business model generates strong operating cashflow



## Summary Cash Movements (A\$m)

- Another strong year of cash generation
- Capex included investments in SP Digital Platform, Office, test centre and ELT campus refurbishments and expansion, CD IELTS systems and HCMS implementation.
- Debt draw down primarily relates to 2<sup>nd</sup> tranche payment for Hotcourses acquisition

# 04

## Summary



## Summary

Strong result highlights strength of business model and strategic direction

## Financial Performance

- Double-digit growth driving strong top-line and bottom-line performance

## Unique Global Footprint

- Strong organic growth in IELTS and SP reflects leading global market position

## Product Innovation

- Computer-delivered IELTS a significant development during FY18
- New client services leveraging combined capabilities of IDP and Hotcourses

## Digital Transformation

- We are building a global platform and connected community providing us with new data and service opportunities





# A

## Appendices



## Product Category Summary

Slight margin expansion in each product category

### Revenue and GP by Product Segment

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY18	FY17	\$m	%	
<b>Revenue</b>					
English Language Testing	306.8	250.7	56.1	22%	24%
Student Placement	122.7	103.4	19.2	19%	19%
- Australia	80.6	74.5	6.1	8%	8%
- Multi-destination	42.1	28.9	13.2	45%	45%
English Language Teaching	22.2	21.2	1.1	5%	8%
Digital Marketing and Events	31.9	15.3	16.6	108%	103%
Other	3.6	3.6	0.0	-1%	1%
<b>Total revenue</b>	<b>487.2</b>	<b>394.2</b>	<b>93.0</b>	<b>25%</b>	<b>25%</b>
<b>Gross profit</b>					
English Language Testing	129.1	103.6	25.5	25%	25%
Student Placement	104.1	87.2	16.9	19%	19%
English Language Teaching	14.7	13.9	0.8	6%	9%
Digital Marketing and Events	19.8	6.0	13.8	229%	202%
Other	1.7	1.9	-0.2	-11%	-8%
<b>Total gross profit</b>	<b>269.5</b>	<b>212.7</b>	<b>56.7</b>	<b>27%</b>	<b>27%</b>

- Incremental GP margin expansion in each product category
- IELTS margin expansion largely due to FX movements
- Group margin expansion mainly due to full year of Hotcourses Group earnings which are at +90% GP margin

## Expenses

Employee expenses represent 65% of overheads

### Expenses Summary

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%) *
	FY18	FY17	\$m	%	
<b>Direct Costs</b>	<b>217.7</b>	<b>181.4</b>	<b>36.2</b>	<b>20%</b>	<b>22%</b>
<b>Overhead Costs</b>	<b>180.2</b>	<b>144.4</b>	<b>35.8</b>	<b>25%</b>	<b>25%</b>
- Employee benefits expenses	117.7	90.4	27.3	30%	31%
- Occupancy expense	19.4	16.4	3.0	18%	20%
- Promotion and publicity expense	13.9	11.2	2.7	24%	25%
- Other expenses	29.2	26.4	2.8	10%	11%
<b>Total Expenses</b>	<b>397.9</b>	<b>325.8</b>	<b>72.0</b>	<b>22%</b>	<b>24%</b>

- Investments made in headcount and occupancy in FY18 include seven new Indian offices and new offices in Bangladesh, New Zealand, Indonesia, China and Egypt
- First full year of Hotcourses Group overheads v 5 months in pcp
- Underlying total expense growth on a "like-for-like" basis was 16%

## Cash Flow

Strong Cash generation with GOCG/EBITDA = 113%

### Summary Cash Flow

Twelve Months to 30 June	Full Year Actuals		Growth	
	FY18	FY17	\$m	%
EBITDA	89.0	68.4	20.7	30%
Non-cash items	3.7	6.0	-2.3	-38%
Change in working capital	8.3	3.0	5.3	177%
Income Tax Paid	-25.6	-18.7	-6.9	37%
Net interest paid/received	-0.9	0.1	-1.0	-1000%
<b>Operating cash flow</b>	<b>74.5</b>	<b>58.8</b>	<b>15.8</b>	<b>27%</b>
Payments for Acquisitions	-17.7	-37.9	20.2	-53%
Capital Expenditure	-28.5	-15.7	-12.8	82%
<b>Net cash flow before Financing</b>	<b>28.3</b>	<b>5.2</b>	<b>23.2</b>	<b>449%</b>
Payments for Treasury Shares	-9.7	-5.6	-4.1	73%
Proceeds from Borrowings	30.7	45.6	-14.9	N/A
Repayment from Borrowings	-8.0	-6.9	-1.1	N/A
Dividend Payments	-35.0	-31.3	-3.7	12%
Effect of FX on cash holdings in foreign currency	0.5	-0.4	0.9	N/A
<b>Net Cash Flow</b>	<b>6.8</b>	<b>6.6</b>	<b>0.3</b>	<b>4%</b>

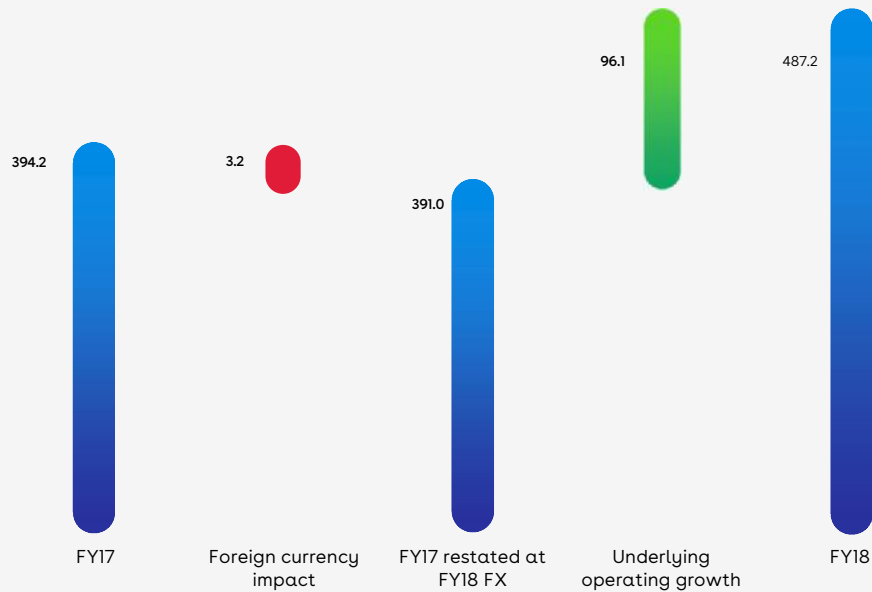
- GOCF\* of \$101m up 31% and reflects 113% conversion from reported EBITDA reflecting strong cash generation of the business
- Capex of \$28.5m included following investments
  - SP Digital Platform
  - New SP offices,
  - ELT campus refurbishment
  - CD IELTS test centres refurbishments/relocations
  - CD IELTS systems
  - Human Capital Management System

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

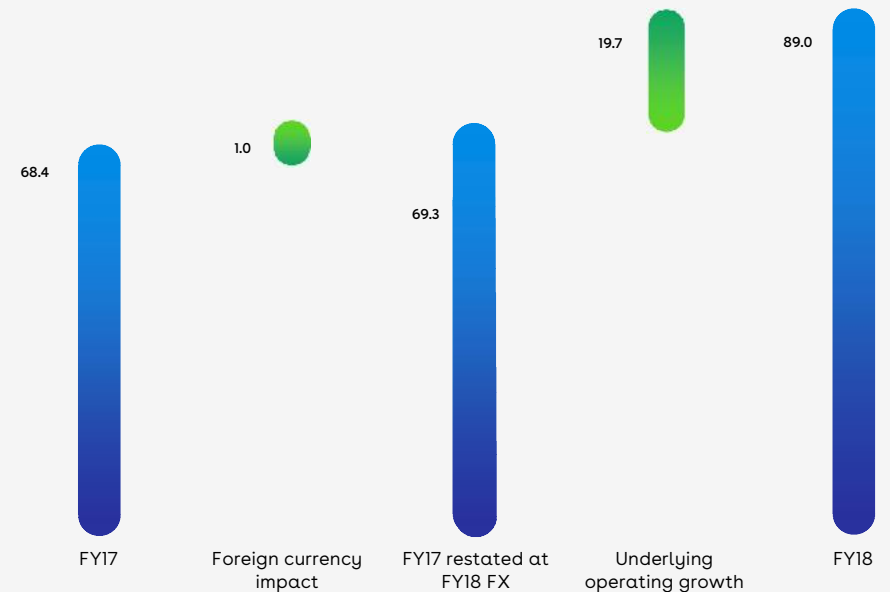
## Foreign Exchange

Strong underlying operational performance with foreign exchange movements a headwind in FY18

### Revenue (A\$m)



### EBITDA (A\$m)



- Approximately 60% of revenue is in currencies other than AUD
- FY18 reflected a slightly stronger AUD relative to FY17 against most currencies and was therefore a slight headwind for A\$ reported revenue

- FX movements during the year had a A\$1.0m positive impact on EBITDA
- Most significant individual foreign currency cost is to GBP mainly due to the quarterly fee paid to Cambridge for its role in IELTS. IDP realised a higher AUD:GBP rate in FY18 relative to FY17 thereby delivering a benefit to EBITDA

## Balance Sheet

\$15.1m net debt position at 30 June 2018

### Consolidated historical balance sheet

As at 30 June, A\$ million	30-Jun-18	31-Dec-17	Change
<b>Current assets</b>			
Cash and cash equivalents	48.8	42.0	6.8
Trade and other receivables	53.4	41.5	11.9
Other current assets	17.2	11.1	6.1
<b>Current assets</b>	<b>119.4</b>	<b>94.6</b>	<b>24.8</b>
<b>Non-current assets</b>	<b>169.4</b>	<b>145.3</b>	<b>24.1</b>
<b>Total assets</b>	<b>288.8</b>	<b>239.8</b>	<b>49.0</b>
<b>Current liabilities</b>			
Trade and other payables	69.3	50.3	19.0
Deferred revenue	30.0	25.7	4.3
Current tax liabilities	1.7	2.8	-1.1
Borrowings	5.0	0.0	5.0
Other current liabilities	11.6	22.8	-11.2
<b>Current liabilities</b>	<b>117.6</b>	<b>101.6</b>	<b>16.0</b>
<b>Non-current liabilities</b>	<b>69.9</b>	<b>49.5</b>	<b>20.5</b>
<b>Total liabilities</b>	<b>187.5</b>	<b>151.0</b>	<b>36.5</b>
<b>Total equity</b>	<b>101.3</b>	<b>88.8</b>	<b>12.5</b>

- Drawn borrowings balance as at 30 June A\$63.9m
- Debt facilities include
  - £36.0m Hotcourses Group acquisition facility (£30.9m drawn)
  - A\$20.0m working capital (A\$5.0m drawn)
  - A\$7.0m HCP investment facility (A\$4.1m drawn)
- Cash of A\$48.8m generates net debt of A\$15.1m



## Issued Capital

### Share Capital Summary

Securities as at 30 June 2018	Number	Comment
Shares on Issue	250,294,968	Unchanged since Nov 15 IPO
Options	<u>4,150,000</u>	Exercisable from 31 Aug 2018
<b>Shares on issue post Option Exercise</b> <i>(See note opposite)</i>	<b>254,444,968</b>	
<u>Unlisted Performance Rights</u>		
Performance Rights	2,676,860	Issued under IDP Employee Incentive Plan
<u>Treasury Shares</u>		
Shares purchased and held in Trust	1,201,160	Shares purchased on market to meet obligations under IDP Employee Incentive Plan

- In anticipation of 4.15 million options granted to the Company's CEO in August 2015 vesting on 31 August 2018, the Board has resolved that it will meet its obligations relating to these options by issuing 4.15 million new shares to the "IDP Incentive Plan" Trust, and transferring those new shares to IDP's CEO upon exercising his options.
- Under the terms of the options (as disclosed in the Company's 2015 prospectus and in subsequent annual remuneration reports), the final vesting condition will be met on 31 August 2018.
- As required under the ASX Listing Rules, the Company will notify the market of any change in the number of securities on issue following this event through the lodgement of an Appendix 3B.