



IDP Education
FY19 Results Presentation

22 August 2019



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Business Update



FY19 Financial Highlights

Strong operating and financial performance

Revenue

↑ \$598m

Up 23% v FY18

EBITDA

↑ \$115m

Up 29% v FY18

NPATA

↑ \$68.6m

Up 24% v FY18

NPAT

↑ \$66.3m

Up 29% v FY18

Dividend

↑ 19.5cps

Full year dividend, up 30% on FY18

Student Placement

↑ 49,600

APFs, up 25% on FY18

English Language Testing

↑ 1,283,000

IELTS tests, up 12% on FY18

English Language Teaching

↑ 94,200

Courses, up 13% on FY18



Performance Highlights

Student Placement

- Digital transformation increasing pipeline
- Physical office network expanded in Pakistan, Nepal, India and Canada
- New services extending customer engagement
- Market share gains

English Language Testing

- Strong volume performance in key offshore markets
- 124 computer-delivered IELTS centres opened in 44 countries
- Market share gains

Digital Marketing and Events

- Launched B2B division, IDP Connect
- Delivered global insights tools and content services to enable data-driven customer engagement strategies

English Language Teaching

- Strong performance by ACE Cambodia, reinforcing its market leadership position

Delivering the Platform

The foundations for growth



World's best course search

28 IDP and 12 Hotcourses International sites connected into platform

Leading office network

9 new offices, taking to 127 offices in the student placement network

Global contact centre

Live in 18 countries

Digitising student expos

115,000 students attended events in FY19

Virtual Agency

55,000 leads from China and India virtual agency in FY19

Leading CRM and CMS

2,500 counsellors and teams connected

Student Essentials

Almost 20,000 services sold in FY19

Career support

Pilot internship program launched

**Growing the definitive dataset for international education.
Enabling data-driven insights and engagement.**

Building Capability

Global strategy

- Built new team through FY19
- Leading the global strategy
- Setting digital cadence



Chief Digital Marketing Officer



Global Content Strategy



Data Analysis



Customer Experience Leads



Multimedia Design



Powered by a centralised digital capability

- Almost 400 staff coming together
- Building a Digital Campus
- Based in Chennai



Design



Development



Testing



Customer Support



Regional delivery

- Replicated structure in five regions
- Delivering localised strategy
- 40 specialist hires in FY19



Regional Marketing Director



Contact Centre



Marketing Automation



Content Strategists



Search Engine Optimisation

Platform Engagement

Increased pipeline and applied leads



40

Connected international websites



30%

Increase in IDP web traffic



37%

Increase in hot/warm student online leads



27%

Increase in event attendance



36%

Increase in contact centre leads moving from unqualified to qualified



11%

Decrease in cost per hot/warm lead



33%

Increase in applied volumes

IELTS™

- IELTS built on its position as the world's most trusted English language test for study, work and migration
- Record test volumes in FY19
- Organic expansion of IELTS network to new markets of Poland, Peru, Chile and Ireland



Computer-delivered highlights

- 124 new centres launched
- Available in IDP centres across 44 countries
- Faster results, more test availability

Innovating the IELTS Customer Experience

- Prioritising investment in improving the customer experience, leveraging IDP's new digital and data capability
- Focus on personalised experiences, seamless booking and building online support communities



Investment
in customer
experience

Evolving
product

Digital
innovation

IELTS™

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Financial Results



FY19 Overview

Strong Earnings growth with EBITDA up 26% (constant currency basis)

Income Summary Statement

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%)**
	FY19*	FY18	\$m	%	
English Language Testing	359.6	306.8	52.8	17%	15%
Student Placement	170.3	122.7	47.6	39%	36%
- Australia	104.3	80.6	23.8	30%	29%
- Multi-destination	65.9	42.1	23.8	57%	48%
English Language Teaching	27.5	22.2	5.3	24%	15%
Digital Marketing and Events	36.8	31.9	4.9	15%	12%
Other	4.0	3.6	0.4	12%	6%
Total Revenue	598.1	487.2	111.0	23%	20%
Direct Costs	264.1	217.7	46.4	21%	19%
Gross Profit	334.1	269.5	64.6	24%	21%
Overhead costs	219.0	180.2	38.9	22%	19%
Share of Profit/(Loss) of Associate	0.0	-0.3	0.3	107%	107%
EBITDA	115.0	89.0	26.0	29%	26%
Depreciation & Amortisation	15.0	8.2	6.9	84%	81%
Amortisation of Acquired Intangibles	2.9	4.9	-2.0	-41%	-41%
EBIT	97.1	75.9	21.2	28%	24%
Net finance expense	-1.7	-2.1	0.3	15%	16%
Profit before tax	95.4	73.9	21.5	29%	25%
Income tax expense	29.1	22.4	6.7	30%	30%
NPAT	66.3	51.5	14.8	29%	23%
NPATA ***	68.6	55.3	13.3	24%	19%

* IDP adopted AASB15 Revenue from Contracts with Customers from 1 July 2018. The financial information for FY19 has been presented on post AASB15 basis and comparatives have not been restated. The impact of AASB15 on the aggregate results for FY19 results is not significant but for completeness a comparison is provided on page 19

** "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.

- Revenue growth of 20% (constant currency basis)
- Strong revenue growth in Australian and Multi-destination Student Placement (SP) and English Language Testing
- Very strong growth in India
- Overhead costs include nine new SP offices and the investment in digital marketing capability and contact centres - underlying growth in overhead costs 17%
- Increase in depreciation of 81% includes the first year amortisation of the SP digital platform and the depreciation of computer delivered test centres
- NPAT growth of 23% (constant currency basis)
- Final dividend of 7.5cps franked at 45%

Key Operating Metrics

Strong volume growth driving performance

Summary of Key Operational Metrics

Full Year to 30 June 2019	Full Year Actuals		Growth		Constant Currency Growth (%)**
	FY19 *	FY18	'000s / \$	%	
Volumes (000s)					
English Language Testing	1,283	1141.2	142.0	12%	
Student Placement	49.6	39.7	9.9	25%	
-Australia	28.6	25.9	2.7	10%	
-Multi-destination	21.0	13.9	7.1	51%	
English Language Teaching Courses	94.2	83.3	10.8	13%	
Average Test Fee (A\$)					
English Language Testing Fee	280	269	11	4%	2%
Average Application Processing Fee (A\$)					
Student Placement APF	3,435	3,087	341	11%	9%
-Australia APF	3,654	3,115	539	17%	17%
-Multi-destination APF	3,137	3,034	103	3%	-2%
Average Course Fee (A\$)					
English Language Teaching Course fee	292	267	26	10%	2%

* Information in this table for FY19 is presented on a post-AASB15 basis. The impact of AASB15 on volumes and average fees is provided on page 19

** "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

Volumes

- 25% growth in SP volumes a highlight of the result
- SP volume growth very strong to Canada and strong to the UK, with Australia volumes up 10%
- 12% growth in IELTS volumes with significant contributions to the growth from India, Nigeria, Canada and Vietnam.
- Geographic expansion included opening IELTS test centres in Poland, Peru, Chile and Ireland and opening student placement offices in Pakistan and Canada

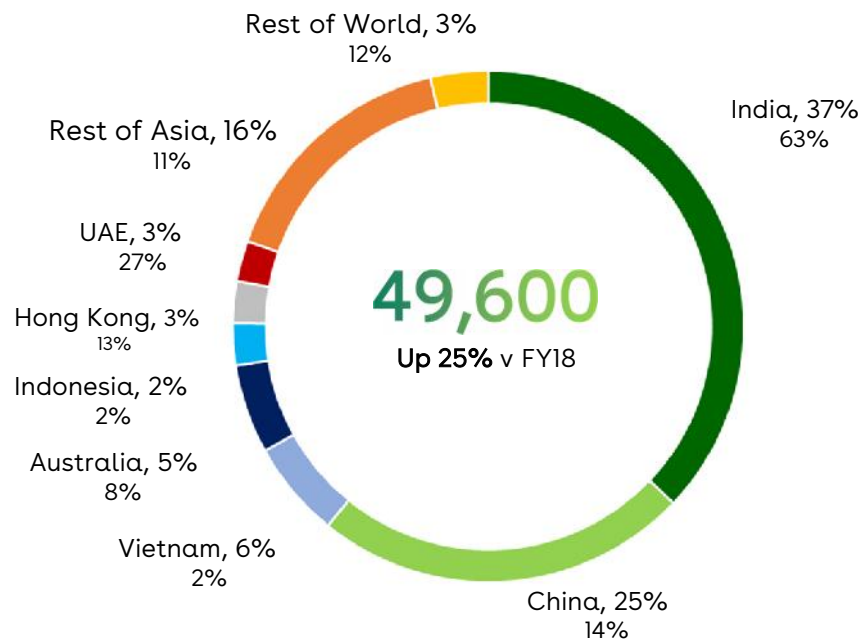
Average Price

- IELTS price increases in India and Australia with underlying price movement of 4% offset by higher mix from countries with lower average prices
- SP Australia average prices benefiting from higher commissions and client bonuses, study sector favourable mix and student essentials growth

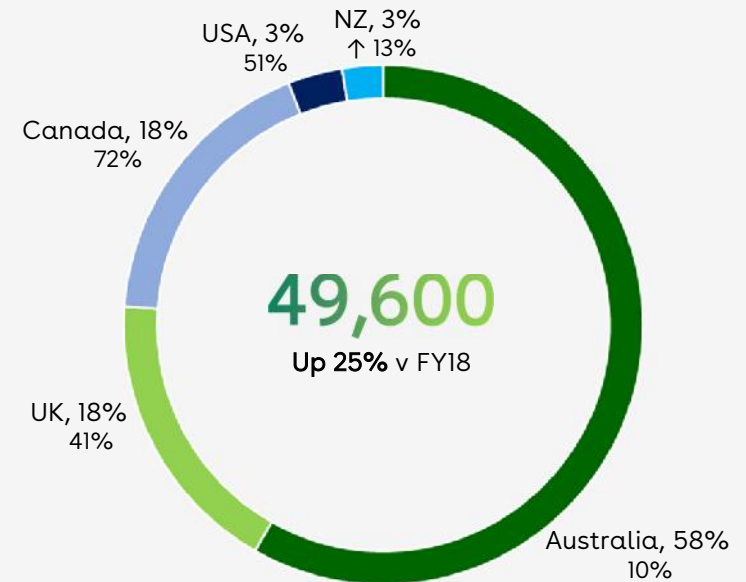
Student Placement Volumes

25% increase in student placement volumes

Number of course enrolments by source market (FY19)



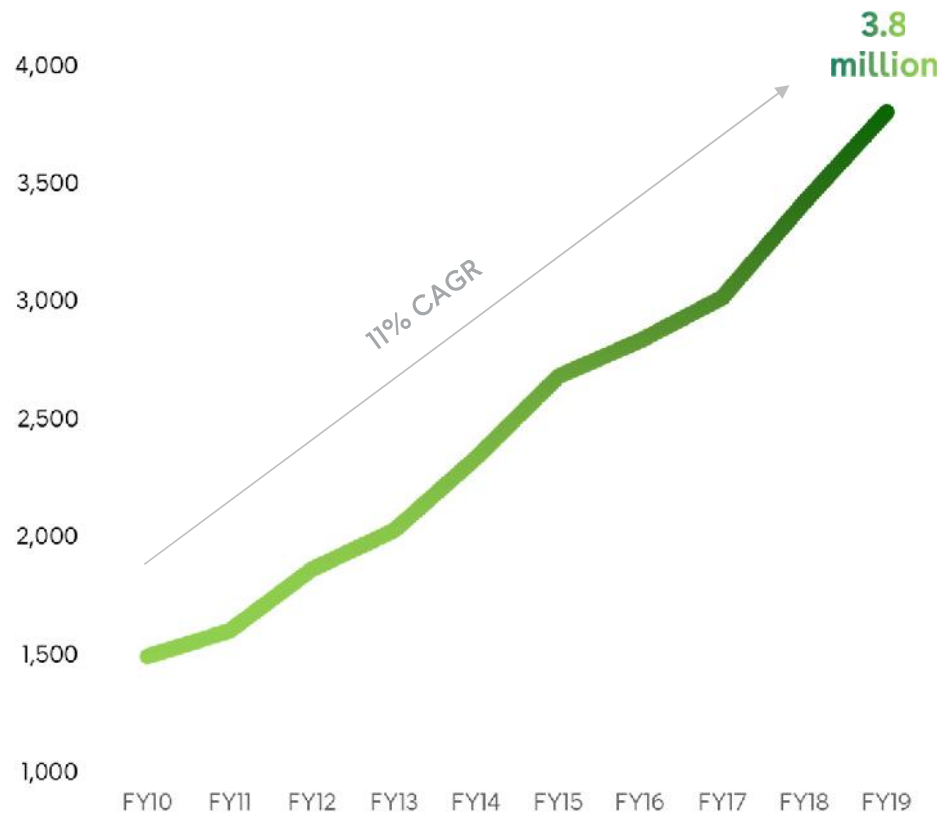
Number of course enrolments by destination market (FY19)



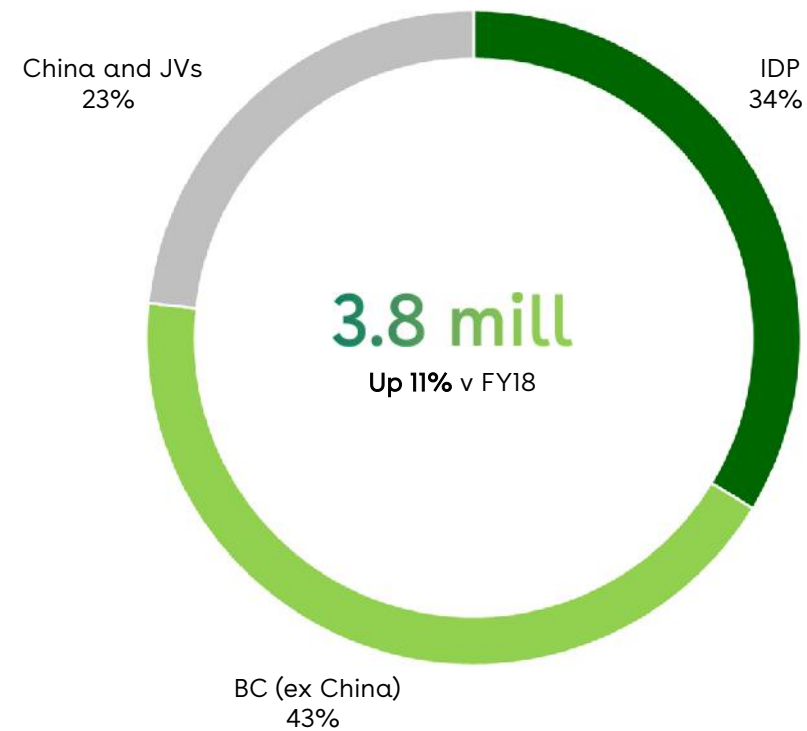
English Language Testing

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

Total global IELTS test volumes



IELTS Volumes by party (FY19)



Segmental Earnings

Strong growth in the key Asian markets

Revenue and EBIT by Geographic Segment

Twelve Months to 30 June	Full Year Actuals		Growth	
	FY19	FY18	\$m	%
Revenue				
Asia	391.8	304.9	86.9	29%
Australasia	63.3	68.5	-5.2	-8%
Rest of World	143.1	113.8	29.3	26%
Total revenue	598.1	487.2	111.0	23%
EBIT				
Asia	113.6	82.6	31.0	38%
Australasia	12.2	16.3	-4.1	-25%
Rest of World	30.1	24.9	5.3	21%
Total EBIT pre corporate costs	155.9	123.7	32.2	26%
Corporate costs	58.8	47.8	11.0	23%
Total EBIT	97.1	75.9	21.2	28%

- Asia represents 66% of revenue and 73% of EBIT(excluding corporate overheads)
- India SP and IELTS revenue growth of 39% a major contributor to growth in Asia segment
- China SP revenue grew 20%, driven by growth in demand for the UK
- Australasia revenue and earnings were impacted by declines in IELTS volumes in Australia and New Zealand, with growth in student placement onshore and investment in digital marketing and contact centre resources to support IDP's third largest market
- The Rest of World recorded strong revenue and earnings growth with significant contributions from Canada, Nigeria and the Middle East.

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Summary



Summary

- Record financial performance
- Growth across all product lines
- Successfully transitioning from an analogue to digital operations
- Foundations for future growth
- Leveraging digital capability across new products



Appendices



AASB15

The impact of AASB15 is not material on the aggregate FY19 financial results

Summary Income Statement pre and post AASB15

Twelve Months to 30 June	FY19		FY18	Growth (%)	
	Post AASB15	Pre AASB15		Post AASB15	Pre AASB15
English Language Testing	359.6	359.6	306.8	17%	17%
Student Placement	170.3	170.0	122.7	39%	39%
- Australia	104.3	103.0	80.6	30%	28%
- Multi-destination	65.9	67.1	42.1	57%	59%
English Language Teaching	27.5	27.5	22.2	24%	24%
Digital Marketing and Events	36.8	36.8	31.9	15%	15%
Other	4.0	4.0	3.6	12%	12%
Total Revenue	598.1	597.9	487.2	23%	23%
Gross Profit	334.1	334.2	269.5	24%	24%
EBITDA	115.0	115.3	89.0	29%	29%

Volumes pre and post AASB15

Twelve Months to 30 June	FY19		FY18	Growth (%)	
	Post AASB15	Pre AASB15		Post AASB15	Pre AASB15
English Language Testing	1,283.2	1,283.2	1,141.2	12%	12%
Student Placement	49.6	49.6	39.7	25%	25%
-Australia	28.6	28.9	25.9	10%	12%
-Multi-destination	21.0	20.7	13.9	51%	50%
English Language Teaching Courses	94.2	94.2	83.3	13%	13%

- IDP adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. The comparatives have not been restated.
- The only impact of AASB15 occurs in Student Placement where IDP is now required to recognise revenue when its performance obligations are satisfied.
- Previously, under AASB 118 IDP recognised revenue when student enrolments were confirmed, subject to IDP assessing that, based on the terms of the relevant contract and past experience on student withdrawal rates, it is probable that the Group will be entitled to those fees.
- The effect is to decrease Multi-Destination revenue in this period as UK revenue is recognised when confirmation of enrolment is received, some of which was related to FY18 and increase Australian Student Placement volumes as the performance obligations for subsequent courses are satisfied on confirmation of enrolment some of which from future periods related to FY19.
- The cumulative effect of initially applying the standard was \$7.8m, which was recognised in the retained earnings as of 1 July 2018.

Product Category Summary

Aggregate gross margins up slightly on FY18

Revenue and GP by Product Segment

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%)*
	FY19	FY18	\$m	%	
Revenue					
English Language Testing	359.6	306.8	52.8	17%	15%
Student Placement	170.3	122.7	47.6	39%	36%
- Australia	104.3	80.6	23.8	30%	29%
- Multi-destination	65.9	42.1	23.8	57%	48%
English Language Teaching	27.5	22.2	5.3	24%	15%
Digital Marketing and Events	36.8	31.9	4.9	15%	12%
Other	4.0	3.6	0.4	12%	6%
Total revenue	598.1	487.2	111.0	23%	20%
Gross profit					
English Language Testing	154.5	129.1	25.4	20%	17%
Student Placement	138.5	104.1	34.4	33%	30%
English Language Teaching	18.9	14.7	4.1	28%	19%
Digital Marketing and Events	19.8	19.8	0.1	0%	-3%
Other	2.4	1.7	0.6	37%	28%
Total gross profit	334.1	269.5	64.6	24%	21%

- IELTS GP margin expanded as cost reductions realised in paper-based test day activity, price increases taken in India and Australia and computer-based testing volumes expanded at a lower cost test day activity than paper based testing
- Student Placement GP margin declined as system support for both the new digital platform and the previous CRM were incurred as the roll-out of the new platform was completed
- Group GP margin expanded as IELTS GP margin increased and the mix of student placement GP increased from 38.6% to 41.5% at a higher GP margin

Expenses

Continuing to invest for future growth

Expenses Summary

Twelve Months to 30 June	Full Year Actuals		Growth		Constant Currency Growth (%)*
	FY19	FY18	\$m	%	
Direct Costs	264.1	217.7	46.4	21%	19%
Overhead Costs	219.0	180.2	38.9	22%	19%
- Employee benefits expenses	141.0	117.7	23.3	20%	17%
- Occupancy expense	22.9	19.4	3.6	18%	15%
- Promotion and publicity expense	16.9	13.9	2.9	21%	17%
- Other expenses	38.2	29.2	9.0	31%	28%
Total Expenses	483.1	397.9	85.3	21%	19%

- Investments made in headcount and occupancy in FY19 include four new Indian student placement offices and new student placement offices in Pakistan, Nepal and Canada.
- Increase in digital marketing and contact centre headcount to drive the pipeline in the student placement digital platform
- Underlying total expense growth was 17%

Consolidated Balance Sheet

As at 30 June, A\$ million	30-Jun-19	30-Jun-18	Change	Change %
Current assets				
Cash and cash equivalents	56.1	48.8	7.3	15%
Trade and other receivables	68.6	45.0	23.6	52%
Contract assets	32.5	8.4	24.1	287%
Other current assets	28.0	17.2	10.8	63%
Current assets	185.2	119.4	65.8	55%
Non-current assets	184.2	169.4	14.8	9%
Total assets	369.4	288.8	80.6	28%
Current liabilities				
Trade and other payables	92.7	69.8	22.9	33%
Deferred revenue	34.2	29.5	4.7	16%
Current tax liabilities	2.8	1.7	1.1	65%
Borrowings	0.0	5.0	-5.0	-100%
Other current liabilities	12.1	11.6	0.5	4%
Current liabilities	141.8	117.6	24.2	21%
Non-current liabilities	73.7	69.9	3.8	5%
Total liabilities	215.5	187.5	28.0	15%
Total equity	153.9	101.3	52.6	52%

- Drawn borrowings balance as at 30 June 2019 A\$60.5m
- Debt facilities include
 - GBP£30.9m Hotcourses Group acquisition facility (£30.9m drawn)
 - A\$25.0m working capital (A\$0m drawn)
 - A\$5.0m HCP investment facility (A\$4.8m drawn)
- Cash of A\$56.1m generates net debt of A\$4.4m

Cashflow

Strong cash conversion

Summary of Cash Flow

Twelve Months to 30 Jun	Full Year Actuals		Growth	
	FY19	FY18	\$m	%
EBITDA	115.0	89.0	26.0	29%
Non-cash items	7.6	3.7	3.9	105%
Change in working capital	-17.5	8.3	-25.8	-311%
Income Tax Paid	-29.2	-25.6	-3.6	14%
Net interest paid/received	-1.2	-0.9	-0.3	33%
Operating cash flow	74.7	74.5	0.2	0%
Payments for Acquisitions	-0.7	-17.7	17.0	-96%
Capital Expenditure	-19.7	-28.5	8.8	-31%
Net cash flow before Financing	54.3	28.3	26.0	92%
Issue of shares	4.9	0.0	4.9	N/A
Payments for Treasury Shares	-1.9	-9.7	7.8	N/A
Proceeds from Borrowings	14.7	30.7	-16.0	-52%
Repayment from Borrowings	-19.0	-8.0	-11.0	138%
Dividend Payments	-47.1	-35.0	-12.1	35%
Effect of FX on cash holdings in foreign currency	1.4	0.5	0.9	180%
Net Cash Flow	7.3	6.8	0.5	7%

- Working capital increase largely reflects a one-off increase of \$24.1m in Contract Assets (see page 22) due to revenue recognition changes under AASB15
- GOCF* of \$105.1m up 4% reflects 91% conversion from reported EBITDA
 - Cash conversion is 112% if the one-off impact on working capital of the increase in Contract Assets is excluded
- Capex of \$19.7m included following investments
 - \$4.7m student placement digital platform
 - \$2.0m computer-delivered IELTS
 - \$3.9m student placement office leasehold improvements
 - \$1.0m Digital Campus leasehold improvements
 - \$4.9m plant and equipment (computer systems)

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