



# Half Year Financial Results

Six Months to 31 December 2017

7 February 2018



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# H1 FY18 Highlights

# 01

# H1 FY18 Highlights

## Revenue

- A\$242m up 29%\*

## NPATA

- A\$31.6m up 22%\*

## English Language Testing

- 558,900 IELTS tests up 28%

## English Language Teaching

- 40,500 courses up 8%

## EBITDA

- A\$50.3m up 33%\*

## Interim Dividend

- 8.5 cps up 21%

## Student Placement

- 22,200 APFs up 18%

## Advertising and Events

- Record website traffic

\* On a Constant Currency Basis. Constant currency 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.





**Business  
Update**

**02**

# Business Update

## Student Placement

- New offices opened in India (3), West Jakarta, Dhaka, Hanoi, Sydney, Bali, Auckland, Wuhan and Suzhou
- Student satisfaction remains high (9 in 10 students would refer IDP to family and friends)
- Digital transformation program on target
  - Release one delivered in Singapore, Australia, Thailand and Vietnam

## English Language Testing

- Record half year testing volumes
- Launched computer-delivered IELTS

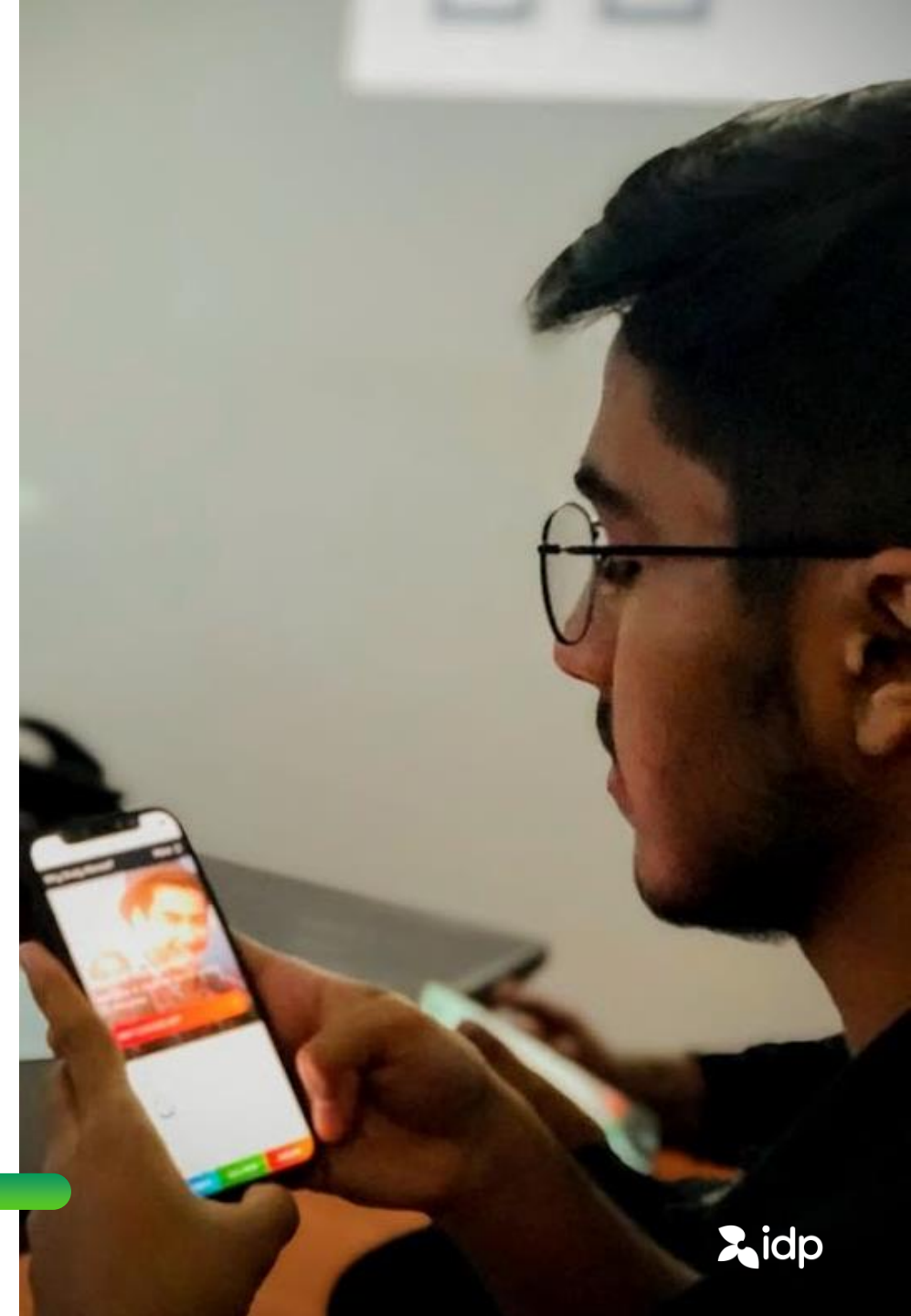
## English Language Teaching

- Opened 5<sup>th</sup> Cambodian campus

## Advertising and Events

- Hotcourses acquisition realising benefits through pipeline growth and capability increases
- Record traffic across Hotcourses sites

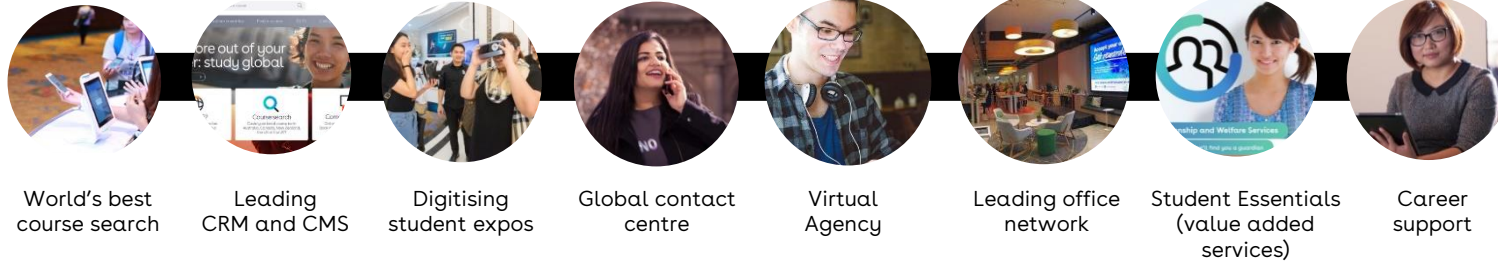
*Right - Students in Dubai co-designing our new global platform*



# IDP's Digital Transformation

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

Deliver world-leading capabilities and services...



...on an integrated global platform...



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

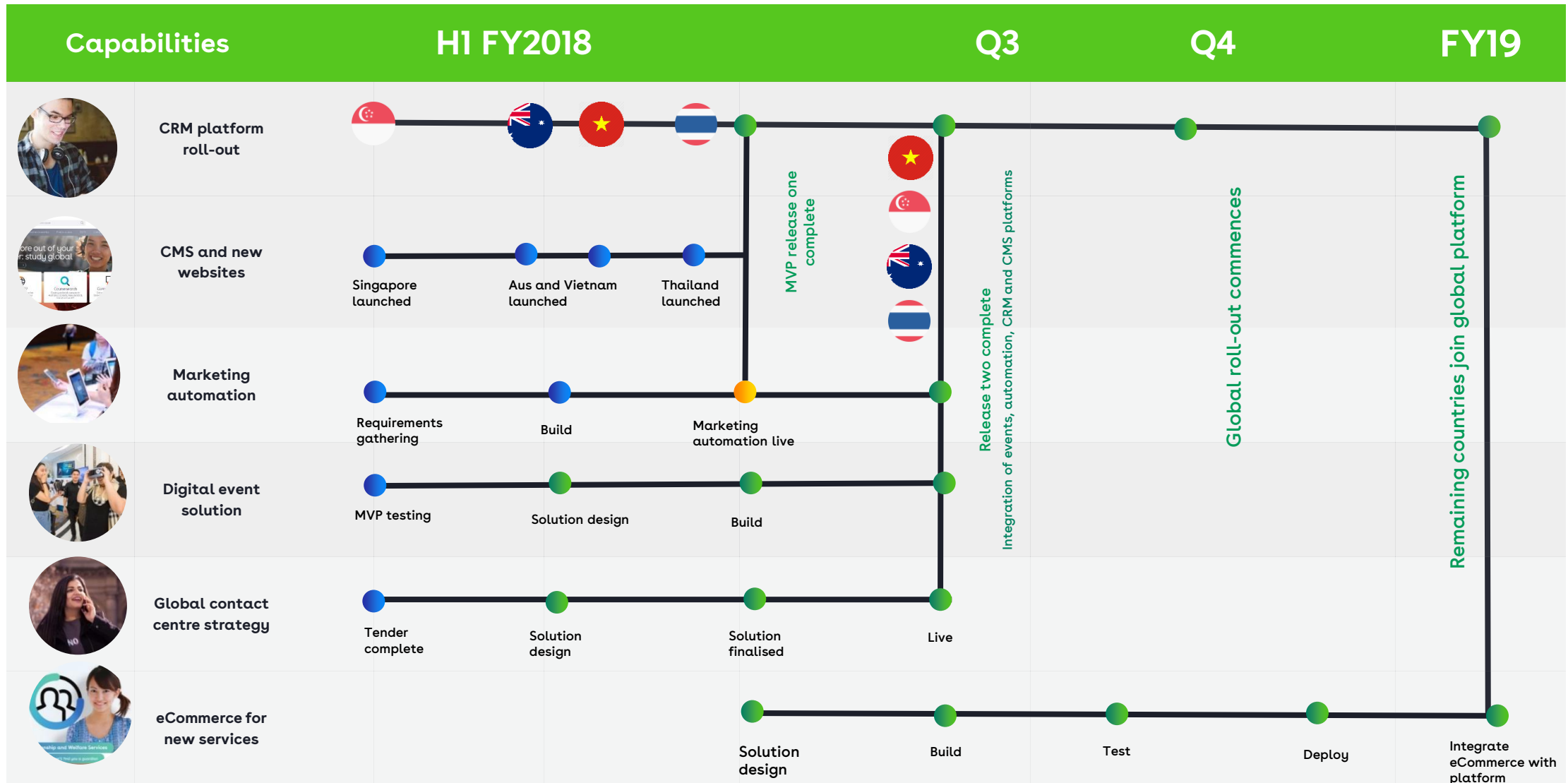
The world's definitive international student dataset and connected community



Connecting our customers to success



# H1FY18 global platform roll-out progress and roadmap



# Computer-delivered IELTS

On time launch with positive customer response

## Product

- Same test whether on paper or computer
- Taken at an IELTS test centre
- Reading, Listening and Writing components on computer
- Speaking remains face-to-face with a qualified examiner

## Customer Benefits

- Faster results (5-7 working days)
- Same great speaking test experience
- Academic & General Training
- More test dates

## Milestones

- First tests completed in Melbourne in December
- IDP Australian roll-out during remainder of FY18
- Global roll-out plan in development



## Integration and digital capability

- Significant contribution to building digital capability within IDP
- Hotcourses' Chennai tech team leading the roll-out of IDP.com
- UK team integrated with Hotcourses management

## Traffic

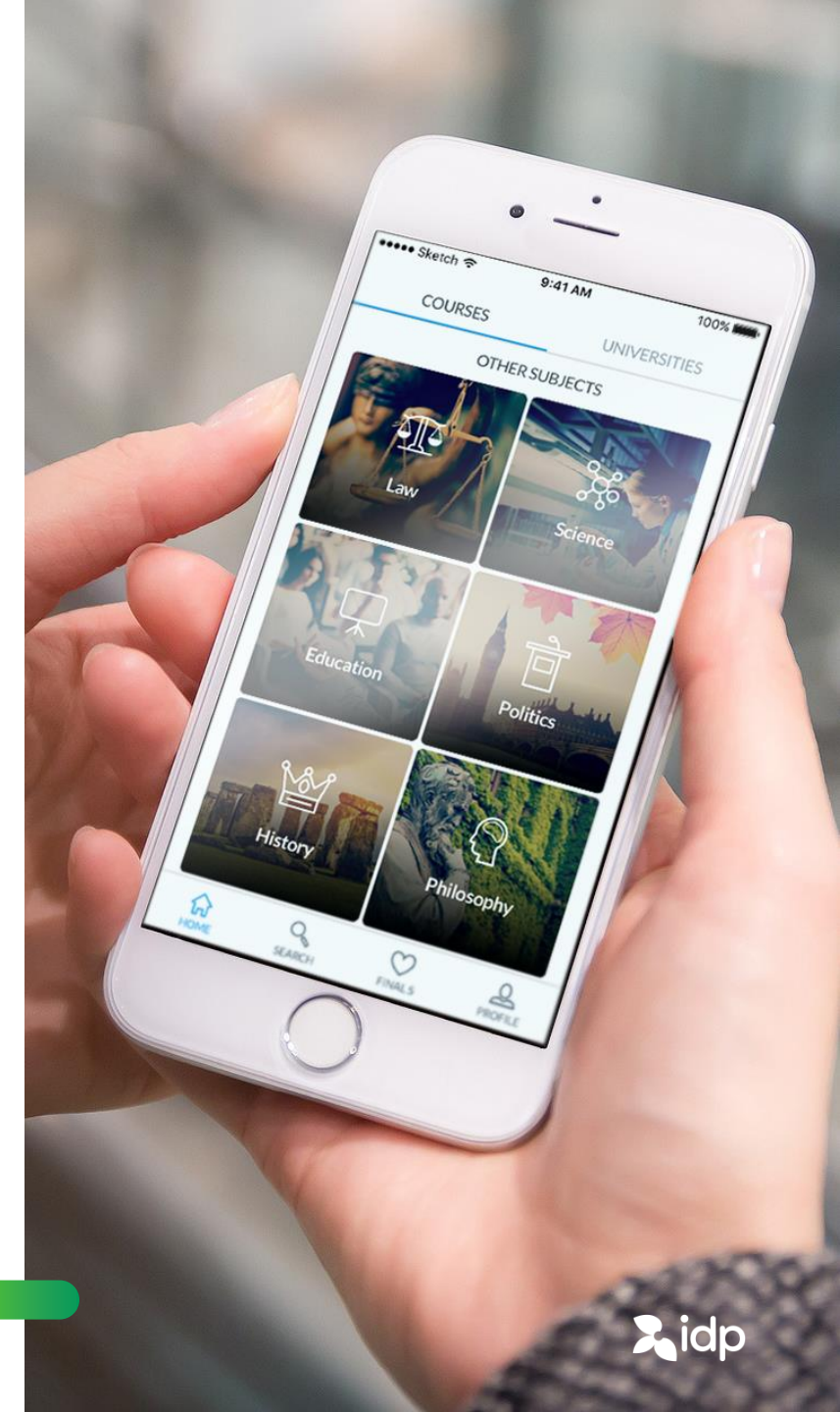
- Global traffic on HC websites up 6% on pcp
- WhatUni app launched with strong student engagement
- Shared access to analytics and data

## Product innovation

- New product providing clients advertising and lead conversion
- Strong client take-up with 60 contracts signed

## Leads

- Over 25,000 leads for non-HC clients delivered to IDP network during the half
- Solid conversion rates with further optimisation planned



# Financial Results

# 03

## HI FY18 Overview

### Strong Earnings growth with EBITDA up 33% on a constant currency basis

#### Income Statement Summary

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	HI FY18	HI FY17	\$m	%	
English Language Testing	148.4	118.7	29.7	25%	27%
Student Placement	64.9	54.0	10.9	20%	21%
- Australia	37.5	34.5	3.0	9%	9%
- Multi-destination	27.4	19.5	7.9	40%	42%
English Language Teaching	11.1	10.5	0.6	5%	8%
Advertising and Events	15.9	4.9	11.0	225%	225%
Other	1.7	1.7	0.0	3%	-2%
<b>Total Revenue</b>	<b>242.0</b>	<b>189.8</b>	<b>52.2</b>	<b>28%</b>	<b>29%</b>
Direct Costs	105.7	87.1	18.6	21%	25%
Gross Profit	136.3	102.7	33.6	33%	33%
Overhead costs	86.0	66.4	19.7	30%	33%
<b>EBITDA</b>	<b>50.3</b>	<b>36.4</b>	<b>13.9</b>	<b>38%</b>	<b>33%</b>
Depreciation	3.8	2.4	1.4	58%	52%
Amortisation of Acquired Intangibles	1.4	0.1	1.3	1049%	1049%
<b>EBIT</b>	<b>45.1</b>	<b>33.9</b>	<b>11.2</b>	<b>33%</b>	<b>28%</b>
Net interest Income	-1.1	0.1	-1.2	-846%	-850%
Profit before tax	44.0	34.0	10.0	29%	24%
Income tax expense	13.5	9.9	3.6	37%	37%
<b>NPAT</b>	<b>30.5</b>	<b>24.1</b>	<b>6.4</b>	<b>27%</b>	<b>19%</b>
<b>NPATA **</b>	<b>31.6</b>	<b>24.2</b>	<b>7.4</b>	<b>31%</b>	<b>22%</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 HI FY17 charge related to the FY15 acquisition of Promising Education while the majority of the HI FY18 charge relates to the acquisition of Hotcourses which was completed on 31 January 2017

- Revenue growth of 29% on a constant currency basis
- Volumes growth underpinning revenue growth
- Hotcourses (acquired 31 January 2017) the driver of growth in Advertising and Events
- EBITDA up 33% on a constant currency basis
- Currency a small net tailwind at the EBITDA line primarily due to higher realised AUD:GBP
- Interest charges reflect net debt services from Hotcourses acquisition
- Effective tax rate at 30.7% v 29.1% in pcp

# Key Operating Metrics

Strong volume growth driving performance

## Summary of Key Operational Metrics

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	H1 FY18	H1 FY17	'000s / \$	%	
<b>Volumes (000s)</b>					
English Language Testing	558.9	436.9	122.0	28%	
Student Placement	<b>22.2</b>	<b>18.9</b>	<b>3.3</b>	<b>18%</b>	
-Australia	12.3	12.1	0.2	2%	
-Multi-destination	9.9	6.8	3.1	46%	
English Language Teaching students	40.5	37.4	3.1	8%	
<b>Average Test Fee (A\$)</b>					
English Language Testing Fee	266	<b>272</b>	<b>-6</b>	<b>-2%</b>	<b>-1%</b>
<b>Average Application Processing Fee (A\$)</b>					
Student Placement APF	<b>2,922</b>	<b>2,865</b>	<b>57</b>	<b>2%</b>	<b>2%</b>
-Australia APF	3,048	2,860	188	7%	7%
-Multi-destination APF	2,765	2,873	-108	-4%	-3%
<b>Average Course Fee (A\$)</b>					
English Language Teaching Course fee	273	282	-9	-3%	0%

### Volumes

- Widespread strength in IELTS volumes with most IDP countries posting double-digit growth
- Multi-destination student placement volume growth reflecting increased market share
  - Canada +142%
  - UK +27%
  - NZ +27%
  - USA +12%

### Average Price

- Mix shift dampening the impact of underlying price increases in English Language Testing
- Australian placement average fee benefitting from past contract changes

## Segmental Earnings

Double digit revenue growth in each segment

### Revenue and EBIT by Geographic Segment

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY18	H1 FY17	\$m	%
<b>Revenue</b>				
Asia	154.1	120.7	33.4	28%
Australasia	34.8	31.6	3.2	10%
Rest of World	53.1	37.5	15.6	42%
<b>Total revenue</b>	<b>242.0</b>	<b>189.8</b>	<b>52.2</b>	<b>28%</b>
<b>EBIT</b>				
Asia	48.1	38.2	9.9	26%
Australasia	8.5	8.7	-0.2	-2%
Rest of World	12.5	8.3	4.2	51%
<b>Total EBIT pre corporate costs</b>	<b>69.1</b>	<b>55.1</b>	<b>14.0</b>	<b>25%</b>
Corporate costs	24.0	21.2	2.8	13%
<b>Total EBIT</b>	<b>45.1</b>	<b>33.9</b>	<b>11.2</b>	<b>33%</b>

- India, Vietnam and Cambodia key contributors to revenue growth in Asia
- Australasia showing benefits of improved performance from both IELTS and SP
- Revenue from Hotcourses, onshore Canada and the Middle East key drivers of growth for Rest of World
- Higher depreciation charges limit margin expansion at the EBIT (pre corporate cost) line

Summary

04



# Summary

## Financial Performance

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

## Digital Transformation

- Project well advanced with positive early signs

## Product Innovation

- Computer-delivered IELTS a significant development

## Benefits of Diversification

- Result highlights the strength of IDP's diversified business model

## Hotcourses

- Acquisition realising benefits through pipeline growth and capability increases

## Industry Trends

- Outlook remains positive for international education



# Appendices

## Product Category Summary

### Margin expansion in all key product segments

#### Revenue and GP by Product Segment

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	H1 FY18	H1 FY17	\$m	%	
<b>Revenue</b>					
English Language Testing	148.4	118.7	29.7	25%	27%
Student Placement	64.9	54.0	10.9	20%	21%
- Australia	37.5	34.5	3.0	9%	9%
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Advertising and Events	15.9	4.9	11.0	225%	225%
Other	1.7	1.7	0.0	3%	-2%
<b>Total revenue</b>	<b>242.0</b>	<b>189.8</b>	<b>52.2</b>	<b>28%</b>	<b>29%</b>
<b>Gross profit</b>					
English Language Testing	62.6	49.5	13.1	27%	26%
Student Placement	56.0	45.7	10.2	22%	23%
English Language Teaching	7.4	7.0	0.5	6%	10%
Events and Advertising	9.5	-0.4	9.9	2266%	3101%
Other	0.8	0.9	-0.1	-12%	-10%
<b>Total gross profit</b>	<b>136.3</b>	<b>102.7</b>	<b>33.6</b>	<b>33%</b>	<b>33%</b>

- GP margin expansion in all key product segments
- Currency a net positive for IELTS GP margin with stronger realised AUD:GBP
- Inclusion of high margin Hotcourses revenue in Advertising and Events key driver of margin expansion at the GP level v pcp

## Expenses

### Investing for future growth

#### Expenses Summary

Six Months to 31 December	Half Year Actuals		Growth		Constant Currency Growth (%) *
	HI FY18	HI FY17	\$m	%	
<b>Direct Costs</b>	<b>105.7</b>	<b>87.1</b>	<b>18.6</b>	<b>21%</b>	<b>25%</b>
<b>Overhead Costs</b>	<b>86.0</b>	<b>66.4</b>	<b>19.7</b>	<b>30%</b>	<b>33%</b>
- Employee benefits expenses	55.8	41.1	14.6	36%	38%
- Occupancy expense	9.3	7.8	1.4	18%	21%
- Promotion and publicity expense	6.9	5.7	1.2	21%	24%
- Other expenses	14.1	11.7	2.4	20%	29%
<b>Total Expenses</b>	<b>191.7</b>	<b>153.4</b>	<b>38.3</b>	<b>25%</b>	<b>28%</b>

- Overhead cost growth distorted by absence of Hotcourses in pcp
- Employee benefits driven primarily by Hotcourses and new hires in the network
- New offices and accompanying staff recruitment in India, New Zealand, Indonesia, UAE, Bangladesh and Australia
- Key executives recruited to fill vacancies in Vietnam, Singapore, China and Thailand
- Underlying growth in overheads well below revenue growth

## Balance Sheet

### Strong balance sheet with only A\$12.7m of net debt

#### Consolidated historical balance sheet

As at 31 December, A\$ million	31-Dec-17	30-Jun-17	Change
<b>Current assets</b>			
Cash and cash equivalents	34.4	42.0	-7.6
Trade and other receivables	61.0	41.5	19.5
Other current assets	13.1	11.1	2.0
<b>Current assets</b>	<b>108.5</b>	<b>94.6</b>	<b>13.9</b>
<b>Non-current assets</b>	<b>160.3</b>	<b>145.3</b>	<b>15.0</b>
<b>Total assets</b>	<b>268.8</b>	<b>239.8</b>	<b>29.0</b>
<b>Current liabilities</b>			
Trade and other payables	51.2	50.3	0.9
Deferred revenue	28.3	25.7	2.6
Current tax liabilities	0.2	2.8	-2.6
Borrowings	3.0	0.0	3.0
Other current liabilities	22.8	22.8	0.0
<b>Current liabilities</b>	<b>105.5</b>	<b>101.6</b>	<b>3.9</b>
<b>Non-current liabilities</b>	<b>54.8</b>	<b>49.5</b>	<b>5.3</b>
<b>Total liabilities</b>	<b>160.3</b>	<b>151.0</b>	<b>9.3</b>
<b>Total equity</b>	<b>108.5</b>	<b>88.8</b>	<b>19.7</b>

- Interest bearing debt on the balance sheet comprised the following facilities
  - Acquisition facility drawn to A\$44.1m
  - Working capital facility drawn to A\$3.0m
- Offsetting this debt was \$34.4m of cash and cash equivalents at the end of the period
- Net debt as at 31 December 2017 was therefore \$12.7m

# Cashflow

## Solid cash flow conversion

### Summary of Cash Flow

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY18	H1 FY17	\$m	%
EBITDA	50.3	36.4	13.9	38%
Non-cash items	2.0	1.7	0.3	19%
Change in working capital	-19.7	-17.0	-2.7	16%
Income Tax Paid	-15.8	-10.5	-5.3	50%
Net interest received	-0.3	0.2	-0.5	-250%
<b>Operating cash flow</b>	<b>16.5</b>	<b>10.8</b>	<b>5.7</b>	<b>53%</b>
Payments for Acquisitions	-4.1	-2.4	-1.7	71%
Capital Expenditure	-13.4	-5.4	-8.0	148%
<b>Net cash flow before Financing</b>	<b>-1.0</b>	<b>3.0</b>	<b>-4.0</b>	<b>-134%</b>
Payments for Treasury Shares	0.0	-0.6	0.6	-100%
Proceeds from Borrowings	9.1	0.0	9.1	N/A
Repayment from Borrowings	-2.0	0.0	-2.0	N/A
Dividend Payments	-13.8	-13.8	0.0	0%
Effect of FX on cash holdings in foreign currency	0.1	0.0	0.1	N/A
<b>Net Cash Flow</b>	<b>-7.6</b>	<b>-11.4</b>	<b>3.8</b>	<b>-33%</b>

- GOCF\* of \$32.6m reflects 65% conversion from reported EBITDA primarily reflecting timing of receipts for multi-destination student placement
- Expecting full year cash flow conversion to approach 100% as per the results for FY17
- Increase in capital expenditure reflects investment in:
  - digital student placement platform build
  - new Human Capital Management System
  - new student placement offices
  - additional campus in Cambodia

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

# Image gallery: Milestones and key deliverables for the digital transformation HI FY18

