



Australian Government

Tertiary Education Quality and Standards Agency

# Key financial metrics on Australia's higher education sector

November 2017

TEQSA

## Key financial metrics on Australia's higher education sector – November 2017

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# Introduction

## Background

The *Key financial metrics on Australia's higher education sector* report is the third release of financial information held by Tertiary Education Quality and Standards Agency (TEQSA). It provides a snapshot of selected key financial metrics across the Australian higher education sector. Data in this report has been sourced from TEQSA's 2016 data collection and relates to financial years ended from 31 December 2015 until 30 June 2016.

TEQSA is committed to ensuring that stakeholders in Australia's higher education sector have access to relevant information that enables and better informs decision making. TEQSA works closely with the Australian Department of Education and Training and other agencies to collect data on the sector and to minimise the regulatory burden on providers. As part of its ongoing monitoring and quality assurance role, TEQSA collects and then analyses this data.

The first edition of this report was released in April 2016 following a period of consultation with the sector. The second edition was released in December 2016. Both reports were well received by stakeholders. TEQSA intends to release this report on an annual basis using data from the latest available collection year.

## About this report

Assessing the financial performance and financial position of a provider is a complex process which involves analysing a range of quantitative metrics and understanding the provider's operating context, mission, governance and management structures.

TEQSA conducts an annual financial assessment of each provider, which analyses ten commonly-accepted financial metrics reflecting key business drivers critical to financial viability and sustainability. TEQSA consulted with the sector in developing these financial metrics in 2013, and received broad support for their adoption.

This report provides a snapshot of selected key financial metrics across the whole sector. The metrics have been selected for their importance in measuring the capacity and capability of providers to deploy financial resources in a way that supports quality in the delivery of higher education. Importantly, the selected metrics are reasonably comparable across all providers and also provide visibility of financial position and performance at the sector and sub-sector levels<sup>1</sup>. Definitions and calculation methodologies for each measure are available in the Glossary section of this report.

## Special focus topic in this report – newly registered higher education providers

This report includes a special focus section featuring additional analysis on a current topic of interest to the sector. The special focus topic featured in this report examines the financial performance of newly registered providers. Since its inception in January 2012, TEQSA has registered 24 providers. Each application for initial registration to become a higher education provider is closely scrutinised and includes a detailed assessment of the applicant's historical (where applicable) and forecast financial information. This ensures that providers admitted to the sector are financially viable and sustainable.

<sup>1</sup> TEQSA acknowledges that factors such as accounting policies, taxation treatments and structures, legal entity type, ownership structures and so forth may result in differences when comparing the performance of providers. However, this does not pose an impediment when assessing the provider on a stand-alone basis, which this report aims to do.

## Purpose of this report

TEQSA recognises that previously there has been little publicly-available information on Australia's higher education sector beyond the university sector. This report aims to enhance and improve the level of publicly available financial information across Australia's whole higher education sector with a view to better informing decision making by sector stakeholders.

For many providers, financial data is commercial-in-confidence; therefore, information in this report has been presented in an aggregated, de-identified manner. The analysis and key metrics presented in this report allow users, in particular existing higher education providers, to better understand how their entity's financial performance compares with other similar providers and the sector more broadly.

Each registered higher education provider has confidentially been provided with a copy of its organisation's standing against each metric.

## Provider groupings used in this report

For the purposes of this report, TEQSA has grouped providers by broad operating model. The provider operating types used in this report are: Universities, Technical and Further Education (TAFE), Non-University For-Profit (For-Profit) and Non-University Not-For-Profit (Not-For-Profit).

## Reporting period

Providers' reporting periods vary. Data in this report has been sourced from TEQSA's 2016 data collection and relates to reporting years ended 31 December 2015 until 30 June 2016.

## Provider exclusions and inclusions

There is a small number of providers that were not required to submit financial data to TEQSA in the collection year due to contextual factors, such as:

- being recently registered as a higher education provider
- being in the process of merging with another entity at the time of the data collection
- withdrawing registration (i.e. due to teach out of courses)
- having registration cancelled.

In addition to the exclusions identified above, in a small number of cases irregular or abnormal data points have been excluded from the analysis to avoid misleading interpretations of individual provider financial situations. Providers have also been excluded where insufficient data was available to calculate a particular financial metric. As a result, the number of providers presented in a particular chart may be less than the total number of providers listed for the respective provider type or size band. Further details on exclusions can be found in the Explanatory Notes section of this report.

## Enquiries

For enquiries relating to this report or Provider Information Request (PIR) data, please contact TEQSA at:

[collections@teqsa.gov.au](mailto:collections@teqsa.gov.au)

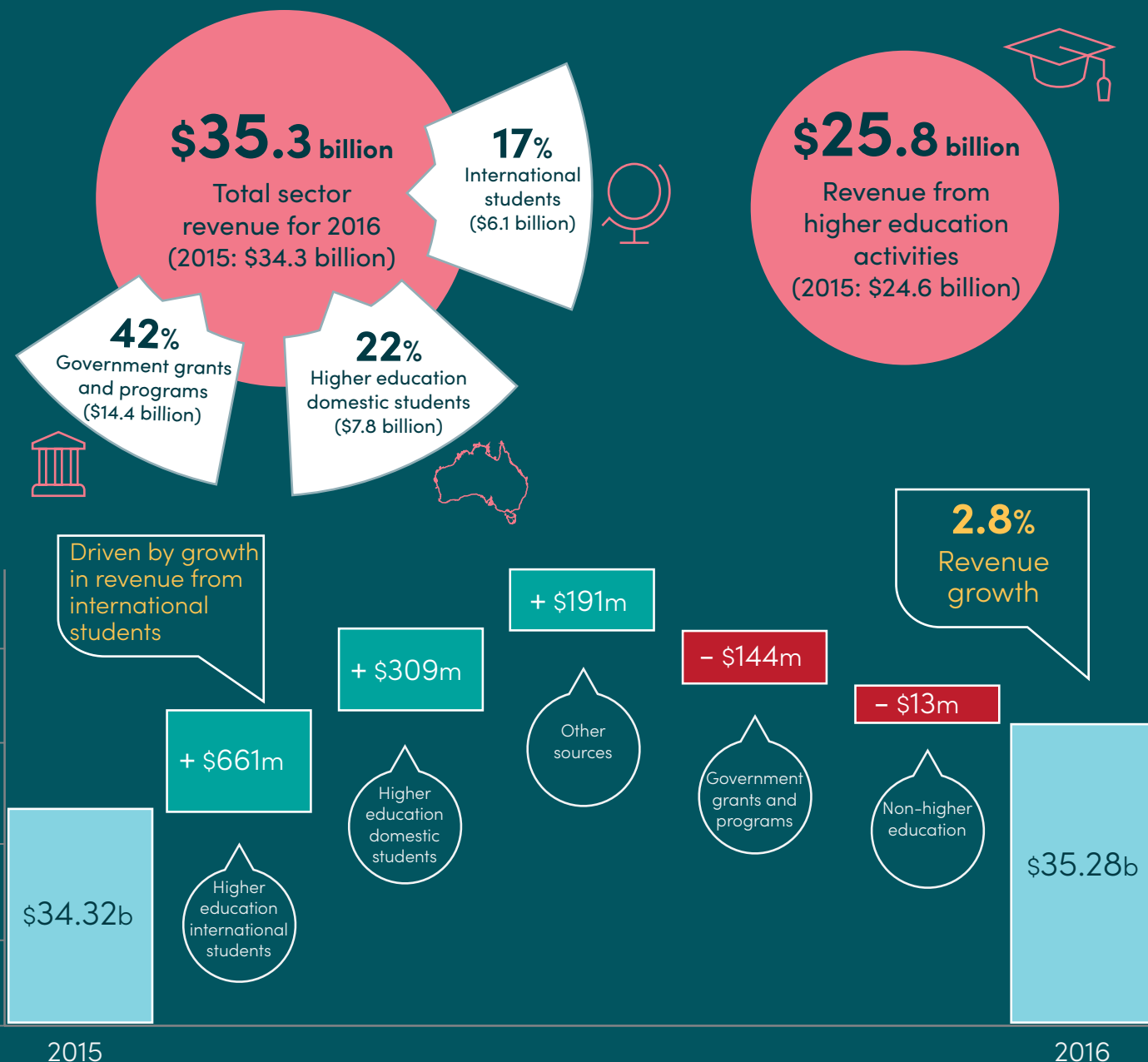
## Accessibility

Accessible versions of Figures 11 to 16 are available at:

[www.teqsa.gov.au](http://www.teqsa.gov.au)

# 1. The sector at a glance

## REVENUE



## EXPENDITURE



# SECTOR PROFITABILITY



**80%**

of providers recorded a surplus/profit

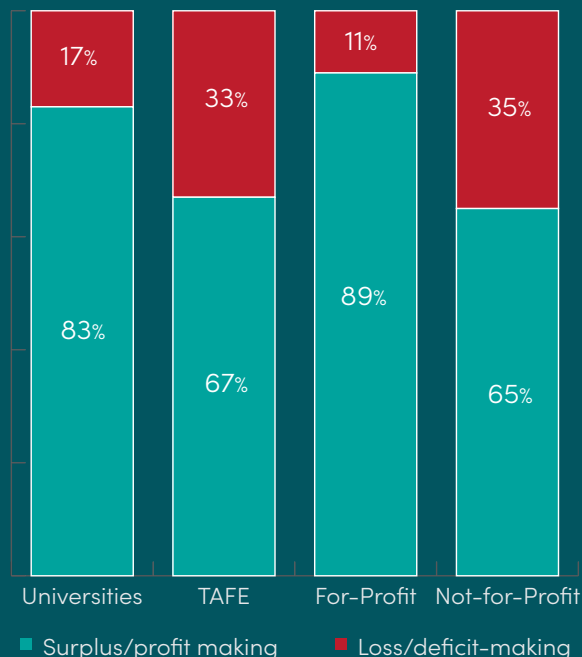
**\$1.3 billion**

total sector surplus/profit (2015: \$1.8 billion)

**4.6%**

median sector surplus/profit margin (2015: 5.9%)

TAFE and Not-For-Profit providers had a higher proportion of deficit-making providers



## HIGHLIGHTS

### UNIVERSITIES

- Government grants and programs continued to be the major source of revenue.
- Median net surplus margin increased to 5.5% (previous year was 4.6%).

### TAFE

- Continued to record relatively low levels of profitability.
- Recorded the lowest median asset replacement ratio (0.7) compared with the sector median (1.3).

### FOR-PROFIT

- 87% recorded an employee benefit ratio below the sector median.
- 44% relied on fees from international HE students as the major revenue source.

### NOT-FOR-PROFIT

- 75% recorded a surplus margin below the sector median.
- 66% recorded an employee benefits ratio greater than the sector median.

## 2. Sector financial profile

The Australian higher education sector is large and diverse, and it comprises an important part of the economy. Each of the 166 higher education providers in the sector as at 31 August 2017 has its own unique mission and operating model<sup>2</sup>. The diversity of provider operating models reflects the depth and scale of market demand for higher education services. The table below summarises the financial performance of the sector based on the 2014, 2015 and 2016 data collection years.

**Table 1. Summarised sector financial performance**

\$M	2014 <sup>3</sup>	2015 <sup>3</sup>	2016 <sup>3</sup>
<b>Revenue</b>			
Government grants and programs (including Commonwealth Grant Scheme, Commonwealth research grant, state and territory government grants)	14,521	14,588	14,444
Higher education domestic students (including FEE-HELP, HECS-HELP, full-fee paying student revenue)	6,961	7,485	7,793
Higher education international students	4,844	5,425	6,086
Non-higher education (including VET, ELICOS, non-award) <sup>4</sup>	1,574	2,110	2,098
Other sources (including donations, HE third-party delivery, commercial activities)	4,354	4,717	4,862
<b>Total revenue<sup>5</sup></b>	<b>32,254</b>	<b>34,325</b>	<b>35,282</b>
<b>Expenses</b>			
Staffing	(18,084)	(18,974)	(19,460)
Depreciation	(1,794)	(1,918)	(2,123)
Finance costs	(169)	(216)	(203)
Marketing and promotion	(403)	(526)	(525)
Other expenses	(10,174)	(10,902)	(11,662)
<b>Total expenses<sup>5</sup></b>	<b>(30,624)</b>	<b>(32,537)</b>	<b>(33,973)</b>
<b>Total net surplus/profit<sup>6</sup></b>	<b>1,630</b>	<b>1,788</b>	<b>1,309</b>

Sources: TEQSA analysis, 2014-2016 Provider Information Requests, Department of Education and Training, and provider financial statements.

- Total revenue generated by the sector continued to grow in 2016. This represented a growth of 2.8% over the last 12 months period.
- The key drivers behind the growth in revenue were international student revenue (up by 12%) followed by domestic student revenue (up by 4%). Although government grants and programs continue to account for the majority of revenue generated by the sector, this revenue source declined by \$144 million to \$14.4 billion in 2016.
- The sector continues to be profitable, posting an aggregate net surplus/profit in 2016 of \$1.3 billion. This represented 3.7% (2015: 5.2%) of total sector revenue. The aggregate result represented a 1.5 percentage point decrease from 2015.
- Total sector expenditure increased by 4.4% to \$34.0 billion, outpacing the growth in revenue of 2.9%. Spending on staff continued to account for the largest area of sector expenditure, while finance costs (including interest) and marketing and promotion costs declined slightly.

<sup>2</sup> TEQSA National Register <<http://www.teqsa.gov.au/national-register>> as at 31 August 2017.

<sup>3</sup> The year refers to TEQSA's data collection year. Financial data relates to a provider's most recent financial year as at the time of the collection. Data used throughout this report relates to providers that reported data in the collection and had an assessment completed by TEQSA.

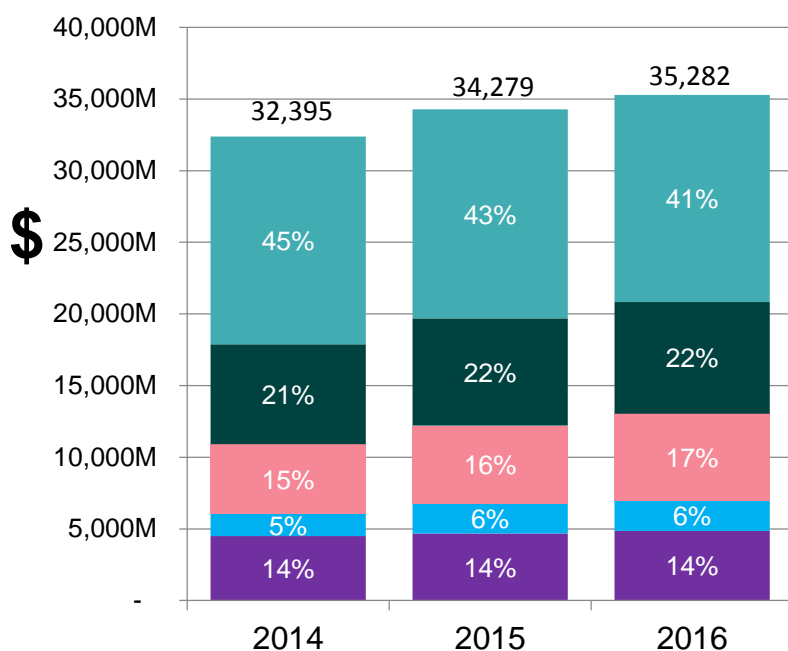
<sup>4</sup> This is revenue earned by higher education providers (HEPs) from the delivery of Vocational Education and Training (VET) and other non-award courses. The majority of this relates to TAFE NSW which is a registered HEP.

<sup>5</sup> This total excludes capital grants and once-off/abnormal items.

<sup>6</sup> 2016 Sector Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) = \$4.183 billion (2015: \$4.022 billion, 2014: \$3.665 billion).



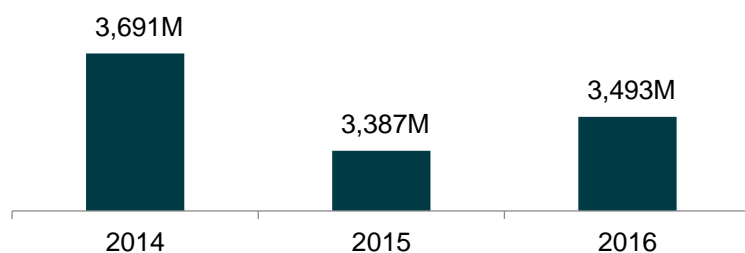
**Figure 1. Sector revenue, by source**



- Government grants and programs
- Higher education domestic students (including FEE-HELP, HECS-HELP, full-fee paying student revenue)
- Higher education international students
- Non-higher education (including VET, ELICOS, non-award)
- Other sources (including donations, HE third-party delivery, commercial activities)

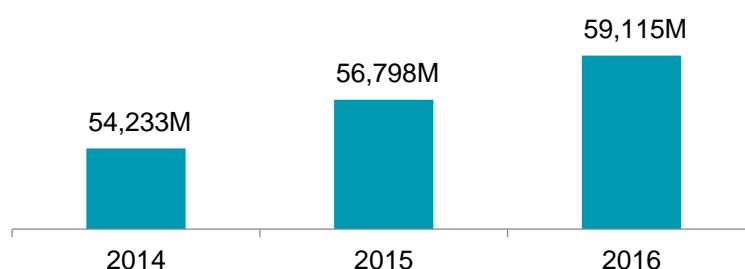
- Revenue from government grants and programs continued to be the sector's largest revenue source. However, it has progressively declined to 41% of total sector revenue.
- Consistent with previous years, the second largest revenue source was fees received from domestic student contributions (inclusive of FEE-HELP, HECS-HELP).
- Revenue from international students continued to be the sector's fastest growing revenue source, increasing by 12.2% in 2016.

**Figure 2. Capital expenditure, sector**



- Capital expenditure grew by 3.1% in 2016 to \$3.5 billion, but was lower than in 2014.

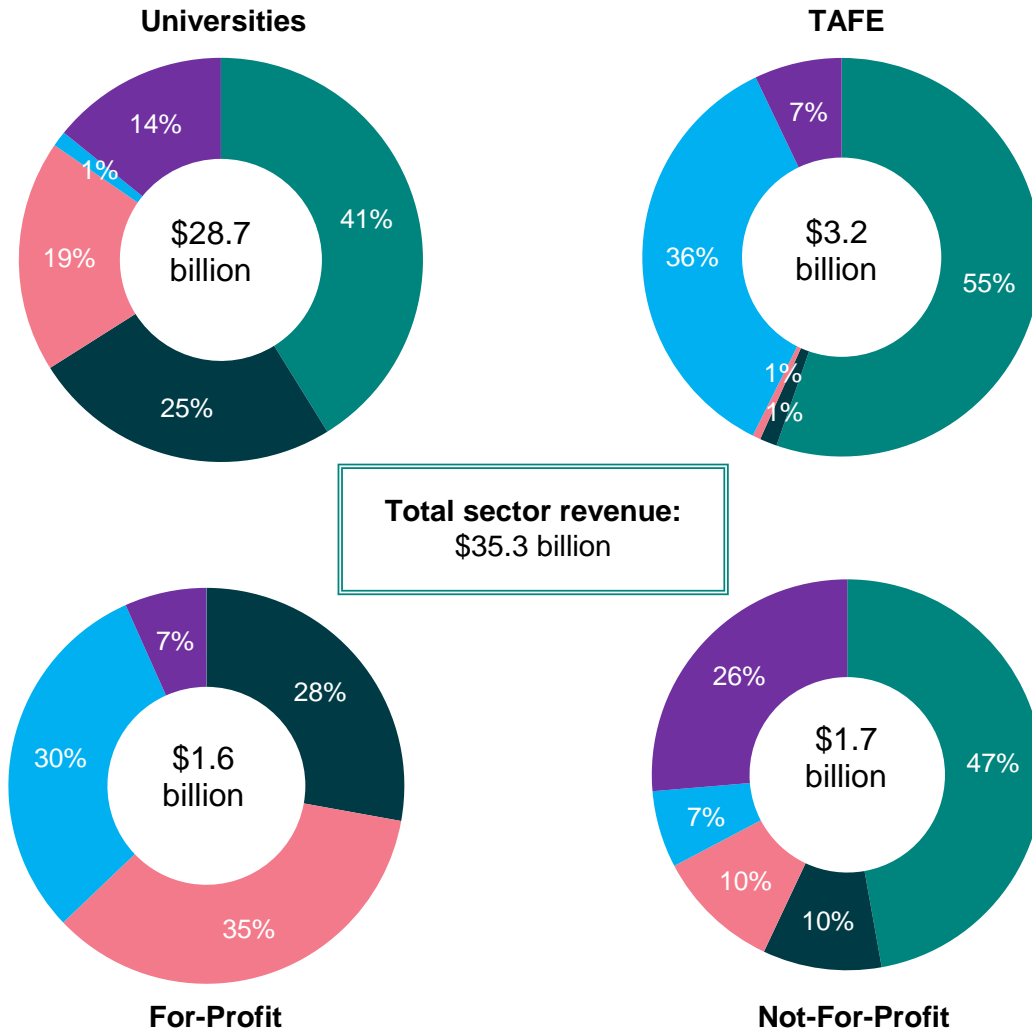
**Figure 3. Total net assets, sector**



- The total net assets (i.e. net worth) of the sector continued to increase and reached \$59.1 billion in 2016<sup>7</sup>. This represented an increase of 4.1% compared with an increase of 4.7% in the previous year.

<sup>7</sup> The total net assets have been adjusted for related party assets and/or liabilities which have been removed.

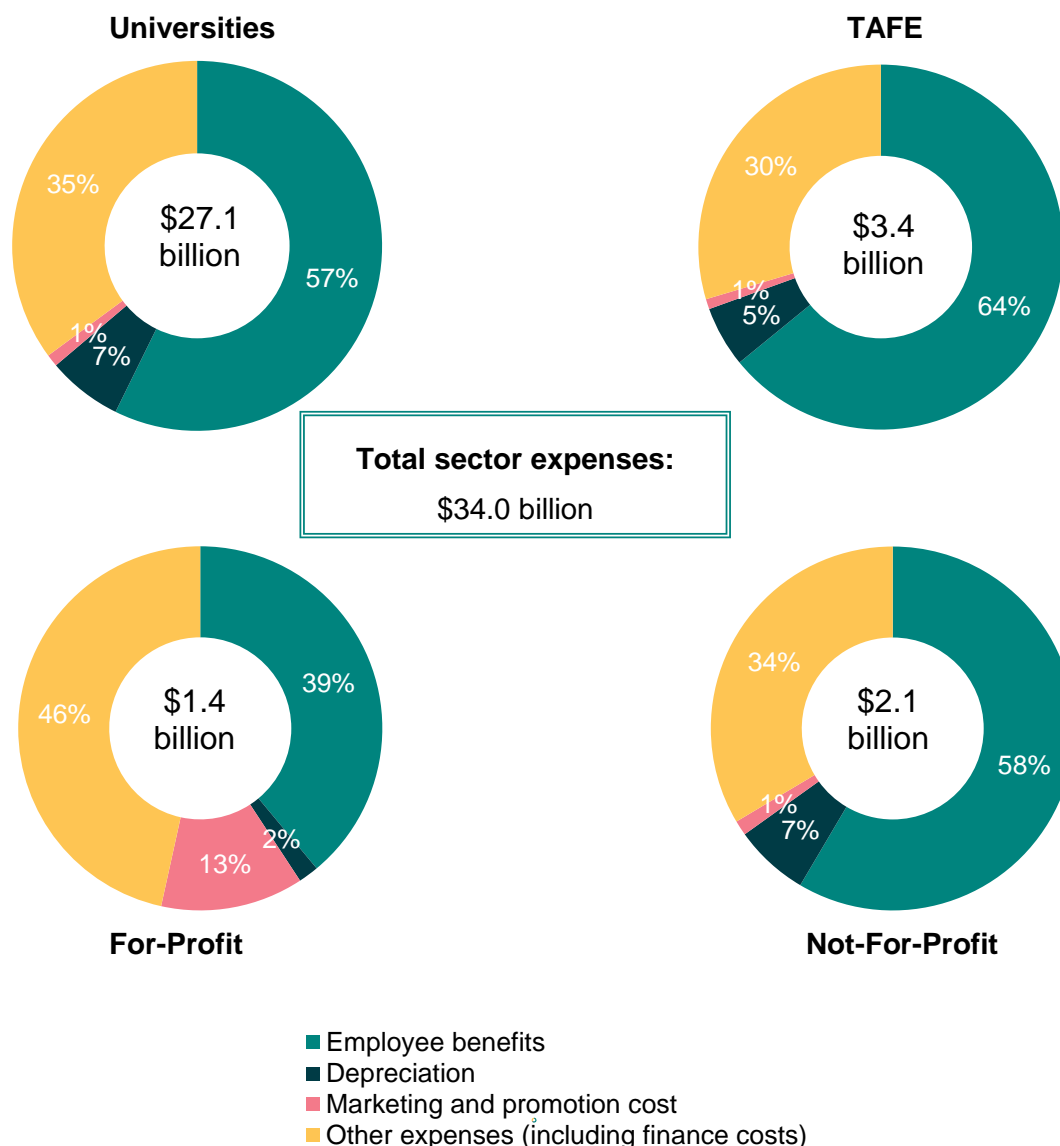
**Figure 4.** Revenue sources (2016), by provider type



- Government grants and programs
- Higher education domestic students (including FEE-HELP, HECS-HELP, full-fee paying student revenue)
- Higher education international students
- Non-higher education (including VET, ELICOS, non-award)
- Other sources (including donations, HE third-party delivery, commercial activities)

- Each provider type has a different mix of revenue sources:
  - Universities generated the most revenue. Key revenue sources were government grants and programs (41%) followed by domestic students (25%). Revenue from international higher education students represented approximately 19% of total revenue.
  - TAFE providers relied heavily on government grants and programs (55%) and non-higher education activities (36%). TAFE providers earned very little revenue (1%) from both international and domestic higher education students.
  - For-Profit providers had the most diversified mix of revenue sources, with fees from higher education international students being the largest revenue source, accounting for 35% of total revenue.
  - Not-For-Profit providers' key revenue sources were government grants (47%) and programs followed by donations (included in other sources – 26%). Both revenue from international and domestic higher education students represented approximately 10% of total revenue.

**Figure 5.** Expenditure categories (2016), by provider type



- Spending on staff was the largest expense for all provider types, except for For-Profit providers where other expenses (such as occupancy, administration, travel and IT) accounted for the largest area of expenditure.
- Marketing and promotion expenditure accounted for 13% of For-Profit providers' expenditure. In comparison, marketing and promotion accounted for 1% of the expenditure of other provider types.
- Total expenditure for two provider types exceeded total revenue generated:
  - TAFE providers incurred total expenditure of \$3.4 billion but only generated \$3.2 billion in total revenue.
  - Not-For-Profit providers' total expenditure of \$2.1 billion exceeded total revenue of \$1.7 billion.
- Profitability is analysed in further detail at Section 4.2.

### 3. Special focus topic: newly registered higher education providers

TEQSA considers financial viability and sustainability to be key factors when assessing applications for registration submitted by prospective higher education providers. Applicants are required to submit financial projections and explain the business case underpinning them. Each assessment by TEQSA includes a thorough analysis of the prospective provider's current and projected financial capacity, capability and trajectory with a particular focus on how this resourcing supports quality in higher education.

Since its inception in 2012, TEQSA has registered 24 higher education providers<sup>8</sup>, representing a diverse range of organisation types and course offerings. Becoming registered as a higher education provider is no guarantee of immediate success. For example, of the four providers registered in 2013, only two remain in operation. Of the seven providers registered in 2014, one provider no longer trades as a higher education provider and a further three have only recently commenced substantive higher education delivery. Most of the providers registered in 2015 and 2016 are also yet to have commenced substantive delivery. These results reflect that despite its large size, the Australian higher education market is highly competitive. The results also highlight the importance of new entrants providing a genuinely high-quality and unique offering in order to survive and prosper.

Out of the 24 new entrants, 11 were For-Profit organisation and 13 were Not-For-Profit organisations. In terms of the operating history, 13 were organisations with pre-existing operations and 11 were newly formed organisations. Organisations with pre-existing operations were typically registered training organisations (RTO), TAFE or professional bodies. Newly formed entities are operations that formed for the purpose of becoming a higher education provider - i.e. entities with no prior operating history.

The following analysis compares the forecast financial performance submitted by a prospective higher education provider in its initial registration application to the performance actually achieved, across three key performance areas: EFTSL, higher education revenue, and profitability.

It is important to note that comparable data was not available for a number of providers (13) where: they had merged with another provider before higher education delivery; they had only recently becoming registered, hence no actual data was available to conduct comparisons; or they had ceased operations prior to higher education delivery due to withdrawal or cancellation of registration by TEQSA.

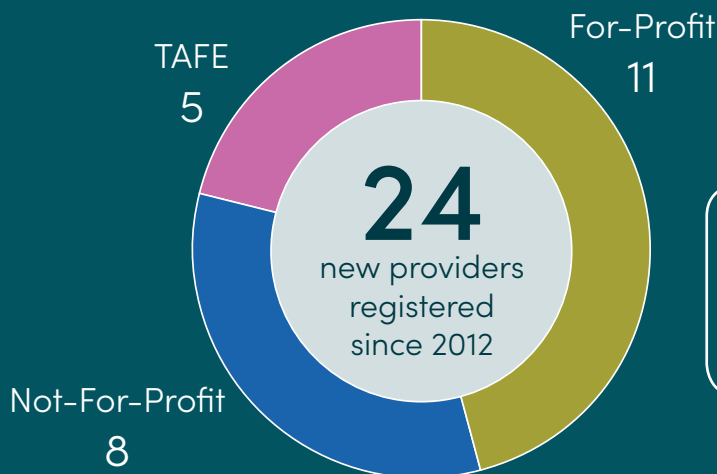
Out of those new entrants that could be analysed, six were providers with pre-existing operations and five were entities formed specifically to deliver higher education with no operating history. Furthermore, of the 11 new entrants that could be analysed, seven entities were For-Profit organisation and four were Not-For-Profit in nature (including TAFE).

In the analysis, Year 1 is the first year of higher education delivery. Due to the timing of the higher education delivery and the type of data submitted by the new entrants as part of their initial application, calculation of the second year was not always possible.

<sup>8</sup> Providers whose received a new PRV number due to change of name were not classified as a new entrant and were excluded from this analysis.

# Newly registered higher education providers 2012-17\*

## PROVIDER REGISTRATIONS



**3** out of the 24 have since withdrawn registration or been deregistered

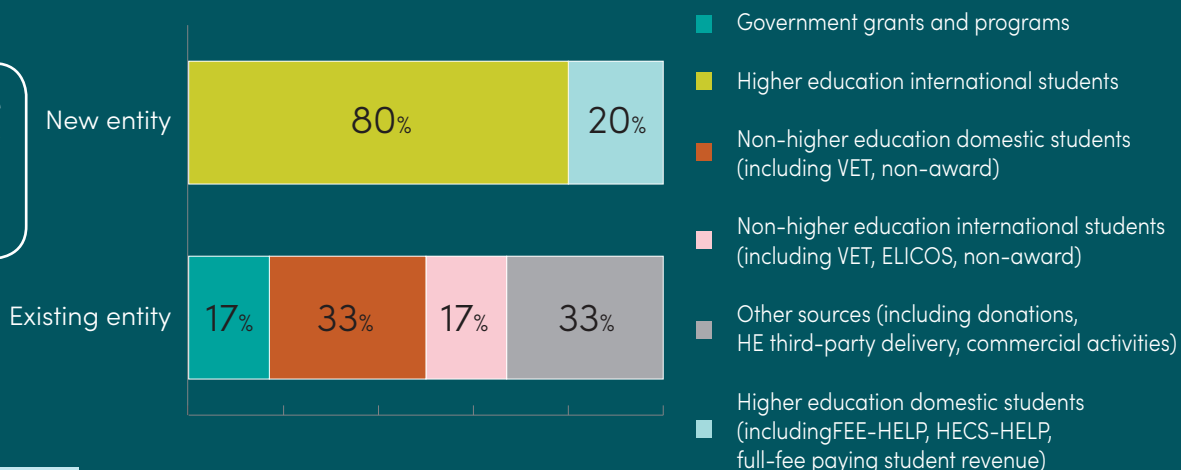
**13** existing operations (RTO, TAFE, professional bodies)

**11** new entities established to deliver higher education

\* as at 30 September 2017

## LARGEST REVENUE SOURCE - ACTUAL

New entities were more likely to rely on international student revenue



## HIGHLIGHTS

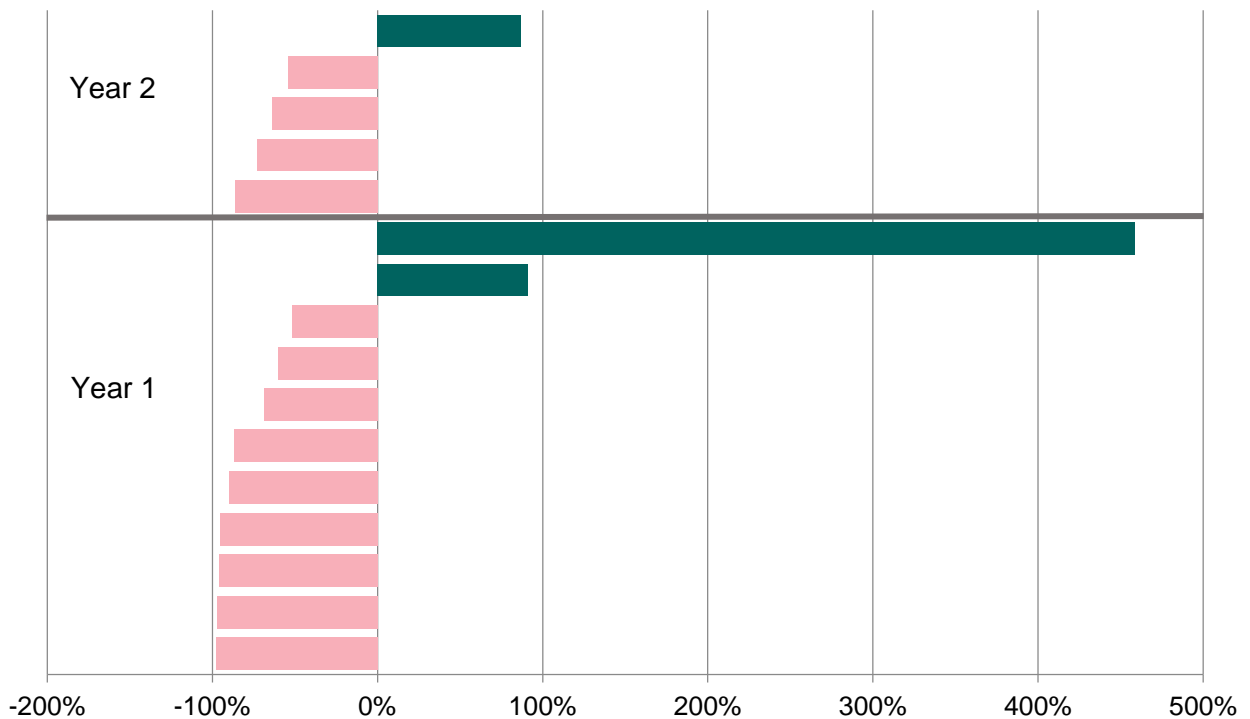
**80%** of new providers do not achieve their projected higher education student load in their first year

Newly established entities are more likely to incur losses/deficits during the initial years than existing operations

## 3.1 EFTSL

Assessing whether projections of higher education student numbers are realistic is an important part of TEQSA's financial assessment against the *Higher Education Standards Framework (Threshold Standards) 2015*. Figure 6 below shows the variance between the provider's projected EFTSL and that actually achieved in the first and second year (if available) of higher education delivery. Due to the timing of the higher education delivery, data for the second year is not available for six out of 11 new entrants.

**Figure 6.** Variance (%) between forecast and actual – EFTSL, by years

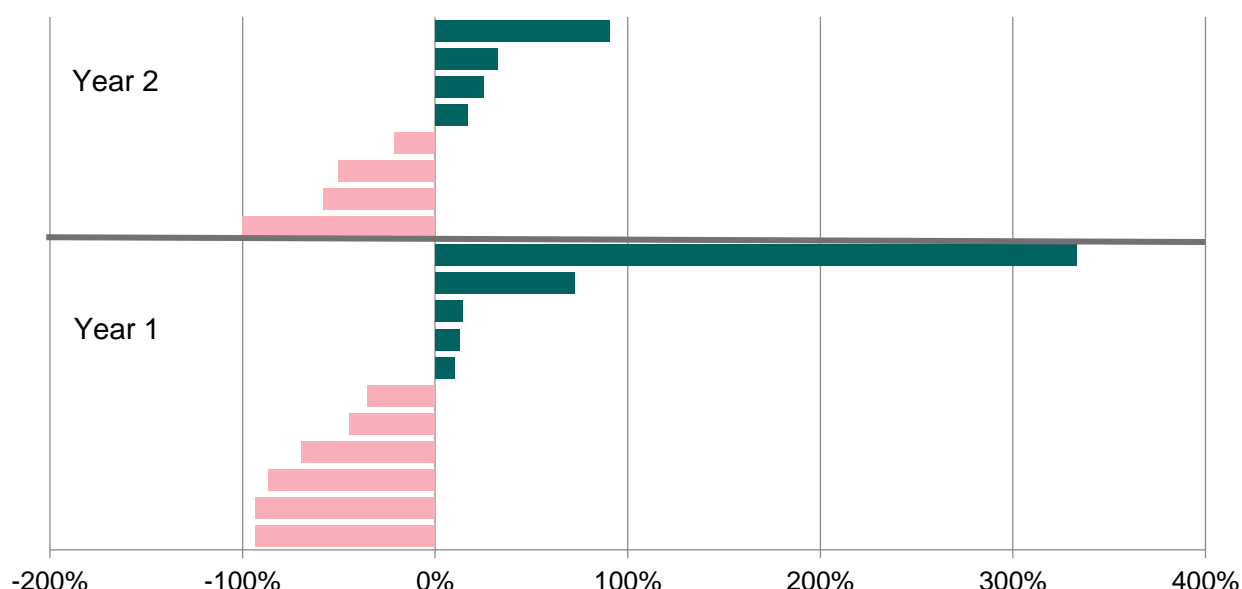


- A high proportion, approximately 80%, of new entrants did not achieve the EFTSL levels projected in the initial registration application.
- Of those new entrants that recorded actual EFTSL lower than the forecast (i.e. negative variance), the average variance was -83% for Year 1. The average variance observed for Year 2 was -89%.
- The two new entrants that recorded EFTSL levels greater than initially projected for Year 1 were providers with an existing operation. All five new entities (those without prior operating history) recorded EFTSL much lower than they initially projected for Year 1. The average variance for these five new entities for Year 1 was -79%.
- Of those new entrants who recorded EFTSL higher than initially projected, all were For-Profit providers for both Year 1 and 2.

## 3.2 Higher education revenue

Higher education is the main activity for most prospective providers and forms a fundamental part of assessing financial viability. Not achieving the projected level of revenue may affect the providers' ability to be financially viable. Figure 7 below shows the variance between the provider's projected higher education revenue to that actually achieved in the first and second year (if applicable) of delivery. Due to the timing of the higher education delivery and the type of data submitted as part of the initial application, calculation for second year is not available for three out of 11 providers.

**Figure 7.** Variance (%) between forecast and actual – higher education revenue, by years

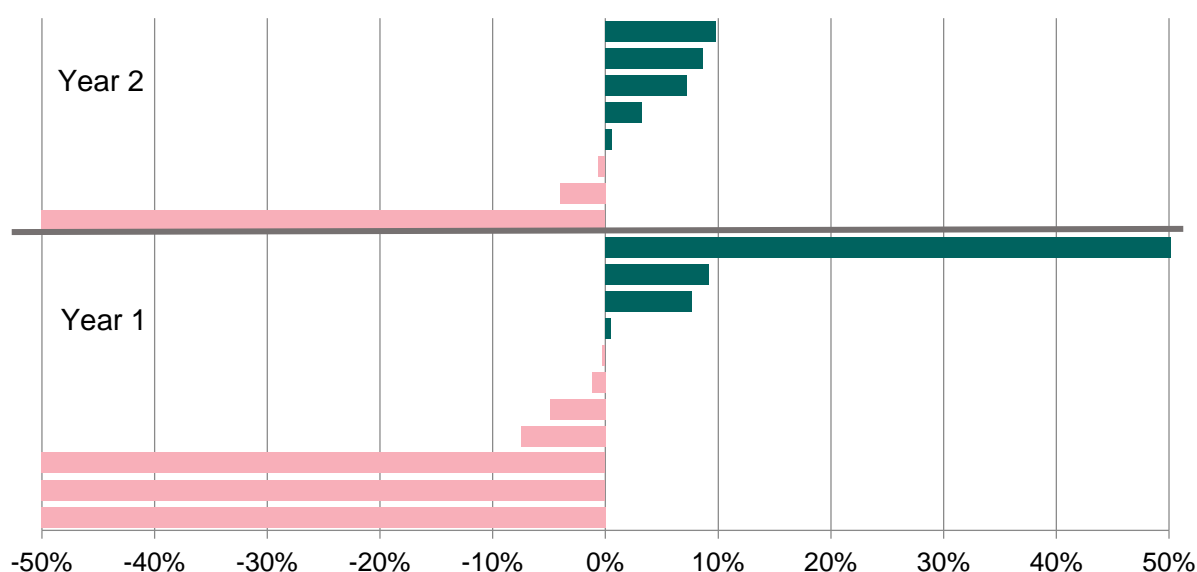


- As shown in Figure 7, approximately half of the new entrants did not generate the anticipated level of higher education revenue projected in the initial registration application.
- By second year of delivery, some new entrants have outperformed the projected level of higher education revenue.
- More providers outperformed their higher education revenue estimates than their EFTSL estimates indicating that providers may have achieved tuition fees greater than originally forecast.
- No strong trends emerged as to whether operations with or without operating history were generating higher or lower higher education revenue than originally projected.
- No clear trends emerged as to whether For-Profit or Not-For-Profit organisations generated higher education revenue that differed markedly than their initial projection.

### 3.3 Profitability

Profitability is an important measure of a provider's ability to prudently plan its operations, manage its financial resources and invest in quality enhancement. Figure 8 shows the variance between the provider's projected net surplus/profit margins and those actually achieved. Due to the timing of the higher education delivery, data for second year is not available for three out of 11 providers.

**Figure 8.** Variance (percentage point) between forecast and actual – net surplus/profit margin, by years



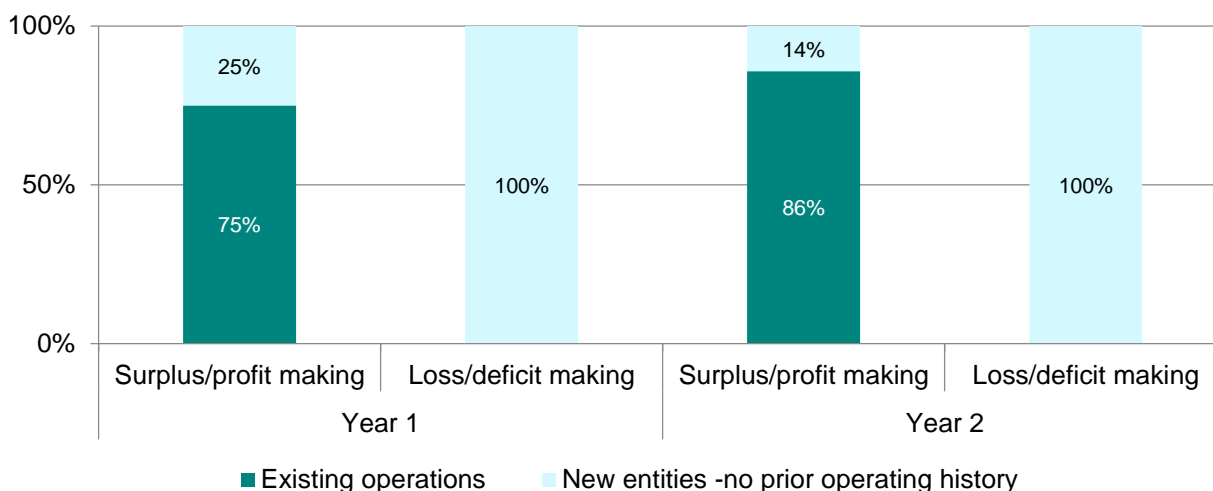
Note: To aid in better presentation of the data in Figure 8, the scale at the x-axis has been fixed between -50% and +50%. In Year 1, there were three providers that recorded a variance (percentage point) between the forecast and actual margin beyond -50% (these were -3,577%, -1,098%, -68%) and one provider recording +394%. In Year 2, there was one provider that recorded a variance (percentage point) between the forecast and actual margin of -49,064%.

- Approximately half of the new higher education providers did not achieve the level of profitability that had originally been forecast for Year 1. By Year 2, most new entrants had outperformed their forecast.
- In Year 1, out of the four new entrants that generated a higher surplus/profit margin, two were providers with existing operations while the other two were new entities without any prior operating history. In Year 2 three out of the five new entrants who recorded a positive variance were providers with existing operations.
- In terms of For-Profit new entrants, there were three providers in Year 1 and four providers in Year 2 that recorded a profit margin greater than the initial forecast.



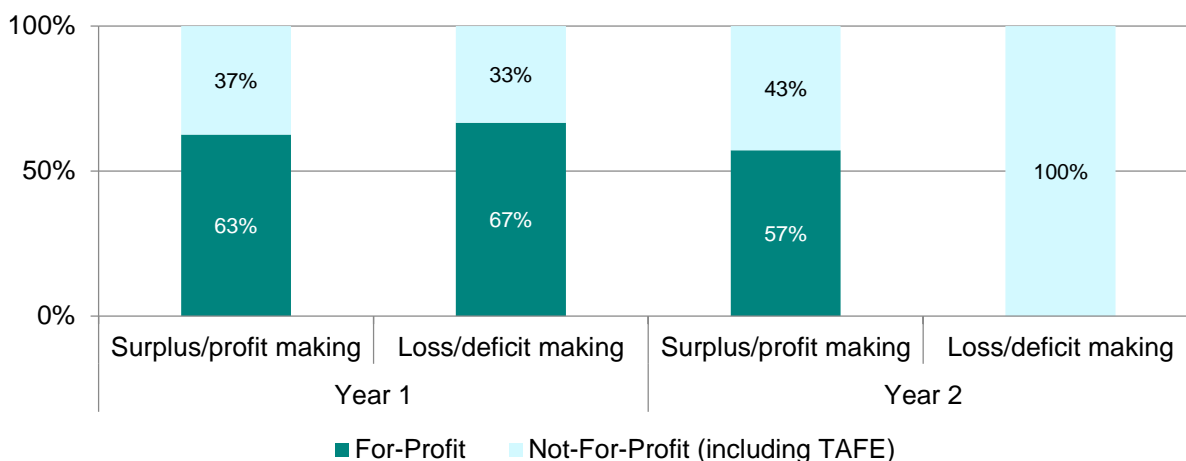
Figures 9 and 10 below analyse whether the new entrants' prior operating history (i.e. existing entities or new entities established for higher education delivery) and organisational nature (i.e. For-Profit, Not-For-Profit) have any impact on the new entrants' profitability.

**Figure 9.** Proportion of new entrants achieving positive net surplus/profit margin, by existing operations and new entities



- All of the providers that incurred a loss/deficit in the initial year of higher education delivery were new entities with no prior operating history.
- Entities that were already established and in operation (i.e. RTO, TAFE, professional bodies) before becoming a registered higher education provider continued to be surplus/profit making or profitable after becoming registered.

**Figure 10.** Proportion of new entrants achieving positive net surplus/profit margin, by For-Profit and Not-For-Profit (including TAFE)



- In Year 1, there were no clear trends in relation whether Not-For-Profit or For-Profit new entrants were more likely to be surplus/profit making.
- However, in Year 2 all For-Profit providers generated a profit.

## 3.4 Key findings: newly registered higher education providers

The analysis in this special focus topic section serves to provide greater insight into how newly registered higher education providers performed when compared with their own expectations once operating in the sector. Due to the analysis being limited to those new entrants that had begun higher education delivery, caution should be exercised when interpreting the significance of the results.

New entrants with existing operations were found to generally have a more diversified range of revenue sources. In comparison, 80% of new entrants with no prior operating history relied heavily on higher education revenue from international students as their main revenue source.



The analysis found when comparing forecast with actual performance, approximately 80% of new entrants did not achieve their projected EFTSL levels in the first and second year of higher education delivery. Despite this, approximately 50% of providers outperformed higher education revenue expectations, implying that providers were able to charge higher tuition fees than anticipated.

New entrants were also less successful in meeting the anticipated profitability forecasts with approximately half of the new entrants not achieving the projected level of profitability in Year 1. New entrants with no operating history were more likely to incur losses/deficits during the initial years than new entrants with existing operations. For-Profit new entrants were more likely to record a profit margin greater than initially forecast in both Year 1 and 2.

TEQSA acknowledges that forecasting involves a material degree of uncertainty particularly for those organisations with little or no education sector experience. Notwithstanding the sample size, the results of this analysis provide a useful indication of how newly registered providers have performed once admitted into the sector. It is expected that as more new entrants commence operations further analysis can be conducted to help guide prospective and existing providers' business planning processes.



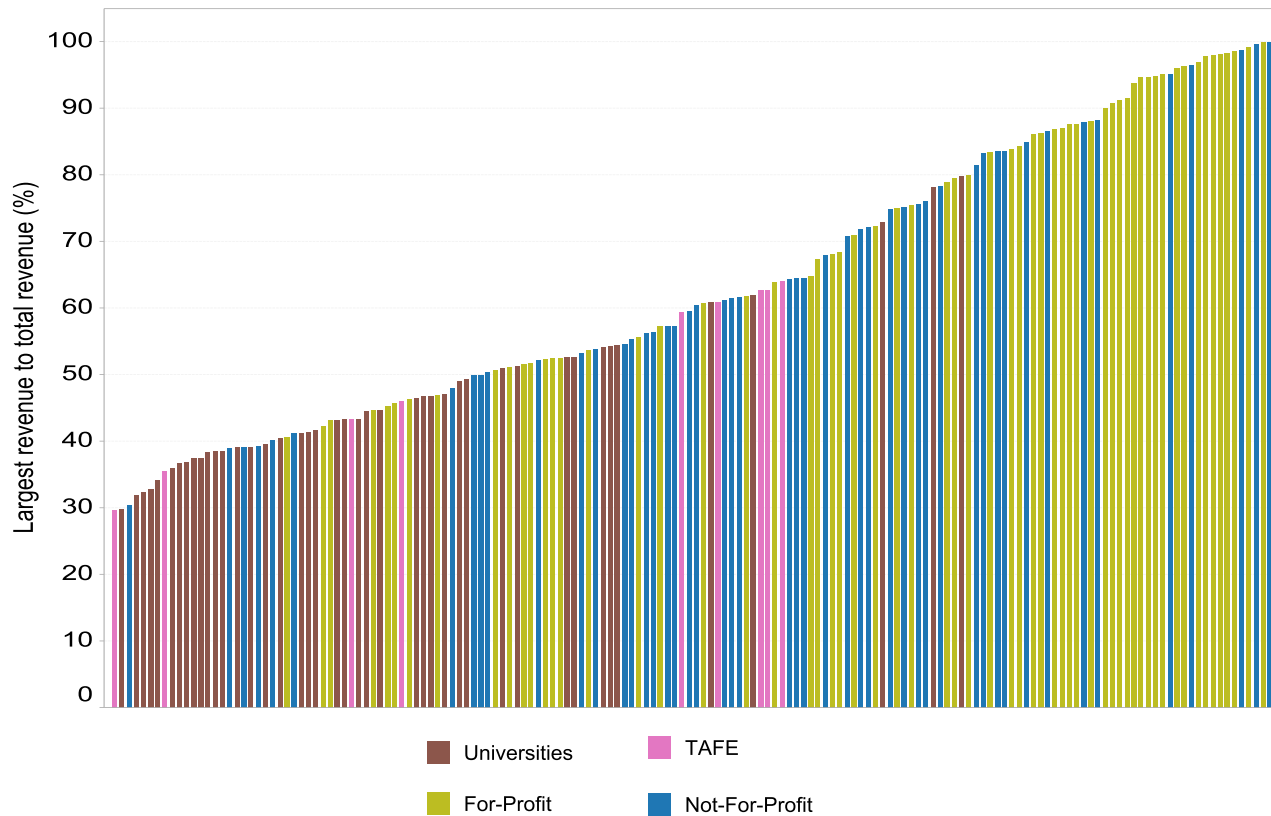
# Key financial metrics

## 4. Key financial metrics

### 4.1 Revenue source and concentration

Revenue source and concentration provides an indication of the diversity of a provider's business activities. This is an important factor in assessing the resilience of a provider's operating model and its capacity to respond to changes in its operating environment. High levels of revenue concentration may impair a provider's ability to respond effectively to changes in its operating environment. The five broad revenue sources used in this report have been identified by TEQSA as they provide valuable insights into the type and magnitude of a provider's reliance on certain revenue sources. TEQSA considers each revenue source to be of equal importance to maintain financial sustainability. Please refer to the Glossary for further information on each revenue source.

**Figure 11.** Revenue concentration, by provider type



**Table 2.** Revenue concentration range, by provider type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	29.8%	38.5%	43.2%	51.1%	79.9%
TAFE	29.7%	43.3%	59.4%	62.6%	64.1%
For-Profit	0.0%	52.8%	79.3%	91.4%	100.0%
Not-For-Profit	30.4%	53.9%	64.3%	81.5%	100.0%
<b>Sector (2016)</b>	<b>0.0%</b>	<b>46.0%</b>	<b>59.5%</b>	<b>82.4%</b>	<b>100.0%</b>
<i>Sector (2015)</i>	<i>31.1%</i>	<i>45.2%</i>	<i>56.6%</i>	<i>80.4%</i>	<i>99.7%</i>

## Sector level

- Revenue concentration varies for each provider type. The largest revenue source ranged from zero to 100% of total revenue. This is due to one provider which did not earn any revenue but incurred operating expenses (i.e. a newly registered higher education provider) during the reporting year, while two other providers were fully reliant (i.e. 100%) on a single source of revenue.
- The median provider in the sector had a revenue concentration of 59.5%; a slight increase compared with last year's median of 56.6%.
- Figure 11 shows that non-university For-Profit and Not-For-Profit providers tend to cluster in the upper end of the range.
- Main revenue sources:
  - 31% of providers reported government grants and programs as the largest revenue source;
  - 26% of providers reported domestic higher education student fees (which includes FEE-HELP) as the largest revenue source; and
  - 19% of providers reported international higher education student fees as the largest revenue source.

### Universities

- Over 84% of universities reported government grants and programs as the largest revenue source.
- By comparison, revenue from domestic higher education student fees (including FEE-HELP) was the largest revenue source for 12% of universities.

### TAFE

- Overall, 78% of TAFE providers reported government grants and programs (including state government grants) as the largest revenue source.
- A further 22% of TAFE providers reported non-higher education revenue (i.e. VET) as its largest revenue source.

### For-Profit

- For-Profit providers had the highest median revenue concentration of 79.3%.
- Generally concentrated towards the upper end of the range. In total, 71% of the providers in the fourth quartile (i.e. revenue concentration >82.4%) were for-profit providers.
- Approximately 44% of for-profit providers relied on international higher education student fees as the major revenue source.

### Not-For-Profit

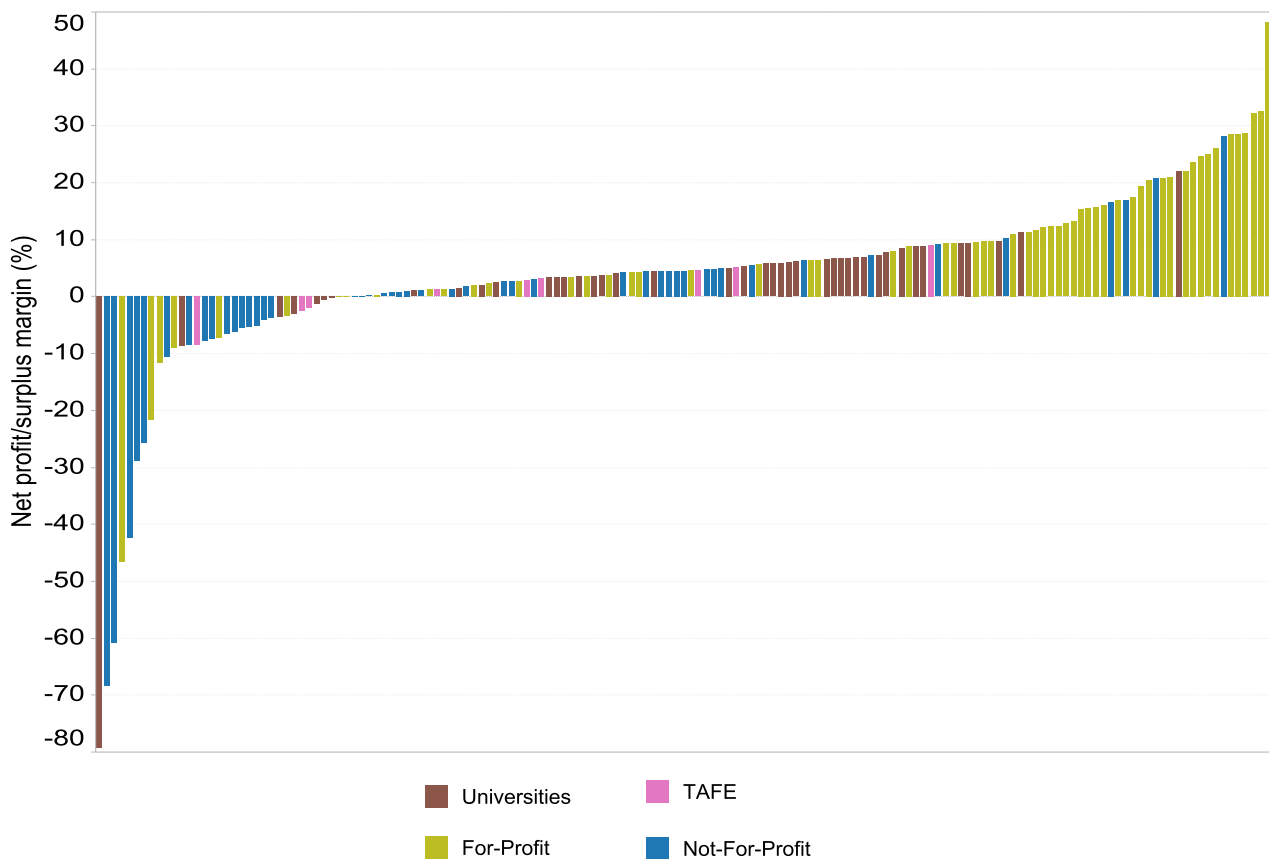
- Generally clustered at the upper end of the range, over 59% of Not-For-Profit providers recorded a revenue concentration above the sector median of 59.5%.
- Approximately 39% of Not-For-Profit providers reported domestic higher education student fees as being the largest source of revenue.
- Revenue from other sources such as donations and commercial activities accounted for the largest revenue source for 33% of Not-For-Profit providers.

## 4.2 Profitability

The profitability of a provider gives an indication of its ability to generate revenue and manage expenses in order to deliver a profit/surplus. While many higher education providers are not-for-profit in nature (including TAFEs and universities), the generation of a surplus is important in ensuring that the provider can fund its operations into the future. Ideally, accumulated profits/surpluses are used to support or enhance a provider's capacity to sustain quality in its higher education operations. This report analyses profitability based on two measures: Net Profit/Surplus margin; and the Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) margin.<sup>9</sup>

### Net surplus/profit margin

**Figure 12.** Net surplus/profit margin, by provider type



**Table 3.** Net surplus/profit margin range, by provider type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	-79.2%	2.7%	5.5%	6.8%	22.1%
TAFE	-8.4%	-1.8%	2.9%	4.6%	9.0%
For-Profit	-46.6%	3.5%	9.7%	18.4%	48.2%
Not-For-Profit	-68.4%	-5.3%	1.1%	4.6%	28.2%
<b>Sector (2016)</b>	<b>-79.2%</b>	<b>0.7%</b>	<b>4.6%</b>	<b>9.6%</b>	<b>48.2%</b>
Sector (2015)	-38.7%	0.4%	5.9%	11.0%	54.2%

<sup>9</sup> Any one-off or abnormal revenue or expense items and capital grants have been excluded in calculating the profit/surplus and EBITDA margin.

## Sector level

- The median net profit/surplus margin for the sector has dropped to 4.6% (compared with 5.9% in 2015 and 6% in 2014). This was caused by a decline in the profitability of For-Profit and Not-For-Profit providers.
  - The median profitability for For-Profit providers dropped from 11.1% in 2015 to 9.7% in 2016.
  - The median net surplus margin for Not-For-Profit providers declined from 3.1% in 2015 to 1.1% in 2016.
- In 2016, 80% of providers reported a net profit/surplus (2015: 82%, 2014: 76% of providers).
- Provider profitability varied depending on provider type. As seen in Figure 12, a large number of Not-For-Profit providers clustered at the lower end of the range, while For-Profit providers clustered at the upper end.

## Universities

- The median net surplus margin for universities has increased from 4.6% in to 5.5%.
- The majority of universities (77%) were in the second and third quartiles of sector profitability.
- Seven universities (16%) reported a deficit in the current reporting year, the same number that incurred a deficit in the previous reporting year.
  - The majority of the seven deficit-making universities were regional and overseas universities.
  - There were five universities that incurred a deficit in both years.

## TAFE

- The median net surplus margin has improved, rising to 2.9% for TAFE providers compared with -1.9% in the previous year.
- TAFE providers continued to record relatively low levels of profitability compared with the rest of the sector. In particular, no TAFE providers were found in the sector fourth quartile (i.e. margin greater than 9.6%).

## For-Profit

- A large number of For-Profit providers continued to record a higher profit margin than the rest of the sector, with the median net profit margin 9.7% (2015: 11.7%).
- In total, 53% of For-Profit providers were found in the fourth quartile of the sector profitability, posting a profit margin of greater than 9.6%.
- Only six For-Profit providers recorded a loss (i.e. approximately 10% of For-Profit providers).

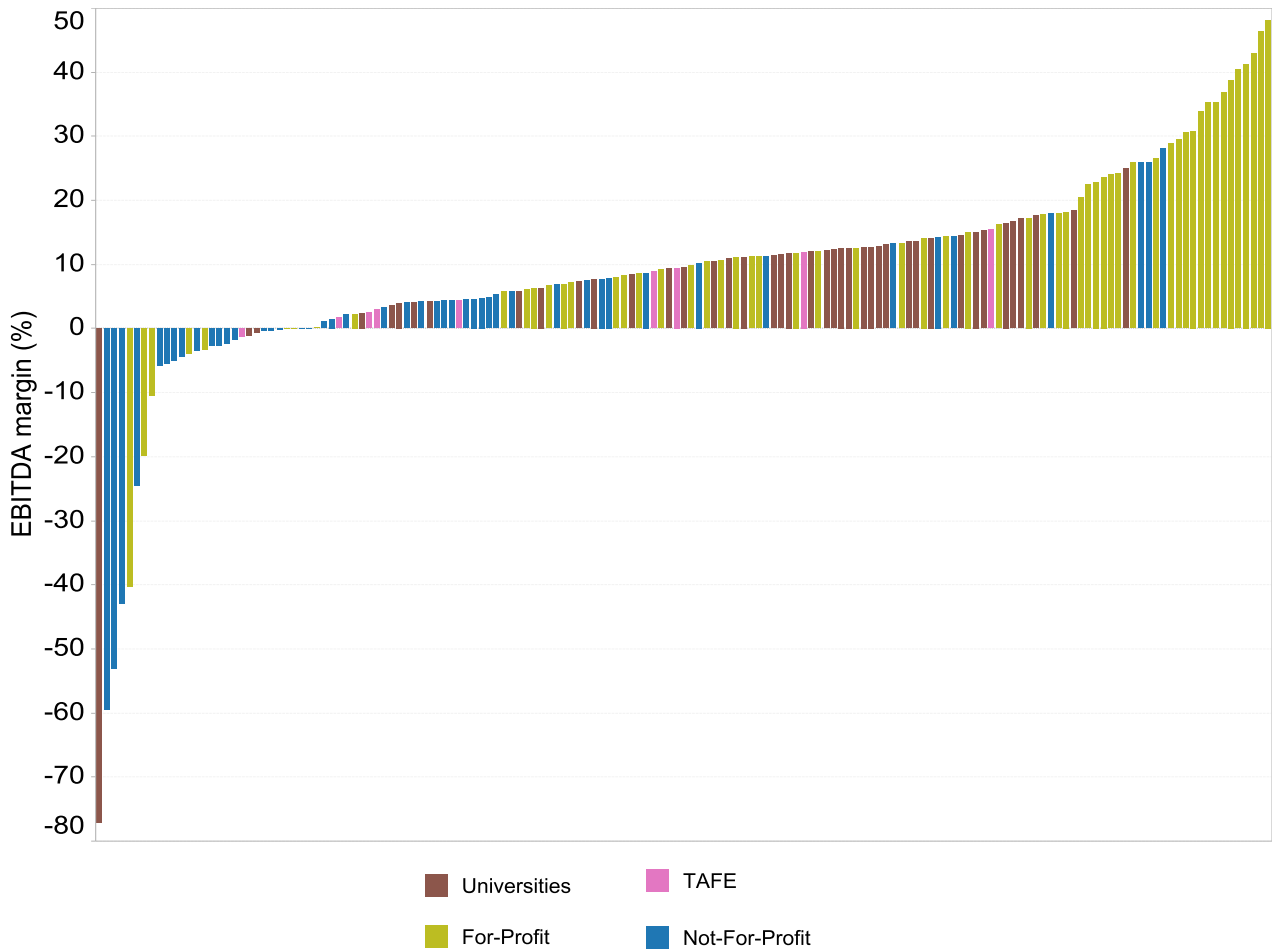
## Not-For-Profit

- 75% of Not-For-Profit providers recorded a margin below the sector median.
- The median net surplus margin recorded by Not-For-Profit providers is 1.1%. This has declined from a median of 3.1% in 2015.
- Approximately one third of Not-For-Profit providers incurred a loss.

## EBITDA margin

The alternative profit/surplus measure of Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) has been included in this report. The use of the EBITDA margin allows for the profitability of providers to be assessed on a more comparable basis as it provides a view of profitability which removes the impact caused by different capital structures, depreciation policies, non-operating expense items and taxation rates. Net profit/surplus is a measure of profitability which includes interest, taxation and the non-cash items of depreciation and amortisation. Typically, EBITDA will be greater than net profit/surplus.

**Figure 13.** EBITDA margin, by provider type



**Table 4.** EBITDA margin range, by provider type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	-77.2%	7.4%	11.9%	13.6%	24.9%
TAFE	-1.3%	2.6%	4.4%	9.5%	15.4%
For-Profit	-40.2%	7.6%	14.1%	26.2%	48.2%
Not-For-Profit	-59.5%	-2.1%	4.2%	7.6%	28.1%
<b>Sector (2016)</b>	<b>-77.2%</b>	<b>3.5%</b>	<b>9.6%</b>	<b>15.1%</b>	<b>48.2%</b>
Sector (2015)	-77.2%	3.6%	11.1%	17.8%	98.1%



## Sector level

- The median EBITDA margin for the sector has declined to 9.6% (2015: 11.1%, 2014: 11.4%).
- Consistent with the observation in Figure 5 in relation to net profit/surplus margin, Figure 13 also shows that Not-For-Profit providers tended to cluster towards the bottom of the range while For-Profit providers tended to concentrate at the upper end of the range.

## Universities

- The median EBITDA margin for universities has improved to 11.9% compared with 10.5% in previous year.
- The majority of universities (74%) were in the second and third quartiles.
- Three universities recorded a negative EBITDA margin.

## TAFE

- The median EBITDA margin has improved for TAFE providers, rising to 4.4% compared with 1.5% in the previous year.
- Only one TAFE provider recorded a negative EBITDA margin.

## For-Profit

- Approximately two-thirds of For-Profit providers recorded an EBITDA margin greater than the sector median of 9.6%.
- In total, five For-Profit providers recorded a negative EBITDA.

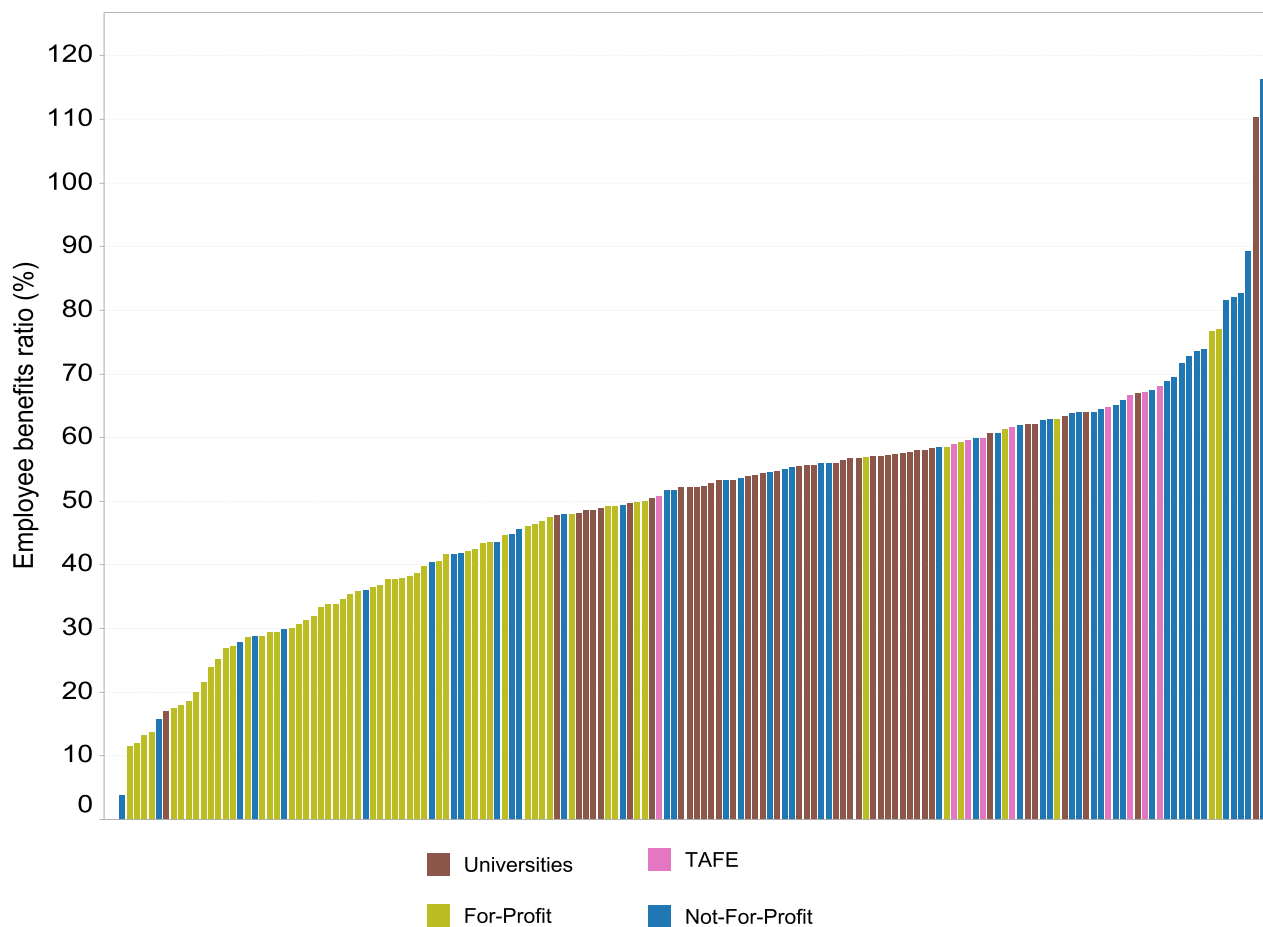
## Not-For-Profit

- Approximately one third of Not-For-Profit providers recorded a negative EBITDA.

## 4.3 Employee benefits ratio

Employees are critical to the effective delivery of a provider's higher education objectives. Staff spending (academic and non-academic) is typically the largest recurring cost item for providers. The Employee Benefits Ratio (EBR) provides an indication of the total staff spending (full-time, fractional full-time, casual, contract) relative to the provider's level of revenue<sup>10</sup>. A provider's EBR can be influenced by a range of factors such as the composition of a provider's workforce (i.e. full-time, fractional full-time or casual), delivery method (face-to-face, online, third party) or provider mission. For example, it is possible for providers to have an EBR of zero in situations where staff are engaged on a volunteer basis.

**Figure 14.** Employee benefits ratio, by provider type



**Table 5.** Employee benefits ratio range, by provider type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	17.1%	52.3%	55.7%	57.7%	110.4%
TAFE	50.9%	59.7%	61.7%	66.7%	68.1%
For-Profit	0.0%	28.8%	37.3%	46.5%	120.8%
Not-For-Profit	3.8%	46.8%	58.5%	66.8%	116.4%
<b>Sector (2016)</b>	<b>0.0%</b>	<b>38.0%</b>	<b>52.3%</b>	<b>59.9%</b>	<b>120.8%</b>
Sector (2015)	0.0%	37.7%	51.8%	59.1%	85.3%

<sup>10</sup> Adjusted revenue excludes one-off or abnormal revenue and capital grants.

## Sector level

- The sector's median EBR has increased slightly to 52.3% (2015: 51.8%).
- The lower end of the range in Figure 14 is dominated by For-Profit providers while universities tended to cluster in the middle of the range with a median EBR of 55.7%.
- Not-For-Profit, TAFEs and universities all had median EBRs above the sector median of 52.3%.

## Universities

- Figure 14 shows that universities tended to be clustered around the middle of the range.
- Only one university was found in the first quartile with an EBR below 38%.

## TAFE

- The lowest EBR recorded was 50.9%, with the highest being 68.1%.
- Two-thirds of TAFE providers were found in the sector fourth quartile with an EBR greater than 59.9%.

## For-Profit

- For-Profit providers had the lowest median EBR (37.3%) in the sector, which was 15% lower than the sector median EBR of 52.3%.
- Approximately 87% of For-Profit providers recorded an EBR below the sector median of 52.3%.

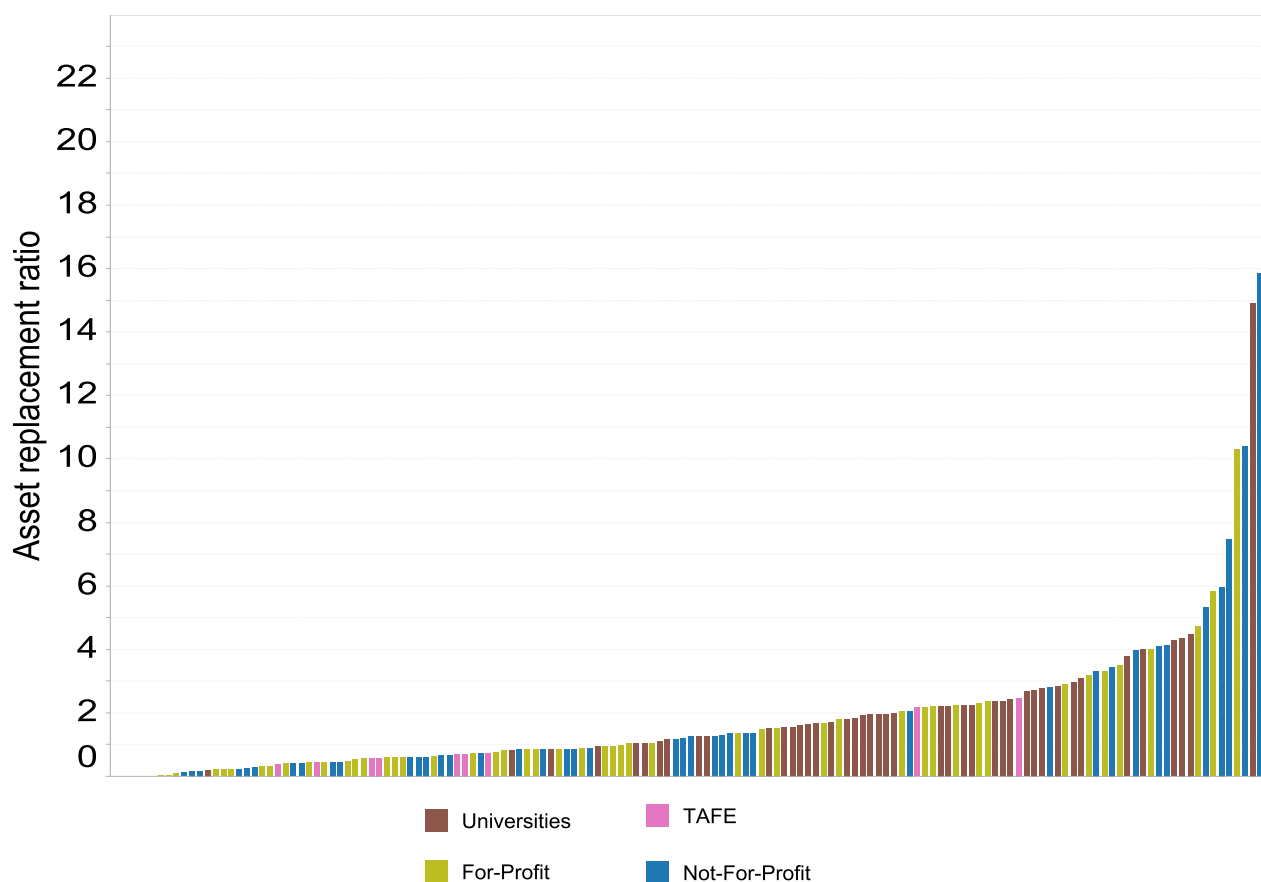
## Not-For-Profit

- Approximately two-thirds of Not-For-Profit providers recorded an EBR higher than the sector median of 52.3%.
- Not-For-Profit providers' median EBR of 58.5% was higher than the third quartile EBR recorded by universities (57.7%).

## 4.4 Asset replacement ratio

Physical resources such as leasehold improvements, IT equipment, libraries, furniture and buildings are necessary for providers to achieve their higher education objectives. These items are typically depreciated over their useful lives. Over time, accumulated depreciation reduces the carrying value of these items. In order to maintain a consistent level of physical resourcing and to avoid the impact of large unexpected capital expenditures, it is considered sound practice to reinvest at a rate that is comparable to, or greater than, the rate of depreciation. The asset replacement ratio not only provides an indication of how a provider is managing its assets but also whether an unanticipated capital expenditure event is likely<sup>11</sup>. A ratio above 1 indicates recent investment in physical resourcing (such as refurbishment, replacing existing assets, purchase of new assets).

**Figure 15.** Asset replacement ratio, by provider type



**Table 6.** Asset replacement ratio range, by provider type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	0.2	1.5	2.0	2.7	14.9
TAFE	0.4	0.6	0.7	0.8	2.5
For-Profit	0.0	0.4	0.9	2.0	10.3
Not-For-Profit	0.0	0.5	0.9	3.1	22.9
<b>Sector (2016)</b>	<b>0.0</b>	<b>0.6</b>	<b>1.3</b>	<b>2.3</b>	<b>22.9</b>
<i>Sector (2015)</i>	<i>0.0</i>	<i>0.6</i>	<i>1.3</i>	<i>2.4</i>	<i>14.2</i>

<sup>11</sup> Asset replacement is measured over a three-year trailing period and is calculated by taking the average asset replacement ratio for the three most recent reporting years. This method reflects that capital expenditure decisions are typically made over a medium- to long-term period.

## Sector level

- Providers' asset replacement levels showed a high degree of diversity, spanning from zero to 22.9 times depreciation.
- The median asset replacement ratio for the sector has remained the same as the previous year at 1.3. However, this is skewed by investments in assets by universities as other provider types (i.e. TAFE, For-Profit, Not-For-Profit) all had median asset replacement ratios below 1, the generally accepted benchmark.
- Overall, 55.7% of providers in the sector achieved an asset replacement ratio over 1.

## Universities

- Universities had a median asset replacement ratio of 2 which was far greater than the sector median and well above the accepted benchmark of 1. This indicates that universities were not merely replacing assets but also investing in new assets.
- There were four universities that recorded an asset replacement ratio of less than 1.

## TAFE

- TAFE providers recorded median asset replacement ratios of 0.7 which was below the generally acceptable benchmark of 1. This indicates that the rate of investment in assets was below depreciation.
- Only two TAFE providers recorded an asset replacement ratio above 1.

## For-Profit

- The median asset replacement ratio recorded by For-Profit providers of 0.9 was below the sector median and below the generally accepted benchmark of 1. This indicates that investment was generally replacement in nature.
- Furthermore, 61% of For-Profit providers recorded an asset replacement ratio of less than 1.

## Not-For-Profit

- The median asset replacement ratio of 0.9 was a drop from the ratio of 1 recorded in the previous year and below the generally accepted benchmark of 1.

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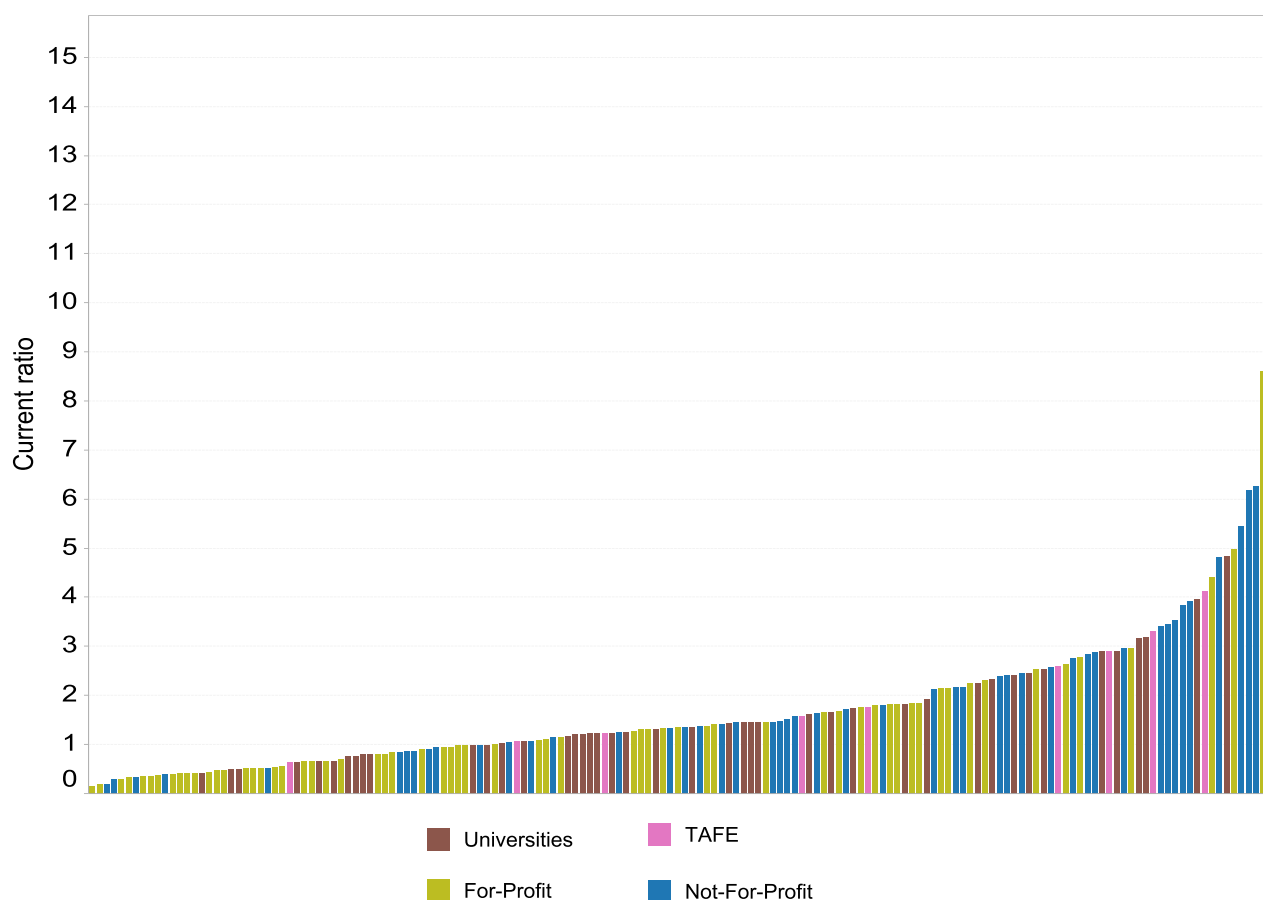


# Appendices

## Appendix A – Liquidity

Liquidity commonly measured using the current ratio, provides an indication of a provider's capacity to meet short-term financial obligations within its ordinary operating cycle (typically up to 12 months)<sup>12</sup>. This ratio provides a snapshot of a provider's capacity to meet its short-term financial commitments at a particular point in time. A ratio of 1 or above indicates that a provider has a strong capacity to meet its short-term financial commitments within its ordinary operating cycle.

**Figure 16.** Liquidity (current ratio), by provider type



**Table 7.** Liquidity (current ratio) range, by provider type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	0.4	1.0	1.3	2.1	4.8
TAFE	0.6	1.2	1.8	2.9	4.1
For-Profit	0.2	0.5	1.0	1.8	8.6
Not-For-Profit	0.2	1.1	1.6	2.9	15.1
<b>Sector (2016)</b>	<b>0.2</b>	<b>0.8</b>	<b>1.4</b>	<b>2.3</b>	<b>15.1</b>
<i>Sector (2015)</i>	<i>0.2</i>	<i>0.9</i>	<i>1.4</i>	<i>2.2</i>	<i>13.6</i>

<sup>12</sup> The current ratio is: current assets divided by current liabilities, excluding Related Party receivables and payables (refer to Australian Accounting Standards Board definition).



## Sector level

- All provider types recorded a median current ratio of greater than 1, indicating adequate liquidity levels are being maintained across the sector.
- Overall, 66% of providers had liquidity levels above 1, the generally accepted benchmark.
- The sector median of 1.4 in 2016 is same as that recorded in 2015.

## Universities

- Liquidity levels in 2016 were comparable with 2015, with current median liquidity of 1.3 compared with 1.4 in previous year.

## TAFE

- TAFE providers recorded highest median current ratio compared with other provider types.
- Only one TAFE provider had a liquidity level below 1, the generally acceptable benchmark.

## For-Profit

- For-Profit providers had the lowest median liquidity level compared with the other provider types.
- The median liquidity level in 2016 experienced a slight drop to 1 when compared with 1.1 in the previous year.
- Half of the For-Profit providers achieved a liquidity level over 1.

## Not-For-Profit

- The median liquidity level of 1.7 in 2016 was the same as the level recorded in 2015.
- Over 77% of Not-For-Profit providers achieved a current ratio above the generally acceptable benchmark of 1.

## Appendix B – Universities

### Revenue concentration

Figure 17. Revenue concentration

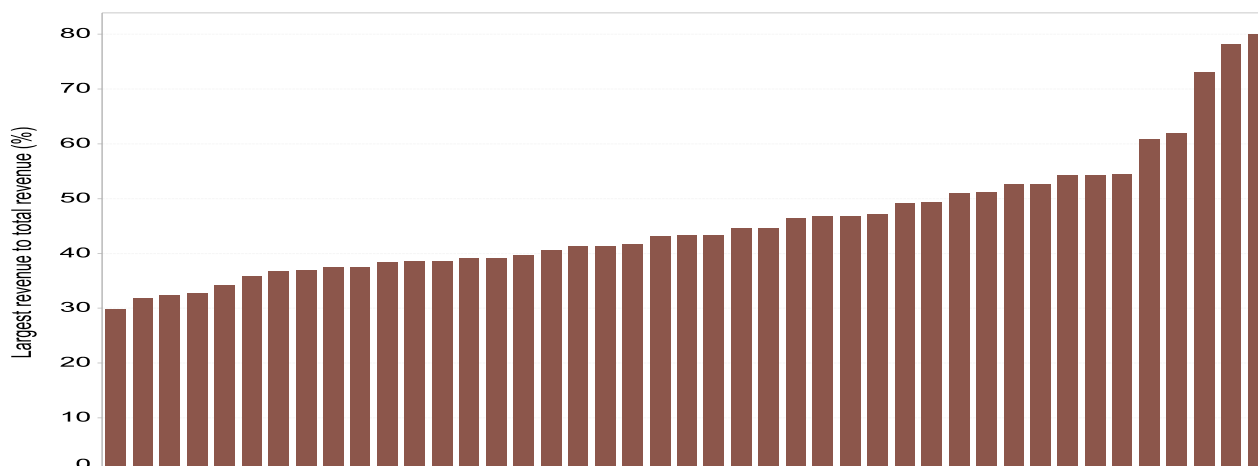


Table 8. Revenue concentration range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	29.8%	38.5%	43.2%	51.1%	79.9%
2015	32.0%	39.1%	45.0%	51.2%	69.7%

### Net profit/surplus margin

Figure 18. Net profit/surplus margin

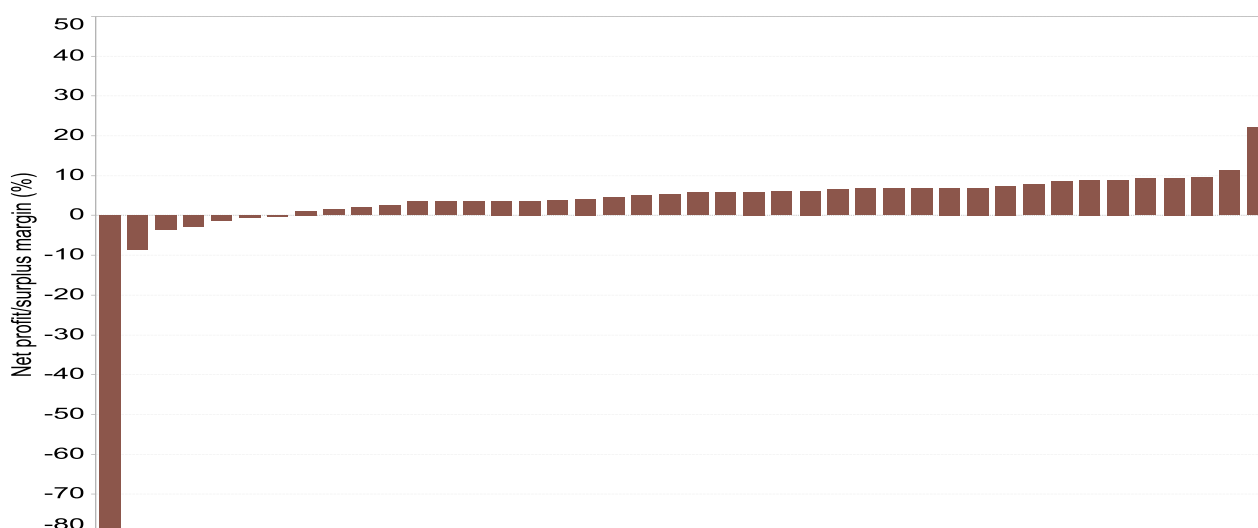


Table 9. Net profit/surplus margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-79.2%	2.7%	5.5%	6.8%	22.1%
2015	-37.0%	1.5%	4.6%	7.6%	13.7%

## EBITDA margin

Figure 19. EBITDA margin

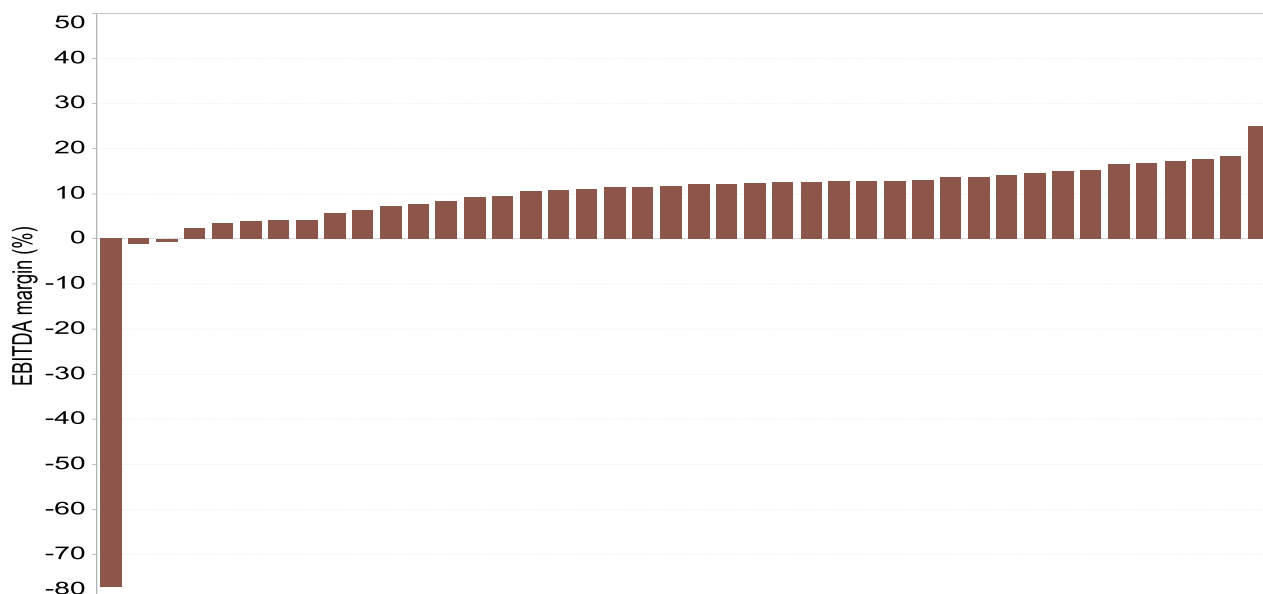


Table 10. EBITDA margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-77.2%	7.4%	11.9%	13.6%	24.9%
2015	-36.9%	6.4%	10.5%	13.8%	19.4%

## Employee benefits ratio

Figure 20. Employee benefits ratio

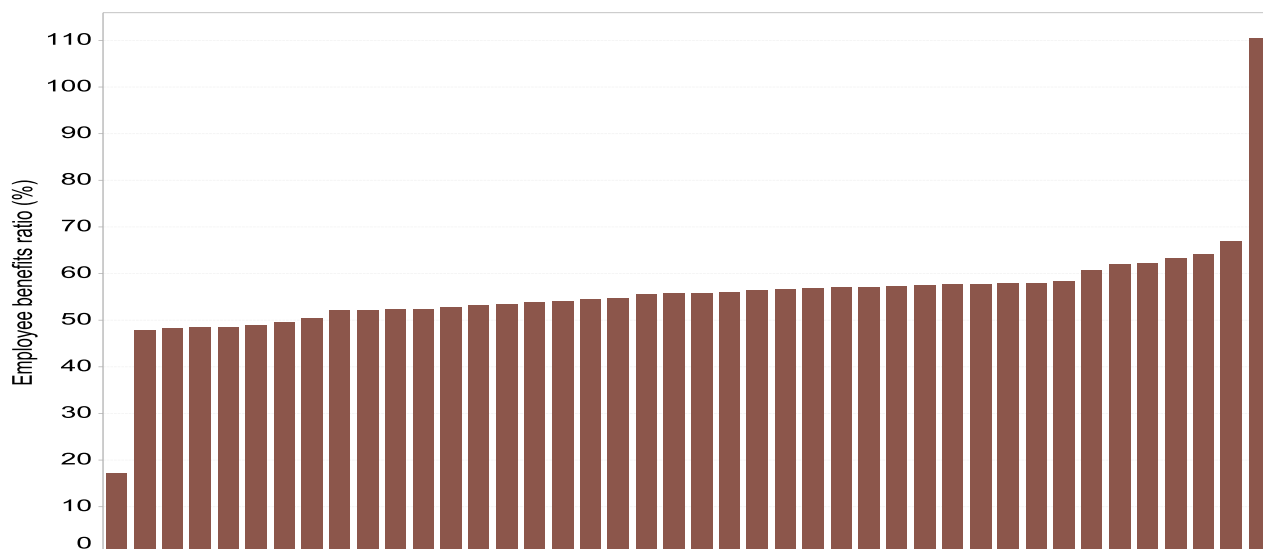


Table 11. Employee benefits ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	17.1%	52.3%	55.7%	57.7%	110.4%
2015	13.2%	53.3%	56.7%	58.8%	83.9%

## Asset replacement ratio

Figure 21. Asset replacement ratio

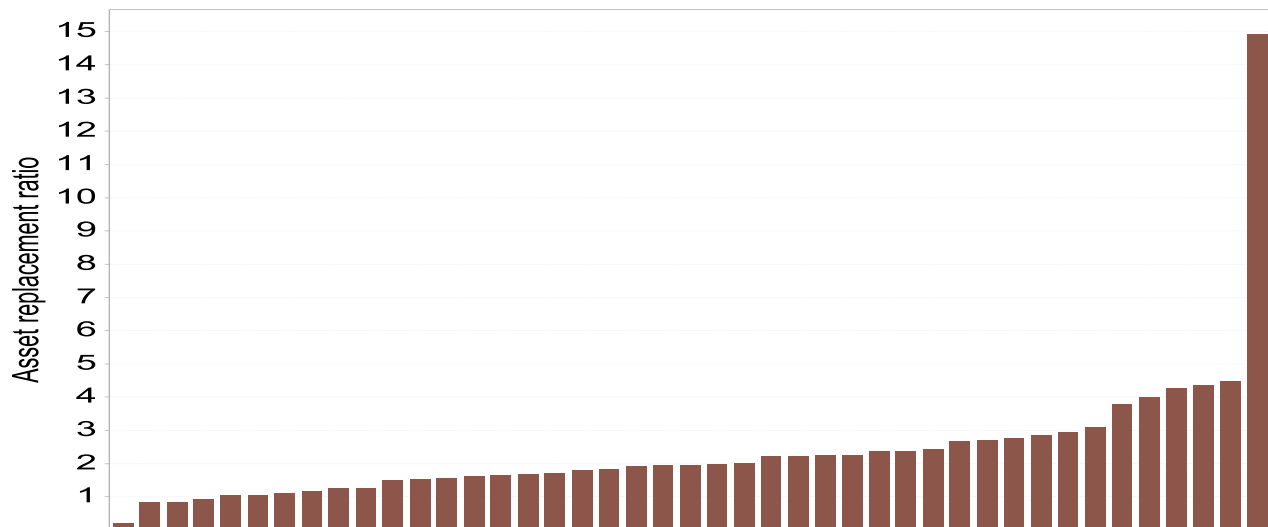


Table 12. Asset replacement ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.2	1.5	2.0	2.7	14.9
2015	0.7	1.8	2.1	3.0	14.2

## Liquidity

Figure 22. Liquidity (current ratio)

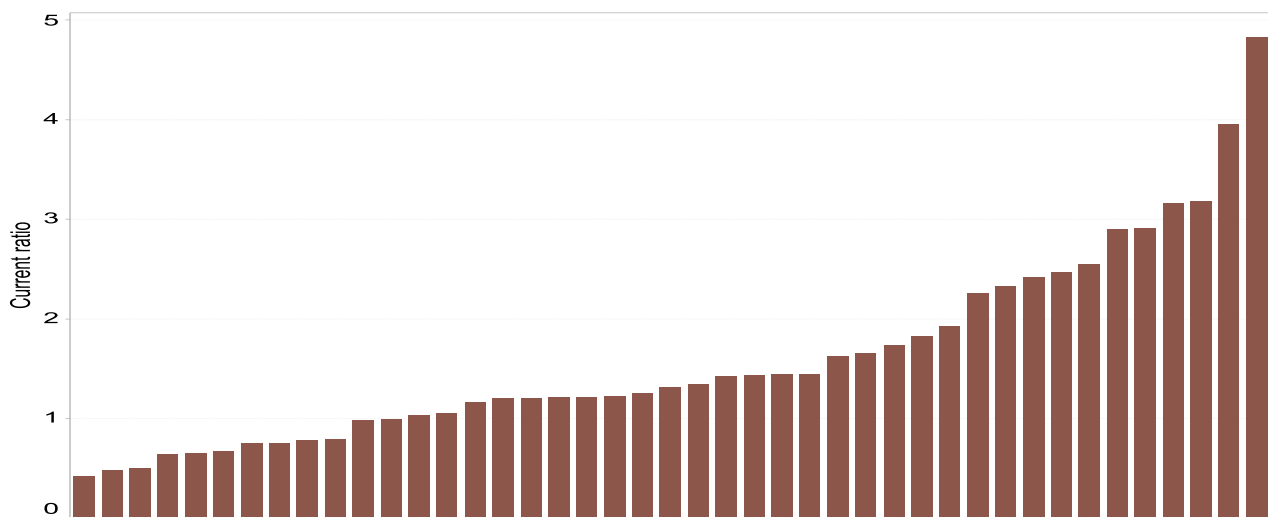


Table 13. Liquidity (current ratio) range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.4	1.0	1.3	2.1	4.8
2015	0.3	1.0	1.4	2.2	5.3

## Appendix C – TAFE

### Revenue concentration

Figure 23. Revenue concentration

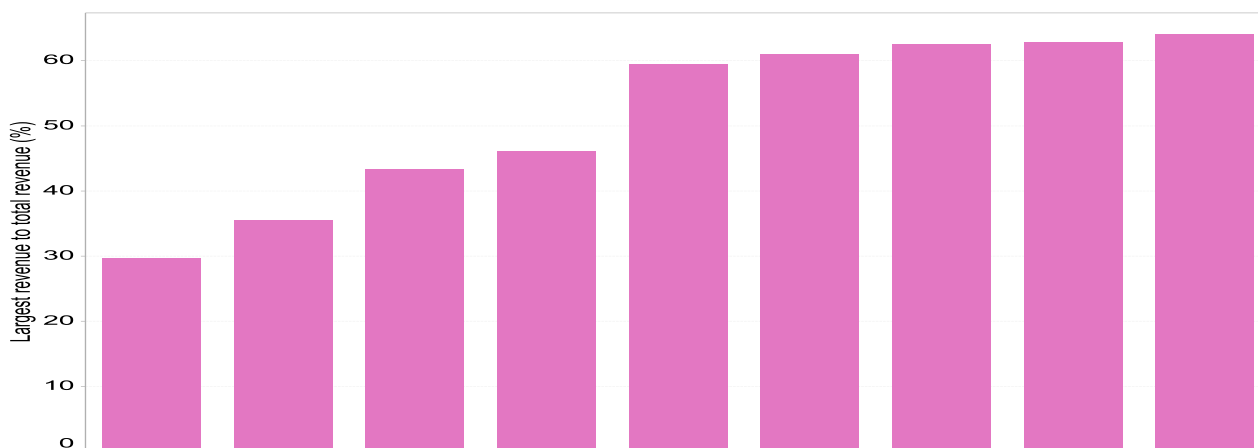


Table 14. Revenue concentration range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	29.7%	43.3%	59.4%	62.6%	64.1%
2015	31.1%	48.4%	64.3%	68.5%	73.8%

### Net profit/surplus margin

Figure 24. Net profit/surplus margin

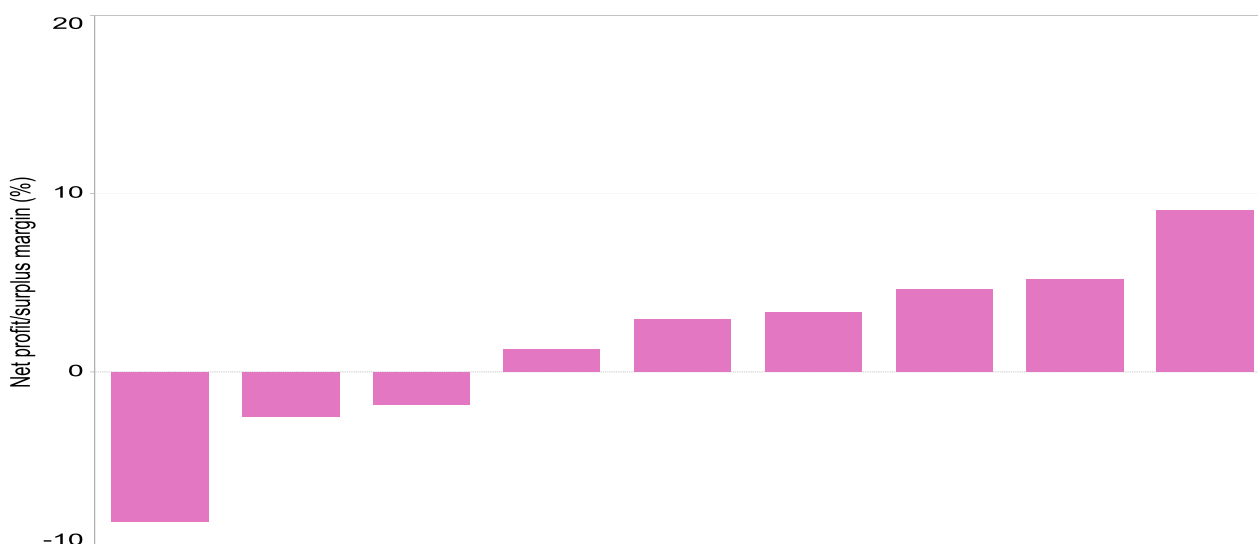


Table 15. Net profit/surplus margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-8.4%	-1.8%	2.9%	4.6%	9.0%
2015	-15.8%	-7.4%	-1.9%	5.1%	8.7%

## EBITDA margin

Figure 25. EBITDA margin

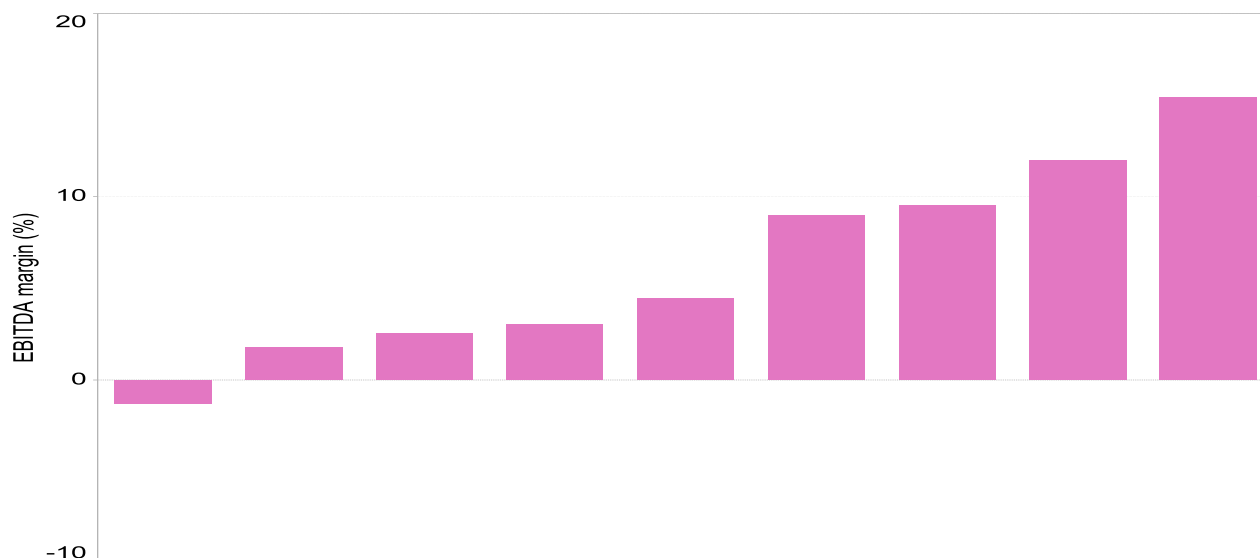


Table 16. EBITDA margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-1.3%	2.6%	4.4%	9.5%	15.4%
2015	-10.5%	-1.1%	1.5%	7.7%	13.9%

## Employee benefits ratio

Figure 26. Employee benefits ratio

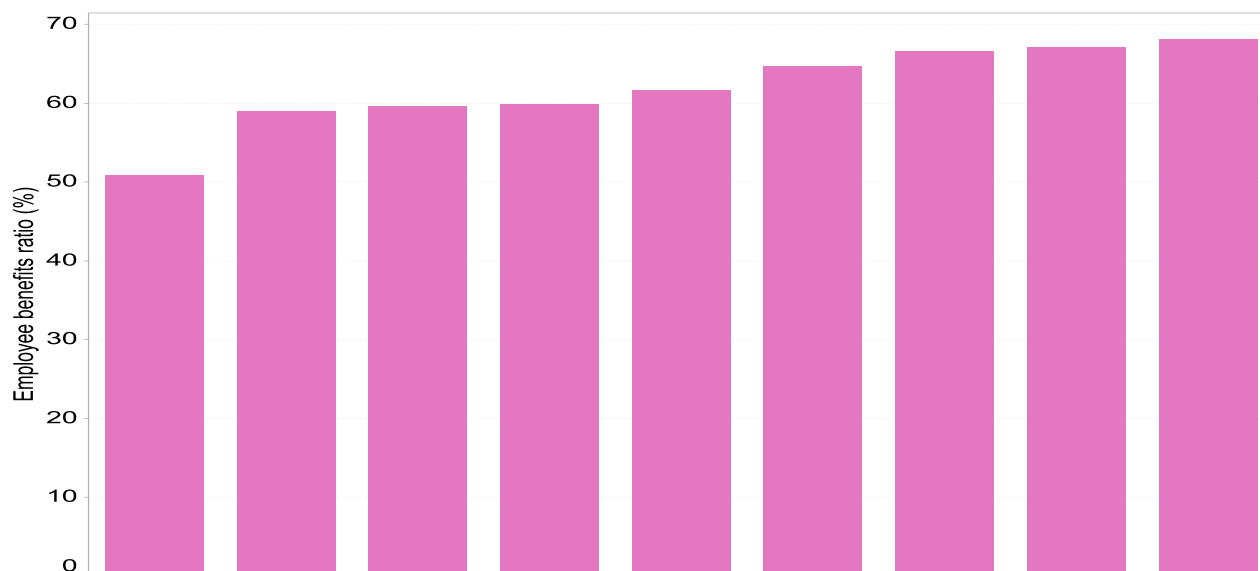


Table 17. Employee benefits ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	50.9%	59.7%	61.7%	66.7%	68.1%
2015	54.0%	60.3%	69.1%	71.9%	85.3%

## Asset replacement ratio

Figure 27. Asset replacement ratio

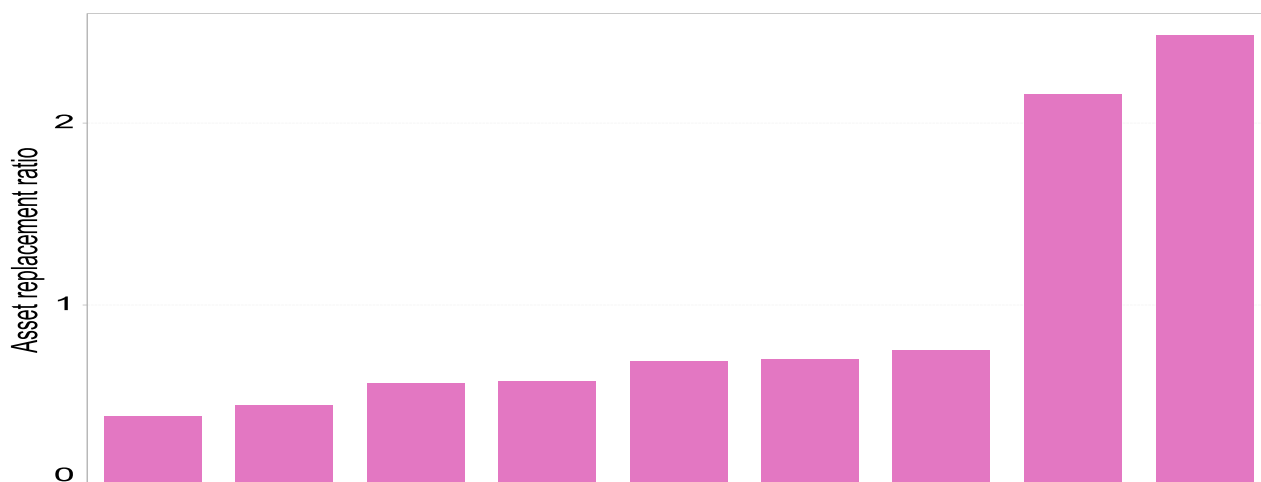


Table 18. Asset replacement ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.4	0.6	0.7	0.8	2.5
2015	0.5	0.6	0.7	1.1	2.9

## Liquidity

Figure 28. Liquidity (current ratio)

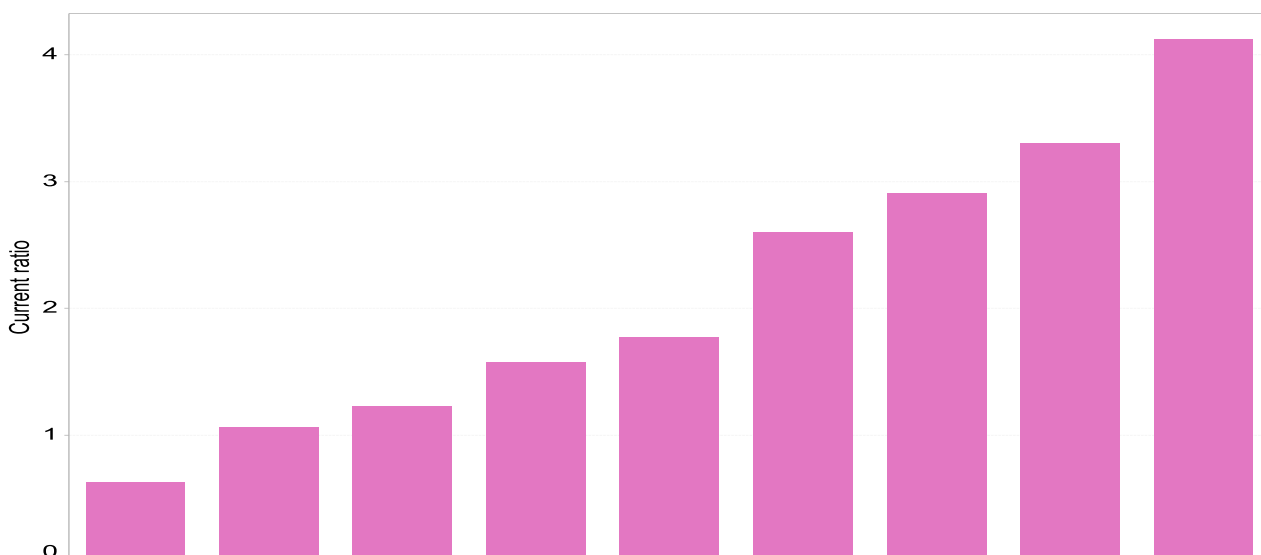


Table 19. Liquidity (current ratio) range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.6	1.2	1.8	2.9	4.1
2015	0.5	1.0	1.4	2.4	3.1

# Appendix D – For-Profit

## Revenue concentration

Figure 29. Revenue concentration

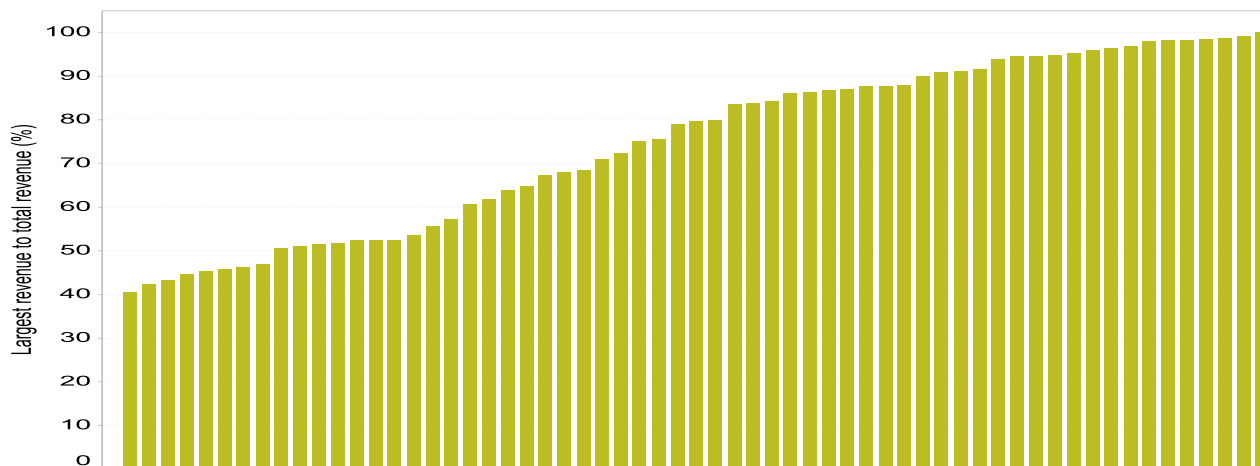


Table 20. Revenue concentration range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.0%	52.8%	79.3%	91.4%	100.0%
2015	39.6%	51.0%	68.7%	93.8%	99.7%

## Net profit/surplus margin

Figure 30. Net profit/surplus margin

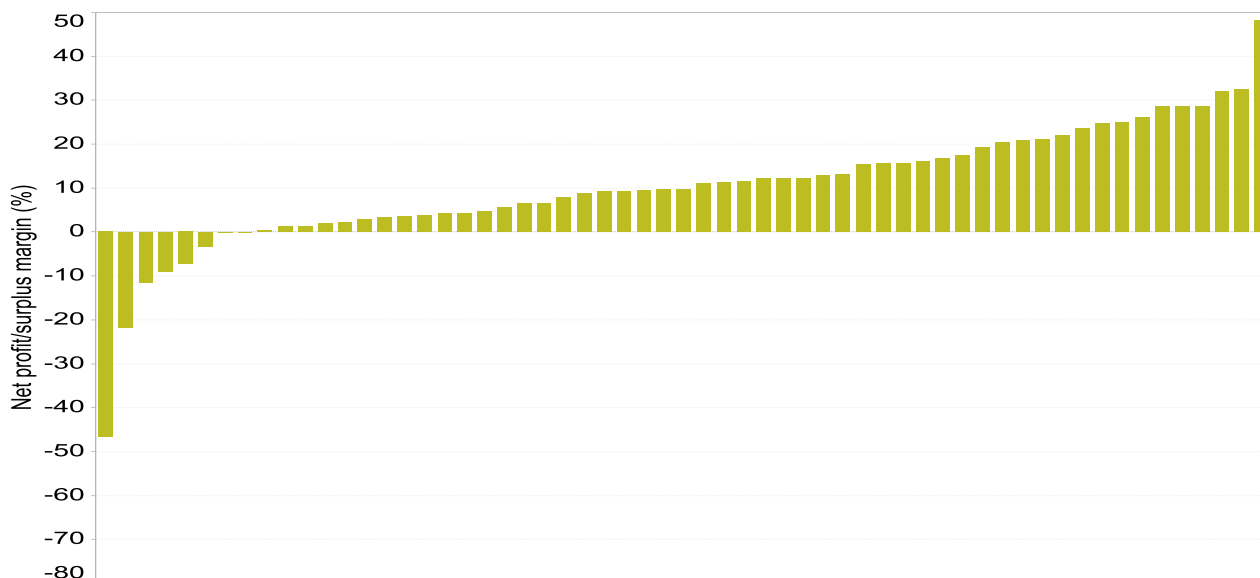


Table 21. Net profit/surplus margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-46.6%	3.5%	9.7%	18.4%	48.2%
2015	-11.5%	5.0%	11.7%	22.4%	54.2%



## EBITDA margin

Figure 31. EBITDA margin

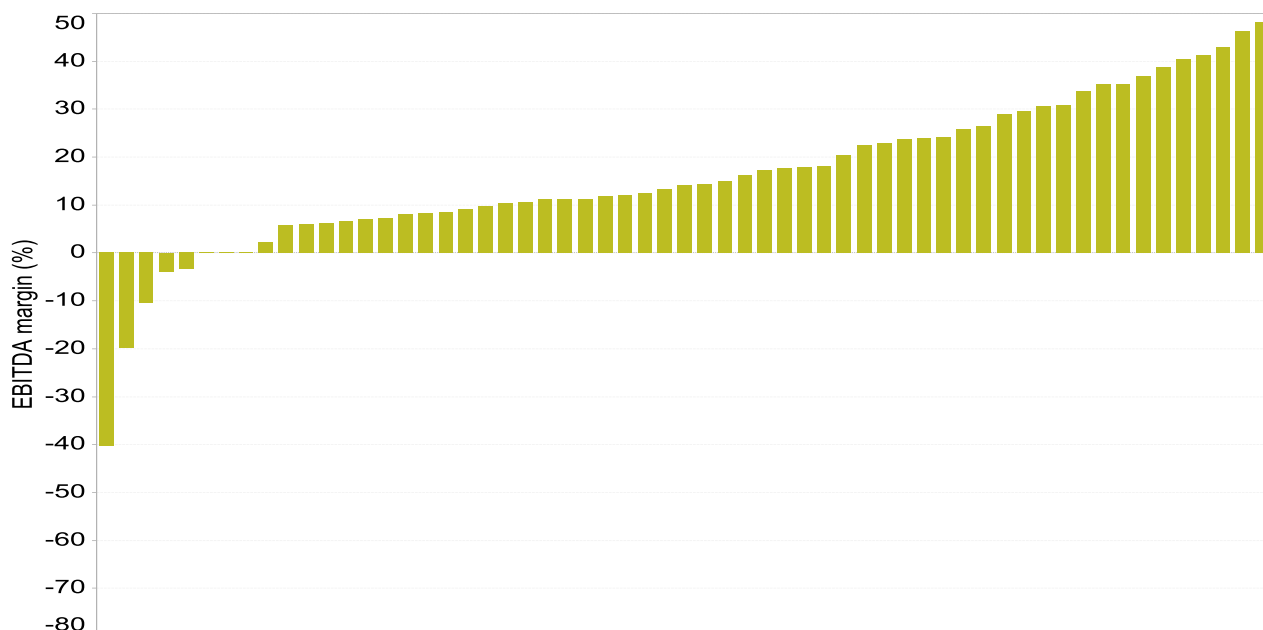


Table 22. EBITDA margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-40.2%	7.6%	14.1%	26.2%	48.2%
2015	0.0%	11.8%	17.2%	31.8%	98.1%

## Employee benefits ratio

Figure 32. Employee benefits ratio

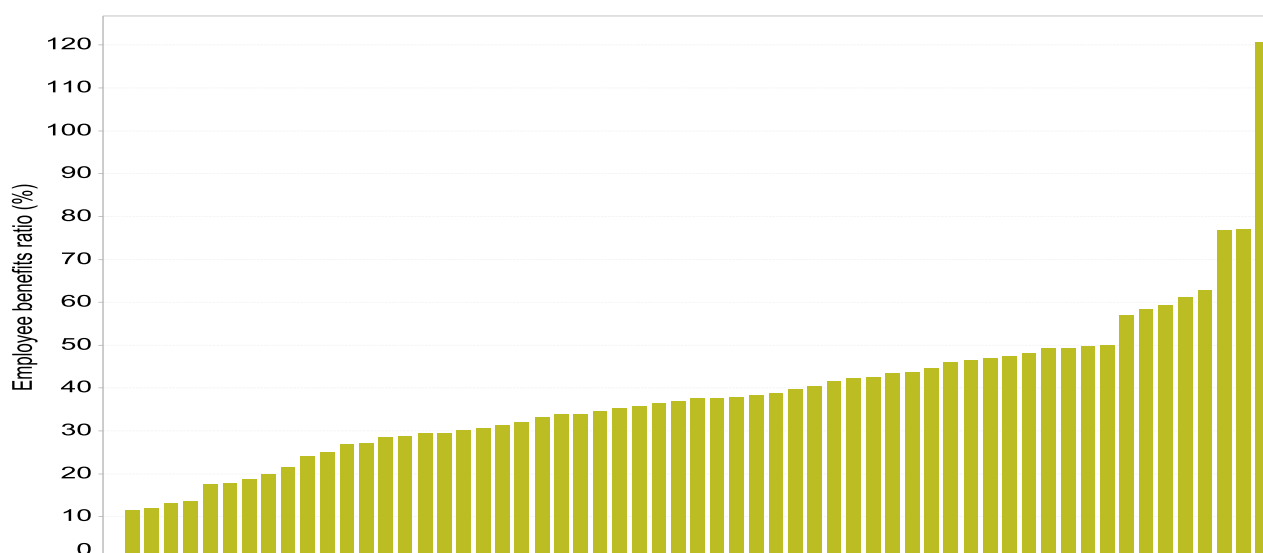


Table 23. Employee benefits ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.0%	28.8%	37.3%	46.5%	120.8%
2015	0.0%	22.2%	36.6%	46.0%	63.3%

## Asset replacement ratio

Figure 33. Asset replacement ratio

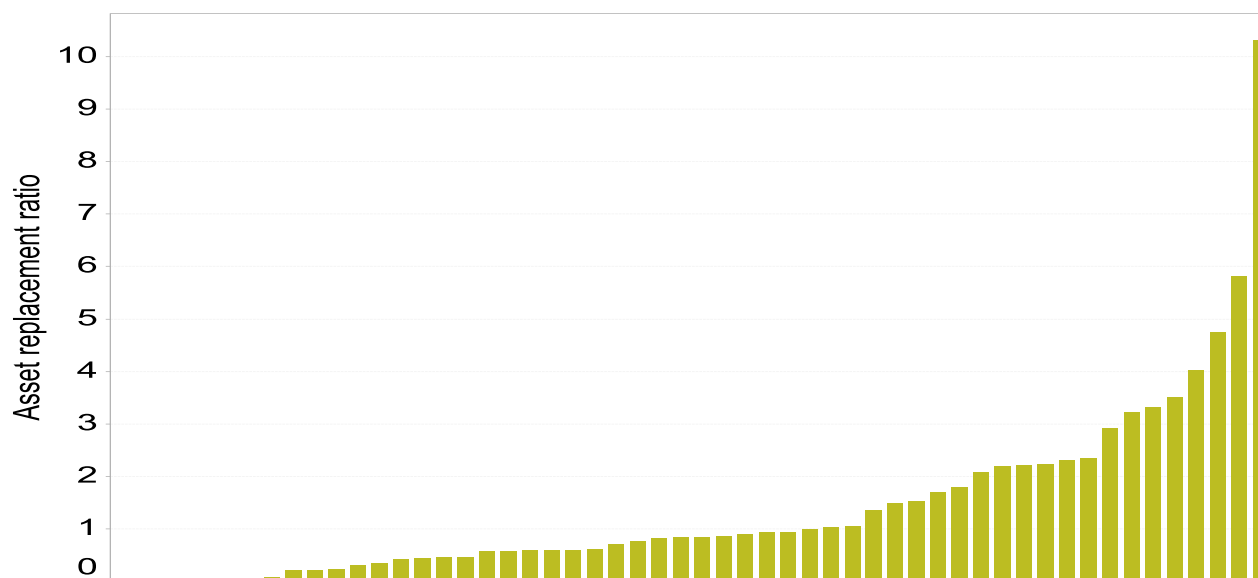


Table 24. Asset replacement ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.0	0.4	0.9	2.0	10.3
2015	0.0	0.5	0.9	1.9	10.3

## Liquidity

Figure 34. Liquidity (current ratio)

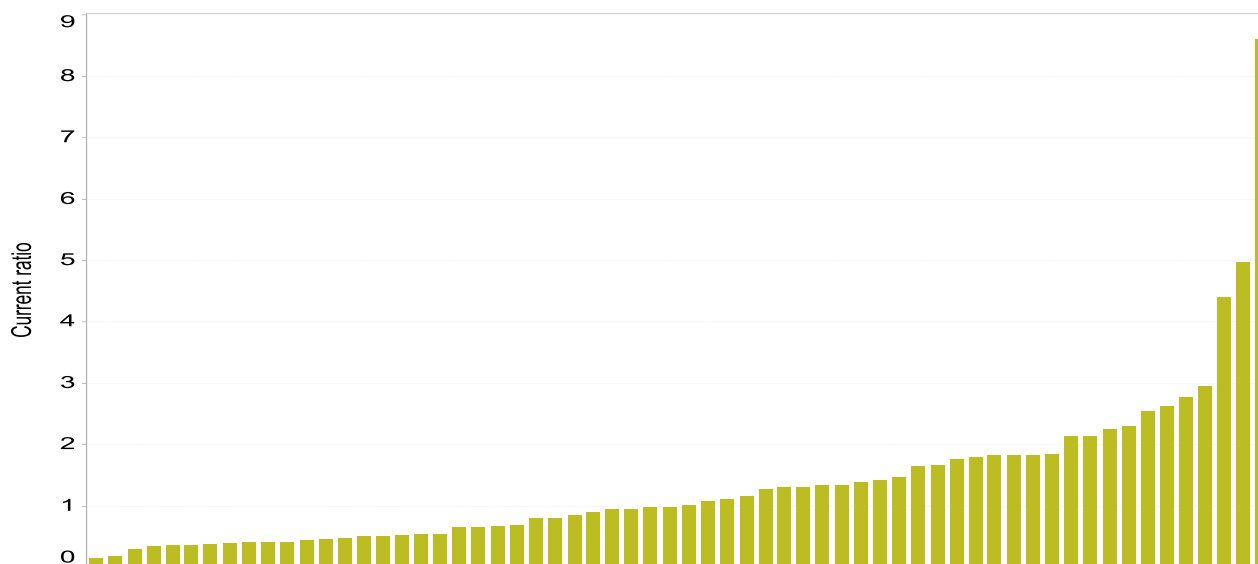


Table 25. Liquidity (current ratio) range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.2	0.5	1.0	1.8	8.6
2015	0.3	0.7	1.1	1.9	10.2

# Appendix E – Not-For-Profit

## Revenue concentration

Figure 35. Revenue concentration

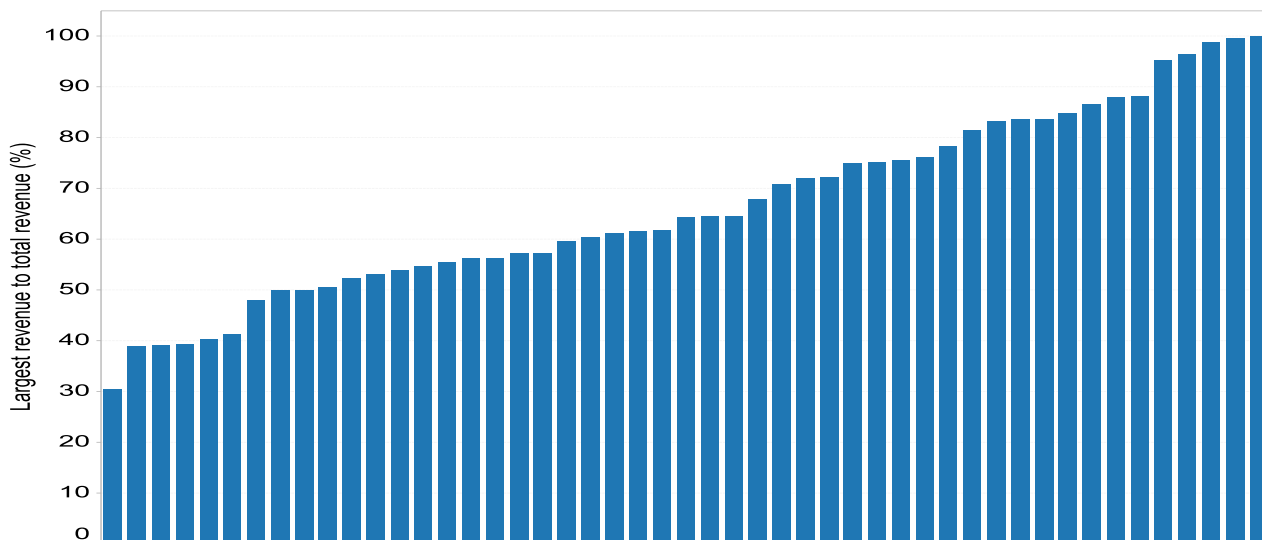


Table 26. Revenue concentration range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	30.4%	53.9%	64.3%	81.5%	100.0%
2015	37.5%	48.8%	67.8%	82.6%	99.7%

## Net profit/surplus margin

Figure 36. Net profit/surplus margin

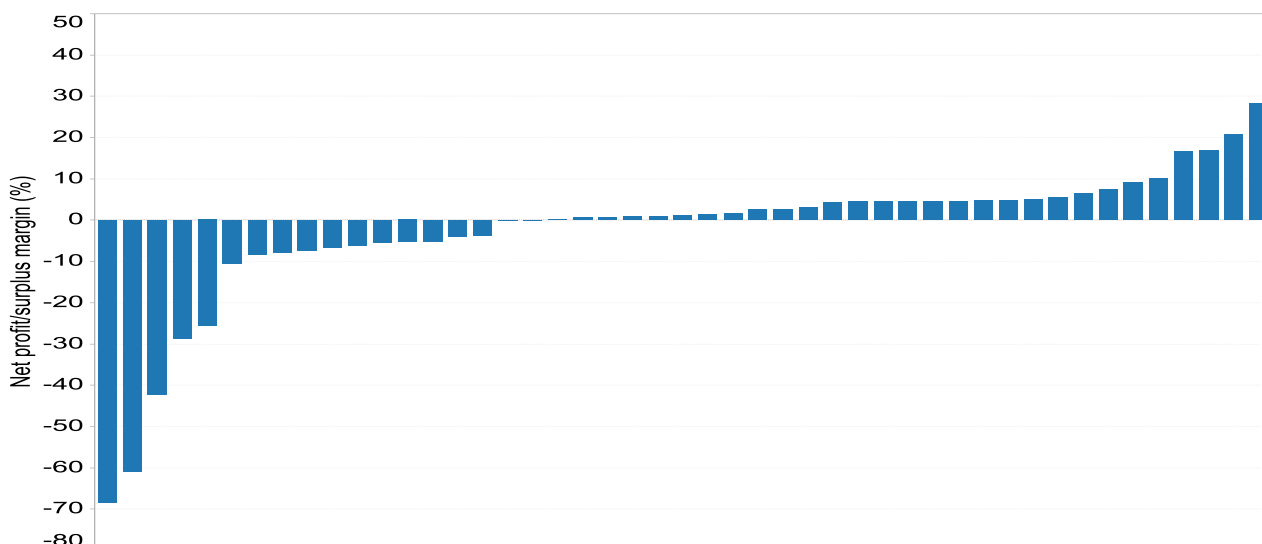


Table 27. Net profit/surplus margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-68.4%	-5.3%	1.1%	4.6%	28.2%
2015	-38.7%	-0.3%	3.1%	8.8%	26.9%

## EBITDA margin

Figure 37. EBITDA margin

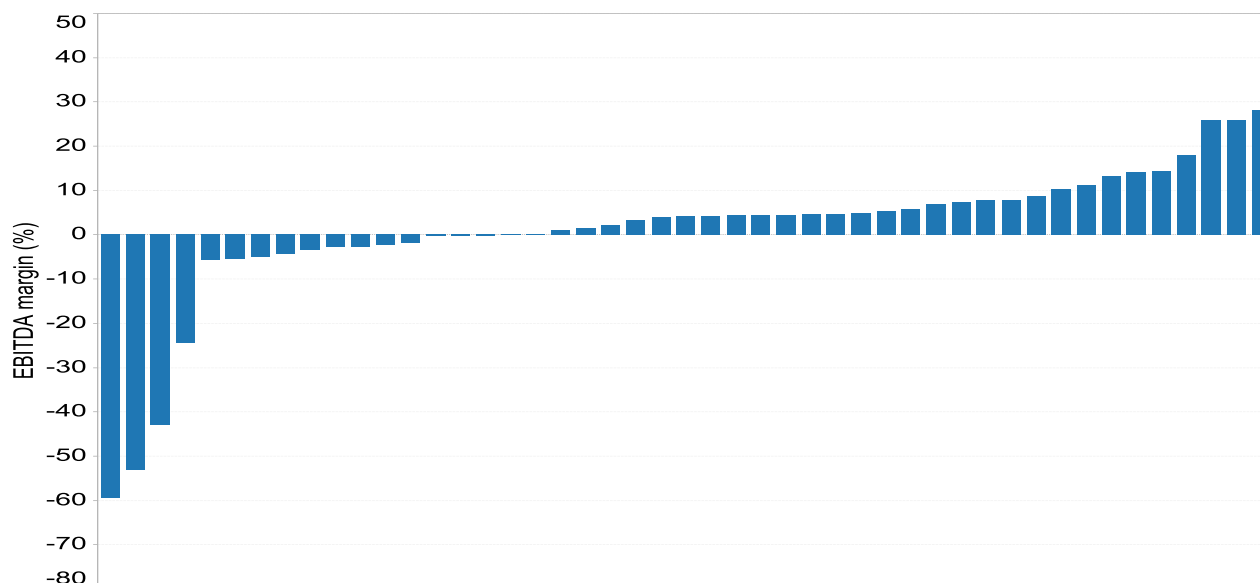


Table 28. EBITDA margin range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	-59.5%	-2.1%	4.2%	7.6%	28.1%
2015	-77.2%	0.3%	5.5%	14.3%	37.7%

## Employee benefits ratio

Figure 38. Employee benefits ratio

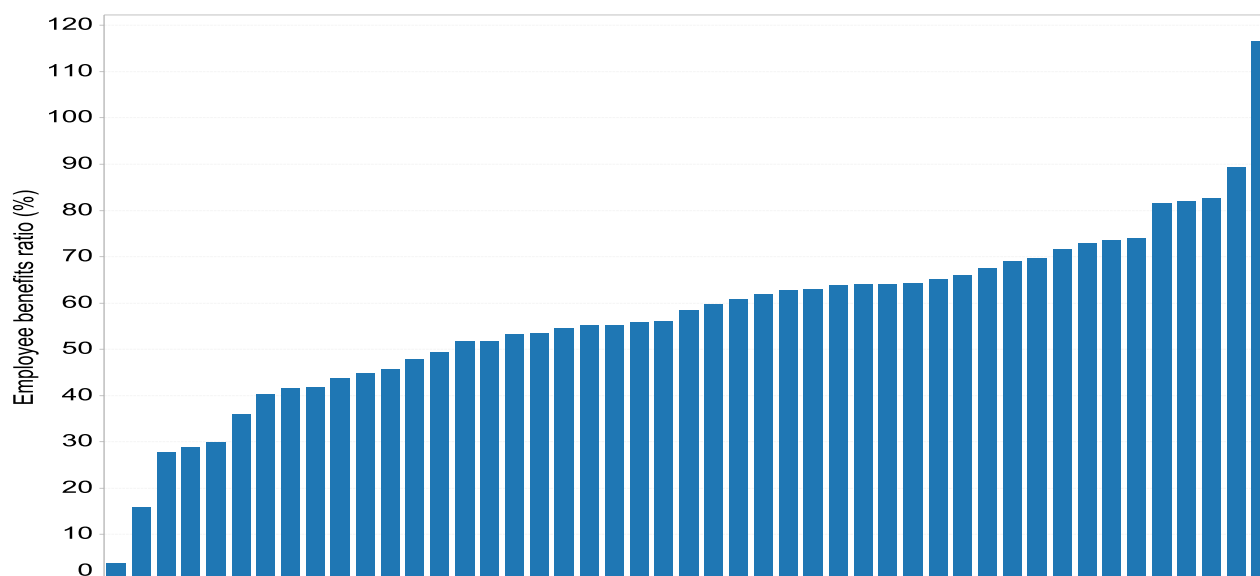


Table 29. Employee benefits ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	3.8%	46.8%	58.5%	66.8%	116.4%
2015	19.2%	43.0%	56.0%	65.3%	83.7%

## Asset replacement ratio

Figure 39. Asset replacement ratio

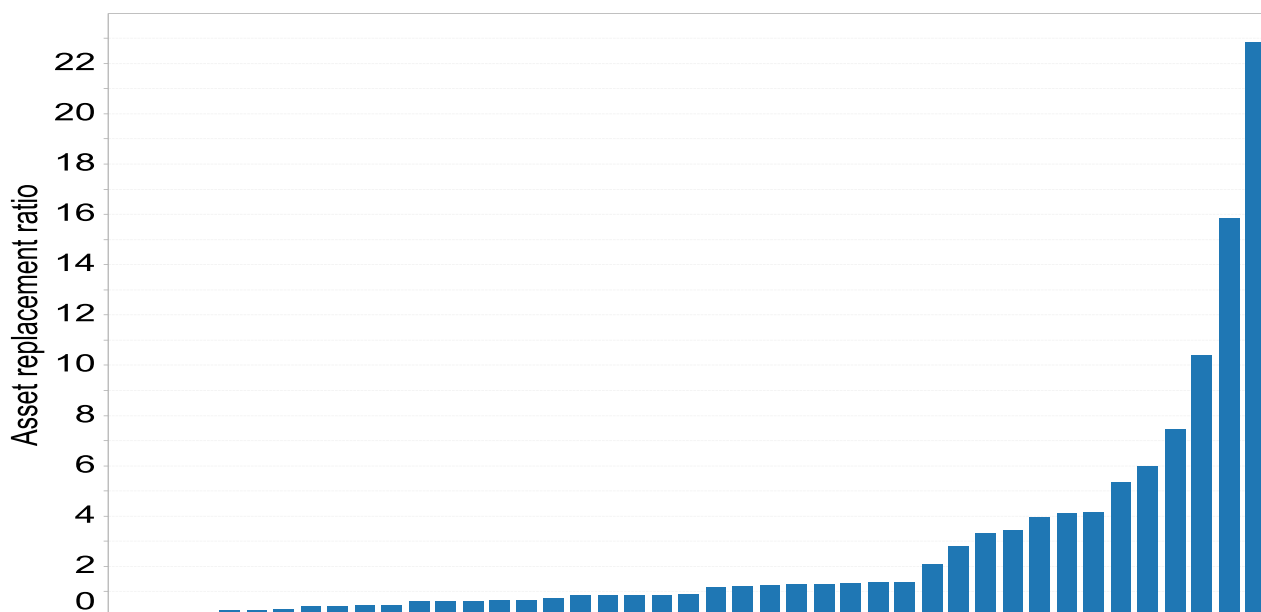


Table 30. Asset replacement ratio range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.0	0.5	0.9	3.1	22.9
2015	0.0	0.5	1.0	2.3	12.6

## Liquidity

Figure 40. Liquidity (current ratio)

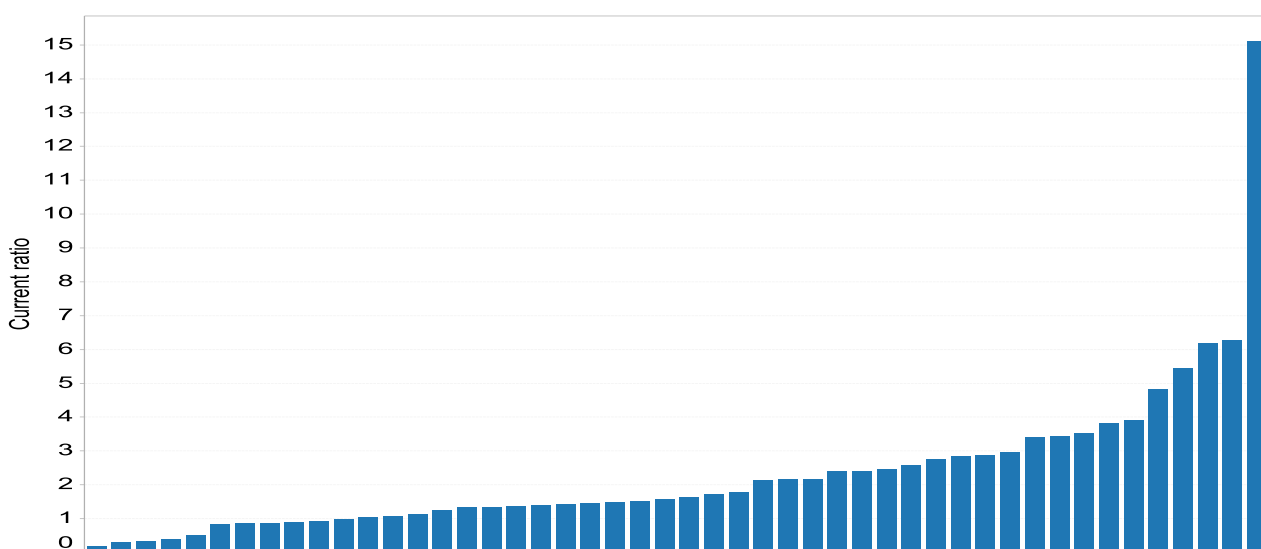


Table 31. Liquidity (current ratio) range

	Minimum	First quartile	Median	Third quartile	Maximum
2016	0.2	1.1	1.6	2.9	15.1
2015	0.2	1.1	1.6	2.9	13.6

# Explanatory notes

## Legislation

A key function of TEQSA as the national regulator for higher education includes disseminating information about higher education providers and their awards. This function is specified in paragraph 134 (1)(e) of the *Tertiary Education Quality and Standards Act 2011*, which states that TEQSA's functions include collecting, analysing, interpreting and disseminating information relating to:

- higher education providers
- regulated higher education awards
- quality assurance practice, and quality improvement, in higher education
- the Higher Education Standards Framework.

## Rounding and presentation

In this report, data have sometimes been rounded. Rounded figures and unrounded figures should not be assumed to be accurate to the last digit shown. Where figures have been rounded, discrepancies may occur between sums of component items and totals.

The colours used in each chart and for a particular type were assigned randomly and do not indicate any significance or represent any views of TEQSA.

## Sources

This report has been prepared using data from the following sources:

- TEQSA's National Register
- TEQSA's Provider Information Requests (PIR)
- TEQSA analysis
- Department of Education and Training's HELP IT System (HITS)
- Department of Education and Training's Higher Education Statistics Collection (through the Higher Education Information Management System – HEIMS)
- Department of Education and Training's Finance Publication.

## Provider type

In this report, providers have been grouped according to type.

The provider groupings used in this report are: Universities, TAFE, non-university For-Profit, and non-university Not-For-Profit<sup>13</sup>. Table 32 provides details on the proportion of student load and higher education revenue to the overall sector total by each provider type, up to 10 February 2017. These details also include providers that have submitted data for the 2016 collection year but were subsequently deregistered before 10 February 2017. Student data relates to 2015. Table 33 provides the revenue range by provider type.

**Table 32.** Breakdown of providers, by type

	Number of providers	% of students	% of HE revenue
Universities	43	92.5	93.7
TAFE	11	0.5	0.3
For-Profit	64	5.0	4.4
Not-For-Profit	52	2.0	1.6

**Table 33.** Total revenue range, by type

	Minimum	First quartile	Median	Third quartile	Maximum
Universities	2.3	301.2	557.1	895.6	2,103.0
TAFE	59.7	117.7	139.6	335.4	1,799.8
For-Profit	0.0	4.9	12.0	32.4	275.3
Not-For-Profit	0.0	2.2	6.2	15.5	890.7
<b>Sector</b>	<b>0.0</b>	<b>5.1</b>	<b>24.7</b>	<b>239.5</b>	<b>2,103.0</b>

## Provider exclusions

Details on provider inclusions and exclusions are available in the Introduction of this report. Table 34 below provides a breakdown of exclusions relating to irregular and/or abnormal data points, by provider type. These exclusions differ from those where there was insufficient data to calculate the metric. By illustration, 13 providers have been excluded from the analysis of asset replacement ratio as there was insufficient data to calculate a three-year average.

**Table 34.** Exclusions (irregular/abnormal data points), by provider type

	Revenue concentration	Net profit/surplus margin	EBITDA margin	Employee benefits ratio	Asset replacement ratio	Liquidity
Universities	0	1	1	1	0	0
TAFE	0	0	0	0	0	0
For-Profit	0	3	3	2	0	0
Not-For-Profit	0	2	2	2	0	1
<b>Total</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>0</b>	<b>1</b>

<sup>13</sup> All universities are not-for-profit except for Torrens University Australia, which is a for-profit subsidiary of Laureate International.

# Glossary

Measure/term	Data elements/explanation	Calculation
<b>Asset replacement ratio</b>	COPPE = Cash Outflows for property, plant & equipment Depn = Depreciation n = current year figure	Asset replacement ratio $= \frac{\left(\frac{COPPE_n}{Depn_n}\right) + \left(\frac{COPPE_{n-1}}{Depn_{n-1}}\right) + \left(\frac{COPPE_{n-2}}{Depn_{n-2}}\right)}{3}$
<b>EBITDA margin</b>	EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation AR = Adjusted Revenue Adjusted Revenue is total revenue excluding capital grants and abnormal or non-recurring items.	EBITDA margin (%) = EBITDA / AR x 100
<b>Employee Benefits Ratio</b>	TEBE = Total Employee benefits expense AR = Adjusted Revenue Adjusted Revenue is total revenue excluding capital grants and abnormal or non-recurring items.	Employee benefits ratio (%) = TEBE / AR x 100
<b>Equivalent Full-Time Student Load (EFTSL)</b>	EFTSL is a measure of the study load for a year of a student undertaking a course of study on a full-time basis. Total EFTSL for a full-time student in a course in a given year will typically be 1.0. The EFTSL of a student studying part-time in a given year will typically be 0.5 depending on the number of subjects taken. However, in some cases, a student may be undertaking a number of units in a given year that are over a full-time load. In these cases, the EFTSL may be above 1.0.	
<b>Largest revenue source</b>	For this report, TEQSA has identified five broad revenue sources, and revenue is allocated into these categories: <ul style="list-style-type: none"> <li>• <b>Government grants and programs</b> – revenue from Commonwealth, State or Local government sources (excludes Capital and infrastructure grants)</li> <li>• <b>Higher education (domestic students)</b> – revenue earned by the provider from the delivery of its own higher education courses to domestic students. This includes HECS-HELP, FEE-HELP and full-fee paying student revenue.</li> </ul>	



Measure/term	Data elements/explanation	Calculation
	<ul style="list-style-type: none"> <li>• <b>Higher education (international students)</b> – revenue earned by the provider from the delivery of its own higher education courses to international students (onshore and offshore).</li> <li>• <b>Non-higher education</b> – revenue earned by the provider from the delivery of its own non-higher education courses (such as VET or English Language Intensive Courses for Overseas Students [ELICOS]) to domestic students and international students.</li> <li>• <b>Other sources</b> – other revenue earned by the provider such as non-education related commercial activities, investment income, revenue earned from the delivery of another provider’s higher education courses (i.e. third party delivery), revenue received from donations and bequests made to the provider.</li> </ul>	
<b>Liquidity (i.e. current ratio)</b>	<p>CA = Current Assets (Excluding related party loans/receivables)</p> <p>CL = Current Liabilities (Excluding related party loans/payables)</p>	<p>Liquidity = CA / CL</p>
<b>Net profit/surplus margin (i.e. Operating margin %)</b>	<p>NR = Net Result</p> <p>Net Result (Profit/Loss or Surplus/Deficit) excludes abnormal or non-recurring items. This may include items such as asset revaluations or significant restructuring costs.</p> <p>AR = Adjusted Revenue</p> <p>Adjusted Revenue is total revenue excluding capital grants and abnormal or non-recurring items.</p>	<p>Net profit/surplus margin (%) = NR / AR x 100</p>
<b>Revenue Concentration</b>	<p>LRS = Largest Revenue Source (see above)</p> <p>AR = Adjusted Revenue</p> <p>Adjusted Revenue is total revenue excluding capital grants and abnormal or non-recurring items.</p>	<p>Revenue concentration (%) = LRS / AR x 100</p>