



Australian Government

Tertiary Education Quality and Standards Agency

# Key financial metrics on Australia's higher education sector

December 2018

**TEQSA**

## **Key financial metrics on Australia's higher education sector – December 2018**

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### **Tertiary Education Quality and Standards Agency (TEQSA)**

The Tertiary Education Quality and Standards Agency is Australia's independent national quality assurance and regulatory agency for higher education.

More information about the Tertiary Education Quality and Standards Agency, including electronic versions of this report, is available at: <https://www.teqsa.gov.au/>

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### **Acknowledgements**

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# Introduction

## Background

The 'Key financial metrics on Australia's higher education sector' report is the fourth release of financial information held by the 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 have been sourced from TEQSA's 2017 data collection and relate to financial years ended from 31 December 2016 until 30 June 2017.

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 Government 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.

TEQSA intends to release a report examining key financial metrics 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 10 commonly-accepted financial metrics reflecting key business drivers critical to financial viability and sustainability. No individual financial metric should be considered in isolation. As each financial metric considers a unique financial element of a provider, all metrics need to be evaluated collectively to form a view on a provider's overall financial position.

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: dual sector providers

Since the second edition of this report, a special focus topic section has been included to provide additional analysis and insight into a topic of interest. The special focus topic in previous editions analysed *revenue from international students (published in 2016)* and *newly registered higher education providers (published in 2017)*, with both analyses providing useful insights.

The special focus topic featured in this report examines **dual sector providers**.

Nearly half of the registered higher education providers in Australia deliver both higher education and vocational education and training as registered training organisations. In publishing information on dual sector providers, TEQSA aims to offer existing providers, the public, and prospective applicants a clearer picture of the diversity of the higher education sector; particularly in relation to how dual sector providers have performed compared with non-dual sector providers.

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<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.

## 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).

Further details on the provider groupings can be found in the Explanatory Notes section of this report.

## Reporting period

Providers' reporting periods vary. Data in this report have been sourced from TEQSA's 2017 data collection and relate to reporting years ended 31 December 2016 until 30 June 2017.

All years referenced in this report refer to TEQSA's data collection year.

## Provider exclusions and inclusions

A small number of providers 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
- 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. Further details on exclusions can be found in the Explanatory Notes section of this report.

## Enquiries

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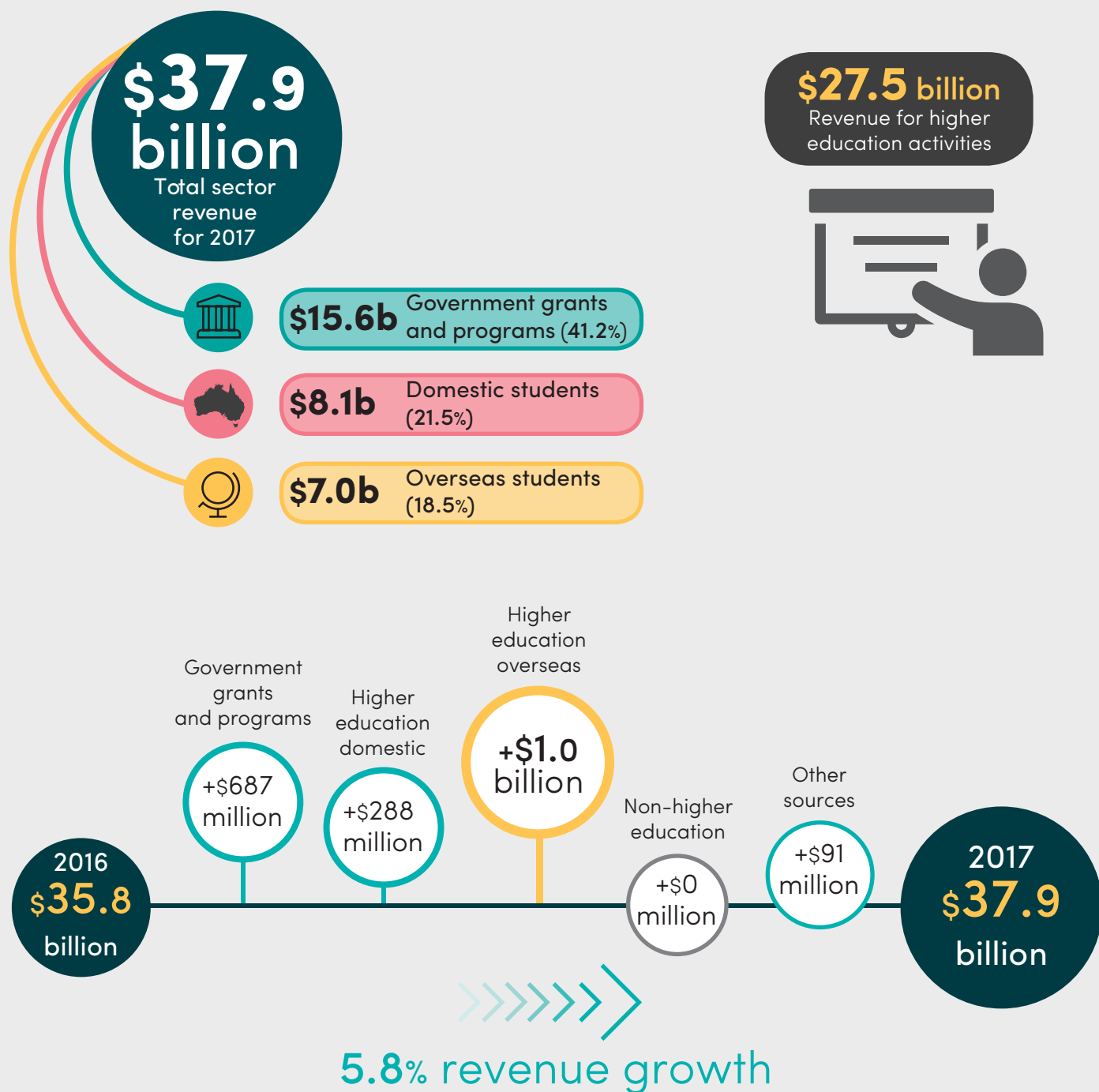
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## Accessibility

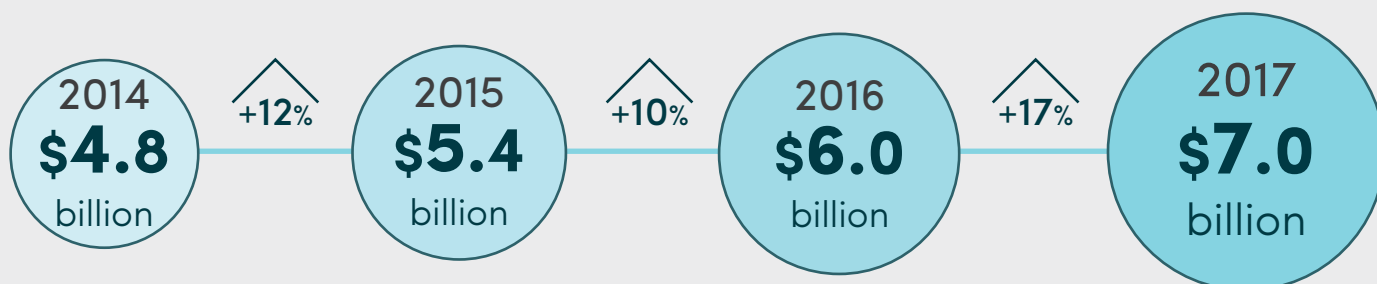
An accessible version of this report is available at: <https://www.teqsa.gov.au/about-us/publications>

# The sector at a glance

## Revenue



## International revenue

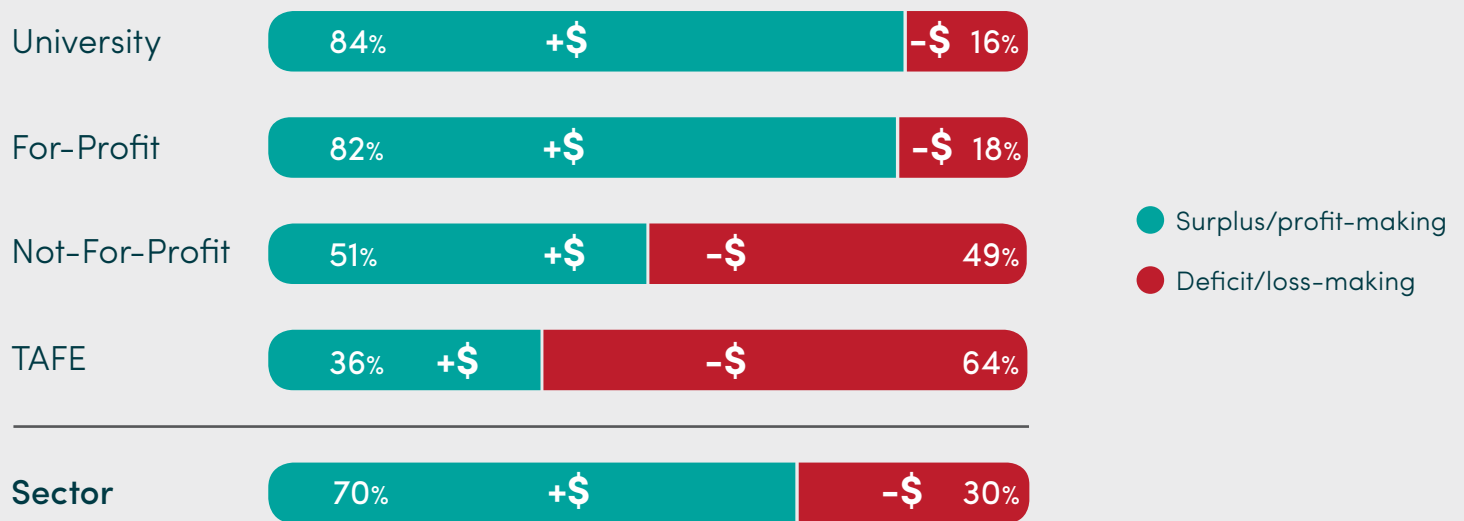


# Expenditure

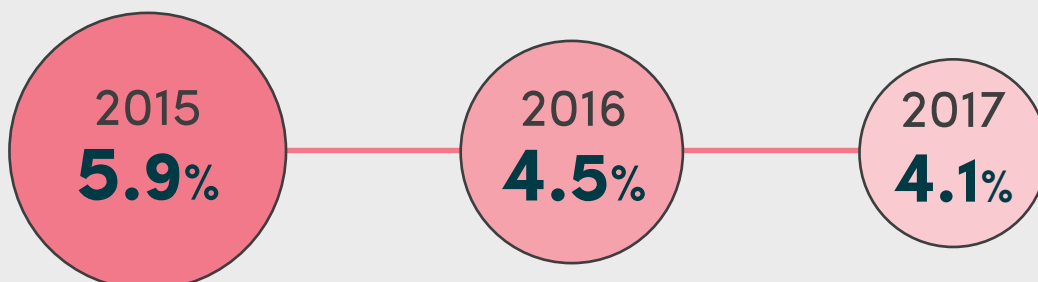


# Sector profitability

Proportion of surplus/profit-making providers



Median sector surplus/profit margin



## Highlights

This report provides a snapshot of selected key financial metrics across Australia's higher education sector.

- ▶ Total sector revenue for 2017 was \$37.9 billion, up from \$35.8 billion the previous year. Revenue from government grants and programs remained the sector's biggest revenue source at 41% of total sector revenue, while overseas student revenue continued to be the sector's fastest growing revenue source, increasing by \$1 billion compared with the previous year.
- ▶ Staff spending totalled \$20.6 billion, representing approximately 57% of sector expenditure, and continued to account for the largest item of spending in the sector. Capital expenditure of \$3.7 billion was incurred in 2017 and 63% of the providers in the sector invested adequately in physical resourcing.
- ▶ In 2017, 70% of the 162 higher education providers analysed in this report recorded a profit/surplus. The sector median net surplus/profit margin declined by 0.4 percentage points in 2017 to 4.1%.

### Universities

- The median net surplus margin decreased to 4.8% (2016: 5.5%).
- Key revenue sources were government grants and programs (40%), domestic students (24%) and overseas students (21%).

### TAFE

- Close to two-thirds of TAFE providers registered to teach higher education incurred a deficit in 2017.
- Higher education activities make a small contribution towards total revenue (2%).

### For-Profit

- High reliance on higher education overseas students. 48% reported overseas student revenue as the largest revenue source.
- Highest median net profit margin of any provider type (12.4%), being a 2.7 percentage point increase from the previous year (9.7%).

### Not-For-Profit

- Approximately half of Not-For-Profit providers incurred a deficit in 2017.
- The median asset replacement ratio increased to 1.5 (0.5 above the generally acceptable benchmark), indicating adequate investments in physical resourcing.

## Special focus highlights: Dual sector providers

While noting that both higher education and vocational education and training providers are registered to deliver Australian Qualifications Framework (AQF) qualifications, they may have distinct differences in their operating models. Thus, the financial aspects of dual sector providers and how they compared with non-dual sector providers was examined in further detail, as a special focus topic.

- ▶ Nearly half of registered higher education providers are dual sector, that is, they are registered to deliver both higher education and vocational education and training as Registered Training Organisations.
- ▶ Dual sector providers were found to be less profitable than non-dual sector providers, with dual sector providers reporting lower median net surplus/profit margins across all examined provider types.



# Sector financial profile

The Australian higher education sector is large and diverse, and it comprises an important part of the economy. Each of the 162 higher education providers analysed in this report (refer to the Explanatory Notes) has its own unique mission and operating model. 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 2015, 2016 and 2017 data collection years.<sup>2</sup>

Table 1. Summarised sector financial performance (\$), 2015 – 2017

	2015 (\$'M)	2016 (\$'M)	2017 (\$'M)	% Change 2016 to 2017
<b>Revenue</b>				
Government grants and programs (including Commonwealth Grant Scheme, Commonwealth research grant, state and territory government grants)	14,671	14,924	15,611	4.6%
Higher education, domestic students (including FEE-HELP, HECS-HELP, full-fee paying student revenue)	7,534	7,851	8,140	3.7%
Higher education, overseas students	5,425	5,987	6,999	16.9%
Non-higher education, all students (including VET, VSL/VET FEE-HELP, ELICOS, non-award)	2,113	2,085	2,086	0.0%
Other sources (including donations, HE third-party delivery, commercial activities)	4,763	4,952	5,044	1.9%
<b>Total revenue<sup>3</sup></b>	<b>34,506</b>	<b>35,800</b>	<b>37,879</b>	<b>5.8%</b>
<b>Expenses</b>				
Staffing	(18,974)	(19,459)	(20,615)	5.9%
Depreciation	(1,918)	(2,123)	(2,273)	7.1%
Finance costs	(216)	(203)	(221)	8.9%
Marketing and promotion	(526)	(528)	(622)	17.8%
Other expenses	(10,977)	(11,663)	(12,558)	7.7%
<b>Total expenses<sup>3</sup></b>	<b>(32,612)</b>	<b>(33,975)</b>	<b>(36,289)</b>	<b>6.8%</b>
<b>Total net surplus/profit</b>	<b>1,894</b>	<b>1,825</b>	<b>1,590</b>	<b>-12.9%</b>

- ▶ Total revenue generated by the sector continued to grow in 2017. This represented a growth of 5.8% over the last 12-month period.
- ▶ The key drivers behind the growth in revenue were overseas student revenue (up by 16.9%) followed by government grants and programs revenue (up by 4.6%). Overseas student revenue continues to be the fastest growing revenue source, increasing by \$1.0 billion over the last 12-month period.
- ▶ The sector continues to be profitable, posting an aggregate net surplus/profit in 2017 of \$1.6 billion. This represented 4.2% of total sector revenue (2016: 5.1%). However, the aggregate result represented a 0.9 percentage point decrease from 2016.
- ▶ Total sector expenditure increased by 6.8% to \$36.3 billion, outpacing the growth in revenue of 5.8%. Spending on staff continued to account for the largest area of sector expenditure, while marketing and promotion costs experienced the largest percentage increase.

<sup>2</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 year.

<sup>3</sup> This total excludes capital grants and once-off/abnormal items.

## Capital expenditure and net assets

Figure 1. Capital expenditure (\$), sector, 2015 – 2017

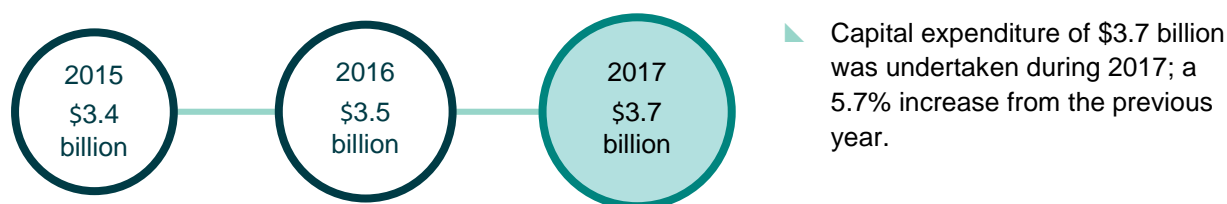
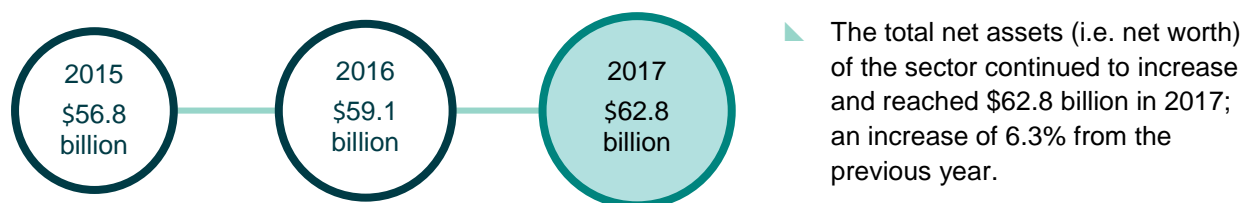


Figure 2. Total net assets (\$), sector, 2015 – 2017<sup>4</sup>



## International revenue

Overseas students are an important source of revenue for Australian higher education providers. Revenue earned from overseas higher education students reached \$7.0 billion in 2017 (2016: \$6.0 billion) and accounted for 18% of total sector revenue (2016: 17%). The table below summarises overseas student revenue by provider type.

Table 2. Higher education overseas student revenue (\$), by provider type, 2015 – 2017

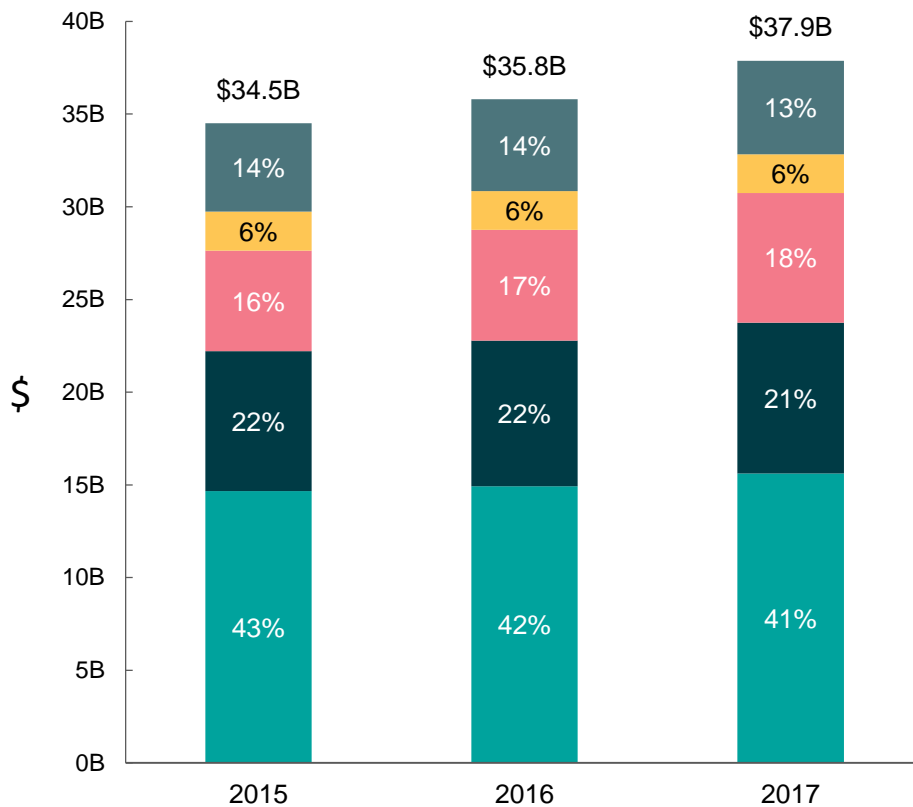
	2015 (\$'M)	2016 (\$'M)	2017 (\$'M)	% Change 2016 to 2017
Universities	4,747.7	5,336.5	6,261.4	17.3%
For-Profit	507.1	517.4	570.9	10.3%
Not-For-Profit	148.3	111.7	138.7	24.2%
TAFE	21.7	21.4	28.0	30.8 %
<b>Sector Total</b>	<b>5,424.9</b>	<b>5,987.0</b>	<b>6,999.0</b>	<b>16.9 %</b>

- Overseas student revenue was the sector's fastest growing revenue source, increasing by 16.9% in the last 12-month period (an increase of \$1.0 billion).
- All provider types experienced large growth in overseas student revenue in 2017, which grew by more than any other revenue source.
- Universities accounted for most of the overseas student revenue generated from the sector. Universities generated \$6.3 billion in overseas student revenue, an increase of 17.3% from 2016. This represents 89% of the sector's overseas student revenue.

<sup>4</sup> Total net assets have been adjusted by removing related party assets and/or liabilities.

## Sector revenue and expenses

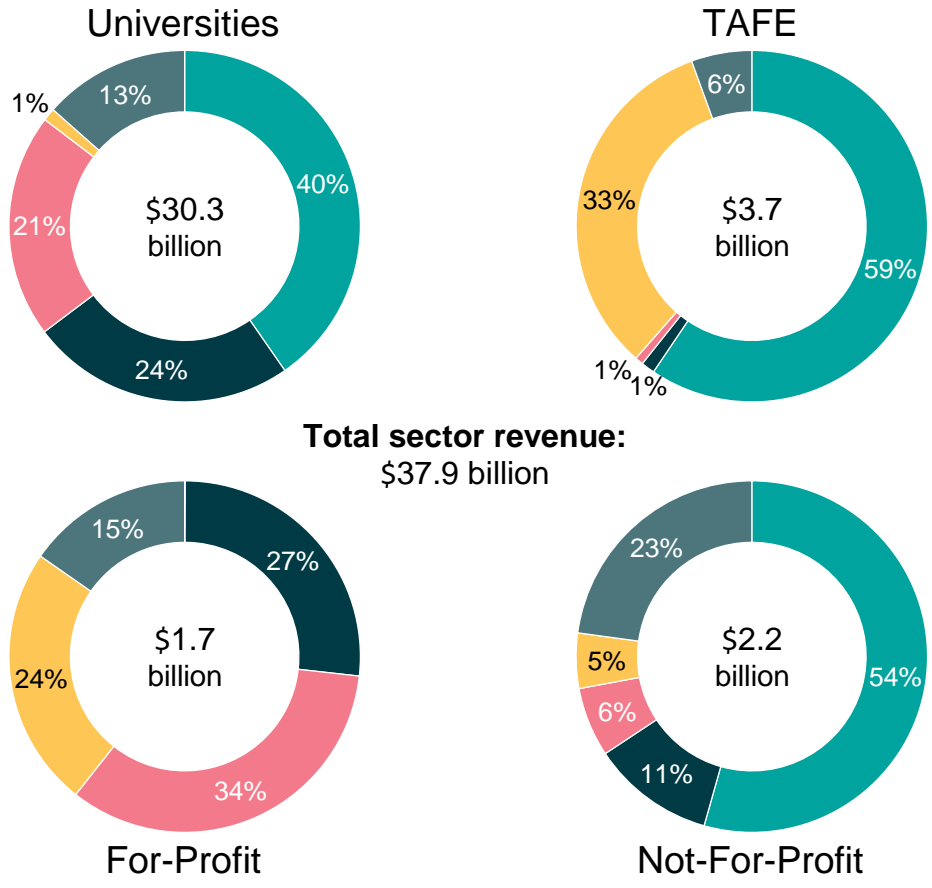
Figure 3. Key revenue sources (\$), sector, 2015 – 2017



- Other sources (including donations, HE third-party delivery, commercial activities)
- Non-higher education, all students (including VET, VSL/VET FEE-HELP, ELICOS, non-award)
- Higher education, overseas students
- Higher education, domestic students (including FEE-HELP, HECS-HELP, full-fee paying student revenue)
- Government grants and programs (including Commonwealth Grant Scheme, Commonwealth research grants, state and territory government grants)

- ▲ 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 and HECS-HELP) but has declined to 21% of total sector revenue.
- ▲ Revenue from overseas higher education students continued to grow and now represents 18% of total sector revenue.

Figure 4. Revenue sources, by provider type, 2017



- Government grants and programs (including Commonwealth Grant Scheme, Commonwealth research grants, state and territory government grants)
- Higher education, domestic students (including FEE-HELP, HECS-HELP, full-fee paying student revenue)
- Higher education, overseas students
- Non-higher education, all students (including VET, VSL/VET FEE-HELP, ELICOS, non-award)
- Other sources (including donations, higher education third-party delivery, commercial activities)

**Universities**

Generated the most revenue of any provider type. Key revenue sources were government grants and programs (40%), domestic students (24%) and overseas students (21%).

**TAFE**

Generated the majority of revenue from government grants and programs (59%) and non-higher education activities (33%). Higher education activities make a small contribution towards the total revenue (2%).

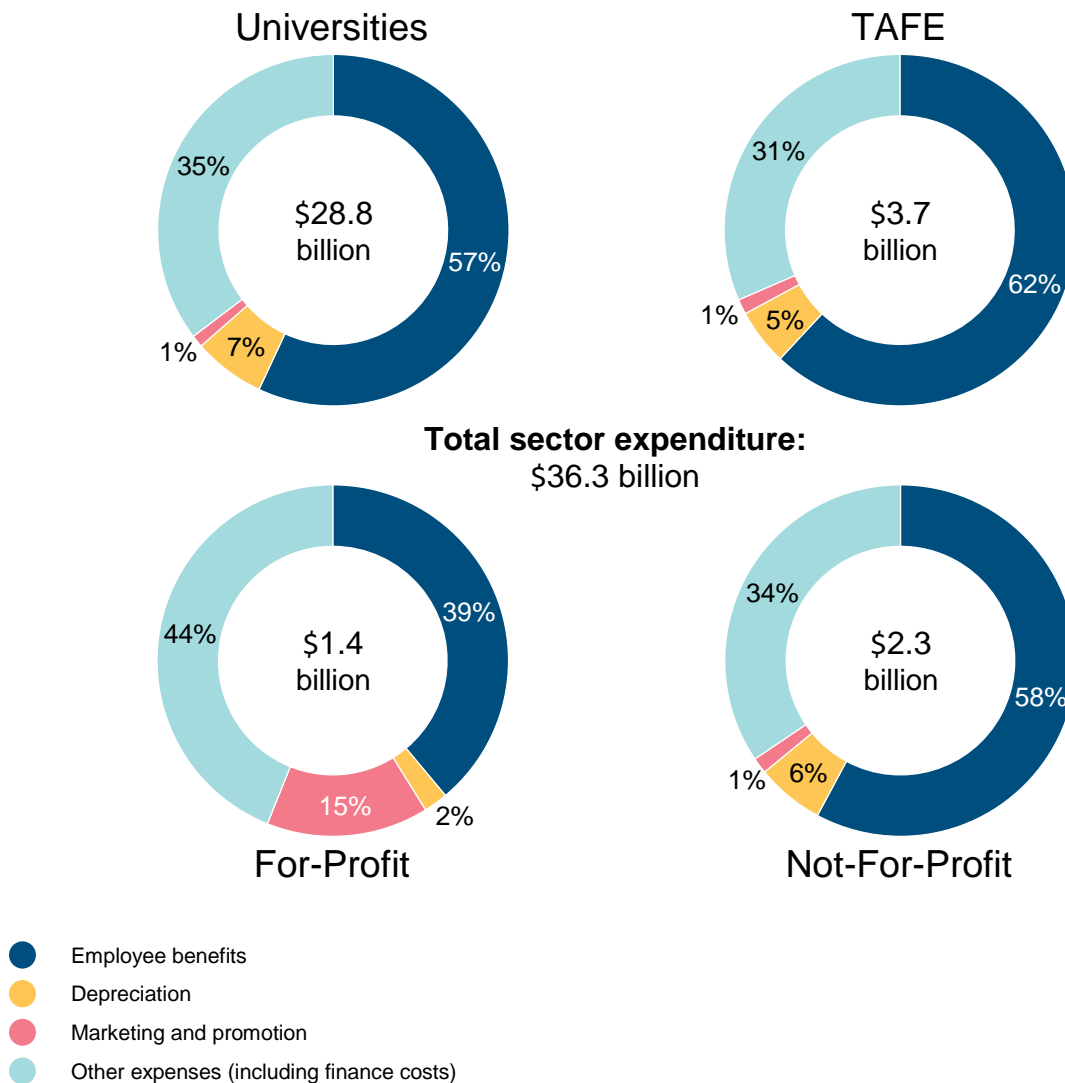
**For-Profit**

Had the most evenly distributed mix of revenue sources of any provider type. Income from overseas higher education students was the largest revenue source (34%).

**Not-For-Profit**

Heavily reliant on government grants and programs (54%) and revenue from other sources (23%). Revenue from higher education students (domestic and overseas) represented 17% of total revenue.

Figure 5. Expenditure categories, by provider type, 2017



- ▶ Spending on staff was the largest expense for all but one provider type (For-Profit). For these providers other expenses (including occupancy, administration, travel and IT) accounted for the largest area of expenditure.
- ▶ Marketing and promotion expenditure accounted for 15% of For-Profit providers' expenditure. In comparison, marketing and promotion accounted for 1% of the expenditure of other provider types. This may be attributed to higher use of student recruitment agents to enrol overseas students by For-Profit providers.

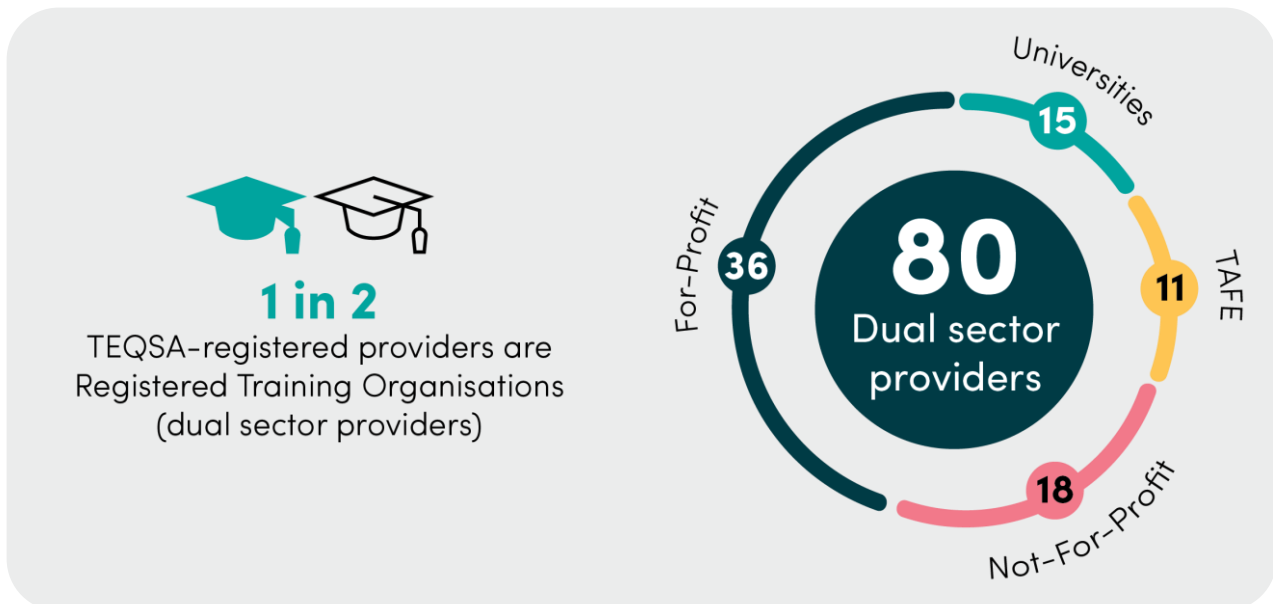
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# Special focus topic: Dual sector providers

# Special focus topic: Dual sector providers

Nearly half of registered higher education providers are dual sector, that is, they are registered to deliver both higher education and Vocational Education and Training (VET) as Registered Training Organisations (RTOs). There are 80 dual sector providers in the higher education sector, representing a diverse range of organisations. This encompasses 15 universities, 11 TAFE providers, 18 Not-For-Profit providers and 36 For-Profit providers<sup>5</sup>.



While noting that both higher education and VET providers are registered to deliver Australian Qualifications Framework (AQF) qualifications, they may have distinct differences in their operating models, including in their governance structures and resourcing requirements. Thus, the following analysis seeks to compare dual sector providers with non-dual sector providers, across three key performance areas: **VET revenue, profitability and staff spending**.

While 11 TAFE providers are registered to deliver higher education, they are primarily focused on VET delivery and have limited higher education operations (with higher education activities collectively accounting for approximately 2% of total revenue<sup>6</sup>). An analysis comparing TAFE providers on a dual sector and non-dual sector basis is unable to be performed, as by nature all 11 TAFE providers are dual sector (i.e. there are no higher education only TAFE providers). Therefore, the comparative analysis on dual sector providers has been limited to Universities, For-Profit providers and Not-For-Profit providers. The financial metrics for the TAFE providers are presented in Appendix B.

Domestic student funding in the VET sector has undergone significant restructuring over recent years. The VET Student Loan scheme commenced on 1 January 2017, replacing the VET FEE-HELP scheme, which ceased for new students on 31 December 2016. VET Student Loans are now only available for approved VET courses and course-specific loan caps have also been introduced. As the data in this report has been sourced from TEQSA's 2017 data collection (financial years ended from 31 December 2016 until 30 June 2017) any potential financial impacts of the funding changes may not yet be visible.

<sup>5</sup> Providers have been classified as 'dual sector' if they were also registered to deliver VET courses as RTOs as at 30 June 2017.

<sup>6</sup> Refer to Figure 4. Revenue sources, by provider type



## Dual sector: VET revenue

For dual sector providers, revenue earned from VET activities is an important source of revenue and aids in revenue diversification. To better understand providers' reliance on VET revenue and the diversity in providers' operating models, VET revenue as a proportion of total revenue has been considered in the analysis below.

Figure 6. VET revenue to total revenue (%), by provider type, 2017<sup>7</sup>

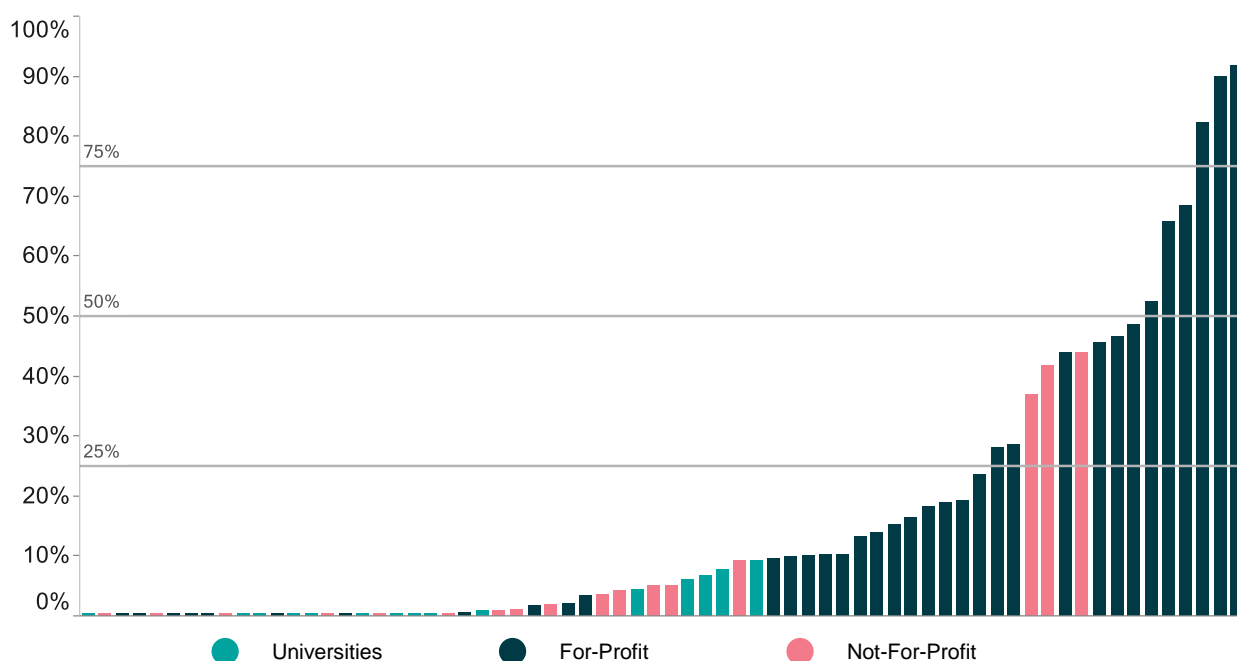


Table 3. Number of dual sector providers within each VET revenue to total revenue band, by provider type, 2017

	0%-24%	25%-49%	50%-74%	75%-100%	Total
Universities	15	-	-	-	15
For-Profit	24	6	3	3	36
Not-For-Profit	15	3	-	-	18
<b>Total</b>	<b>54</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>69</b>

- ▶ A small group of dual sector providers have a high reliance on VET revenue. For six For-Profit providers, VET revenue represented more than 50% of total revenue. This reflects the diversity of the providers in the sector, while a provider may be registered to deliver high education courses it may not be their primary focus.
- ▶ Despite having a low reliance on VET delivery, five universities reported VET revenue ranging from 4% to 9% of total revenue.

<sup>7</sup> VET revenue: revenue earned by the provider from the delivery of Vocational and Educational and Training courses, including domestic and international student fees, along with VET FEE-HELP and VET Student Loan funding revenue.

# Dual sector: 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. The analysis below shows how the net surplus/profit margins vary between dual and non-dual sector providers.

Figure 7. Net surplus/profit margin (median), by dual sector status, 2017

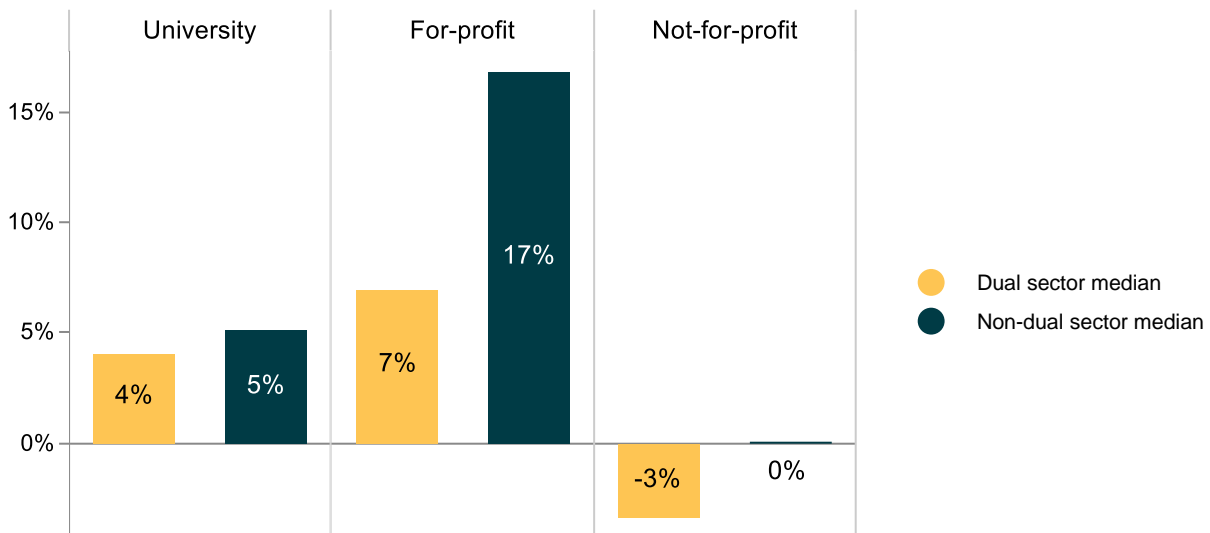


Table 4. Net surplus/profit margin range, by dual sector status, 2017

		Lower quartile	Median	Upper quartile
Universities	Dual sector	-0.3%	4.0%	5.5%
	Non-dual sector	3.0%	5.1%	6.7%
For-Profit	Dual sector	1.1%	6.9%	19.6%
	Non-dual sector	1.4%	16.8%	21.5%
Not-For-Profit	Dual sector	-13.6%	-3.4%	3.0%
	Non-dual sector	-5.8%	0.1%	4.5%

- Profitability is lower for dual sector providers compared with non-dual sector providers, with dual sector providers reporting lower median net surplus/profit margins across all provider types.
- The difference between the median net surplus/profit margins was greatest for the For-Profit providers, with a 9.9 percentage point difference between the dual sector providers (6.9%) and non-dual sector providers (16.8%).
- The Not-For-Profit dual sector providers had a higher proportion of deficit/loss making providers, with 59% of providers reporting a deficit/loss in 2017 (compared with 45% for the Not-For-Profit non-dual sector providers). This is reflected through the negative net margin for the Not-For-Profit dual sector providers.

## Dual sector: Staff spending

The analysis below shows how staff spending relative to revenue varies between dual and non-dual sector providers.

Figure 8. Employee benefits to total revenue (%) (median), by dual sector status, 2017

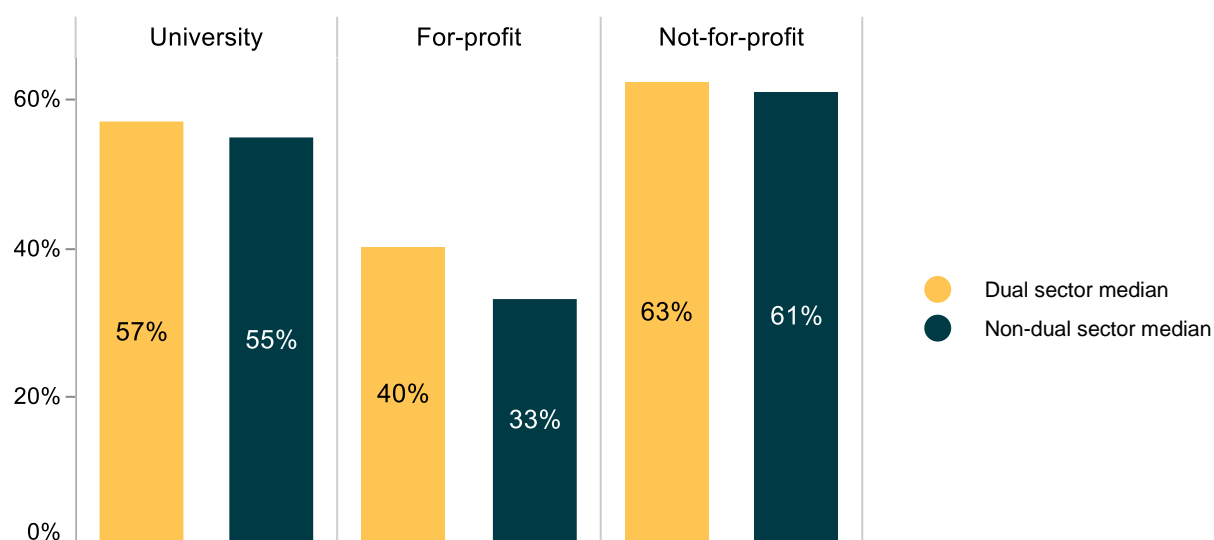


Table 5. Employee benefits to total revenue range (%), by dual sector status, 2017

		Lower quartile	Median	Upper quartile
Universities	Dual sector	54.5%	57.1%	60.3%
	Non-dual sector	51.9%	55.1%	58.2%
For-Profit	Dual sector	29.9%	40.3%	50.5%
	Non-dual sector	28.3%	33.2%	46.9%
Not-For-Profit	Dual sector	48.9%	62.6%	72.8%
	Non-dual sector	45.5%	61.2%	71.9%

- ▶ Dual sector providers invest slightly more on employees as a proportion of total revenue, with dual sector providers reporting a higher median across all provider types. This was most prevalent with the For-Profit providers, with a 7.1 percentage point difference between the median for dual sector providers (40.3%) and non-dual sector providers (33.2%).
- ▶ For-Profit providers (both dual sector and non-dual sector) had the lowest level of staff spending relative to revenue, compared with the other two provider types.

## Dual sector: Key findings

The analysis in this special focus topic section serves to provide greater insight into dual sector providers and how they performed compared with non-dual sector providers.



Nearly half of registered higher education providers are dual sector; that is, they are registered to deliver both higher education and vocational education and training as Registered Training Organisations.



There is a diverse range of higher education providers with varying business models. A small group of providers were found to be more reliant on vocational education and training delivery, as opposed to higher education delivery. For six providers, VET revenue represented more than 50% of total revenue.



Dual sector providers were found to be less profitable than non-dual sector providers, with dual sector providers reporting lower median net surplus/profit margins across all provider types.



Dual sector providers spent slightly more on employees as a proportion of revenue compared with non-dual sector providers.

# Key financial metrics

# Largest revenue source

The diversity of a provider’s revenue sources 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. A high reliance on a single source of revenue 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 Explanatory Notes (Table 17) for a summary of the largest revenue sources by provider type and the Glossary for further information on each revenue source.

Figure 9. Largest revenue source to total revenue (%), by provider type, 2017

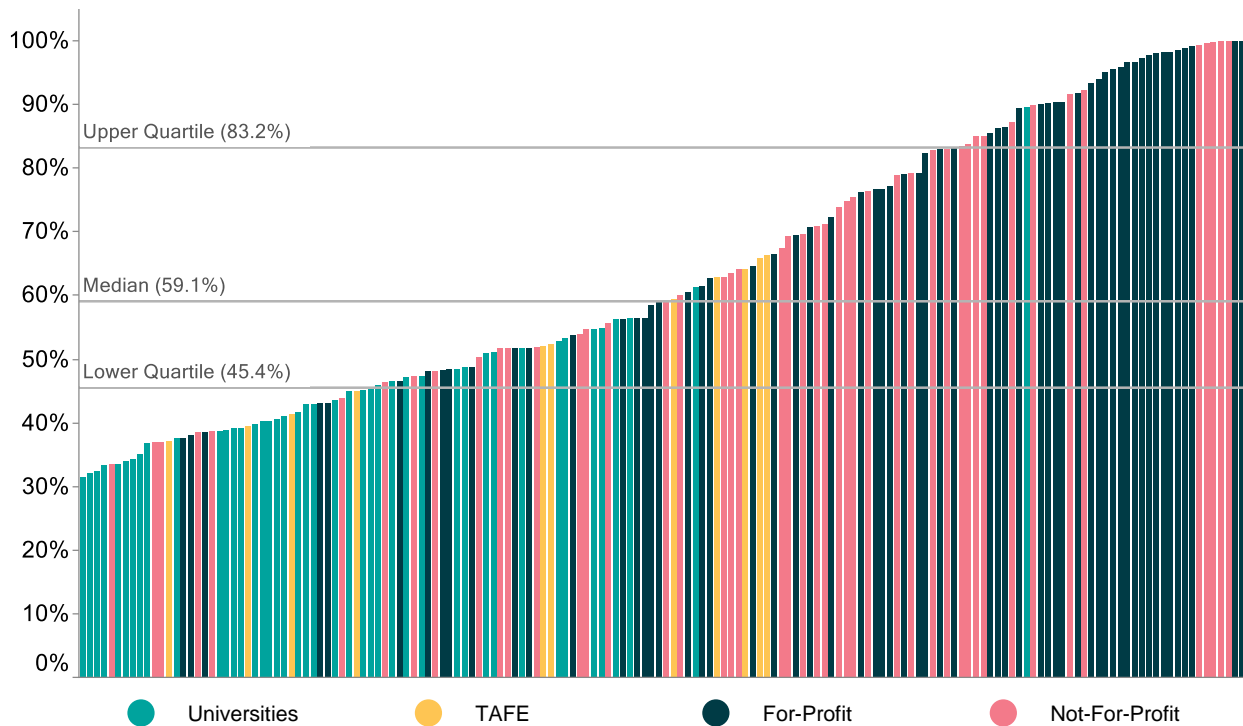


Table 6. Largest revenue source to total revenue range (%), by provider type, 2017

		Lower quartile	Median	Upper quartile
Universities		38.8%	42.9%	49.8%
TAFE		43.1%	52.4%	63.5%
For-Profit		56.6%	79.0%	94.0%
Not-For-Profit		51.8%	69.7%	83.6%
<b>Sector</b>	2017	45.4%	59.1%	83.2%
	2016	46.0%	58.6%	80.7%

## Sector

- ▶ In 2017, the sector median reliance on a single revenue source (as measured by expressing a provider's largest revenue source as a percentage of total revenue) for the sector was 59.1%.
- ▶ The level of reliance varied for each provider type. However, For-Profit and Not-For-Profit providers tended to be concentrated towards the upper range and above the sector median (59.1%), as reflected in Figure 9.
- ▶ Top three revenue sources:
  - 32% of providers reported government grants and programs as the largest revenue source.
  - 22% of providers reported revenue earned from domestic higher education students (including FEE-HELP, HECS-HELP and full-fee paying student revenue) as the largest revenue source.
  - 21% of providers reported revenue earned from overseas higher education students as the largest revenue source.

### Universities

- Had the lowest reliance on a single source of revenue of any provider type (median 42.9%).
- Approximately 86% of universities reported government grants and programs as the largest revenue source.
- The remaining 14% reported either domestic or overseas higher education student revenue as the largest source.

### TAFE

- Close to 82% of TAFE providers reported government grants and programs (including state government grants) as the largest revenue source.
- The remaining 18% reported non-higher education revenue (including VET, VSL/VET FEE-HELP) as the largest revenue source.

### For-Profit

- Had the highest reliance on a single source of revenue of any provider type (median 79.0%).
- Overall, two-thirds of the providers that were above the sector upper quartile (83.2%) were For-Profit providers.
- High reliance on higher education overseas students, with close to half of For-Profit providers reporting overseas student revenue as the largest revenue source.

### Not-For-Profit

- Had a higher reliance on a single source of revenue. 66% of Not-For-Profit providers were above the sector median (59.1%).
- Revenue from domestic higher education students and other sources were the predominant revenue sources, which accounted for the largest revenue source of 36% and 34% of Not-For-Profit providers, respectively.

# Profitability

The profitability of a provider gives an indication of its ability to generate revenue and manage expenses in order to deliver a surplus/profit. While many higher education providers are Not-For-Profit in nature (including TAFE providers and universities), the generation of a surplus is important in ensuring that the provider can fund its operations into the future. Ideally, accumulated surpluses/profits are used to support or enhance a provider's capacity to sustain quality in its higher education operations<sup>8</sup>. This report analyses profitability based on two measures: net surplus/profit margin; and the Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) margin.<sup>9</sup>

## Net surplus/profit margin

Figure 10. Net surplus/profit margin, by provider type, 2017

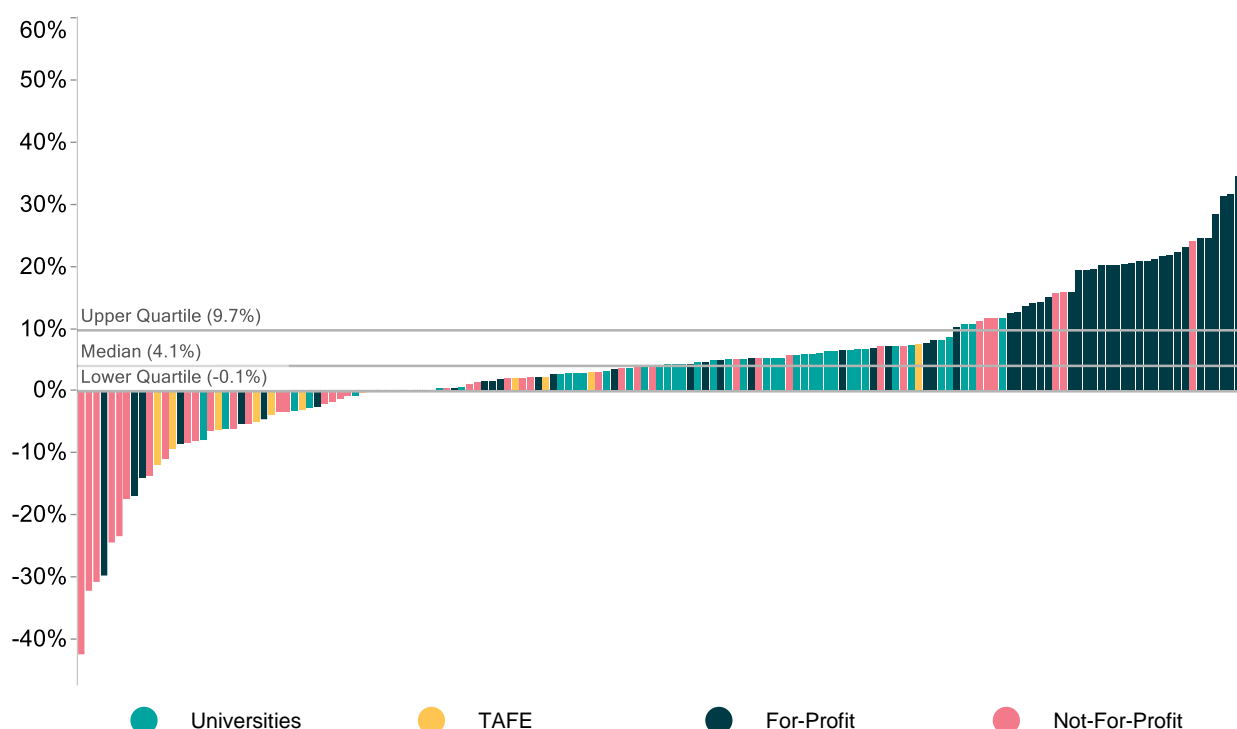


Table 7. Net surplus/profit margin range, by provider type, 2017

	Lower quartile	Median	Upper quartile
Universities	2.8%	4.8%	6.3%
TAFE	-5.6%	-3.1%	2.0%
For-Profit	1.7%	12.4%	20.6%
Not-For-Profit	-6.1%	0.1%	4.2%
<b>Sector</b>			
2017	-0.1%	4.1%	9.7%
2016	0.7%	4.5%	9.4%

<sup>8</sup> Profitability should not be considered in isolation. It is not uncommon for providers to incur deficits/losses when establishing their operations (i.e. newly registered providers) or when a provider's business model is reliant on related party funding.

<sup>9</sup> Any one-off or abnormal revenue or expense items, along with capital grants, have been excluded from the calculation of the net surplus/profit and EBITDA margins.



## Sector

- ▶ The sector median net surplus/profit margin has been declining over the past three years (2015: 5.9%, 2016: 4.5%, 2017: 4.1%). In 2017, the sector median net surplus/profit margin declined 0.4 percentage points to 4.1%.
- ▶ For-Profit was the only provider type to increase its median net surplus/profit margin, all other provider types reported lower median net surplus/profit margins in 2017.
- ▶ In 2017, 70% of providers reported a net surplus/profit (2016: 76%). TAFE and Not-For-Profit providers had a higher proportion of deficit-making providers.
- ▶ Profitability varied for each provider type. However, Not-For-Profit providers were concentrated below the lower quartile (-0.1%), while For-Profit providers were concentrated above the upper quartile (9.7%), as reflected in Figure 10.

### Universities

- The median net surplus margin decreased to 4.8% (2016: 5.5%)
- Majority of universities (81%) were concentrated around the sector median (4.1%).
- Seven universities (16%) reported a deficit in 2017.

### TAFE

- Recorded low levels of profitability and had the lowest median net surplus margin of any provider type (-3.1%).
- High proportion of deficit-making providers; close to two-thirds of TAFEs incurred a deficit in 2017.
- Concentrated towards the lower range, close to two-thirds of TAFEs had a net surplus margin below the sector lower quartile (-0.1%).

### For-Profit

- A large number of For-Profit providers continued to record a higher profit margin than the rest of the sector.
- Reported the highest median net profit margin of any provider type (12.4%), being a 2.7 percentage point increase from the previous year (2016: 9.7%).
- Concentrated towards the upper range, over half of For-Profit providers had a net profit margin above the sector upper quartile (9.7%).
- 11 For-Profit providers recorded a loss in 2017 (18%).

### Not-For-Profit

- Recorded low levels of profitability.
- High proportion of deficit-making providers; half of Not-For-Profit providers incurred a loss in 2017.
- Concentrated towards the lower range, 75% of Not-For-Profit providers had a net surplus margin below the sector median (4.1%).

## EBITDA margin

The alternative surplus/profit 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 surplus/profit 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 surplus/profit.

Figure 11. EBITDA margin, by provider type, 2017

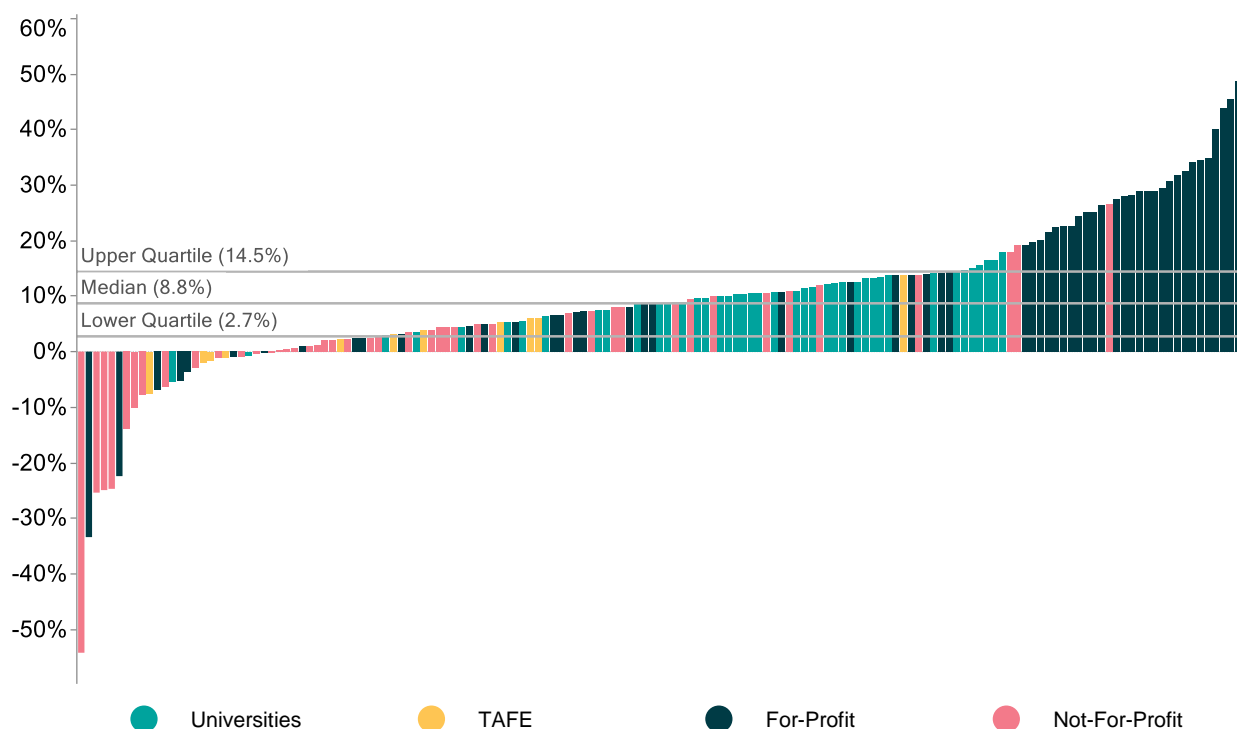


Table 8. EBITDA margin range, by provider type, 2017

		Lower quartile	Median	Upper quartile
Universities		8.5%	10.5%	13.3%
TAFE		-1.3%	3.3%	5.6%
For-Profit		6.7%	19.4%	28.9%
Not-For-Profit		-0.4%	2.7%	8.0%
<b>Sector</b>	2017	2.7%	8.8%	14.5%
	2016	3.3%	9.6%	15.1%

## Sector

- ▶ The sector median net EBITDA margin has been declining over the past three years (2015: 11.1%, 2016: 9.6%, 2017: 8.8%). In 2017, the sector median EBITDA margin declined 0.8 percentage points to 8.8%.
- ▶ Consistent with the observations in Figure 10 (net surplus/profit margin), Not-For-Profit providers were concentrated below the lower quartile (2.7%), while For-Profit providers were concentrated above the upper quartile (14.5%), as reflected in Figure 11.
- ▶ For-Profit was the only provider type to increase its median EBITDA margin, all other provider types reported lower median EBITDA margins compared with the previous year.

### Universities

- The median EBITDA margin declined to 10.5% (2016: 11.9%).
- The majority of the universities (79%) were concentrated around the sector median (8.8%).
- Three universities (7%) recorded a negative EBITDA.

### TAFE

- Concentrated towards the lower range, 46% of TAFE providers had an EBITDA margin below the sector lower quartile (2.7%).
- Four TAFE providers (36%) recorded a negative EBITDA.

### For-Profit

- Reported the highest median EBITDA margin of any provider type (19.4%), being a 5.3 percentage point increase from the previous year (2016: 14.1%).
- Concentrated towards the upper range, half of For-Profit providers had an EBITDA margin above the sector upper quartile (14.5%).

### Not-For-Profit

- Had the lowest median EBITDA margin of any provider type (2.7%).
- Concentrated towards the lower range, 77% of Not-For-Profit providers had an EBITDA margin below the sector median (8.8%).

# Staff spending

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 level of a provider's staff spending can be influenced by a range of factors such as the composition of its workforce (i.e. full-time, fractional full-time or casual), delivery method (face-to-face, online, third party) or mission. For example, it is possible for providers to have low employee expenditure in situations where staff are engaged on a volunteer basis.

Figure 12. Employee benefits to total revenue, by provider type, 2017

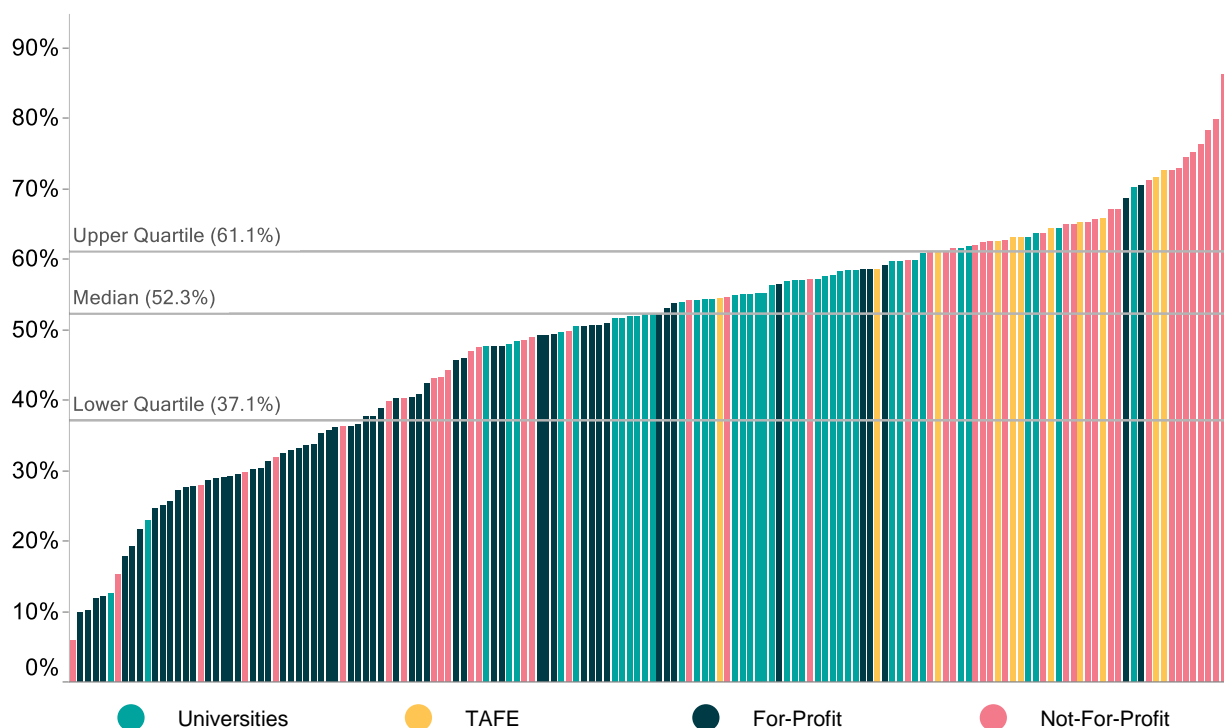


Table 9. Employee benefits to total revenue range, by provider type, 2017

		Lower quartile	Median	Upper quartile
Universities		52.0%	55.1%	58.4%
TAFE		61.9%	63.1%	65.5%
For-Profit		28.9%	36.1%	49.2%
Not-For-Profit		46.1%	61.3%	67.1%
<b>Sector</b>	2017	37.1%	52.3%	61.1%
	2016	38.0%	52.3%	59.9%

## Sector

- ▶ Staff spending relative to revenue remained stable (sector median 2017: 52.3%, 2016: 52.3%).
- ▶ For-Profit providers were concentrated below the sector lower quartile (37.1%), while universities tended to be concentrated around the sector median (52.3%), as reflected in Figure 12.
- ▶ The median staff spending relative to revenue for the universities, TAFE and Not-For-Profit provider groups was above the sector median of 52.3%.

### Universities

- The majority of the universities (81%) were concentrated between the sector lower and upper quartiles.
- For two universities, staff spending was less than 37.1% of total revenue (i.e. below the sector lower quartile).

### TAFE

- Had the highest level of staff spending relative to revenue of any provider type (median 63.1%).
- Concentrated towards the upper range, 73% of TAFEs were above the sector upper quartile (61.1%).

### For-Profit

- Had the lowest levels of staff spending relative to revenue (median 36.1%), well below the sector median (52.3%).
- Concentrated towards the lower range, 85% of For-Profit providers were below the sector median (52.3%).
- Two For-Profit providers were above the sector upper quartile (61.1%).

### Not-For-Profit

- Had the most diverse range of staff spending relative to revenue of any provider type, with staff spending ranging from 6% to 90% of total revenue.
- Concentrated towards the upper range, 52% of Not-For-Profit providers were above the sector upper quartile (61.1%).

# Asset replacement

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>10</sup> A ratio above 1 indicates recent investment in physical resourcing (such as refurbishment, replacement of existing assets, purchase of new assets).<sup>11</sup>

Figure 13. Asset replacement ratio, by provider type, 2017

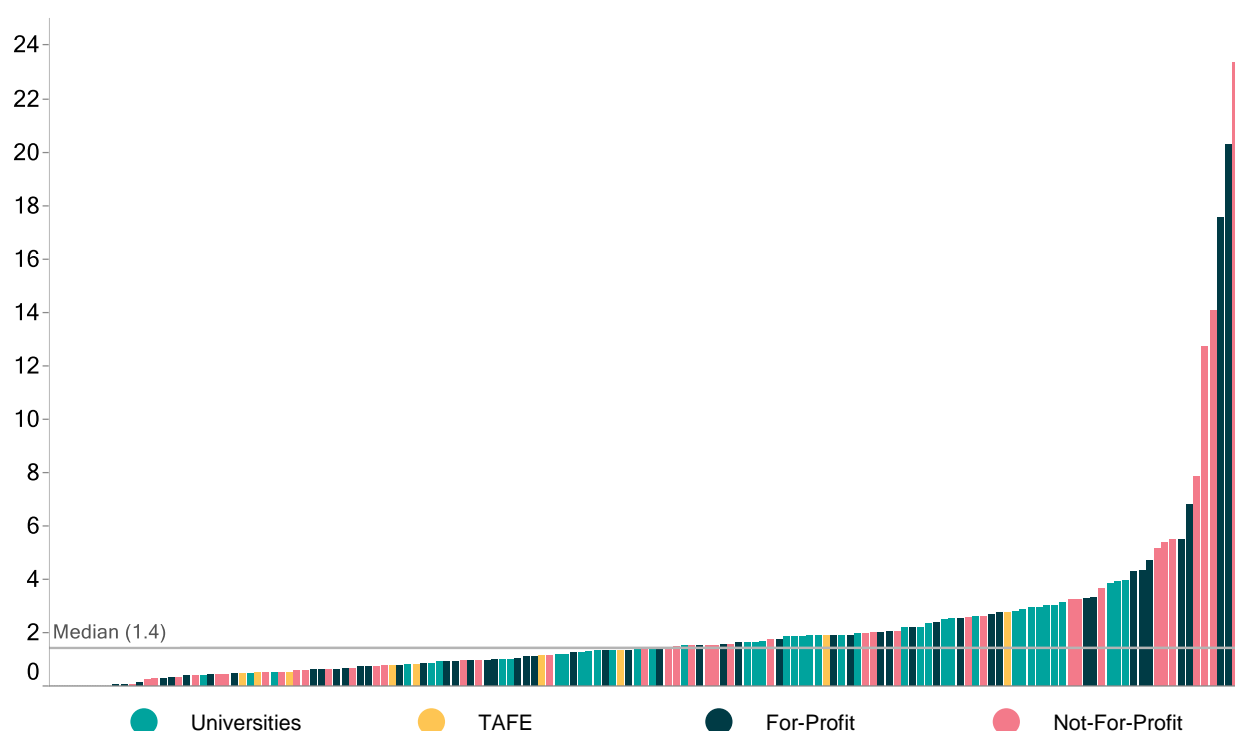


Table 10. Asset replacement ratio range, by provider type, 2017

	Lower quartile	Median	Upper quartile
Universities	1.3	1.9	2.6
TAFE	0.5	0.8	1.3
For-Profit	0.6	1.1	2.1
Not-For-Profit	0.6	1.5	2.8
<b>Sector</b>			
2017	0.7	1.4	2.5
2016	0.6	1.3	2.3

<sup>10</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.

<sup>11</sup> It is possible to have a low asset repayment ratio when investment in assets/facilities is made by a related entity, rather than by the registered higher education entity.

## Sector

- ▶ There is a high degree of diversity in asset replacement levels, which range from zero to 23.8 times depreciation.
- ▶ The median asset replacement ratio for the sector remained similar to the previous year at 1.4 (2016: 1.3).
- ▶ Overall, 63% of providers in the sector had an asset replacement ratio over 1, the generally accepted benchmark.

### Universities

- Had a median asset replacement ratio of 1.9 which was 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 additional assets.
- Six universities recorded an asset replacement ratio of less than 1.

### TAFE

- The only provider type to record a median asset replacement ratio (0.8) below the generally accepted benchmark of 1. This indicates that the rate of investment in assets was below depreciation.
- Four TAFE providers recorded an asset replacement ratio above 1.

### For-Profit

- The median asset replacement ratio increased to 1.1 (2016: 0.9). A ratio of 1 indicates that investment was generally replacement in nature.
- Approximately half of For-Profit providers recorded an asset replacement ratio of less than 1.

### Not-For-Profit

- The median asset replacement ratio increased to 1.5 (2016: 0.9).
- 57% of Not-For-Profit providers recorded an asset replacement ratio greater than 1.

# Liquidity

Liquidity, commonly measured using the current ratio (see Glossary), 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 14. Liquidity (current ratio), by provider type, 2017

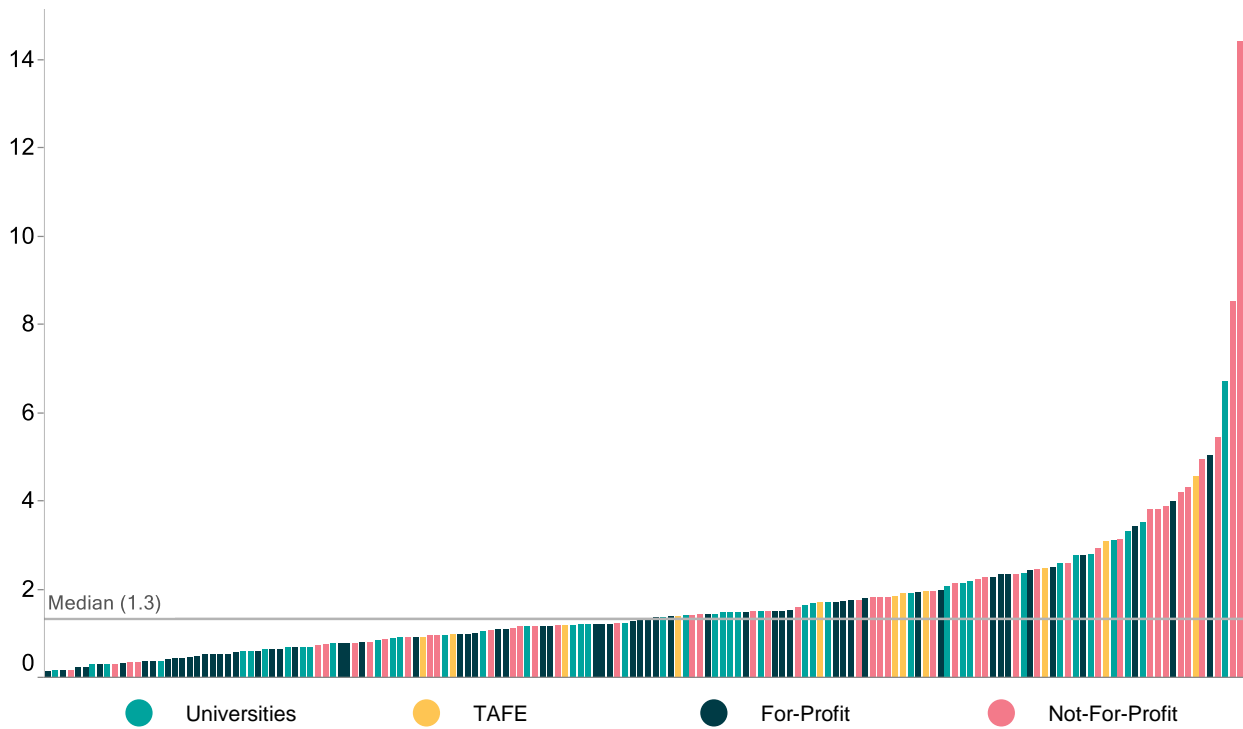


Table 11. Liquidity (current ratio) range, by provider type, 2017

		Lower quartile	Median	Upper quartile
Universities		0.8	1.4	2.0
TAFE		1.3	1.8	2.2
For-Profit		0.5	1.1	1.5
Not-For-Profit		1.0	1.6	2.6
<b>Sector</b>	2017	0.8	1.3	2.0
	2016	0.8	1.3	2.2

▲ All provider types recorded a median current ratio of greater than 1, indicating adequate liquidity levels are being maintained across the sector. Further, 64% of providers had liquidity levels above 1, the generally accepted benchmark.

<sup>12</sup> The current ratio has been adjusted by removing related party assets and/or liabilities from the calculation.



# Appendices

# Appendix A – Universities

Figure 15. Largest revenue source to total revenue (%), 2017

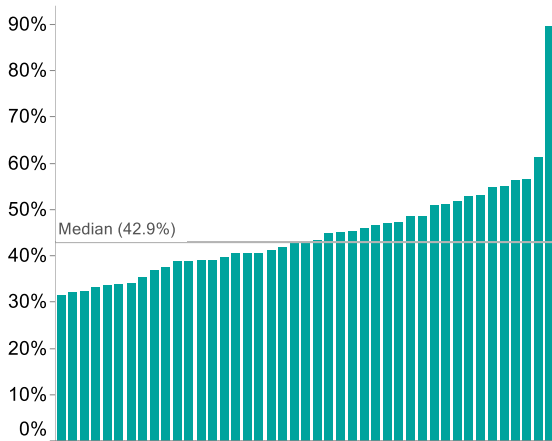


Figure 16. Net surplus/profit margin, 2017

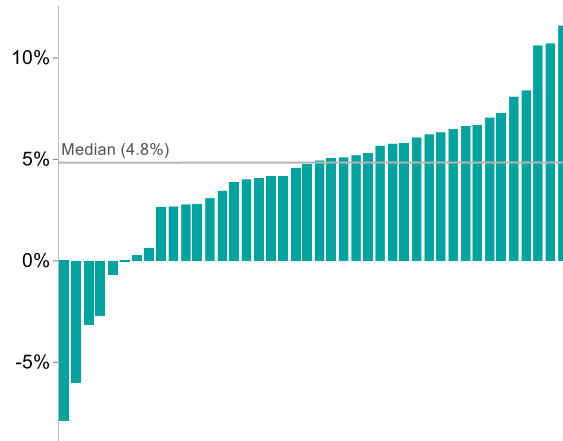


Figure 17. EBITDA margin, 2017

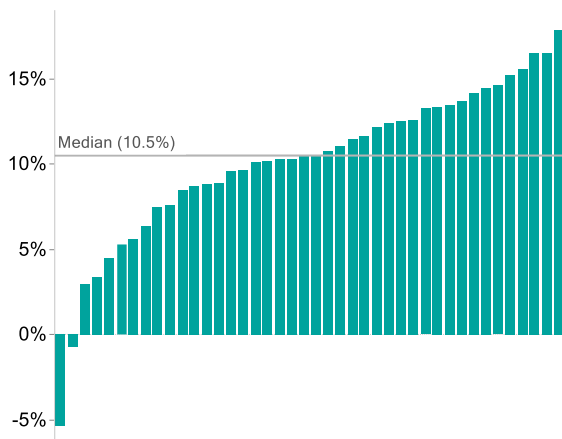


Figure 18. Employee benefits to total revenue (%), 2017

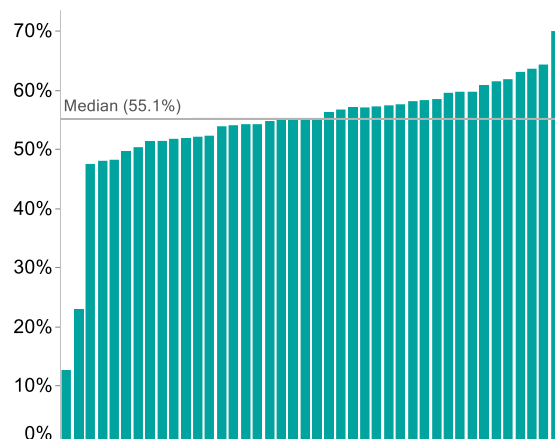


Figure 19. Asset replacement ratio, 2017

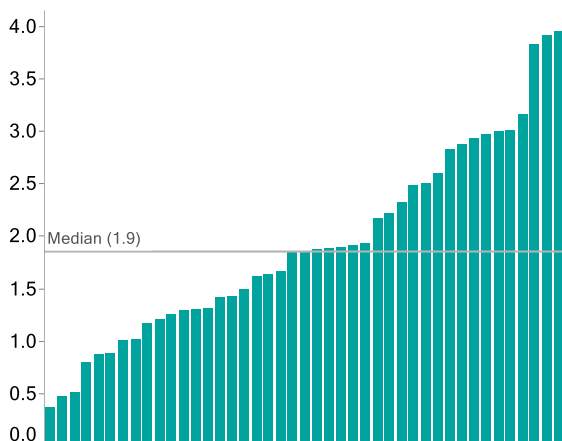


Figure 20. Liquidity (current ratio), 2017

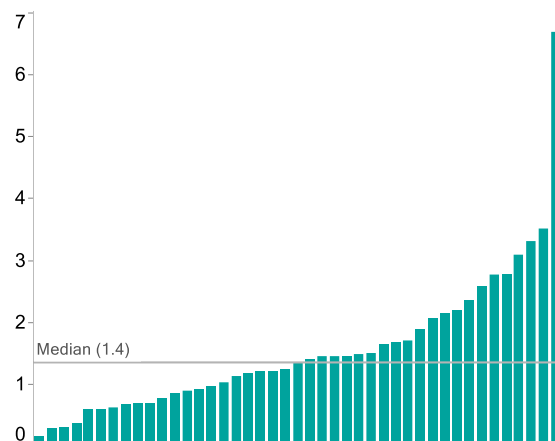


Table 12. Key financial metric ranges, Universities, 2016 – 2017

		Lower quartile	Median	Upper quartile
Largest revenue source to total revenue (%)	2017	38.8%	42.9%	49.8%
	2016	38.5%	43.2%	51.1%
Net surplus/profit margin	2017	2.8%	4.8%	6.3%
	2016	2.6%	5.5%	6.8%
EBITDA margin	2017	8.5%	10.5%	13.3%
	2016	7.4%	11.9%	13.6%
Employee benefits to total revenue (%)	2017	52.0%	55.1%	58.4%
	2016	52.3%	55.7%	57.7%
Asset replacement ratio	2017	1.3	1.9	2.6
	2016	1.5	2.0	2.7
Liquidity (current ratio)	2017	0.8	1.4	2.0
	2016	1.0	1.3	2.1

Irregular or abnormal data points have been excluded from the analysis presented in this Appendix. Providers have also been excluded where there was insufficient data 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. Further details on exclusions can be found in the Explanatory Notes section of this report.

# Appendix B – TAFE

Figure 21. Largest revenue source to total revenue (%), 2017

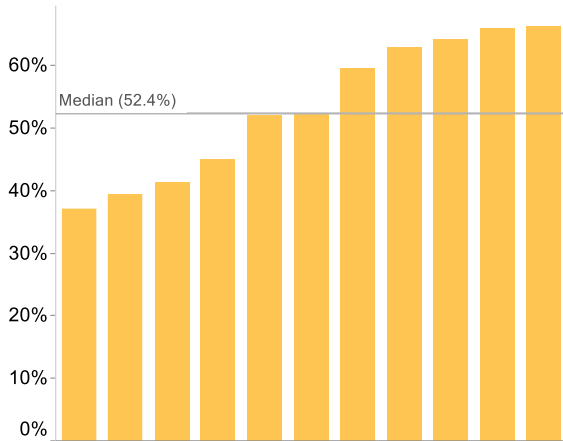


Figure 22. Net surplus/profit margin, 2017

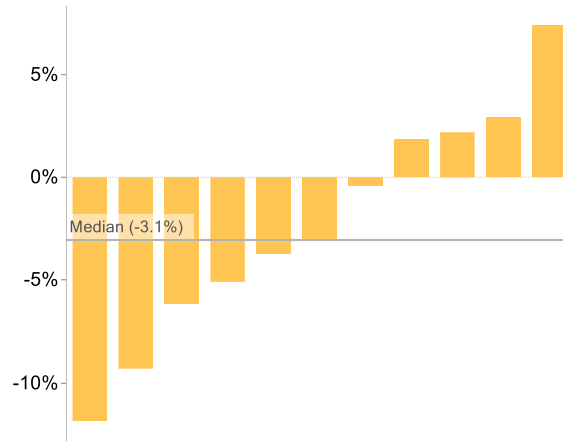


Figure 23. EBITDA margin, 2017

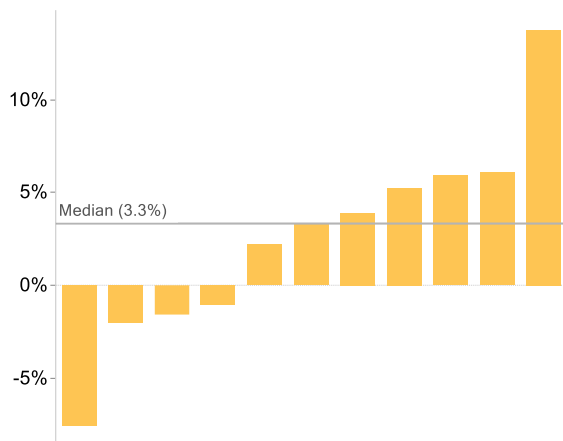


Figure 24. Employee benefits to total revenue (%), 2017

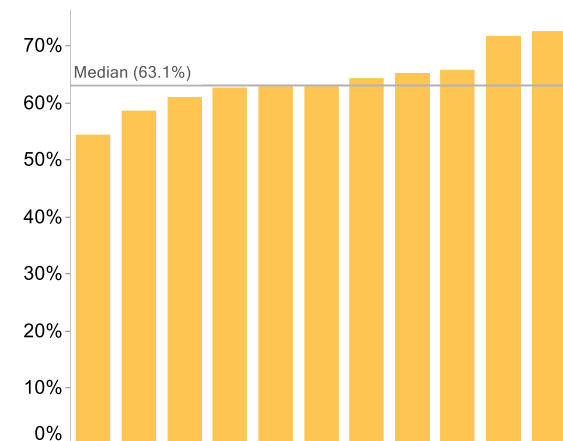


Figure 25. Asset replacement ratio, 2017

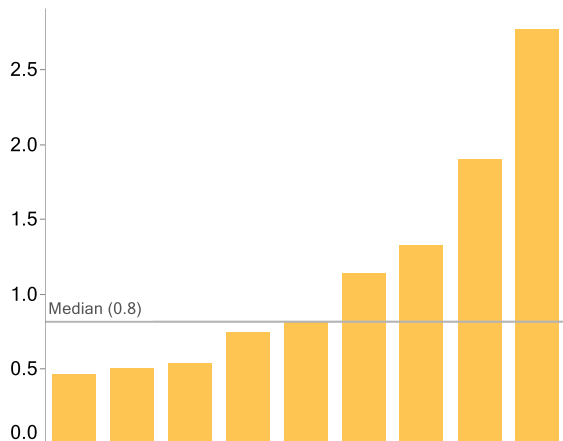


Figure 26. Liquidity (current ratio), 2017

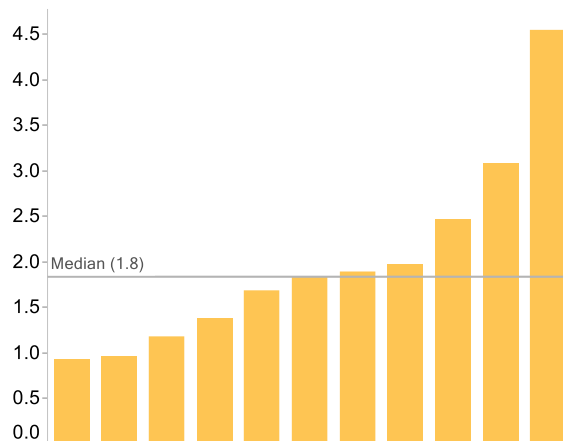


Table 13. Key financial metric ranges, TAFE, 2016 – 2017

		Lower quartile	Median	Upper quartile
Largest revenue source to total revenue (%)	2017	43.1%	52.4%	63.5%
	2016	43.3%	59.4%	62.5%
Net surplus/profit margin	2017	-5.6%	-3.1%	2.0%
	2016	-1.8%	2.9%	3.7%
EBITDA margin	2017	-1.3%	3.3%	5.6%
	2016	2.6%	4.4%	9.5%
Employee benefits to total revenue (%)	2017	61.9%	63.1%	65.5%
	2016	59.7%	62.3%	66.7%
Asset replacement ratio	2017	0.5	0.8	1.3
	2016	0.6	0.7	0.8
Liquidity (current ratio)	2017	1.3	1.8	2.2
	2016	1.2	1.8	2.9

Irregular or abnormal data points have been excluded from the analysis presented in this Appendix. Providers have also been excluded where there was insufficient data 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. Further details on exclusions can be found in the Explanatory Notes section of this report.

# Appendix C – For-Profit

Figure 27. Largest revenue source to total revenue (%), 2017

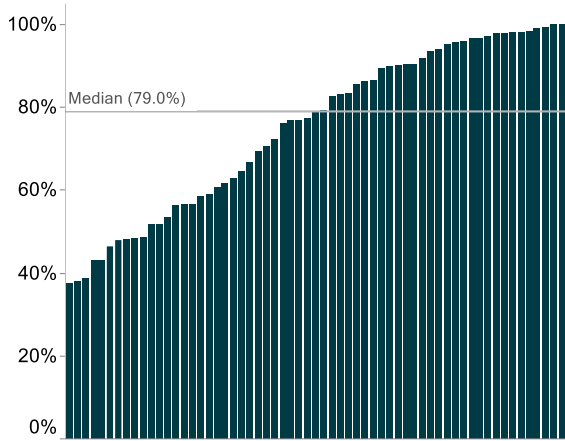


Figure 28. Net surplus/profit margin, 2017

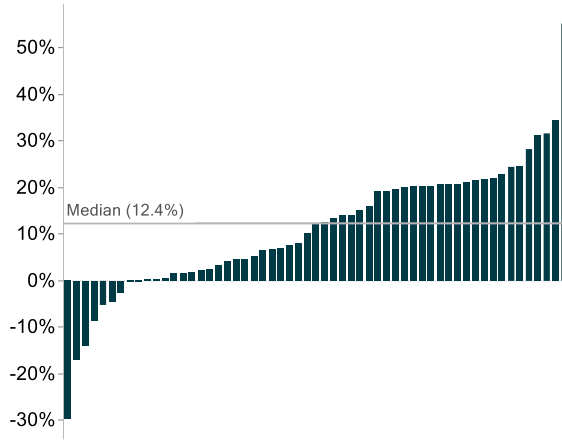


Figure 29. EBITDA margin, 2017

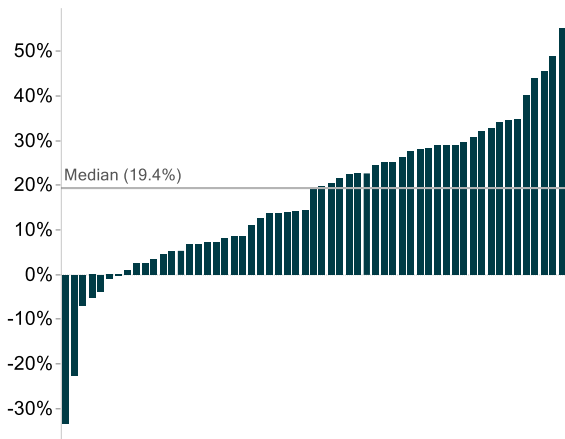


Figure 30. Employee benefits to total revenue (%), 2017

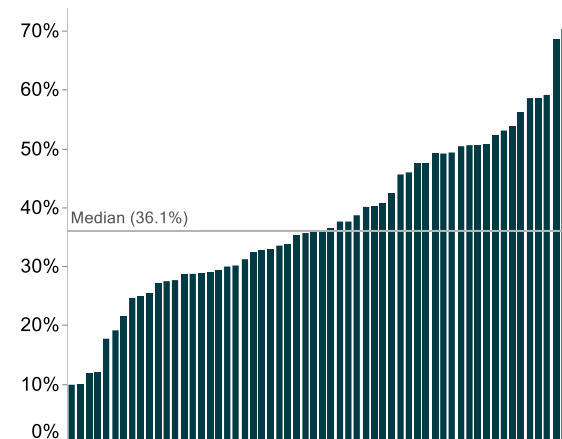


Figure 31. Asset replacement ratio, 2017

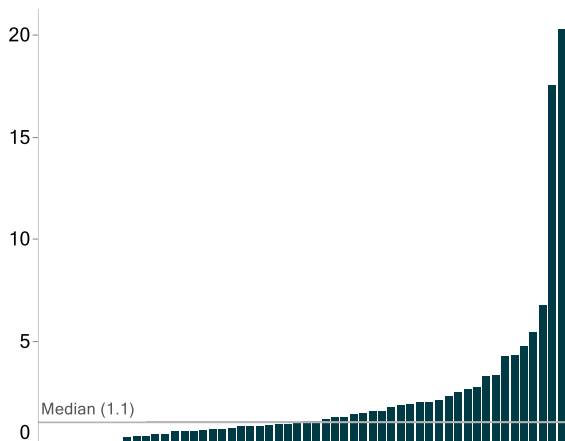


Figure 32. Liquidity (current ratio), 2017

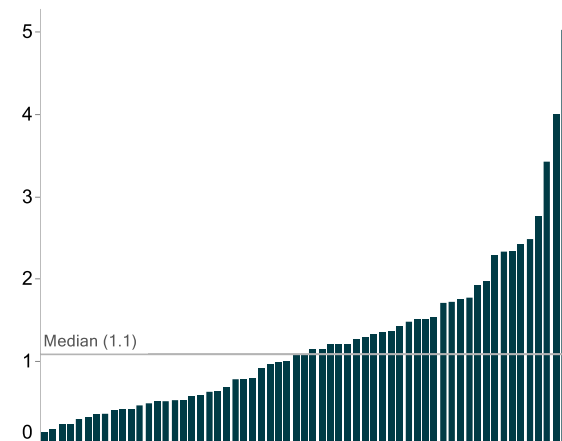


Table 14. Key financial metric ranges, For-Profit, 2016 – 2017

		Lower quartile	Median	Upper quartile
Largest revenue source to total revenue (%)	2017	56.6%	79.0%	94.0%
	2016	52.8%	79.3%	91.4%
Net surplus/profit margin	2017	1.7%	12.4%	20.6%
	2016	3.5%	9.7%	18.4%
EBITDA margin	2017	6.7%	19.4%	28.9%
	2016	7.6%	14.1%	26.2%
Employee benefits to total revenue (%)	2017	28.9%	36.1%	49.2%
	2016	28.8%	37.3%	46.4%
Asset replacement ratio	2017	0.6	1.1	2.1
	2016	0.4	0.9	2.0
Liquidity (current ratio)	2017	0.5	1.1	1.5
	2016	0.5	1.0	1.8

Irregular or abnormal data points have been excluded from the analysis presented in this Appendix. Providers have also been excluded where there was insufficient data 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. Further details on exclusions can be found in the Explanatory Notes section of this report.

# Appendix D – Not-For-Profit

Figure 33. Largest revenue source to total revenue (%), 2017

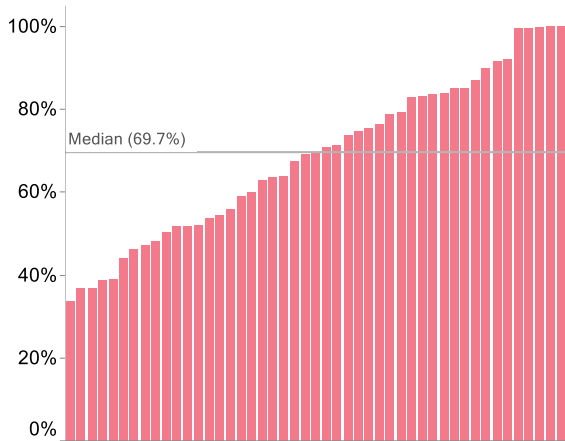


Figure 34. Net surplus/profit margin, 2017

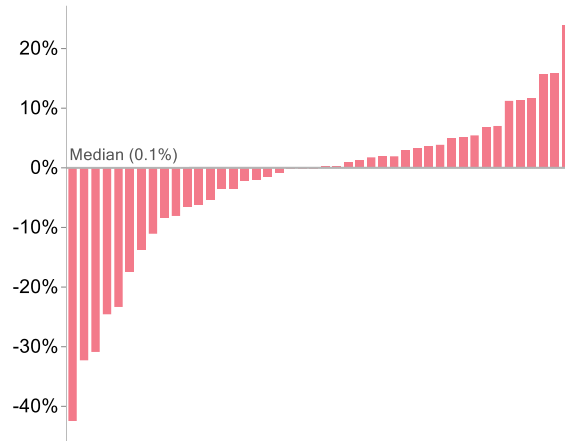


Figure 35. EBITDA margin, 2017

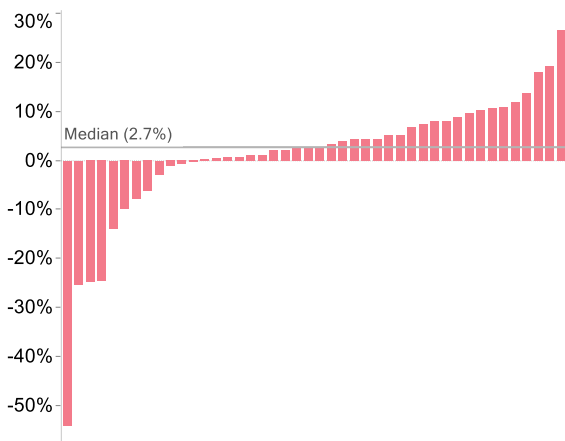


Figure 36. Employee benefits to total revenue (%), 2017

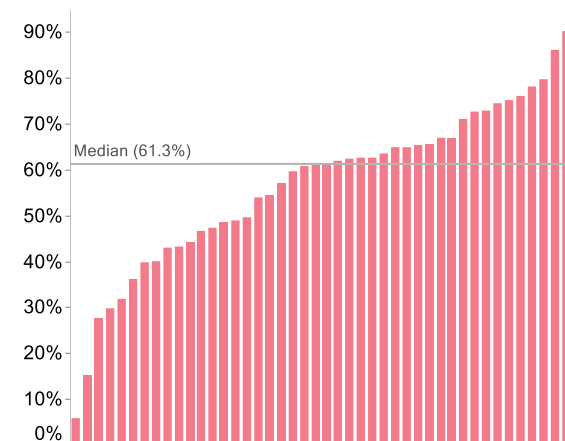


Figure 37. Asset replacement ratio, 2017

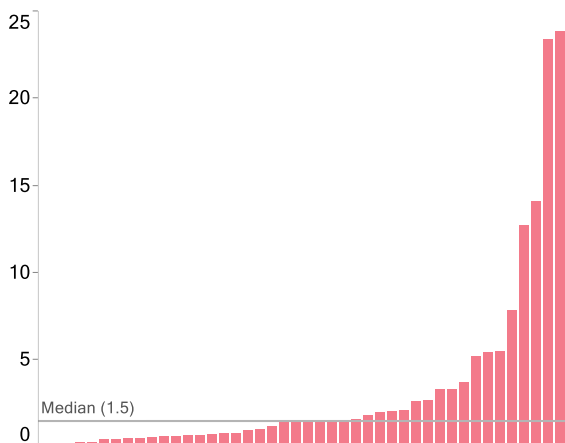


Figure 38. Liquidity (current ratio), 2017

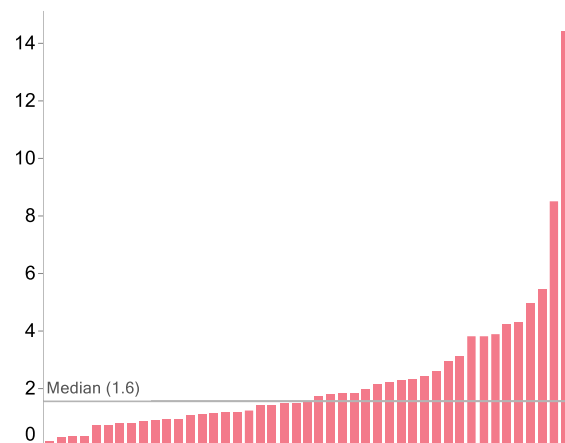




Table 15. Key financial metric ranges, Not-For-Profit, 2016 – 2017

		Lower quartile	Median	Upper quartile
Largest revenue source to total revenue (%)	2017	51.8%	69.7%	83.6%
	2016	53.2%	61.8%	78.3%
Net surplus/profit margin	2017	-6.1%	0.1%	4.2%
	2016	-5.3%	1.1%	4.6%
EBITDA margin	2017	-0.4%	2.7%	8.0%
	2016	-2.1%	4.2%	7.6%
Employee benefits to total revenue (%)	2017	46.1%	61.3%	67.1%
	2016	46.8%	58.5%	66.8%
Asset replacement ratio	2017	0.6	1.5	2.8
	2016	0.5	0.9	3.1
Liquidity (current ratio)	2017	1.0	1.6	2.6
	2016	1.0	1.5	2.8

Irregular or abnormal data points have been excluded from the analysis presented in this Appendix. Providers have also been excluded where there was insufficient data 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. Further details on exclusions can be found in the Explanatory Notes section of this report.

# Explanatory notes

## Legislation

A key function of TEQSA as the national regulator for higher education is 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 Agency Act 2011*, which states that one of TEQSA's functions is to 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, values 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 particular provider types 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.

Data in TEQSA's 2017 collection year was sourced from the Department of Education and Training. Prior to 2016, financial data was sourced from TEQSA PIR collections and Department of Education and Training collections.

## Provider type

Providers have been grouped according to type. The provider groupings used in this report are:

- *Universities* – The universities listed in tables A, B and C of the Higher Education Support Act 2003 ('HESA') (refer to Chapter 2, division 16, subdivision 16-B).
- *Technical and Further Education (TAFE)* - Technical and Further Education institutions established by state and territory governments.
- *Non-university not-for-profit ('Not-For-Profit')* – Non-university and non-TAFE providers that are registered not-for-profit organisations with the Australian Charities and Not-for-profits Commission ('ACNC'). Government agencies and government controlled entities are also included in this grouping.
- *Non-university for-profit ('For-Profit')* – Non-university and non-TAFE providers that are not registered not-for-profit organisations.

The table below provides details on the proportion of higher education student load and revenue to the overall sector total by each provider type included in this report's analysis. The student data relates to 2016, while the higher education revenue data relates to the reporting years ended 31 December 2016 until 30 June 2017. The table also sets out the number of providers that submitted data in the most recent data collection year, on which this report has been based. 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
- having registration cancelled

Table 16. Breakdown of providers, by type

	Number of providers 2017	% of HE EFTSL 2016	% of HE revenue 2017
Universities	43	92.3%	93.8%
For-Profit	61	5.2%	4.3%
Not-For-Profit	47	2.1%	1.6%
TAFE	11	0.5%	0.3%
<b>Sector</b>	<b>162</b>	<b>100.0%</b>	<b>100.0%</b>

## Largest revenue source

TEQSA has identified five broad revenue sources which give insight into the key business drivers for a provider. The table below provides a breakdown of the largest revenue sources, by provider type. Please refer to the Glossary for further information on each revenue source.

Table 17. Largest revenue source (%), by provider type, 2017

	Universities	TAFE	For-Profit	Not-For-Profit	Sector
Government grants and programs	86.0%	81.8%	-	12.8%	32.1%
Higher education, domestic students	7.0%	-	26.2%	36.2%	22.2%
Higher education, overseas students	7.0%	-	47.5%	4.3%	21.0%
Non-higher education, all students	-	18.2%	19.7%	12.8%	12.3%
Other sources	-	-	6.6%	34.0%	12.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Provider exclusions

Details on provider inclusions and exclusions are available in the Introduction of this report. The table 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, 10 providers have been excluded from the analysis of asset replacement ratio as there was insufficient data to calculate a three-year average.

Table 18. Exclusions (irregular/abnormal data points), by provider type, 2017

	Universities	TAFE	For-Profit	Not-For-Profit	Total
Revenue concentration	-	-	-	-	-
Net surplus/profit margin	1	-	4	3	8
EBITDA margin	1	-	4	3	8
Employee benefits ratio	1	-	3	3	7
Asset replacement ratio	-	-	-	-	-
Liquidity	-	-	-	2	2

# Glossary

Measure / term	Data elements / explanation	Calculation
Asset replacement ratio	COPPE = Cash Outflows for Property, Plant & Equipment Depn = Depreciation n = current year figure	Asset replacement ratio $= \frac{\left(\frac{COPPE_n}{Depn_n}\right) + \left(\frac{COPPE_{n-1}}{Depn_{n-1}}\right) + \left(\frac{COPPE_{n-2}}{Depn_{n-2}}\right)}{3}$
Current ratio (Liquidity)	CA = Current Assets (excluding related party loans/receivables) CL = Current Liabilities (excluding related party loans/payables)	Liquidity $= \frac{CA}{CL}$
EBITDA margin	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 (%) $= \frac{EBITDA}{AR} \times 100$
Employee benefits to total revenue (%)	TEBE = Total Employee Benefits Expense AR = Adjusted Revenue Adjusted Revenue is total revenue excluding capital grants and abnormal or non-recurring items.	Employee benefits to total revenue (%) $= \frac{TEBE}{AR} \times 100$
Equivalent Full-Time Student Load (EFTSL)	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. The EFTSL of a student studying part-time in a given year will typically be less than 1 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.	

Measure / term	Data elements / explanation	Calculation
Largest revenue source	<p>For this report, TEQSA has identified five broad revenue sources, and revenue is allocated into these categories:</p> <ul style="list-style-type: none"> <li> <p><i>Government grants and programs</i></p> <p>Revenue from Commonwealth, State or Local government sources (excludes capital and infrastructure grants)</p> </li> <li> <p><i>Higher education, domestic students</i></p> <p>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.</p> </li> <li> <p><i>Higher education, overseas students</i></p> <p>Revenue earned by the provider from the delivery of its own higher education courses to overseas students (onshore and offshore).</p> </li> <li> <p><i>Non-higher education, all students</i></p> <p>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 overseas students. This includes VET Student Loan/VET FEE-HELP and fee paying student revenue.</p> </li> <li> <p><i>Other sources</i></p> <p>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.</p> </li> </ul>	
Largest revenue source to total revenue (%)	<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>Largest revenue source to total revenue (%)</p> $= \frac{\text{LRS}}{\text{AR}} \times 100$
Net surplus/profit margin (Operating margin %)	<p>NR = Net Result</p> <p>Net Result (surplus/deficit or profit/loss) 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 surplus/profit margin (%)</p> $= \frac{\text{NR}}{\text{AR}} \times 100$



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