



# Education market in demand

**Market** The learning industry may still be fledgling, but a boom could be on the horizon.

David Chaplin

With a series of hopeful education providers lining up to list on the Australian Securities Exchange like school children outside an exam room, the question must be asked: Do they represent an opportunity for private investors to take advantage of shifting trends in the employment and education spheres or are they simply the result of opportunistic private owners seeking to make a timely exit?

The sector is distorted by government funding, the whims of international students (and their fee-paying parents), widely varying levels of quality and a tendency for some to grow by simply gobbling up competitors.

All the while, the prospect of cheaper education online is challenging institutions at all levels around the world, from universities with more than one hundred years of history to pop-up operators offering courses of questionable merit.

Education providers have long been under represented on the ASX when compared with global peers. There are only 11 stocks that could be classified as "education services" with a combined market cap of about \$3 billion.

The sector is also highly concentrated, with a single firm, Navitas, valued at about two-thirds of the total

education market cap. Another company, the recently listed **Vocation**, accounts for 10 per cent of the market with the rest falling into the "rats and mice" category.

But a rash of recent education company listings, and rumours of several more to come, indicate growing investor demand in the sector.

As well as Vocation, which listed last December, New Zealand-based firm **Intueri** joined the ASX boards this May, while online education specialist **3P Learning** was admitted in July.

After a successful \$100 million IPO, vocational training and recruitment firm **Ashley Services** is to start trading on the ASX by the end of August. Next year international student recruitment firm **IDP**, owned 50-50 by **SEEK** and a consortium of Australian universities, is also expected to list. Meanwhile, online learning company **Acquire** and **Lode-Ed** (a merger of student database provider **Lode** and training company **Performance Education**) have also been tipped as IPO contenders.

Despite an inevitable element of opportunism in the rush to bring education firms to market, there is plenty of scope to redress the imbalance between the sector's representation on the stock exchange and its importance to the Australian economy.

Education-related services alone are Australia's fourth-biggest export earner, drawing in about \$14.4 billion in the 2012-13 financial year, according to the Australian Bureau of Statistics.

Figures from the National Centre for Vocational Education Research (NCVER), a not-for-profit company owned by the Commonwealth and



Education services are Australia's fourth-biggest export earner, drawing in \$14.4 billion in 2012-13. PHOTO: JUDY GREEN

state and territory ministers responsible for vocational education and training, show publicly-funded spending in the sector (which doesn't include higher education or private institutions) in 2012 reached more than \$8.4 billion.

**Sue Fergusson**, NCVER acting managing director, says the privately funded education sector is probably the same size again. And there are a number of structural, regulatory and technological changes underpinning further growth in Australia's education industry.

### Regulatory reform school

Fergusson points to a couple of major secular trends driving the education business globally. "The idea that you get a job for life appears to be over," she says. "There's plenty of evidence that people need to adapt their skills to meet employment demands."

At the same time, governments are increasingly concerned about lifting the skill levels and productivity of their youth and long-term unemployed, hence the "earn or learn" mantra chanted by politicians worldwide.

The latest statistics from NCVER, a complex beast that monitors Australia's publicly-funded vocational and

### Honour roll

#### ASX-listed education stocks

Company	ASX listing date	Market cap
Ashley Services	Due Aug 2014	\$100m
3P Learning	July 2014	\$300m
Intueri	May 2014	\$54.2m
Vocation	Dec 2013	\$600m
Affinity Education (childcare)	Dec 2013	\$200m
Redhill Education	2010	\$37.4m
Success Resources	2006	\$6.6m
G8 Education (childcare)	2006	\$1.5bn
Navitas	2004	\$1.9bn
Kip McGrath	2003	\$11.5m
Site Group	1987	\$59.7m
Academies Australasia	1977	\$78.1m

SOURCE: ASX

educational training (VET) sector, record about 1.9 million students on the rolls of the thousands of registered training organisations under its purview. "I'm reasonably confident the private sector is of a similar size," Fergusson says. "About a quarter of the Australian workforce is engaged in some kind of learning."

The publicly funded VET sector is also in the middle of a massive regula-

tory reboot that will open the traditionally government-owned industry to private competition.

As part of the National Partnership Reform negotiated between the federal and state governments in 2009, the VET funding regime was slated for a shake-up.

Under the reforms, states were to be rewarded with federal funding by

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