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The 2011 APS Bank, FELTOM ELT Industry Survey Report by Deloitte
Talking numbers

APS bank

This survey has been conducted through the support of APS Bank Ltd

Feltom Report 2011 by Deloitte

About FELTOM

The Federation of English Language Teaching Organisations Malta was established in 1989 to promote professionalism within the language learning industry. Although its primary role has been in establishing quality standards, FELTOM has also been very active in the areas of advocacy and promotion.

In the early years, members were obliged to abide by FELTOM's Academic and Student Welfare Codes of Conduct which were to subsequently form the basis of the 1996 Legal Notice which regulates the ELT industry. Since then, FELTOM recognised the need to adapt to market demands and raise minimum standards further. In 2005 the FELTOM Accreditation Scheme was set up and this became the standard requirement for entry to membership of the Federation. Currently FELTOM has 18 members that are inspected every three years by a team of independent inspectors.

While quality assurance is crucial to ensuring consolidation of the sector, FELTOM has also been committed to securing an environment in which the sector can flourish. Over the years FELTOM has acted as an interlocutor with several authorities, including various Government Ministries, the Malta Tourism Authority, and a number of other stakeholders.

In recent years FELTOM has become more active in the field of promoting Malta as a quality ELT destination. Apart from a number of familiarisation tours, FELTOM now organizes a major annual international workshop in which the majority of Malta's ELT organisations participate. This is an opportunity for agents from all over the globe to experience the wide variety of services which the Maltese ELT sector can offer.

Looking ahead, FELTOM will continue to lead in the field of quality standards, however it will also provide support demanded by a professional industry competing at a global level.

For more information about the FELTOM please call (00356) 21 310927, email: executive@feltom.com, or visit its website at: www.feltom.com

The 2011 APS Bank, FELTOM ELT industry survey report.

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FELTOM corporate sponsors:

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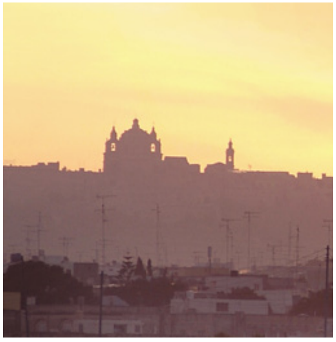
In this issue




President's message

Alex Fenech
President

Following the successful launch of the APS Bank, FELTOM ELT Industry Report by Deloitte in September 2011, FELTOM is proud to have maintained the necessary momentum to ensure that this innovative exercise for our niche sector becomes an annual undertaking. With the launch of this report, FELTOM reached another milestone, that of setting a benchmark against which both member and non-member schools can assess their performance.

The Federation presently counts 17 members and represents approximately 80% of student arrivals. For the past 22 years FELTOM has been the recognized leader in the development of Malta's ELT industry, particularly in areas concerning quality and setting of standards.

2011 was a difficult year for Malta's ELT industry. The loss of the INPDAP contract and the reduction of the scholarship granted to Spanish BECAS MEC students travelling to Malta have impacted our industry substantially. Events in Libya early in the year, also lead to a number of cancellations of junior groups. Notwithstanding these adverse conditions, the industry still managed to record its fourth best year ever in terms of student numbers. For 2011, schools reviewed their marketing strategies to replace lost business, with new business from established markets such as Russia and emerging markets such as Turkey, Japan, Brazil and others. Schools have also reviewed certain pricing policies taken in the past to ensure that, notwithstanding the 4.7% reduction in student numbers, they achieved higher annual revenue, and higher revenue per student week.

Our industry is responsible for approximately 5% of tourist arrivals in Malta, however, when one considers that average length of stay for students amounts to 18.4 nights, as compared to 8.3 nights for the average tourist, the ELT industry accounts for approximately 11% of tourist bed nights. These numbers become more considerable in the case of emerging tourist source markets. Our students account for 34.6% of tourist arrivals from Russia, 32.9% from Turkey, 41.1% from Korea, and in the region of 20% from Ukraine, Czech Republic, Slovakia and Brazil. I would like to take this opportunity to appeal to the authorities for increased support in these markets, especially when it comes to marketing and visas.

Participation of schools in this report has been encouraging, particularly amongst FELTOM schools. I would also like to take this opportunity to thank participating schools for supporting our initiative and to encourage non-participating schools not to miss out on this unique opportunity to benchmark their organization. Thanks also go to our sponsors, APS Bank and Deloitte, for their support and sponsorship which has enabled FELTOM to successfully launch and maintain this initiative.

2011 was a difficult year for Malta's ELT industry. The loss of the INPDAP contract and the reduction of the scholarship granted to Spanish BECAS MEC students travelling to Malta have impacted our industry substantially.

Key highlights

The key highlights of the 2011 results may be summarised as follows:

- Student arrivals continued their downward trend and fell to 69,297 – a decrease of 4.7% since 2010 and 17.5% since 2007.
- Average length of stay increased by 3.95% and contained the decline in student weeks to 0.6% compared to 2010.
- Revenue per student week increased by 5% to reach €283.
- Total cost per student week increased by 1.4% to read €253.
- The more accelerated increase in revenue relative to costs contributed to an increase in gross operating profit per student week of 49% to reach €30.41 per week in 2011 (2010: €20.35).

Raphael Aloisio
Leader Financial Advisory

Key industry statistics	2009	2010	2011	Change 11 / 10	Change 11 / 09
Student arrivals	68,918	72,695	69,297	-4.7%	0.5%
Student weeks	172,245	183,406	182,347	-0.6%	5.9%

Industry performance totals	2009	2010	2011	Change 11 / 10	Change 11 / 09
Revenue per student week	€293	€270	€283	5.0%	-3.3%
Direct costs per student week	€162	€153	€154	0.7%	-5.0%
Overheads per student week	€42	€40	€40	1.4%	-2.6%
Payroll costs per student week	€68	€56	€58	3.2%	-14.5%
Total cost per student week	**€272**	**€249**	**€253**	**1.4%**	**-7.0%**
Gross operating profit per student week	**€21**	**€20**	**€30**	**49.4%**	**44.8%**

Industry indicators

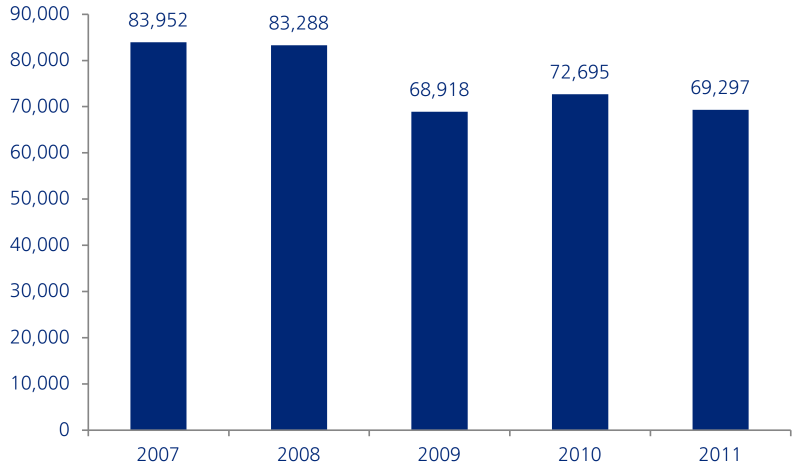
NSO Statistics

Key industry indicators NSO statistics

Student arrivals in 2011

- Declined by 4.7% compared to 2010.
- Remained 0.5% higher than 2009.
- Fell 17.5% short of the levels reached in 2007.

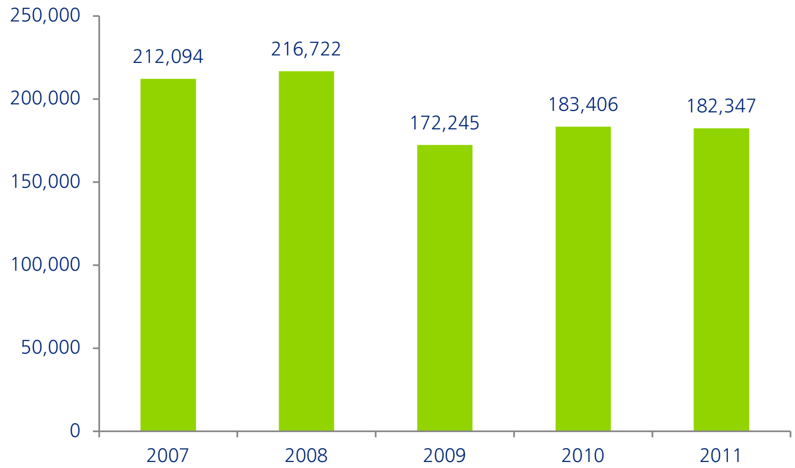
Student arrivals



Student weeks in 2011

- Declined by 0.6% compared to 2010.
- Remained 15.86% below 2008 levels.

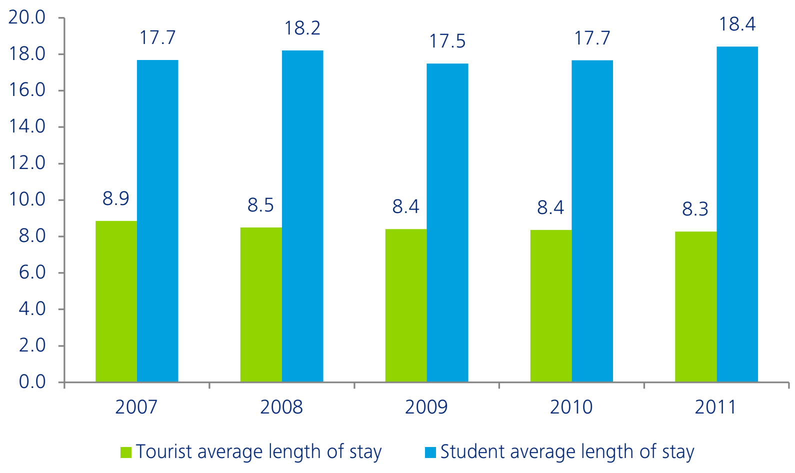
Student weeks



Average length of stay

- Average length of stay increased by 3.95% to reach 18.4 days.
- Average student length of stay remained more than 2.2 times than the length of stay of total tourists.

Average length of stay (days)



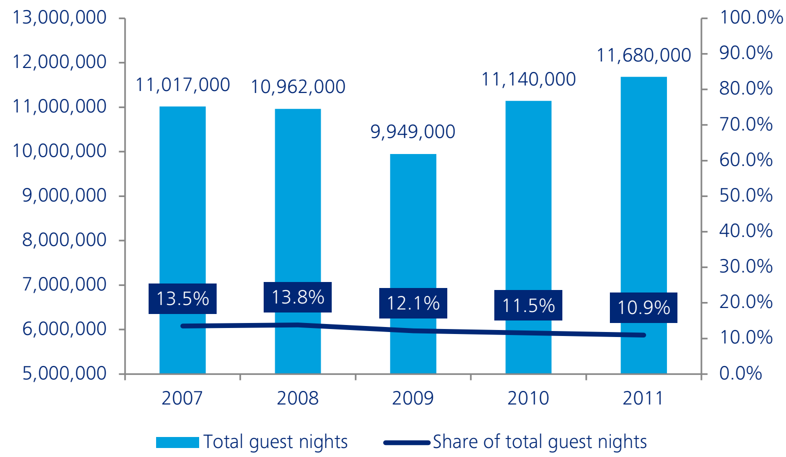
Key industry indicators NSO statistics

Student share of total tourist arrivals

Student share of total tourist arrivals

- Student share of total arrivals accounted for 4.9% of the total tourist arrivals, when compared to 5.5% in 2010.

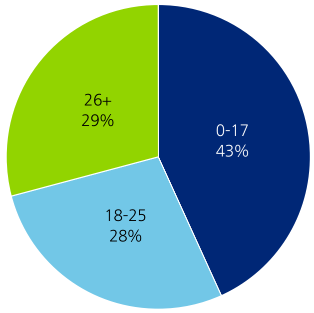
Student guest nights share of total tourist guest nights



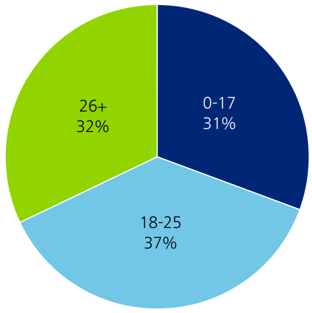
Student share of total tourist guest nights

- Student guest nights expressed as a percentage of total tourist guest nights continued their downward trend and fell to 10.9% of the total tourist guest nights during the year (2010: 11.5%).

Student arrival age mix



Student week age mix



Student age mix

- In 2011, students in the under-18 category accounted for 43% of the total student arrivals, but accounted for a significantly lower 31% of student guest nights.
- Student arrivals in the 18-25 category decreased from 32% in 2010 to 28% in the year, whilst student guest nights similarly decreased from 41% to 37% in the year.

Key industry indicators NSO statistics

Student country mix Source market	2009	% share	2010	% share	2011	% share	Change 11/10	Change 11/09
Italy	15,254	22%	15,734	22%	12,364	18%	-21%	-19%
Germany	13,098	19%	12,643	17%	11,874	17%	-6%	-9%
Spain	9,267	13%	11,158	15%	7,042	10%	-37%	-24%
Russia	5,825	8%	7,359	10%	8,238	12%	12%	41%
France	6,470	9%	6,911	10%	8,083	12%	17%	25%
Austria / Switzerland	6,648	10%	5,488	8%	5,793	8%	6%	-13%
Czech Rep. / Poland / Slovakia	3,564	5%	3,746	5%	3,841	6%	3%	8%
Turkey	834	1%	1,122	2%	1,673	2%	49%	101%
Netherlands / Belgium	1,267	2%	1,418	2%	1,784	3%	26%	41%
Japan / South Korea	1,423	2%	1,421	2%	1,544	2%	9%	9%
Other countries	5,268	8%	5,695	8%	7,061	10%	24%	34%
TOTAL	68,918		72,695		69,297		-5%	1%

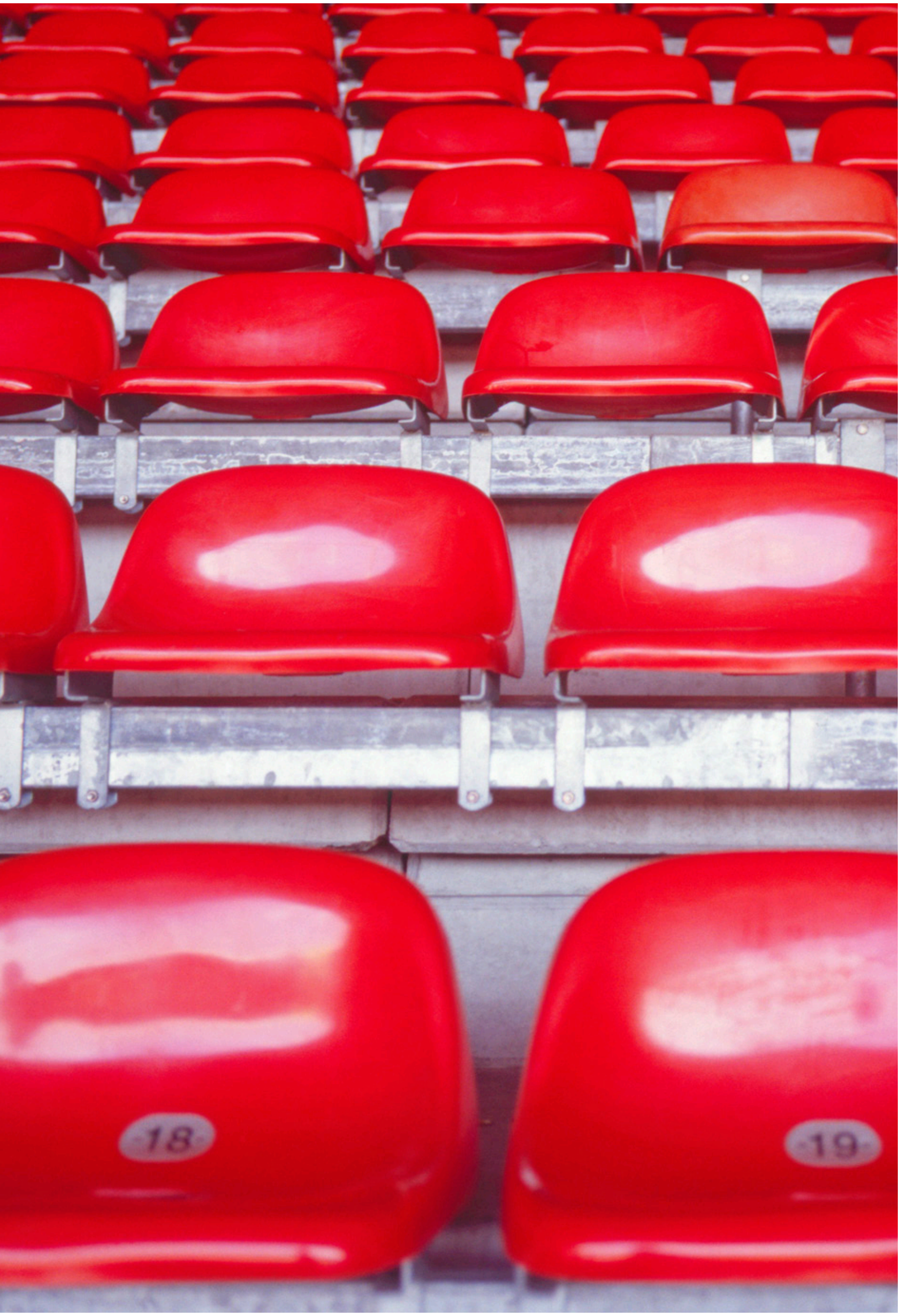
Student week country mix Source market	2009	% share	2010	% share	2011	% share	Change 11/10	Change 11/09
Italy	25,254	15%	25,102	14%	21,419	12%	-15%	-15%
Germany	26,905	16%	24,859	14%	23,164	13%	-7%	-14%
Spain	26,799	16%	33,679	18%	19,710	11%	-41%	-26%
Russia	17,373	10%	21,223	12%	26,165	14%	23%	51%
France	14,339	8%	14,687	8%	13,276	7%	-10%	-7%
Austria / Switzerland	13,555	8%	12,053	7%	11,555	6%	-4%	-15%
Czech Rep. / Poland / Slovakia	8,492	5%	8,612	5%	9,090	5%	6%	7%
Turkey	6,607	4%	6,947	4%	11,515	6%	66%	74%
Netherlands / Belgium	3,665	2%	5,001	3%	5,997	3%	20%	64%
Japan / South Korea	7,668	4%	9,440	5%	9,844	5%	4%	28%
Other countries	21,588	13%	21,803	12%	30,612	17%	40%	42%
TOTAL	172,245		183,406		182,347		-1%	6%

Key industry indicators NSO statistics

Average length of stay country mix (days)					
Source market	**2009**	**2010**	**2011**	**Change 11/10**	**Change 11/09**
Italy	11.6	11.2	12.1	9%	5%
Germany	14.4	13.8	13.7	-1%	-5%
Spain	20.2	21.1	19.6	-7%	-3%
Russia	20.9	20.2	22.2	10%	6%
France	15.5	14.9	11.5	-23%	-26%
Austria / Switzerland	14.3	15.4	14.0	-9%	-2%
Czech Rep. / Poland / Slovakia	16.7	16.1	16.6	3%	-1%
Turkey	55.5	43.3	48.2	11%	-13%
Netherlands / Belgium	20.2	24.7	23.5	-5%	16%
Japan / South Korea	37.7	46.5	44.6	-4%	18%
Other countries	28.7	26.8	30.3	13%	6%
TOTAL	**17.5**	**17.7**	**18.4**	**4%**	**5%**

Source market analysis

- The top 5 performing outbound markets for student arrivals in 2011 accounted for 69% of total student arrivals as follows:
  - Italy -17.8% ▼
  - Germany -17.1% ▼
  - Russia +11.9% ▲
  - France +11.7% ▲
  - Spain -10.2% ▼
- The top guest night generating markets accounted for 57% of the total student weeks as follows:
  - Russia +14.3% ▲
  - Germany -12.7% ▼
  - Italy -11.7% ▼
  - Spain -10.8% ▼
  - France -7.3% ▼
- The strongest performing markets in 2011 - in terms of student weeks - were Russia and Turkey which registered increases of 4,942 (23.3%) and 4,568 (65.8%) respectively.
- Spain registered the largest drop in terms of student weeks with a decrease of 13,969 weeks (41.5%) when compared to the previous year.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English Language Tuition Industry Analysis

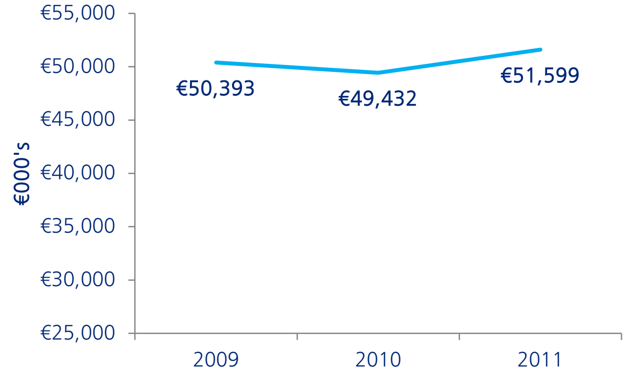
Revenue, direct and indirect costs, payroll and gross operating profit

Revenue

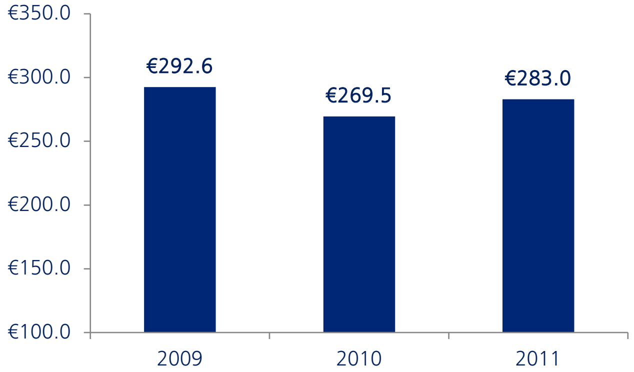
Revenue

- Notwithstanding the decrease in student arrivals and student weeks, total revenue for 2011 amounted to €51.6 million which was 4.4% higher than the previous year, and 2.4% higher than in 2009.
- The total revenue per student week for 2011 amounted to €283, 5% higher than in 2010, but 3.43% below that of 2009.
- 52% of the total revenue originated from tuition, whilst 40% came from accommodation. Revenue from Activities and other sources amounted to 8% of the total revenue.
- Revenue per student week from all sources was up, as follows:
  - Tuition: +3% (2010: -2.2%)
  - Accommodation: +6% (2010: -13.6%)
  - Activities and other revenue: +15% (2010: -13.2%).

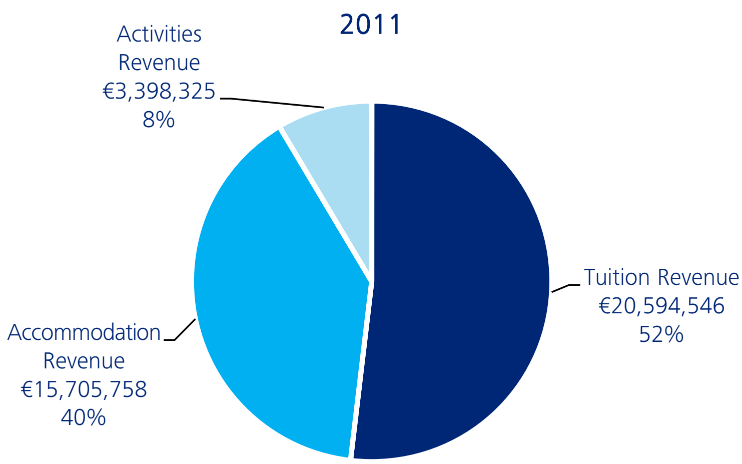
Total revenue



Total revenue per student week

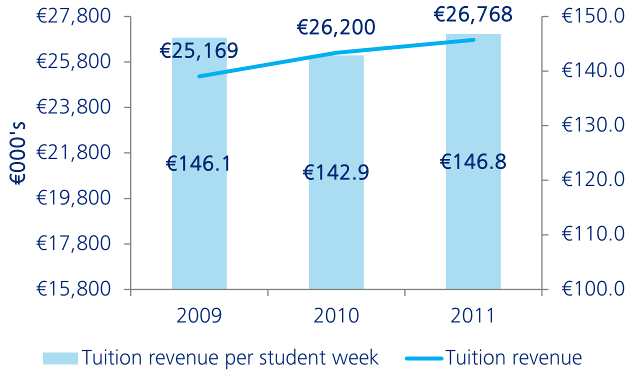


Total revenue mix

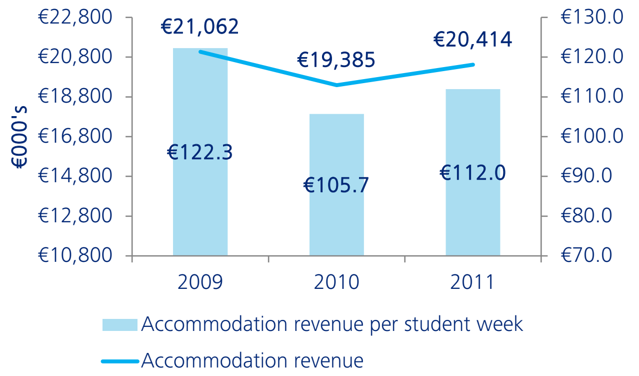


Revenue

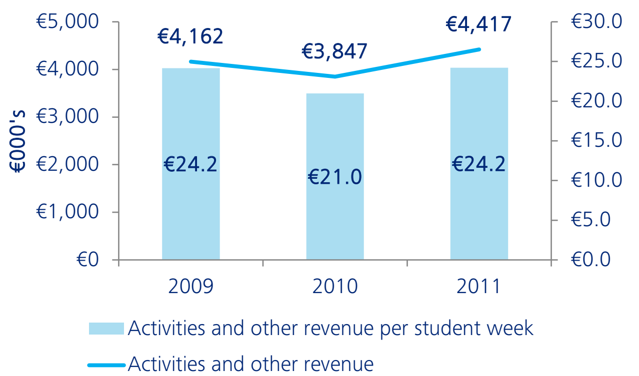
Tuition



Accommodation



Activities and other

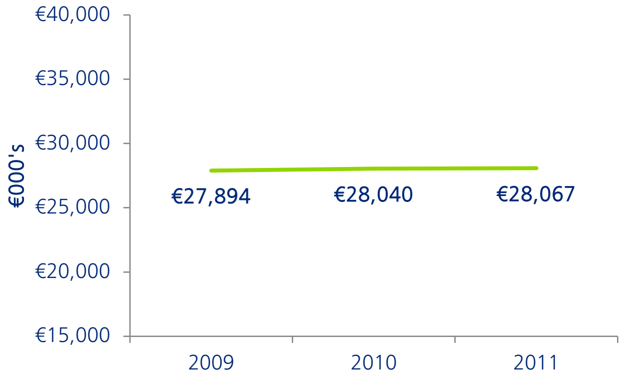


Direct costs

Direct costs

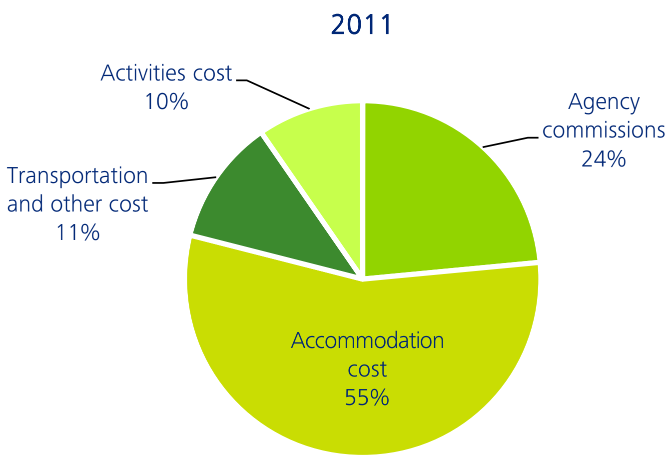
- Total direct costs in 2011 amounted to €28.1 million, in line with the previous two years.
- Direct costs per student week were marginally higher than the previous year, but 5% lower than in 2009.
- Accommodation costs represented 55% of the total direct costs (2010: 52%).
- Accommodation cost per student week in 2011 decreased marginally to €85 per week (2010: €86; 2009: €95).

Total direct costs



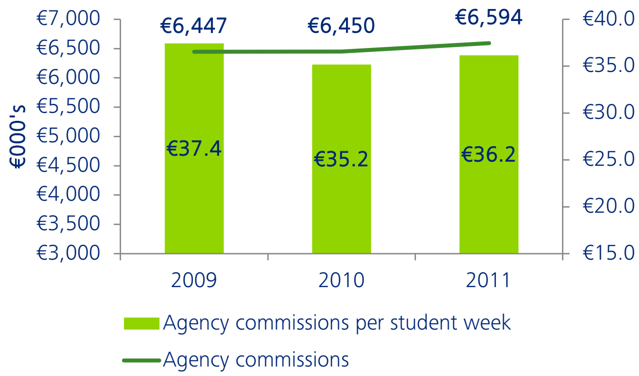
Total direct costs per student week

Total direct costs mix

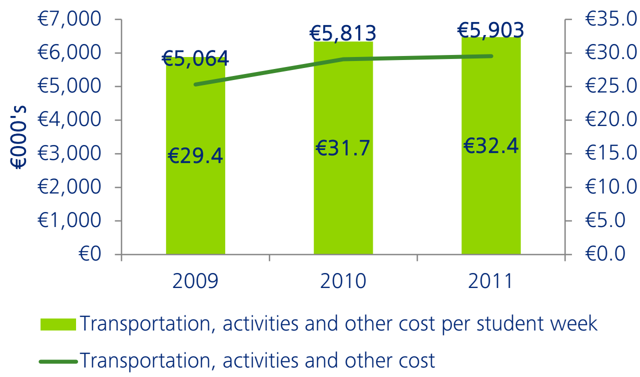


Direct costs

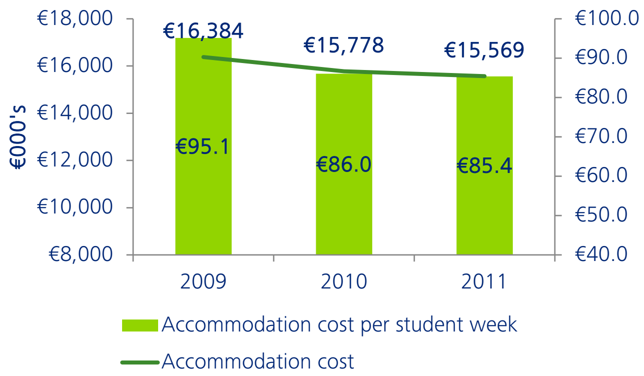
Agency commissions



Transport, activities and other costs



Accommodation

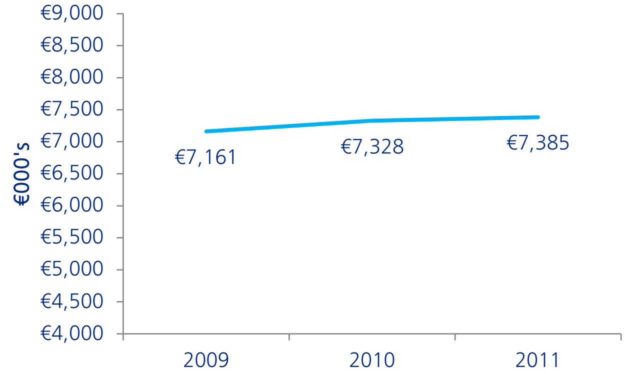


Indirect costs

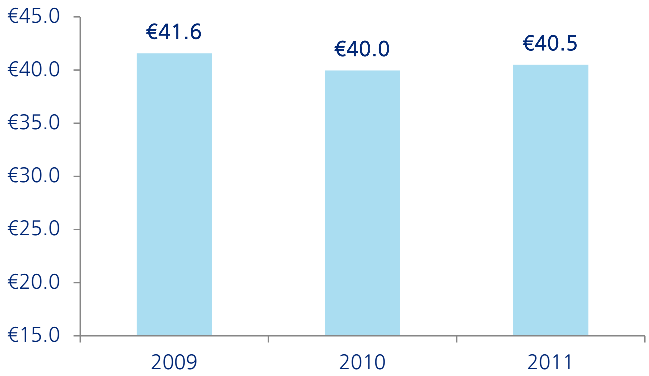
Indirect costs

- Total indirect costs for 2011 were in line with the previous year and 3.1% higher when compared to 2009.
- Indirect costs per student week remained constant at €40.
- The increase in marketing costs, maintenance costs and energy costs was mitigated by reductions in administration, rent, licence fees and other expenses.

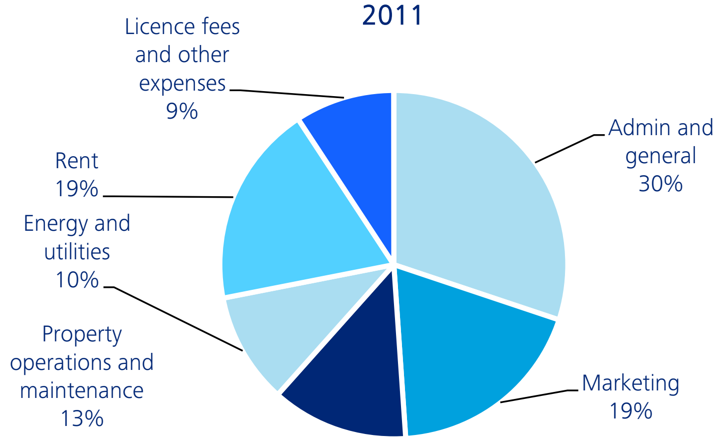
Total indirect costs



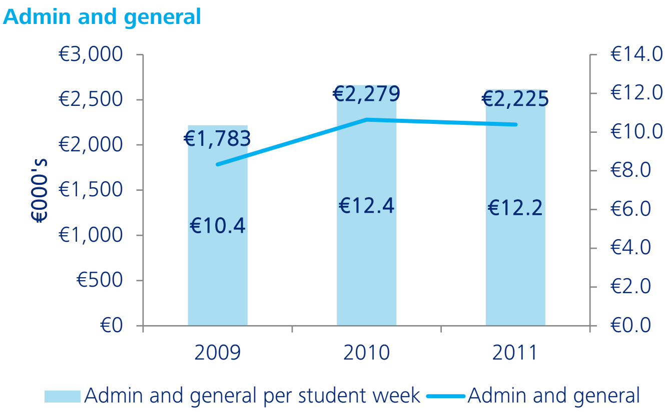
Indirect costs per student week

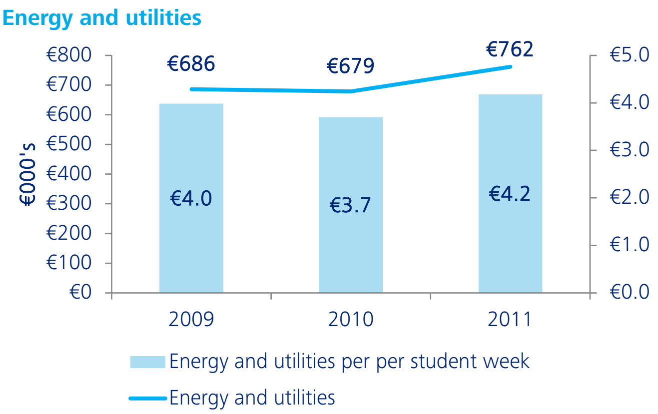


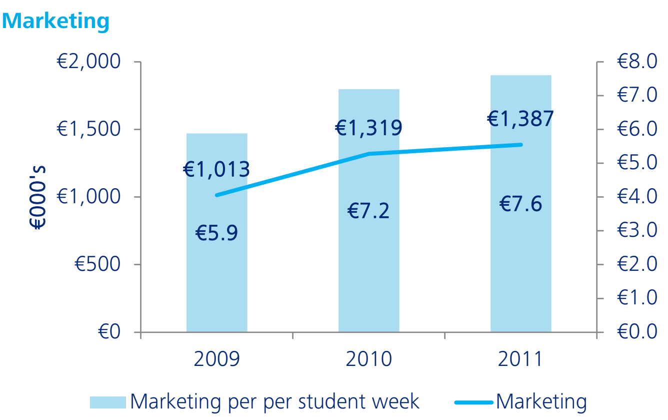
Total indirect costs

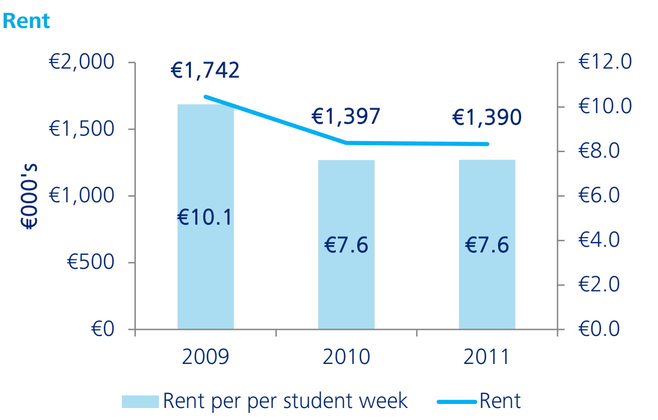


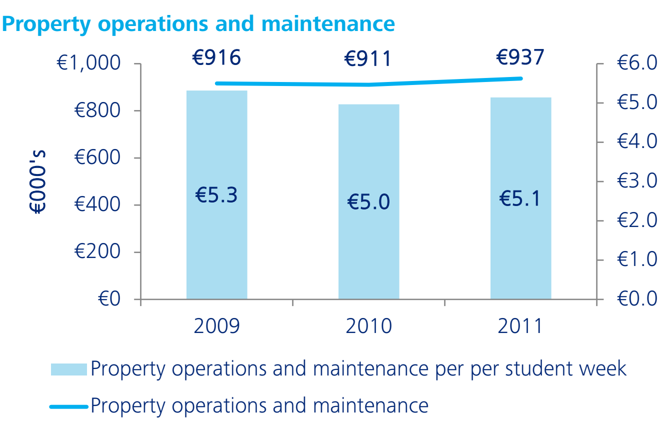
Indirect costs

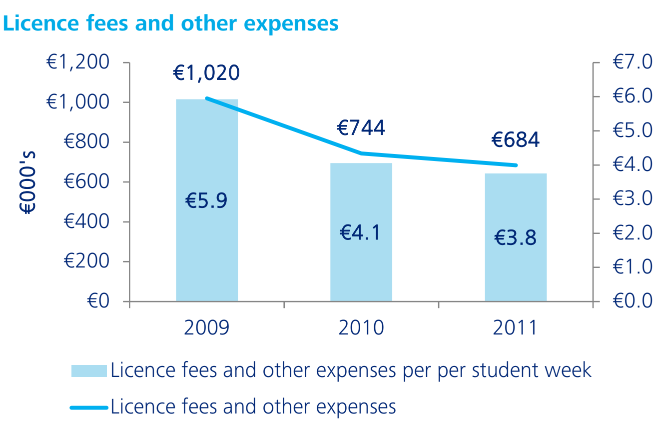










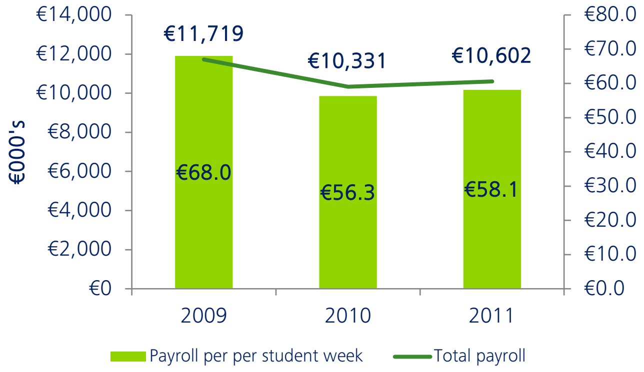


Payroll costs

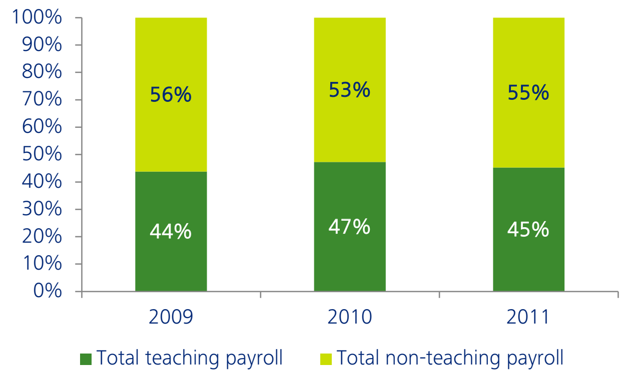
Payroll

- Total wages and salaries paid by the English language schools in 2011 amounted to €10.6 million compared to €10.3 million paid in 2010.
- Payroll costs per student week increased to €58 per week (2010: €56).
- On the basis of payroll cost, the ratio of academic staff cost to administration staff cost was 45:55.

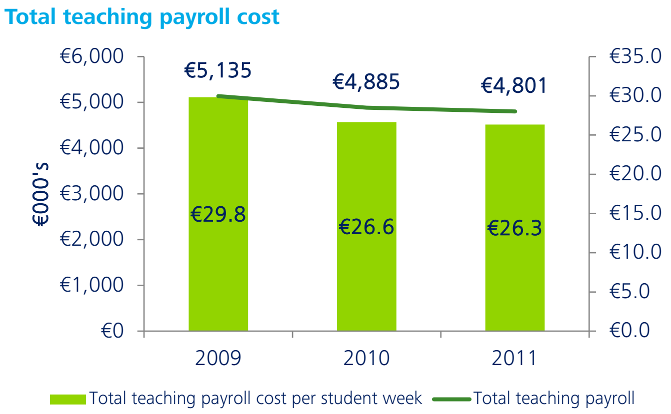
Total payroll

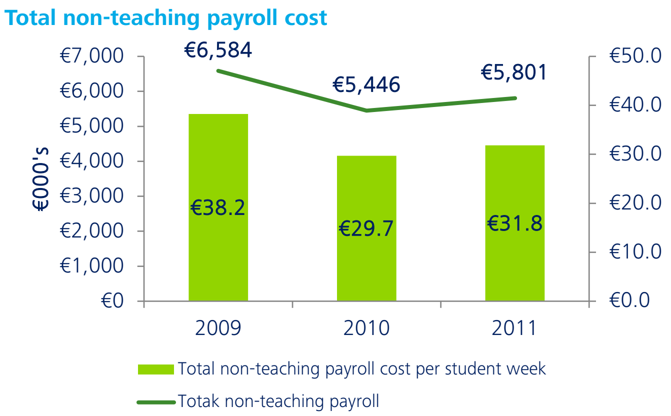


Total payroll cost split



Payroll costs



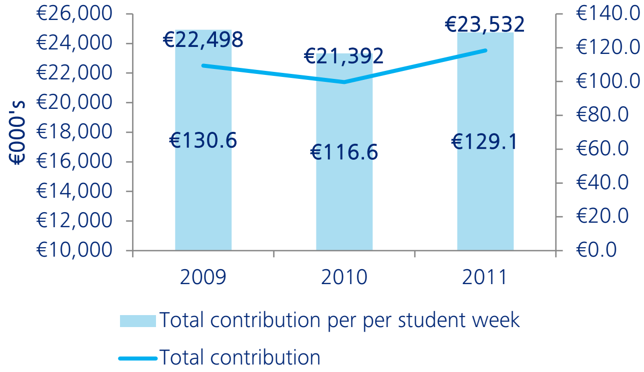


Direct contribution and gross operating profit

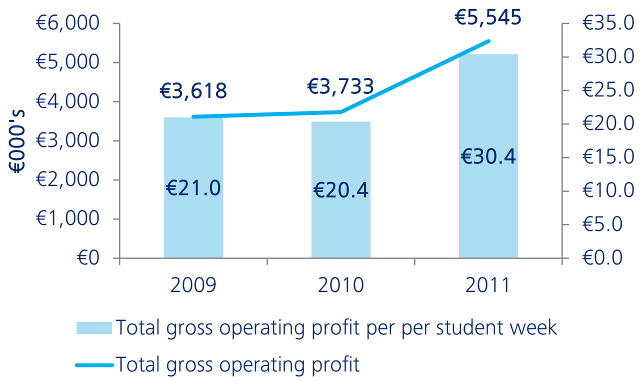
Direct contribution and gross operating profit

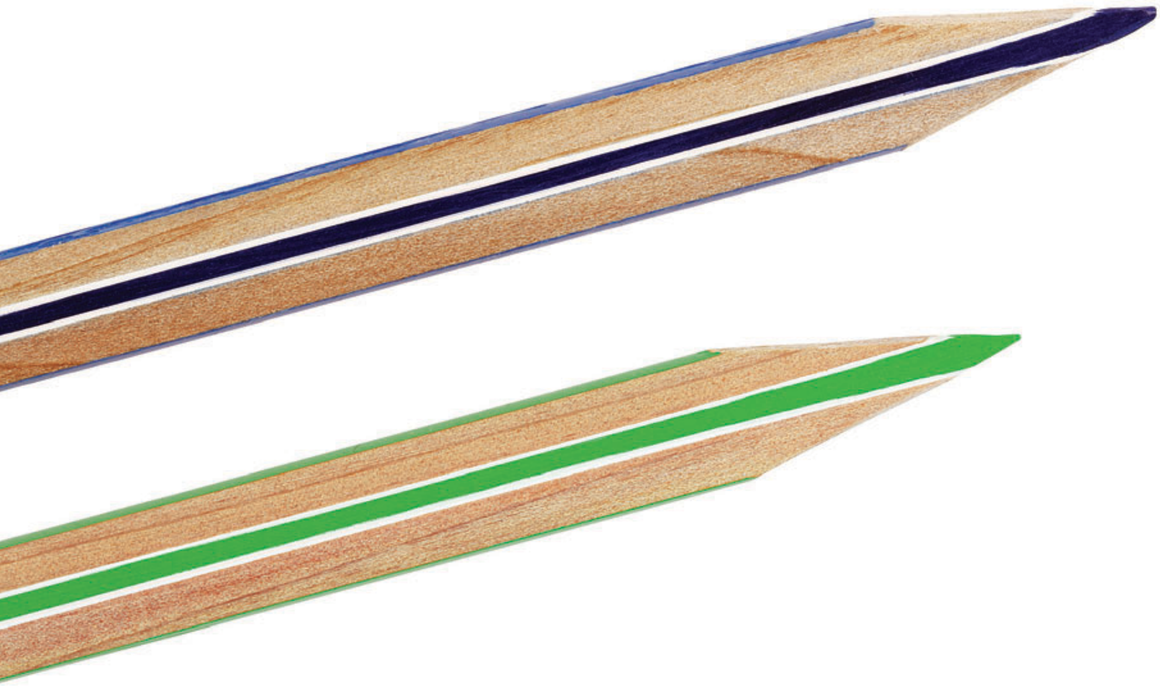
- Direct contribution for 2011 increased by 10% to €23.5 million (2010: €21.4 million).
- Gross operating profit for the year increased by 48.6% to €5.5 million.
- Gross operating profit per student week increased to €30.41 per week (2010: €20.35).

Direct contribution



Total gross operating profit





Interested about what is happening in the English language tuition industry?

So are we

The English language tuition industry is facing challenging times. More than ever, access to deep, current market intelligence is vital for strategic decision making.

The APS Bank, FELTOM ELT industry survey report by Deloitte offers the latest information on ELT school performance and market trends.

Why participate?

- Understand the trends in the ELT industry.
- Obtain a copy of detailed results.
- Confidentiality - you are assured of complete data confidentiality.
- Subscribe to the detailed Benchmarking reports that give you the opportunity to compare your school's performance against other schools.

To participate in the next survey please send an email to eltsurvey@deloitte.com.mt.

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