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Regulatory and Market Update

IDP Education Limited (ASX: IEL) provides the following update on market conditions following recent changes to regulatory settings in IDP's key destination markets.

- **A more restrictive policy environment in IDP's key destination countries is reducing the size of the international student market**
- **This has negatively impacted IELTS testing and student placement volumes during H2 FY24**
- **For FY24 IDP expects a 15-20% increase in student placement volumes, a 15-20% decline in IELTS volumes and solid average fee growth versus FY23**
- **Adjusted EBIT for FY24 is expected to be broadly in-line with FY23¹**
- **Given the current policy settings and market trends, IDP expects that the size of the international education market will decline by 20-25% over the next twelve months²**
- **In response, IDP is implementing a cost reduction program that is designed to align expenses to the near-term revenue outlook**
- **As the leading quality player in the sector, IDP remains very well placed to help students and institutions navigate these challenging market conditions and expects to grow its market share in student placement**
- **Despite the shorter dated cyclical dynamics, IDP remains confident in the long-term growth drivers for the industry**
- **IDP is strongly leveraged to the powerful long-term macro forces that will underpin the sector's return to sustainable growth and is executing on a strategy to create a unique offering for students seeking a better life through international education**

When IDP reported its results for the first half of FY24 it was noted that it was entering a more restrictive policy environment. Governments in IDP's key destination markets of Australia, the UK and Canada had recently announced or implemented a series of changes that were expected to have a negative impact on the size of the international student market. These changes have now been largely implemented and IDP has a clearer view of the likely impact on the market and its business.

While the policy changes are resulting in short-term headwinds, IDP remains well positioned to take advantage of the increasing industry focus on quality to further strengthen its leadership position. As a result, IDP is positioning the company so that it can manage short-term volume and market trends whilst continuing to execute on a strategy that will drive long-term shareholder value creation.

Current trading and outlook

A summary of the key changes in each market is set out in Appendix 1, which also provides the latest international student visa data. The visa data shows that for the first quarter of CY24 aggregate industry volumes to Australia, UK and Canada are down between 20 and 30% versus the same period last year.

While IDP continues to strongly outperform broader market trends the various policy changes have impacted the Company's student placement and testing volumes in H2 FY24. As a result, for FY24 IDP expects a 15-20% increase in student placement volumes and a 15-20% decline in IELTS volumes versus FY23.

¹ Adjusted EBIT excludes acquired intangible amortisation, M&A related costs, unrealised FX Losses, provisions for credit losses and any restructuring charges associated with the cost reduction program.

² As measured by the total number of new international students commencing study in IDP's six key destination markets.

Offsetting the softer volume environment has been a continuation of solid growth in average fees and disciplined cost controls. Actions undertaken in H2 FY24 have reduced overheads versus H1 FY24 levels. As a result, Adjusted EBIT for FY24 is expected to be broadly in-line with FY23.

Assuming no further change in key immigration and visa policy settings, IDP expects that the size of the international education market will contract over the next twelve months due to the supply side constraints. If current trends continue international student volumes, as measured by the total number of new international students commencing study in IDP's six key destination markets, are expected to decline by 20-25% in FY25 relative to the volumes expected to be reported for FY24.

Given this market environment IDP currently expects to record a decline in volumes in its key business lines in FY25 but expects to outperform the broader market decline outlined above.

IDP's response to the industry changes

In response to this more challenging operating environment IDP is focussed on the following:

1. Market share – the sector's increased focus on quality and the unique services that IDP provides is expected to drive meaningful market share increases in student placement. IDP's growing market share is evidenced by recent industry statistics which continue to show IDP's superior visa approval rates and relative volume performance. IDP's brand, service offering and client portfolio will benefit from a flight to quality particularly as increasing regulation on the use of poor quality agents raise the barriers to entry.
2. Product innovation – IDP has a strong focused roadmap of product development across its core student placement and IELTS business lines that it believes will underpin long-term shareholder returns. Investment in strategic growth areas will continue to ensure growth can accelerate when market conditions improve.
3. Cost reduction – IDP is implementing a cost reduction program for FY25 that is designed to align expenses to the near-term revenue outlook. This program will enable IDP to continue to invest in growth drivers, strategic programs and to appropriately reward and retain its experienced global staff whilst aligning total expenses to the near-term revenue outlook. IDP's cost reduction program is not expected to impact the company's operating footprint. Global scale and direct connectivity to customers in their local markets is a key strategic pillar.

Despite the current cyclical dynamics, IDP remains confident in the long-term structural growth drivers for the international education market. Whilst governments in several countries are currently seeking to temporarily reduce migration levels, IDP believes the long-dated structural growth drivers that underpin the economic and social importance of the international education industry, and immigration more broadly, will underpin the market's long-term growth trajectory.

As the leading quality player in the sector, IDP remains very well placed to help students and institutions navigate these challenging market conditions. In doing so, we are confident in our ability to increase our market share in student placement as the sector increases its focus on quality and as we increase the unique value of our services.

IELTS remains the leading high-stakes English language test globally. As the most widely accepted test that is fit for purpose and provides a reliable assessment of language proficiency, IELTS will benefit from the shift to quality that is occurring.

Investor Call

IDP's Chief Executive Officer and Managing Director, Tennealle O'Shannessy will today host a call to provide commentary on today's market update.

Date: Thursday 6 June 2024

Time: 10.00am (AEST)

All participants must pre-register for the call via this [link](#).

Detailed financial and operational performance will be provided at the Company's results announcement on 29 August 2024.

This announcement was authorised for release by the Board of Directors of IDP.

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IDP Education uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as non-IFRS financial measures. Although IDP Education believes that these measures provide useful information about the financial performance of IDP Education, they should be considered as supplemental to the measures calculated in accordance with Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way IDP Education calculates these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

APPENDIX 1 – SUMMARY OF RECENT REGULATORY POLICY CHANGES³

Australia

- The Australian Government has implemented changes to international student visa settings which has reduced approval rates and impacted student visa issuance.
- These changes have resulted in a 28% decline in international student visa issuance in the first three months of CY24 relative to the same period last year⁴. The declines are aligned with the Government's stated objective of reducing net overseas migration by approximately 50% by 2024/25 relative to 2022/23 levels.
- On 11 May 2024, the Australian Government announced a range of proposals designed to create sustainable, managed growth in international student enrolments going forward. Included in the proposal is the intention to set maximum enrolment numbers by education provider and to grow this number sustainably over time. The Government has entered into a consultation phase with the sector and has indicated that it will finalise the implementation of the proposal later this year. No indication has been provided by the Government regarding the size, composition or future growth profile of the enrolment cap however it is expected that any changes will be implemented in calendar year 2025.

Canada

- On 22 January 2024, the Canadian Government announced a temporary two-year cap on international student visa applications. The cap has now been distributed amongst provinces and territories based on population and the new administrative processes required to apply for a student visa were implemented by 31 March 2024.
- The cap for the 2024 calendar year implies a projected reduction of approximately 28% in the number of permits issued relative to 2023 for the groups included under the cap.⁵
- The most recent international student visa data from the Canadian Government shows a 27% decline in new study permit issuance in the first three months of this calendar year relative to the same period in 2023.⁶

United Kingdom

- On 23 May 2024, the UK Government indicated that it would lift financial capacity requirements for international students and seek to implement tougher compliance standards for institutions that recruit overseas students. No change to the UK Graduate Route was announced following a formal Government review which recommended that it remain in place in its current form.
- From 1 January 2024 international students have been unable to access a visa for a dependent unless the student was enrolled in a postgraduate research program.
- The most recent international student visa data from the UK Government shows the impact of these changes, with a 21% decline in visa issuance in the first three months of this calendar year relative to the same period in 2023.⁷

Other markets

- Whilst smaller markets for IDP, the main international student visa and policy settings for the USA, New Zealand and Ireland are unchanged. Recent data for US study visas show a 7% increase in international student flows in the first quarter of this calendar year versus the same period in 2023.⁸

³ The information in this Appendix is not intended to be a comprehensive summary of all regulatory or policy announcements.

⁴ Source: Department of Home Affairs. Total international student visas issues offshore to the primary applicant.

⁵ Source: As per the [IRCC announcement](#) on 5 April 2024.

⁶ Source: IRCC. New study permits issued up until 31 March 2024.

⁷ Source: UK Home Office. Data is for student entry visas issued to main applicants located outside the UK.

⁸ Source: US Department of State. US student visas issued up until 31 March 2024.