

ASX announcement

12 February 2020

IDP Education H1 FY20 results: Growth accelerates as strategy begins to deliver

IDP Education Limited (ASX: IEL) today announced its results for the first half of the 2020 financial year (H1 FY20).

For the six months to 31 December 2019, the company reported total revenue of \$379 million, an increase of 25 per cent compared with the same period in FY19.

Earnings before interest and tax (EBIT) were \$86.9 million, which represents an increase of 49 per cent compared with the same period in FY19.

Andrew Barkla, IDP Chief Executive Officer and Managing Director, said the positive results reinforce the company's commitment to its digital strategy and vision.

"Our organisation has pivoted to focus deeply on the experience of our customers, which is delivering strong returns across all business lines," Mr Barkla said.

"Importantly, our global platform is exceeding our expectations in terms of pipeline growth and conversion," he said.

IDP's operational and financial highlights during H1 FY20 included:

- Strong growth in revenue across all business lines along with margin improvement driving a 42 per cent increase in NPATA relative to the same period in FY 19
- IDP's Digital Campus was launched in Chennai, enabling rapid product innovation and delivery
- 37 new computer-delivered IELTS centres were opened, taking the total number to 167 centres across the IDP network
- Adjusted Earnings Per Share of 23.4 cents per share (+41 per cent) and a 16.5 cents per share interim dividend franked at 17 per cent
- Continued high levels of customer satisfaction, with 87 per cent of student placement customers likely or highly likely to recommend IDP

The company's student placement business saw 30 per cent volume growth, assisted by higher conversions in the sales cycle. Notably, the company's multi-destination markets delivered volume growth of 52 per cent.

"The strength of IDP's diverse global business was again reinforced in this period," Mr Barkla said.

"Our India, Canada and United Kingdom markets all delivered stand-out contributions to our overall business performance," he said.

In English Language Testing, IDP's IELTS volumes were up 11 per cent for the period. The roll-out of the computer-delivered testing has been well received with strong adoption rates in key markets.

IDP's English Language Teaching business posted a volume increase of 15 per cent, with the company's Cambodian operations continuing to strengthen its position as a market leader.

With increased investment in data and insights capabilities, the Digital Marketing and Events business line further enhanced the company's B2B offer. With a shift in contract mix towards longer term agreements, the business line delivered an 11 per cent increase in revenue (pcp).

Results overview

| Six Months to 31 December | Half Year Actuals | | Growth | | Constant Currency Growth (%)** |
|--------------------------------------|-------------------|--------------|-------------|------------|--------------------------------|
| | H1 FY20* | H1 FY19 | \$m | % | |
| English Language Testing | 215.3 | 178.6 | 36.7 | 21% | 15% |
| Student Placement | 122.6 | 90.7 | 31.9 | 35% | 34% |
| - Australia | 54.0 | 48.7 | 5.3 | 11% | 11% |
| - Multi-destination | 68.7 | 42.1 | 26.6 | 63% | 61% |
| English Language Teaching | 16.3 | 13.3 | 3.0 | 23% | 15% |
| Digital Marketing and Events | 22.3 | 20.1 | 2.1 | 11% | 9% |
| Other | 2.5 | 1.5 | 1.0 | 64% | 56% |
| Total Revenue | 379.0 | 304.3 | 74.7 | 25% | 20% |
| Direct Costs | 156.8 | 132.1 | 24.7 | 19% | 15% |
| Gross Profit | 222.2 | 172.2 | 50.0 | 29% | 24% |
| Overhead costs | 116.0 | 105.4 | 10.6 | 10% | 6% |
| Share of Profit/(Loss) of Associate | 0.0 | 0.0 | 0.1 | 363% | 336% |
| EBITDA | 106.2 | 66.8 | 39.5 | 59% | 53% |
| Depreciation & Amortisation | 17.2 | 6.8 | 10.3 | 151% | 146% |
| Amortisation of Acquired Intangibles | 2.2 | 1.4 | 0.7 | 51% | 48% |
| EBIT | 86.9 | 58.5 | 28.4 | 49% | 43% |
| Net finance expense | -2.8 | -0.9 | -1.9 | -214% | -213% |
| Profit before tax | 84.1 | 57.6 | 26.5 | 46% | 40% |
| Income tax expense | 26.3 | 16.9 | 9.4 | 56% | 53% |
| NPAT | 57.7 | 40.7 | 17.1 | 42% | 35% |
| NPATA *** | 59.5 | 41.8 | 17.7 | 42% | 35% |

* IDP adopted AASB16 Leases from 1 July 2019. The financial information for H1 FY20 has been presented on post AASB16 basis and comparatives have not been restated. The impact of AASB16 on the aggregate results for H1 FY20 is detailed on page 11 of the accompanying investor presentation.

***"Constant Currency Growth" is calculated by restating the prior comparable period's financial results using the actual FX rates that were recorded during the current period

*** NPATA is NPAT adjusted by adding back the non-cash post-tax charges relating to the amortisation of acquired intangible assets.

Mr Barkla said the organisation is focused on extending its digital transformation program and new capabilities to improve the IELTS customer experience.

"IDP's rapid roll out of computer-delivered IELTS centres across 47 countries has improved the test day experience," Mr Barkla said.

"We are now further enhancing the customer journey by making it easier to book and prepare for our leading test."

The disruptions being caused by the Novel coronavirus (2019-nCov) to IDP's business are being managed such that it is not currently having a material impact on the financial performance of the Company. The situation is, however, constantly evolving and the ultimate impact is uncertain.

"The longer-term structural drivers remain, regardless of any timing-related impact from the novel coronavirus," Mr Barkla said.

"Our current focus is providing our students with the support they require to continue to achieve their study goals," he said.

For further information please contact

Investors & Analysts

Craig Mackey
IDP Education Limited
+61 3 9612 4400

Media

Rhys Ryan
Porter Novelli
+61 4 2722 7719

Disclaimer

The material in this announcement has been prepared by IDP Education Limited (ASX: IEL) ABN 59 117 676 463 ("IDP Education") and is general background information about IDP Education's activities current as at the date of this announcement. The information is given in summary form and does not purport to be complete. In particular you are cautioned not to place undue reliance on any forward looking statements regarding our belief, intent or expectations with respect to IDP Education's businesses, market conditions and/or results of operations, as although due care has been used in the preparation of such statements, actual results may vary in a material manner. Information in this announcement, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

Non-IFRS Financial Information

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.