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ASX announcement

1 April 2020

IDP Education COVID-19 and capital position update

IDP Education Limited (ASX: IEL) today announced an update on the impact of COVID-19 on its business and pre-emptive measures it is taking to ensure it is well positioned to take advantage of opportunities after this period.

Andrew Barkla, IDP Chief Executive Officer and Managing Director, said the measures being undertaken will ensure that IDP can continue to deliver on the strong underlying fundamentals underpinning its business.

"COVID-19 is having a material impact on IDP and other organisations globally, however IDP is taking decisive action to ensure we have sufficient liquidity to trade through the current situation," Mr Barkla said.

"With a focus on preserving our global talent, these measures position us to take advantage of the substantial pent-up demand we expect to see when global travel and gathering restrictions begin to relax.

"We believe the long-term drivers of international education remain. Our pipeline growth was accelerating prior to the effects of the COVID-19 pandemic with our digital strategy delivering strong results. We have put in place lead nurturing programs to ensure our pipeline of students stay engaged and connected to their study opportunities and our team through this period.

"Encouragingly, while many of our IELTS testing locations are suspended, we are also seeing operations recommence in some countries that were impacted early by COVID-19.

"We have launched an equity raising today, along with an increase to our debt facilities and several key operational initiatives, which include board and senior management pay cuts. This will ensure that we are well-placed post COVID-19 to take advantage of the substantial market opportunity.

"I want to reiterate that while we are reducing operating expenses, we are aiming to retain our global teams so that we are in a strong position to continue on our positive trajectory towards building the world's leading platform and connected community for our sector," he said.

Trading update

IDP saw record FY20 YTD (to the end of February 2020) trading performance.

- IELTS volumes at approximately 949,000, up 11% v pcp
- Student placement volumes at approximately 41,000, up 27% v pcp
- Overall revenue of A\$480 million, up 22% v pcp¹

IDP also saw strong pipeline growth prior to COVID-19, with FY20 YTD (to the end of February 2020) seeing qualified leads up 47% and applied volumes up 42%.

Despite the current disruptions, IDP has introduced lead nurturing programs and adjusted operations by shifting its popular student roadshows to virtual events.

COVID-19 impact

Since the announcement by IDP of its H1FY20 results, various government restrictions globally have impacted IDP's operations, including:

- Reduced scale or suspensions in IELTS testing as test centres are subject to "lockdown" measures
- This includes IDP's biggest testing country, India, being in a 21 day "lockdown" from 24 March
- Postponements or suspensions of university classes and travel bans are restricting students' ability to arrive onshore
- Travel restrictions and school closures in all destination markets causing uncertainty regarding the timing of future intakes
- IDP's English language testing schools in Cambodia and Vietnam have moved to online learning but temporary closures and reduced volumes will impact short term revenue
- Countries that experienced earlier outbreaks of COVID-19 are starting to resume IELTS testing

A resilient sector

Historically, the international education sector has rebounded strongly from various economic and industry shocks highlighting its "through the cycle" structural growth drivers, however the ultimate timing impact of COVID-19 on the sector remains unknown.

IDP has programs in place to capture expected deferred demand in both IELTS and student placement once restrictions are lifted.

Operational initiatives

As a result of the COVID-19 disruptions, IDP has acted to secure approximately A\$40 million in operational expenditure savings across the next six months while preserving its workforce to ensure it is in a strong position to capture the expected deferred demand.

¹ Revenue for this period based on audit-reviewed results for the 6 months ended 31 December 2019 and unaudited management accounts for the period 1 January to 29 February 2020.

Operational expenditure savings include:

- Reduction in staff costs through the reduction of board fees and senior staff salary, use of paid leave, savings on short-term incentives, and delayed hiring for new roles
- Selective reduction in marketing and promotional spend
- Cancellation of employee travel in-line with COVID-19 restrictions

IDP has also deferred non-essential capex (associated with new office and test centre expansions).

Post these initiatives IDP expects to have an average overhead run rate of approximately A\$18 million per month

Enhancing liquidity

To ensure IDP can navigate the current COVID-19 uncertainty with a very strong balance sheet, IDP today announces the launch of an equity capital raising comprising:

- a fully underwritten A\$175 million Institutional Placement (“**Placement**”), and
- a non-underwritten Share Purchase Plan (“**SPP**”), to raise up to A\$15 million², (together, the “**Offer**”).

The Offer forms part of a comprehensive capital raising package undertaken by IDP, which also includes a credit approved commitment for an additional A\$150 million bank facility from its existing lenders³ (with a term of 15 months) as well as the deferral of the Company’s A\$41m 1H20 dividend as announced on 26 March 2020.

The proceeds of the Offer along with the other capital measures will be used to enhance balance sheet strength and financial flexibility, and to support the business during the current macro-economic uncertainty by materially increasing liquidity.

Details of the Placement

IDP is undertaking a fully underwritten Placement of new fully paid ordinary shares in IDP (“**New Shares**”) to eligible institutional investors to raise approximately A\$175 million.

The Placement will be conducted at A\$10.65 per New Share (“**Placement Price**”) which represents a 7.9% discount to the last traded price of A\$11.56 on Wednesday, 25 March 2020⁴.

The Placement will result in approximately 16.4 million New Shares being issued, representing approximately 6.5% of IDP’s existing issued capital.

New Shares issued under the Placement will rank equally with existing IDP shares and are expected to settle on Monday, 6 April 2020 and be issued, and commence trading on the following business day, Tuesday, 7 April 2020.

The Placement is fully underwritten by Macquarie Capital (Australia) Limited.

Details of the Share Purchase Plan

² IDP may decide to accept applications (in whole or in part) that result in the SPP raising more or less than A\$15 million in its absolute discretion.

³ IDP has received credit approval from its existing lenders in respect of this increase, with formal facility documentation expected to be executed shortly

⁴ IDP’s shares were placed in a trading halt before market open on 26 March 2020, and then into voluntary suspension on 30 March 2020.



Following completion of the Placement, IDP will offer existing eligible shareholders the opportunity to participate in a non-underwritten SPP, to raise up to A\$15 million.

Under the SPP, eligible IDP shareholders, being shareholders with a registered address in Australia or New Zealand on IDP's register as at 7:00pm (Sydney time) on Tuesday, 31 March 2020, will have the opportunity to apply for up to A\$30,000 of New Shares without incurring brokerage or transaction costs.

The issue price of the New Shares under the SPP will be the lower of:

- the Placement Price; and
- a 2% discount to the 5-day VWAP of IDP shares up to, and including, the closing date of the SPP.

New Shares issued under the SPP will rank equally with existing IDP shares from the date of issue, however, will not be eligible for IDP's HI FY20 dividend (noting that the ex-dividend date was on 5 March 2020 so is not relevant to pricing of the Offer).

IDP may decide to accept applications (in whole or in part) that result in the SPP raising more or less than A\$15 million in its absolute discretion.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to ASX and dispatched to eligible shareholders on Tuesday, 14 April 2020.

Timetable of key dates

Event	Date
Record date for SPP	7:00pm (Sydney time), Tuesday, 31 March 2020
Announcement of the Placement and SPP	Wednesday, 1 April 2020
Placement bookbuild	Wednesday, 1 April 2020
Announcement of the outcome of the Placement	Thursday, 2 April 2020
Voluntary suspension lifted - trading resumes on the ASX	Thursday, 2 April 2020
Settlement of New Shares issued under the Placement	Monday, 6 April 2020
Allotment and normal trading of New Shares issued under the Placement	Tuesday, 7 April 2020
SPP offer opens and SPP offer booklet is dispatched	Tuesday, 14 April 2020
SPP offer closes	5:00pm (Sydney time), Monday, 4 May 2020
Announcement of results of SPP	Thursday, 7 May 2020
SPP allotment date	Tuesday, 12 May 2020
Normal trading of SPP shares and dispatch of holding statements	Wednesday, 13 May 2020

The above timetable is indicative only and subject to change. The commencement and quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules. IDP, reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.

Additional information

Further details of the Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement.

For further information please contact:

Investors & Analysts

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IMPORTANT NOTICE

Forward looking statements

The information in this announcement is subject to change without notice and IDP is not obliged to update or correct it. This announcement contains statements that constitute "forward-looking statements". The forward-looking statements include statements regarding IDP's intent, belief or current expectations with respect to the timetable, conduct and outcome of the Placement and SPP and the use of proceeds therefore, statements about the plans, objectives and strategies of the management of IDP, statements about the industry and markets in which IDP operates, statements about the future performance of IDP's business and its financial condition, indicative drivers, forecasted economic indicators and the outcome of the Placement and the SPP and the use of proceeds. Words such as "will", "may", "expect", "indicative", "intent", "seek", "would", "should", "could", "continue", "plan", "probability", "risk", "forecast", "likely", "estimate", "anticipate", "believe", "aim" or similar words are used to identify forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of IDP, its officers, employees, agents and advisers, and may involve significant



elements of subjective judgement and assumptions as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions. Investors should consider the forward-looking statements contained in this announcement in light of those risks and disclosures. The forward-looking statements are based on information available to IDP as at the date of this announcement.

To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. IDP disclaims any responsibility to update or revise any forward-looking statement to reflect any change in IDP's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

Not for release or distribution in the United States

This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold under the Placement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. Shares issued under the Share Purchase Plan described in this announcement may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.