12-06-2025

Across the Australian Equity component of investor portfolios (Core Tilt), we have sold IDP Education (IEL.ASX).

Why we originally invested:

Our thesis was based on the structural growth of international student mobility from developing markets (e.g., China and India) and IDP's unique position as a global leader in both English language testing and student placement. These vertically integrated services created a strong competitive moat.

Why we held despite headwinds:

IDP has a solid balance sheet, has been gaining market share, and was expected to rebound after a trough in FY25e. We believed policy certainty post-elections in Australia, Canada, and the UK would help stabilize volumes, with signs of recovery already visible in some markets.

Recent developments driving our exit:

- Trading Update: Student placement and language testing volumes are expected to fall 28–30% and 18–20% vs. FY24, significantly worse than forecasted.
- UK Policy Shift: A new white paper on immigration introduces renewed uncertainty, delaying expected recovery.
- FY26e Outlook: Enrolment pipeline weakness suggests ongoing pressure into FY26e, pushing out the recovery story to FY27e.
- China Delay: Regulatory hurdles are delaying the lucrative China IELTS opportunity (40% of global market).
- Cost Base: Management aims to position the business for eventual growth, but structural cost reductions are constrained due to a people-heavy cost base.
- Other Considerations: Possible ASX100 removal and tax management as FY25 ends.

While IDP remains a high-quality business with long-term potential, the near-term outlook has materially deteriorated. We believe the recovery and any associated market re-rating are unlikely before FY27e. We will reconsider the opportunity if policy clarity improves and early signs of volume recovery emerge.