

ASX Announcement | 31 January 2020
Quarterly Activities Report & Appendix 4C for the Quarter Ended 31
December 2019 (Q4 FY19)

OpenLearning completes successful IPO, reports record cashflows, and lays solid foundations for future growth

Highlights (all financial amounts are in AUD unless otherwise stated)

- Raised \$8m in a heavily oversubscribed IPO on the ASX on 12th December 2019
- Secured \$1m cornerstone IPO investment from the Australian Catholic University
- 77% year-on-year (YoY) increase (19.5% quarter-on-quarter (QoQ)) in annualised recurring revenue (ARR)¹ to \$944k at the end of Q4 FY19
- 170% YoY increase (12.7% QoQ) in B2B SaaS clients to 62 at the end of Q4 FY19
- Record FY19 (ended December 31 2019) cash receipts from customers of \$2.24m
- Gross margin for SaaS² increased to 57% in Q4 FY19 from 4% in Q4 FY18
- Strong cash position at end of FY19 of \$7.74m
- Company's growth strategy as outlined in prospectus is fully funded
- Completed team restructure to focus on SaaS, increased sales and marketing headcount
- Expansion of sales and marketing teams underway, strong pipeline of quality clients with a number of opportunities progressing through the sales process

Sydney, Australia, January 31, 2020: Higher education software as a service (SaaS) company **OpenLearning Limited** ('OpenLearning' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended December 31 2019 (Q4 FY19), along with the following update. The Company's fiscal year coincides with the calendar year.

OpenLearning is delighted to report record cash receipts of \$2.24m in FY19 and cash at bank of \$7.74m at the end of FY19 with decreasing operational cash burn in the December quarter due to a reduction in operating costs resulting from the restructure carried out in Q319.

OpenLearning saw continued strong growth in ARR to \$944k at the end of FY19, an increase of 77% YoY and 19.5% QoQ. Further, the gross margin for SaaS increased substantially to 57% in the quarter from 4% in Q4 FY18, highlighting the scalability of the technology and business model.

As of the end of FY19, OpenLearning has had over 2.54 million enrolments from 1.74 million registered learners across 7,900 courses provided by 62 education providers, making it one of the world's largest online education platforms.

¹ Annualised recurring SaaS revenue, calculated by utilising the generally accepted industry standard, which involves multiplying the monthly accrued SaaS revenue in the month at the end of the quarter by 12 (months). The ARR calculation does not take into account the future expiry of the term of any contract under which SaaS revenue is generated or any customer lost during the relevant month.

² Gross margin for SaaS revenue is calculated by subtracting the cost of sales (which includes web hosting costs and customer success staff wages) from SaaS revenue in the quarter and then dividing by SaaS revenue in the quarter.

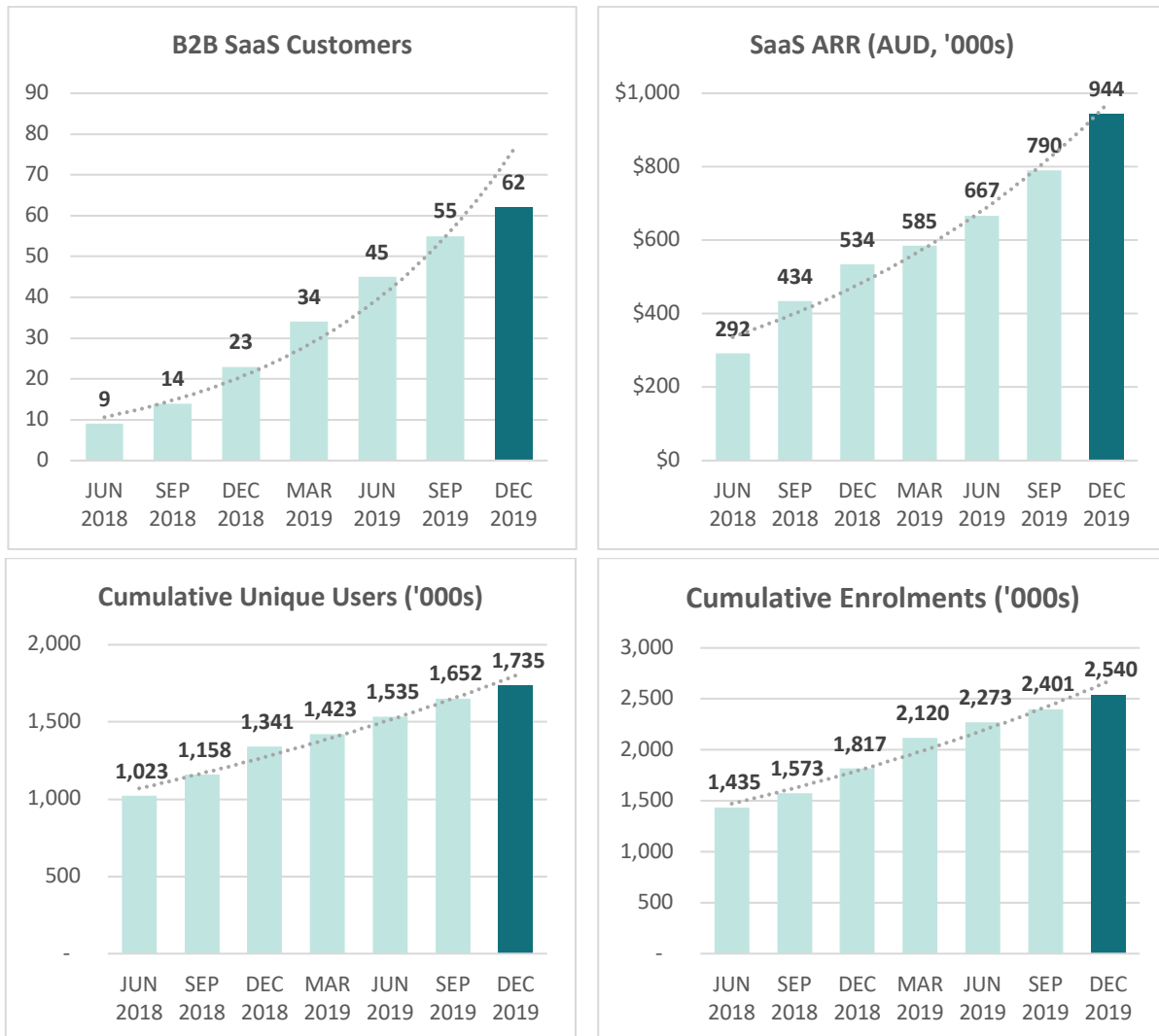
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Solid growth in annualised recurring revenue and customer acquisition

OpenLearning ended the year strongly, with ARR increasing by 77% YoY to \$944k as a result of new B2B SaaS clients being onboarded in the quarter and an increase in usage (learners taking courses on the platform) amongst existing clients.

The following charts show the growth in B2B SaaS Customers, SaaS annualised recurring revenue (ARR), cumulative unique users, and cumulative enrolments over the past seven quarters.

Images 1 - 4 : B2B SaaS Customers, SaaS ARR, Cumulative Unique Users, and Cumulative Enrolments Growth, June 2018 – December 2019



In the quarter, the Company signed usage-based B2B SaaS agreements with 13 new education providers across multiple geographies, the majority of which will begin generating revenue in Q1 FY20 and are not included in the number of B2B SaaS customers at the end of Q4 Y19 on the chart above.

The new agreements are comprised of universities, colleges, training providers and corporates, which are using OpenLearning’s platform to deliver blended learning, micro-credentials, employee onboarding and/or online professional development.

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OpenLearning has a strong and advanced pipeline of potential clients in Australia and Malaysia with a number of additional contracts expected to be secured in the near term.

Operating cashflow update

The Company reported receipts from customers of \$512k and net operating cash outflow of \$1.085m for Q4 FY2019. This result included once-off costs of approximately \$258k, which was primarily comprised of restructuring costs and other administrative/corporate costs associated with the IPO.

OpenLearning's strategy is to focus on growing SaaS revenue by providing its learning platform to education providers on usage-based SaaS agreements, whereby the fees paid by an education provider is determined based on the number of learners or educators utilising OpenLearning from the education provider ('Platform SaaS'). This is OpenLearning's fastest-growing revenue segment.

OpenLearning also generates revenue by providing professional services to education providers to assist them in designing courses ('Learning Services') and by taking a share of revenue from courses sold through OpenLearning's course marketplace ('Marketplace').

Cash receipts from customers by category for Q4 FY19:

- Platform SaaS: \$280k
- Learning Services: \$94k
- Marketplace: \$138k

As detailed in the Company's prospectus, although OpenLearning no longer provides Learning Services to the Malaysian market, it continues to do so in Australia. The Company's Learning Services and Marketplace add significant value to its Platform SaaS clients, enabling them to increase the quality of their courses, reduce setup/onboarding time and generate revenue or attract students worldwide.

Successful listing on the ASX

OpenLearning commenced trading on the Australian Securities Exchange (ASX) under the ticker code 'OLL' on December 12 following an oversubscribed Initial Public Offering (IPO).

The IPO attracted significant interest, opening on November 13 and closing five days later after receiving applications from investors well in excess of the maximum raise of \$8 million, including a strategic investment of \$1 million from the Australian Catholic University.

The funds raised from the IPO are being utilised to accelerate sales and marketing activities to universities and other higher education providers in Australia and Malaysia. In addition, the Company is investing in initiatives to increase brand awareness, ensuring that the OpenLearning platform remains cutting edge and is able to attract education providers from outside its target markets.

A strong foundation for continued growth

Since listing, OpenLearning has made substantial progress on implementing its strategy to deliver sustainable growth in Australia and Malaysia.

To accelerate growth in new customers and expand revenue from existing customers, the Company has expanded the partnerships and marketing team in Australia to four people, including the Company's first hires in Victoria and Queensland to focus on the university and private higher education providers in each state. In Malaysia, the sales team will be expanded to eight people and begin targeting education providers in the corporate and professional development sector.

The Company is investing in building the value of the OpenLearning eco-system and reinforcing its network efforts by improving its customer support operations and integrating with widely used tools/apps in the higher education sector. It is also expanding its learner acquisition efforts to increase ROI for clients and improve the quality of courses on the OpenLearning platform by defining industry best practice in collaboration with its partners.

The Company is in the process of automating the sign-up, payment and onboarding process for education providers through the OpenLearning platform for both personal plans for individuals and its B2B SaaS plans for education providers. Once complete, it will enable the Company to scale its customer acquisition efforts and speed up the onboarding process for smaller clients.

OpenLearning Group CEO & Managing Director Adam Brimo said: "The December quarter was a very important one for OpenLearning as it saw us successfully list on the ASX after a heavily oversubscribed IPO, streamline our operations and lay the groundwork for the continued growth of OpenLearning. The Company has sufficient funding to fully execute its growth strategy for FY20 in its target geographies of Australia and Malaysia. The Company has a robust pipeline of potential clients in these markets and is focused on growing SaaS revenue while managing costs appropriately to deliver a sustainable and scalable business."

Authorised by:

Adam Brimo
Group CEO & Managing Director

Ends.

Stay up to date with OpenLearning news as it happens:

Visit the Investor section of the OpenLearning website at: <https://solutions.openlearning.com/investor-home/>. There you can download the Company's Prospectus and see recent ASX Announcements and press coverage.

In addition to signing up for OpenLearning news directly from the Company, we also encourage shareholders to register to receive electronic communications from our share registry, Automic. To sign up for e-communications from Automic, please visit <https://www.automicgroup.com.au/>.

Thanks for your ongoing support. We look forward to sharing OpenLearning news with you.

For further information, please contact:**Company****Justyn Stedwell**

Company Secretary

P: +61 3 9191 0135

E: investors@openlearning.com

Media & Investor Enquiries**Julia Maguire**

The Capital Network

M: +61 419 815 386

E: julia@thecapitalnetwork.com.au

About OpenLearning

OpenLearning Limited is a software as a service company that provides a scalable online learning platform to education providers and a global marketplace of world-class courses for learners of all levels.

OpenLearning's platform enables the delivery of project-based, social learning to encourage interaction among users and foster a community of collaborative learners. The company's unique service provides a complete learning environment for all types of online education - from short courses through to micro-credentials and online degrees.

With more than 1.74 million learners worldwide across over 7,900 courses provided by 62 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

To learn more, please visit: www.solutions.openlearning.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

OPENLEARNING LIMITED

ABN

18 635 890 390

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	512	2,243
1.2 Payments for		
(a) research and development	(61)	(274)
(b) product manufacturing and operating costs	(292)	(1,581)
(c) advertising and marketing	(39)	(132)
(d) leased assets	(7)	(30)
(e) staff costs	(961)	(3,151)
(f) administration and corporate costs	(224)	(922)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	7
1.5 Interest and other costs of finance paid	(8)	(29)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	14
1.8 Other (provide details if material)	(7)	(40)
1.9 Net cash from / (used in) operating activities	(1,085)	(3,895)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(36)	(46)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(61)	(102)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(97)	(148)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	8,000	8,000
3.2 Proceeds from issue of convertible notes	500	3,700
3.3 Proceeds from exercise of share options	97	97
3.4 Transaction costs related to issues of shares, convertible notes or options	(928)	(1,105)
3.5 Proceeds from borrowings	-	25
3.6 Repayment of borrowings	(5)	(10)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	7,664	10,707

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,261	1,077
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,085)	(3,895)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(97)	(148)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,664	10,707

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	1
4.6	Cash and cash equivalents at end of quarter	7,742	7,742

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,642	1,161
5.2	Call deposits	6,098	98
5.3	Bank overdrafts	-	-
5.4	Other (balance with PayPal)	2	2
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,742	1,261

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

59

-

Salaries and fees paid to Directors

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	18	25
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The above facility represents a working capital loan provided by Paypal which is secured over the funds transacted through the Paypal payment gateway.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	59
9.2 Product manufacturing and operating costs	311
9.3 Advertising and marketing	59
9.4 Leased assets	6
9.5 Staff costs	819
9.6 Administration and corporate costs	300
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,554

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 31/1/20

Print name: Justyn Stedwell

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.