

## ASX Announcement | 30 April 2020 Quarterly Activities Report & Appendix 4C

### OpenLearning achieves strong growth in March quarter, looks to further capitalise on education sectors' shift to online learning

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

- OpenLearning continues to demonstrate strong growth across all key metrics
- 80% YoY increase in annualised recurring revenue (ARR)<sup>1</sup> to \$1.051m (+11% QoQ)
- 124% YoY increase in B2B SaaS clients to 76 (+26% QoQ)
- 2.165m registered users, with a record quarterly increase of 430k (+25% QoQ)
- 3.028m total enrolments, with a record quarterly increase of 488k (+19% QoQ)
- Cash receipts from customers of \$720k in Q1 FY20 (+40.6% QoQ)
- Strong cash position of \$6.6m as of 31<sup>st</sup> March 2020
- Strong pipeline, new partnerships and increasing platform usage to drive long term growth
- Clear strategy to capitalise on the supportive environment for online education

Sydney, Australia, 30<sup>th</sup> April 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 31<sup>st</sup> March 2019 (Q1 FY20), along with the following update. The Company's fiscal year coincides with the calendar year.

#### Strong growth across key metrics

OpenLearning is delighted to report cash receipts of \$720k in Q1 FY20, up 40.6% on Q4 FY19. The Company's strong cash position of \$6.6m at the end of the quarter is underpinned by an increase in revenues and decreasing cash burn, which was reduced by 3.7% to \$1.045m during the quarter, while increasing our investment in sales and marketing.

OpenLearning's ARR continues to build and grew to \$1.051m in Q1 FY20, an increase of 80% YoY. There was also a significant rise in B2B clients, which increased 124% YoY to 76.

As of 31<sup>st</sup> March 2020, OpenLearning has had over 3.028 million enrolments from 2.165 million registered learners across 8,000 courses provided by 76 education providers, making it one of the world's largest online education platforms.

Record enrolment growth was driven by increased interest in online education due to COVID-19 and the launch of previously planned courses from existing clients. The Company's business in Australia saw an increase in enrolments in university-level courses as well as lifelong learning and professional development courses.

The majority of the enrolments in the quarter were from Malaysia, where increased usage was driven by institutions rapidly moving online ahead of campus closures and the launch of large-scale financial

<sup>1</sup> 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.

literacy courses for public servants from the Credit Counselling and Debt Management Agency (AKPK), a division of the Central Bank of Malaysia.

The Company expects user growth to eventually translate into revenue through its usage-based SaaS contracts, which may initially include caps on fees but can be renegotiated at the point of renewal.

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

*Images 1 - 4: B2B SaaS Customers, SaaS ARR, Cumulative Unique Users, and Cumulative Enrolments Growth, June 2018 – March 2020*



The Company recorded a net increase of 14 clients since the quarter ending 31<sup>st</sup> December. The figures for Q1 FY20 include renewals from 3 B2B SaaS clients for which confirmation of the renewal has been received but signed agreements have yet to be exchanged due the lockdown in Malaysia.

#### Partnership with Alibaba Cloud

On 19<sup>th</sup> March 2020, OpenLearning announced that it had entered into a partnership with Alibaba Cloud, the data intelligence backbone of internet giant Alibaba Group (NYSE:BABA). The Company has integrated the first phase of Alibaba Cloud's technology solution with the OpenLearning platform and has already won new business as a result of the partnership.

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The Company's partnership with Alibaba Cloud ensures high-speed and compliant access to its online courses in mainland China, where the Company has over 10,000 unique learners and sees an opportunity to increase revenue by it being a gateway into the market for education providers.

The Company's primary cloud hosting provider is Microsoft Azure, which hosts the OpenLearning platform in its Australian data centres to ensure that it meets all data sovereignty, privacy and security requirements for its Australian and Southeast Asian education and government customers.

### **Expansion into schools with High Resolves Agreement**

On 27<sup>th</sup> March 2020, OpenLearning signed a usage-based SaaS and partnership agreement with global not-for-profit High Resolves, representing the Company's first significant expansion into the K12 sector. Due to the COVID-19-driven closures of many schools worldwide, High Resolves is reimagining its high-impact learning experiences to be delivered fully online via OpenLearning's platform.

In a first for the Company, the agreement allows High Resolves partner schools to receive a 1-year free trial of the OpenLearning platform. Since inception, High Resolves has delivered award-winning learning experiences around citizenship themes such as social justice to over 350,000 students in hundreds of schools across Australia, the US, Canada, Mexico, and Brazil.

### **Revenue breakdown by category**

The Company reported receipts from customers of \$720k and net operating cash outflow of \$1.045m for Q1 FY20. This result included once-off costs of \$126k, which was primarily comprised of listing fees/corporate costs associated with the IPO in Q4 FY19 and payments for IP and trademarks.

The Company's strategy is to grow SaaS revenue by providing its learning platform to education providers on usage-based SaaS agreements. It also generates revenue by providing professional services to education providers to assist them in designing courses ('Learning Services') and by taking a share of the revenue from courses sold through OpenLearning's course marketplace ('Marketplace').

Cash receipts from customers by category for Q1 FY20

- Platform SaaS: AUD \$429k
- Learning Services: AUD \$122k
- Marketplace: AUD \$179k

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.

### **Outlook and growth strategy**

The Company is well positioned to capitalise on the supportive environment for online education and has aligned its growth strategy to the macro trends in the education sector. The impact of COVID-19 is likely to lead to fundamental and long-lasting changes to the delivery of education globally, creating significant opportunities for the Company to create long term value from short-term disruptions.

The Company is focused on three key areas in order to accelerate its revenue growth:

- **Platform for delivering high quality education**

The Company's focus is on growing SaaS revenue by enabling education providers to deliver quality online education through its purpose-built platform and learning services division. COVID-19 has heightened the public's understanding of the varying quality of online education with many

providers having faced significant issues with course quality, having attempted to shift to online learning en masse in a matter of weeks utilising their existing systems.

The resulting low-quality online learning experience has attracted attention in the media and is expected to lead to higher attrition rates, deferrals and dropouts by international and domestic students. The Company sees opportunities to support education providers through this transition and is investing in scaling its online customer acquisition, sales and onboarding processes.

- **Leader in micro-credentials and short courses**

The Australian Federal Government's higher education relief package has raised the profile of short courses as a legitimate means for people to up-skill, re-skill or change careers. The Company's platform is already being utilised for the delivery of short courses by a number of Australian higher education providers and it expects this to be a key use case for its solution.

In February 2020, OpenLearning released a draft of the OpenCreds framework, which is the first cross-sector micro-credentialing framework aligned to the Australian Qualifications Framework and designed around the needs of Australian learners and industry. The Company aims for this framework and the OpenLearning platform to become the industry standard and is exploring a range of opportunities to accelerate the growth of this new market.

- **Strategic partnerships**

The Company is actively pursuing partnerships with companies that offer complimentary products that fit into the OpenLearning ecosystem, this includes resellers in new markets or sectors in which the Company does not currently operate and with higher education providers themselves to accelerate the development of high value courses and qualifications that have a strong business case and would create long term value for all parties.

The Company is confident that by executing on this strategy it will be able to accelerate growth in its core business and capture a greater share of the value it is creating in the higher education market.

### **Importance of online education to the higher education sector**

Higher education providers globally are expecting substantial losses due to COVID-19 with modelling from Victoria University's Mitchell Institute<sup>2</sup> showing that the Australian university sector faces cumulative losses of c.\$19bn over the next three years due to loss of international student revenue.

The move towards quality online education is now seen as a 'core business' and the priority of investment in online education has increased, but the full impact remains unknown at this stage. In light of these challenges, OpenLearning is moving quickly to secure long term, mutually beneficial partnerships with higher education providers in Australia and Southeast Asia, that enable those providers to protect their core business and diversify their revenue.

### **Substantial sales pipeline**

OpenLearning's sales pipeline grew significantly in the quarter from an increase in inbound inquiries and outbound campaigns. This includes near term opportunities from universities, industry bodies and other education providers, primarily from Australia and Malaysia but also from the U.S., Europe and Southeast Asia, with some of these deals expected to close in Q2 FY20.

2 Hurley, Peter *Australian universities could lose \$19bn in the next 3 years. Our economy will suffer with them.* Mitchell Institute, Victoria University. 17 April 2020. Available at <http://www.mitchellinstitute.org.au/opinion/conversation-covid-19-university-funding/>

**OpenLearning Group CEO & Managing Director Adam Brimo said:** “We are pleased with the Company’s performance in the March quarter. We achieved solid growth across key metrics and managed to increase our revenue while managing our costs. These are very challenging times for our partners, customers and learners - our entire team are working hard to support them as they deal with the disruption caused by COVID-19. Already, it is clear that these tragic events will have a lasting impact on the higher education sector and society as a whole.”

“For the first time, a significant portion of society have experienced traditional online learning and they are largely disappointed with what they have found. Parents, students and professionals are beginning to demand a higher quality online learning experience and education providers will look towards companies like OpenLearning to meet those expectations. We look forward to supporting education providers as they make this transition and we thank our shareholders for their support.”

**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:**

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**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 2.17 million learners worldwide across over 8,000 courses provided by 76 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

To learn more, please visit: <https://solutions.openlearning.com/>

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## Annexure

### Annual general meeting

The Company is ordinarily required to hold its Annual General Meeting (“AGM”) by 31 May. However, given the non-essential gathering and travel uncertainties arising as a result of Covid-19, the Board of Directors has decided to utilise ASIC’s recent 20-068MR Guidelines and hold the AGM by no later than 31 July 2020. The AGM date will be confirmed in due course.

### Use of funds

In accordance with ASX Listing Rule 4.7C, the Company provides the following information:

The March 2020 quarter is a period which is covered by the Use of Funds Statement as outlined in the Company’s Replacement Prospectus dated 12 November 2019.

A summary of expenditure during the quarter and to date since listing is set out below.

Use of Proceeds under Prospectus	Funds allocated under Prospectus	Funds expended between admission and 31 March 2020
Enhancing Course Quality/Design Services <sup>3</sup>	\$771,569	\$0
Customer Onboarding/Support <sup>4</sup>	\$492,767	(\$96,788)
Marketing and expansion of sales network <sup>5</sup>	\$3,951,397	(\$802,602)
R&D <sup>6</sup>	\$1,276,377	(\$243,990)
Expenses associated with the IPO <sup>7</sup>	\$665,976	(\$628,859)
Working Capital <sup>8</sup>	\$2,104,447	(\$1,483,546)
	\$9,262,533	(\$3,255,784)
Add: Receipts from customers between admission and 31 March 2020		\$1,231,868
Less: Product manufacturing and operating costs as disclosed in Appendix 4C <sup>9</sup>		(\$635,119)
Net funds expended between admission and 31 March 2020		(\$2,659,035)

Payments to related parties and their associates during the quarter was \$117,000 which consists of salaries for an executive director and fees for non-executive directors plus related superannuation contributions.

The Company’s expenditure to date is consistent with the use of funds detailed in prospectus.

<sup>3</sup> The Company is exploring a range of near-term opportunities to allocate funds for the design and enhancement of courses on Platform.

<sup>4</sup> Costs associated with improving customer onboarding and support and related systems/processes.

<sup>5</sup> Increasing headcount of the sales, marketing and partnerships teams, sales automation and technical work to support lead generation activities.

<sup>6</sup> Continued improvements in the OpenLearning platform above and beyond ‘business-as-usual’ software development work, which the Company does not consider R&D and is captured under Working Capital.

<sup>7</sup> All costs attributable to the IPO

<sup>8</sup> Includes general costs associated with the management and operation of the business including administration expenses, ongoing software development, management salaries, directors’ fees, rent and other associated costs.

<sup>9</sup> Includes expenditure directly related to generating revenue and in line with the costs disclosed in Appendix 4C, including staff costs for the Learning Services division, revenue share to course providers in the Marketplace division, and web hosting and support costs for the Platform.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

OPENLEARNING LIMITED

**ABN**

18 635 890 390

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	720	720
1.2 Payments for		
(a) research and development	(55)	(55)
(b) product manufacturing and operating costs	(343)	(343)
(c) advertising and marketing	(61)	(61)
(d) leased assets	(7)	(7)
(e) staff costs	(988)	(988)
(f) administration and corporate costs	(318)	(318)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(8)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	13	13
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,045)</b>	<b>(1,045)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(5)
(d) investments	-	-
(e) intellectual property	(67)	(67)
(f) other non-current assets	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(72)</b>	<b>(72)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(10)	(10)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(10)</b>	<b>(10)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	7,741	7,741
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,045)	(1,045)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(72)	(72)



## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(10)
4.5	Effect of movement in exchange rates on cash held	2	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,616</b>	<b>6,616</b>

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	1,515	1,641
5.2	Call deposits	5,098	6,098
5.3	Bank overdrafts	-	-
5.4	Other (balance with PayPal)	3	2
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,616</b>	<b>7,741</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

117

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1: This payment sum of \$117,000 consists of salaries for an executive director and fees for non-executive directors plus related super contributions.

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	8	25
7.4 <b>Total financing facilities</b>	8	25

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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. This borrowing attracts an upfront loan fee of 18.5% with the borrowing repaid from 30% deduction of the receivables collected through the payment gateway until the borrowing is fully settled.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,045)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,616
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,616
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not Applicable.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not Applicable.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not Applicable.

**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.

Date: 30 April 2020 .....

Authorised by: Justyn Stedwell - Company Secretary .....

(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.