

ASX Announcement | 29 July 2020

Quarterly Activities Report & Appendix 4C

OpenLearning achieves record quarterly cash-flow and signs agreements with top-tier higher education providers in June quarter

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

- OpenLearning continues to demonstrate strong growth across all key metrics
- Executing on strategy to capitalise on the accelerated shift towards online education, as evidenced by the launch of OpenCredits and agreements with Open Universities Australia, ACU and DeakinCo
- 71% YoY increase in annualised recurring revenue (ARR)¹ to \$1.143m (+9% QoQ)
- 157% YoY increase in Platform SaaS customers to 116 (+33% QoQ)
- 2.508m registered users, with a quarterly increase of 343k (+14% QoQ)
- 3.675m total enrolments, with a quarterly increase of 647k (+18% QoQ)
- Record cash receipts from customers of \$945k in Q2 FY20 (+31% QoQ)
- Gross profit has increased for six straight quarters with solid momentum
- Strong cash position of \$5.9m as of 30th June 2020

Sydney, Australia, July 29, 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 30 June 2020 (Q2 FY20), along with the following update. The Company's fiscal year coincides with the calendar year.

Continued substantial growth across key metrics

OpenLearning is delighted to report record cash receipts of \$945k in Q2 FY20, up 31% on Q1 FY20. The Company's strong cash position of \$5.9m at the end of the quarter is underpinned by growth in revenues and decreasing cash burn, which was reduced by 9.6% to \$945k during the quarter.

OpenLearning's annualised recurring revenue (ARR) grew to \$1.143m in Q2 FY20, an increase of 71% YoY. There was also a substantial rise in Platform SaaS clients, which increased 157% YoY to 116.

As of 30 June 2020, OpenLearning has had close to 3.7 million enrolments from over 2.5 million registered learners and 3,872 active courses² provided by 116 education providers, making it one of the world's largest online education platforms.

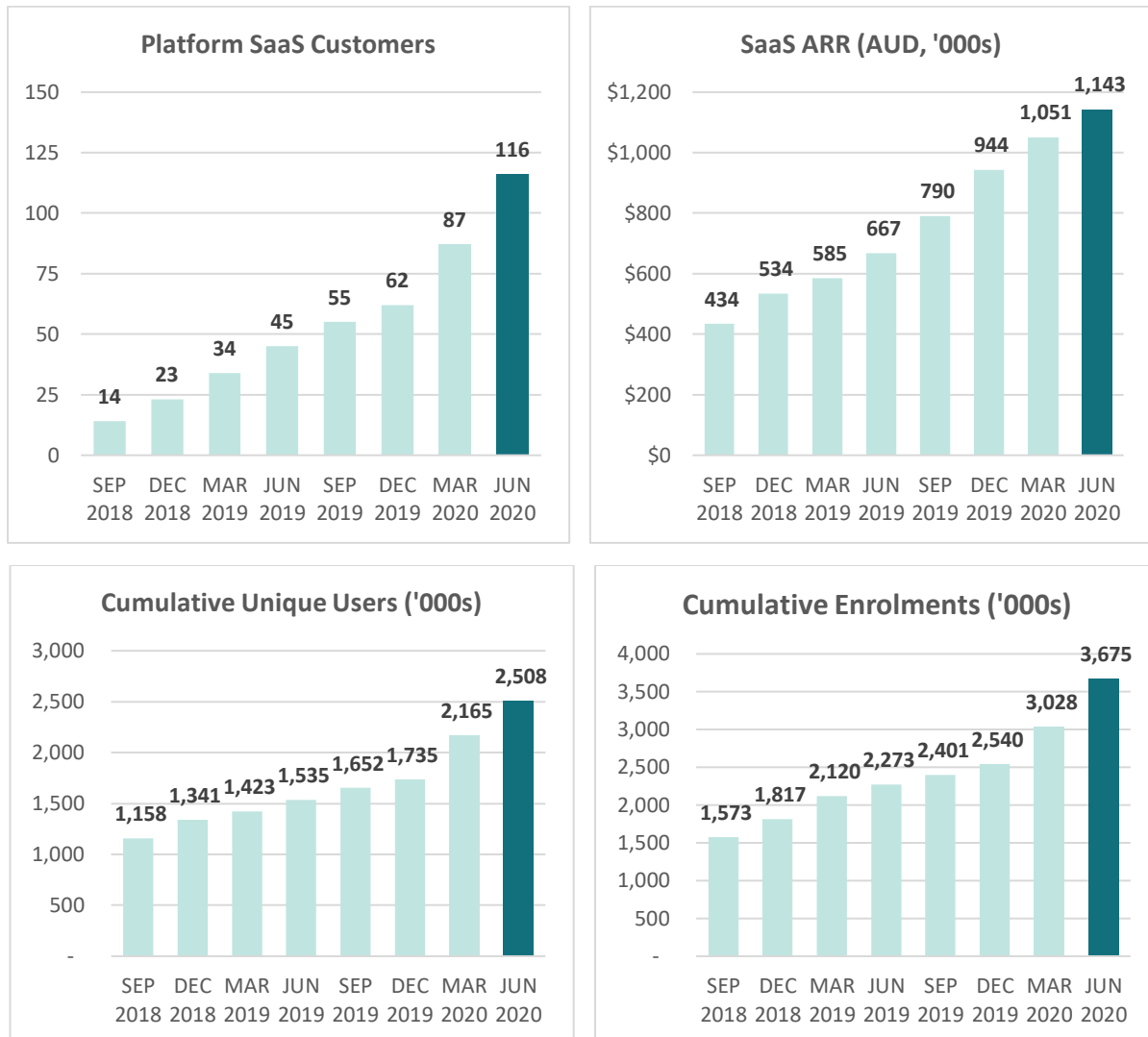
Strong growth in SaaS customers was a result of new platform agreements with universities as well as the launch of new self-service SaaS plans, which enable smaller education providers to subscribe to OpenLearning's platform for up to 250 learners for between \$500 to \$1,000/year. As their usage grows, they would be required to upgrade to higher-value SaaS plans.

The following charts highlight the Company's track record of growth over the past eight quarters.

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 Courses are considered active if they attracted over 10 enrolments in the period between 1st July 2019 and 30th June 2020.

Images 1 - 4: Platform SaaS Customers (paying >\$500/year)³, SaaS ARR, Cumulative Unique Users, and Cumulative Enrolments Growth, September 2018 – June 2020



The Company has recorded a net increase of 29 clients since the end of Q1 FY20. The figures for Q2 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 to the COVID-19 lockdown in Malaysia.

Substantial growth in new users and record enrolments were driven by large scale financial literacy and professional development courses in Malaysia, demand for short courses in Australia related to COVID-19 and new institutions that were onboarded during the quarter. Growth in users and enrolments out-paced ARR as a result of legacy contracts in Malaysia whereby fees were capped regardless of the level of usage.

Malaysia and Australia remained the Company's largest markets for registered users, enrolments and revenue. The Company witnessed strong growth in Indonesia as a result of the Company onboarding a number of new university partners in the first and second quarters of the year, as well as India, the United States and the United Kingdom as a result of increased demand for online up-skilling.

³ The number of Platform SaaS Customers for March 2020 has been revised upwards by 11 to 87 customers as a result of the introduction of new SaaS plans that were not captured in the previous quarterly report.

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Revenue by category

The Company reported record receipts from customers of \$945k and a net operating cash outflow of \$945k for Q2 FY20. This result included an investment of \$464k in sales and marketing in the quarter with the aim of securing new clients and partnerships while growing existing accounts.

The Company's strategy is to grow SaaS revenue by providing its learning platform to education providers on usage-based SaaS agreements ('Platform SaaS'). 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 Q2 FY20 were as follows:

- Platform SaaS: AUD \$283k
- Learning Services: AUD \$262k
- Marketplace: AUD \$400k

The Company's cashflow from Learning Services and Marketplace grew strongly as a result of demand from clients to move their courses online and attract new students as a result of COVID-19.

New partnerships and products to drive further growth

- **Transformative agreements with Open Universities Australia**

Post the quarter, the Company signed agreements with Open Universities Australia, including a Memorandum of Understanding, a Platform SaaS and Course Distribution Agreement, and a Services Agreement. Together, these agreements establish a close working relationship between the two organisations for the purpose of growing the micro-credential market in Australia.

OUA is Australia's largest online higher education marketplace and was established in 1993 and has since enrolled over 440,000 students. It currently offers over 400 degrees and more than 2,000 subjects from 21 Australian universities.

To accelerate the growth of the market, OpenLearning and OUA will jointly fund the setup and learning design costs of up to 30 OpenCreds through the creation of the Open Microcredential Development Grant with \$750k of value, including a \$450k in-kind contribution from the Company for learning design with the balance contributed by OUA in cash to universities. OpenLearning and OUA have begun promoting the grant program and the initial response has been very positive.

- **Launch of the OpenCreds micro-credentialing framework**

Following an extensive consultation process involving 350 people and four virtual roundtables, OpenLearning has finalised its OpenCreds micro-credential framework, which is now available for Australian education providers to use exclusively via OpenLearning. By providing a standardized structure for the delivery of micro-credentials, OpenCreds enables education providers to adapt to the fast-changing world of work, in which employees must upskill and reskill with greater frequency.

- **Launch of the OpenCreds Investment Fund**

The Company launched the OpenCreds Investment Fund (OIF) to accelerate its expansion beyond the university sector by supporting higher education providers, registered training organisations, industry associations and professional bodies to move their training programs online by utilising OpenLearning's platform and its new OpenCreds framework.

The OIF will fund the setup and learning design costs for 35 OpenCreds, representing an investment of \$350k from the Company, half of which will be in-kind. In exchange for the investment, the Company would receive a significant share of the revenue generated from fees paid by learners. The Company expects to fully deploy the capital over the next year.

- **Platform agreement with DeakinCo.**

Post the quarter, the Company signed a platform agreement with DeakinCo., part of Deakin University and a global leader in micro-credentials focused on workforce capabilities. The Company is now working closely with DeakinCo. to setup a substantial number of courses on the OpenLearning platform for delivery in Australia and international markets. DeakinCo. provided valuable input to the Company throughout the OpenCreds consultation process and is an early adopter of OpenCreds.

- **Platform and services agreement with Heriot-Watt University Malaysia**

During the quarter, the Company signed an agreement with Heriot-Watt University Malaysia ('Heriot-Watt'), one the UK's leading universities, with campuses in Edinburgh, Dubai, Malaysia, Orkney and the Scottish Borders, and over 29,000 students.

In April 2020, OpenLearning announced that it had been selected by Heriot-Watt to redesign the university's Foundation Studies programme into a world-class online learning experience. The project was substantially delivered in Q2 FY20 and students are now taking the programme completely online.

- **Platform agreement with Australian Catholic University (ACU)**

In June 2020, the Company expanded its partnership with ACU, signing a three-year usage-based platform agreement with the university. ACU, which was a strategic investor in OpenLearning's IPO in December 2019, is utilising the Company's platform for the delivery of short courses, micro-credentials and internal professional development programmes, initially focusing on the health and education sectors.

ACU is one of the fastest-growing universities in Australia and is ranked in the top 2% of all universities worldwide, with a total of 35,000 students across eight campuses in Australia and a campus in Rome, Italy.

- **New platform agreements in Malaysia and Indonesia**

During the quarter, the Company signed platform SaaS agreements with a number of universities and training providers to enable them to deliver their courses online amidst COVID-19 with a particular focus on professional development courses that are being sold on a commercial basis through the platform.

Notable new customers during the quarter include three universities in Indonesia, a number of local Malaysian training providers and Snap Inc. (NYSE: SNAP) which is running a course in Malaysia to educate people on how to create Snapchat filters.

- **Update on platform agreement with High Resolves**

High Resolves, a global not-for-profit that has engaged over 350,000 students through its award-winning learning experiences for high schools, has already deployed OpenLearning after signing a platform agreement in March 2020.

High Resolves has now redesigned four of their five peak experiences to be delivered via OpenLearning and has received positive feedback from schools. High Resolves and the Company have onboarded over 36 schools in Australia as of July 2020 and are in the process of ramping up ahead of the start of the school year in the northern hemisphere.

Strategy to capitalise on accelerated shift towards online education

The disruption caused by COVID-19 to the education sector has been a key driver of the Company's growth in the past quarter and is likely lead to fundamental and long-lasting changes to the higher education sector. The accelerated shift to online education is creating new opportunities for the Company, requiring a level of flexibility to ensure that the Company secures agreements that generate high medium to long term value. The Company is being prudent by executing against a clear strategy that balances investing in growth and managing operating cash outflow.

The Company has continued to focus 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 as the medium/long term solution for education providers to move online. The Company sees opportunities to support education providers large and small through this transition and is investing in scaling its online customer acquisition, sales and onboarding processes.

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

The launch of OpenCreds and the OpenCreds Investment Fund, along with the agreements that the Company has signed with Open Universities Australia, have positioned the Company to become the leader in the fast-growing and strategically important Australian micro-credential market. The Company is seeing an increase in demand in this segment from both learners and education providers in Australia and across Southeast Asia and will therefore continue to invest in initiatives and partnerships to enhance its position.

- **Strategic partnerships**

The Company continues to actively pursue partnerships with companies that offer complementary products that fit into the OpenLearning ecosystem, 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 of enabling education providers to deliver the highest quality online education and enter new segments of the higher education market.

To support this growth, the Company recently announced that Spiro Pappas became an Executive Director by virtue of accepting the role of Senior Advisor to the Company. Mr Pappas has over 30 years of international experience in banking and finance, holding senior roles in Sydney, New York, London, and Singapore. Recently, he was Executive General Manager for International Branches and Innovation at National Australia Bank (ASX: NAB) and prior to this, he was the bank's CEO of Asia and Executive General Manager Corporate and Institutional Banking.

OpenLearning Group CEO & Managing Director Adam Brimo said: "We're pleased to report another excellent quarter for the Company, with continued growth across our key metrics. Looking ahead, the third

quarter is off to an exciting start with the signing of ground-breaking agreements with Open Universities Australia, and several top tier universities being onboarded to our platform. We are particularly focused on securing deals that generate significant medium to long-term value and align with our strategy to be the leader in the burgeoning micro-credentials market. As workers increasingly find themselves needing to upskill and reskill in today's challenging job market, micro-credentials have never been more important and demand for online education has never been greater."

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 2.5 million learners worldwide across over thousands of courses provided by 116 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

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

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Annexure

Use of funds

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

The June 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 ⁴	\$771,569	\$0
Customer Onboarding/Support ⁵	\$492,767	(\$147,047)
Marketing and expansion of sales network ⁶	\$3,951,397	(\$1,267,201)
R&D ⁷	\$1,276,377	(\$356,268)
Expenses associated with the IPO ⁸	\$665,976	(\$628,859)
Working Capital ⁹	\$2,104,447	(\$2,253,990)
	\$9,262,533	(\$4,653,365)
Add: Receipts from customers between admission and 30 June 2020		\$2,176,608
Less: Product manufacturing and operating costs as disclosed in Appendix 4C ¹⁰		(\$784,146)
Less: Other costs (including course providers) as disclosed in Appendix 4C		(\$358,474)
Net funds expended between admission and 30 June 2020		(\$3,433,876)

During the quarter the following payments were made to related parties and their associates as disclosed in Item 6 of the Appendix 4C.

Salaries and fees paid to Directors	Amount
Fees to Kevin Barry as Non-Executive Director and Chair	\$12,577
Fees to David Buckingham as Non-Executive Director	\$10,913
Fees to Beverley Oliver as Non-Executive Director	\$10,913
Fees to Spiro Pappas as Executive Director and Senior Advisor	\$34,565
Fees to Maya Hari (non-resident) as Non-Executive Director	\$13,360
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$38,991
Total	\$121,319

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

⁴ The Company intends to allocate funds in this category to the Open Microcredential Development Grant and the OpenCreds Investment Fund, which were previously announced and highlighted in this quarterly report.

⁵ Costs associated with improving customer onboarding and support and related systems/processes.

⁶ Increasing headcount of the sales, marketing and partnerships teams, sales automation and technical work to support lead generation.

⁷ 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.

⁸ All costs attributable to the IPO

⁹ 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.

¹⁰ Includes expenditure directly related to generating revenue and in line with the costs disclosed in Appendix 4C, including staff costs for Learning Services division, revenue share to course providers in the Marketplace division; 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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	945	1,665
1.2 Payments for		
(a) research and development	(50)	(105)
(b) product manufacturing and operating costs (see note 6)	(322)	(571)
(c) advertising and marketing	(114)	(175)
(d) leased assets	(7)	(14)
(e) staff costs	(882)	(1,870)
(f) administration and corporate costs	(330)	(648)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	27	29
1.5 Interest and other costs of finance paid	-	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (see note 6)	(212)	(294)
1.9 Net cash from / (used in) operating activities	(945)	(1,991)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(8)
(d) investments	-	-
(e) intellectual property	(65)	(132)
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	-	-
2.6	Net cash from / (used in) investing activities	(68)	(140)

3.	Cash flows from financing activities		
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	333	333
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(8)	(18)
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	325	315

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,616	7,741
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(945)	(1,991)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(68)	(140)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	325	315
4.5	Effect of movement in exchange rates on cash held	(5)	(2)
4.6	Cash and cash equivalents at end of period	5,923	5,923

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	2,811	1,515
5.2	Call deposits	3,098	5,098
5.3	Bank overdrafts	-	-
5.4	Other (balance with PayPal)	14	3
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,923	6,616

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**

121

-

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 \$121,000 consists of salaries for executive directors and fees for non-executive directors plus related super contributions.

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

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)	-	-
7.4 Total financing facilities	-	-

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.

A working capital loan provided by Paypal with a drawn-down amount of \$24,500 was disclosed in the previous quarter's cash flow report. This loan was fully repaid in the current quarter.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(945)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,923
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,923
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	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: 20 July 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.
6. Payment to course creators of \$94,000 in the previous quarter 1 was classified in item 1.2(b) 'Product manufacturing and operating costs'. This has now been re-classified retrospectively to item 1.8 'Other' where item 1.8 includes payment to course creators of \$186,000 for the current quarter 2 and \$280,000 for the year-to-date period.