

ASX Announcement | 28th January 2021 Quarterly Activities Report & Appendix 4C

OpenLearning signs major agreements and sees strong growth in Q4 FY20

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

- Strong growth across key revenue and usage metrics in the December quarter (Q4 FY20)
- 42% YoY increase in annual cash receipts from customers for FY20 to \$3.18m
- 42% YoY increase in annualised recurring revenue (ARR)¹ to \$1.345m (+10% QoQ)
- 169% YoY increase in Platform SaaS customers to 167 (+17% QoQ)
- 2.73m registered users, with a quarterly increase of 104k (+4% QoQ)
- 4.41m total enrolments, with a quarterly increase of 172k (+4% QoQ)
- Signed transformative agreement to deliver the UNSW Transition Program Online
- Signed partnership with UNSW and The University of Queensland for the BEST Network
- Continued investment in revenue share opportunities to accelerate growth in FY21
- Cash position materially strengthened to \$8.6m as of 31 December 2020, bolstered by completion of \$5.94m institutional placement

Sydney, Australia, 28th January 2021: Global lifelong learning platform technology company **OpenLearning Limited** ('OpenLearning' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 December 2020 (Q4 FY20), along with the following update. The Company's fiscal year coincides with the calendar year.

Continued robust growth across key metrics

OpenLearning reported record full year cash receipts from customers and continued robust growth across all key metrics including SaaS customers, users, enrolments and annualised recurring revenue (ARR) during the fourth quarter, as well as the signing of transformative new agreements with top tier universities.

OpenLearning's ARR grew to \$1.345m in Q4 FY20, an increase of 42% YoY and 10% QoQ. There was also a substantial rise in Platform SaaS clients, which increased 169% YoY to 167. The Company also recorded a net increase of 24 platform customers over Q4 FY20. The Company's ARR includes SaaS revenue from both its online learning platform and the BEST Network, which also operates on a subscription business model.

The Company reported record annual cash receipts of \$3.18m for FY20, up 42% on the prior year. Quarterly cash receipts from clients totalled \$737k in Q4 FY20, which was up 44% on the prior year and down 5.6%

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.

on the preceding quarter's figure as a result of a shift from fee-for-service professional services to a revenue share model for short courses and micro-credentials.

Transformative agreement with UNSW Global to deliver the UNSW Transition Program Online

On 28 October 2020, OpenLearning announced it had signed a five-year license agreement with the University of New South Wales Global (UNSW Global) to design and deliver its new four-month online Transition Program for international students to gain entry into UNSW.

The agreement opens the door to a significant new revenue stream for OpenLearning. It expects to receive net revenue of between \$6,000 and \$9,000 for each student in the program after fees paid to UNSW Global and based on the estimated enrolment fee per student. The agreement is yet another example of OpenLearning's ability to enable digital transformation of teaching and learning at top tier universities.

The Company is responsible for managing the student lifecycle from application through to teaching and assessment. The online program will provide students with more feedback from teachers and peer interaction than other existing online programs.

The Company will incur upfront costs for the establishment, design and delivery of the program and will expand its Australia-based team accordingly. Under the agreement, UNSW Global is responsible for the marketing of the program and providing curriculum, content, quality assurance and certification. The program, which remains on track to commence in March 2021, is designed to provide the same outcomes for international students as UNSW Global's existing face-to-face Transition Program.

Expansion into health education with UNSW and The University of Queensland for the BEST Network

On 23 November 2020, OpenLearning announced it had signed a five-year agreement with the UNSW and The University of Queensland (UQ), which saw it become the technology and operating partner of the Biomedical Education Skills and Training (BEST) Network. BEST is a member-based collaboration of seven Australian universities (UNSW and UQ included) and five international universities.

Under the agreement, the Company will maintain and continue to develop BEST Network's Slice application, which has a collection of over 21,000 medical images. Slice, which is complementary to the OpenLearning platform, will enable some of the practical components of high-value medical courses to be delivered entirely online.

OpenLearning will receive a percentage of the membership fees paid by BEST Network members in consideration of its supporting and operating the BEST Network's services. OpenLearning plans to grow the BEST Network through marketing, enhancing its services and exploring opportunities for micro-credentials in the health sector in the form of OpenCreds.

The recurring revenue generated as a result of the BEST Network will be included in the Company's reported SaaS ARR. The agreement is strategically important and has the potential to forge a deeper relationship between the Company and medical faculties at leading Australian and overseas universities.

Cash receipts by category

Operating cash outflow widened to \$1.813m in Q4 FY20 as a result of investments in revenue share projects, including UNSW Transition Program Online, OpenCreds Investment Fund/Open Universities Australia and BEST Network, as well as further development of the OpenLearning platform and an expansion of the sales and partnerships team. Cash outflow also included one-off expenses of \$667k related to capital raising costs, insurance, professional costs and client-specific cloud hosting services, of

which \$311k were operating outflows. Operating cash outflows are expected to remain higher during the setup phase of these initiatives, however, they are expected to begin generating revenue in FY21.

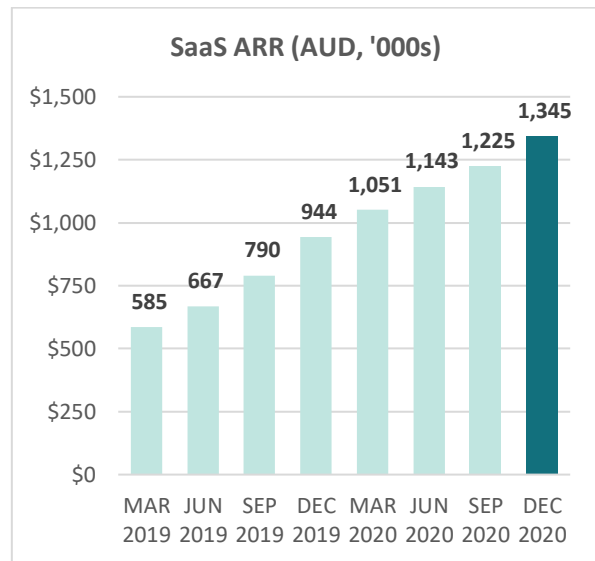
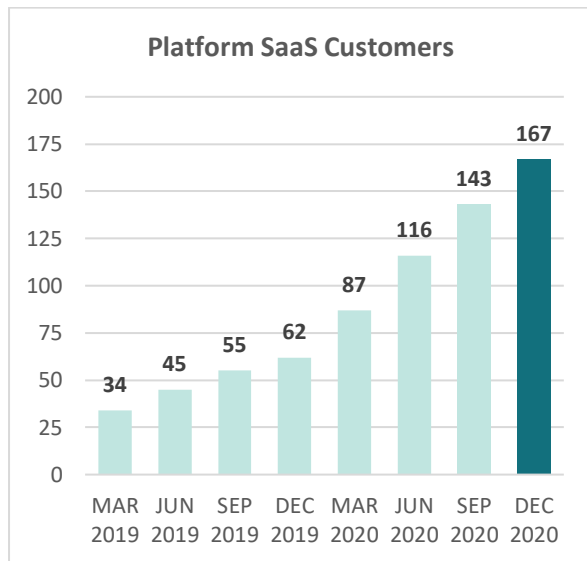
The Company’s strategy is to grow SaaS revenue by providing its learning platform to education providers on usage-based SaaS agreements (‘Platform SaaS’). It also generates revenue by providing professional services to education providers to assist them in designing courses (‘Learning Services’) and by taking a share of the revenue from courses sold through OpenLearning’s course marketplace (‘Marketplace’). Cash receipts from customers by category for Q4 FY20 were as follows:

- Platform SaaS: \$380k
- Learning Services: \$106k
- Marketplace: \$251k

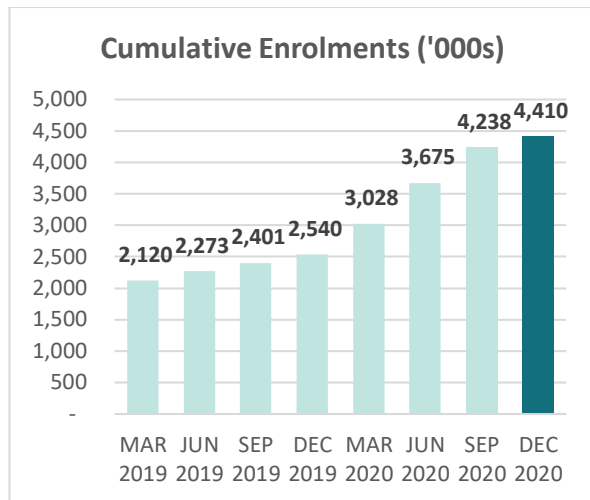
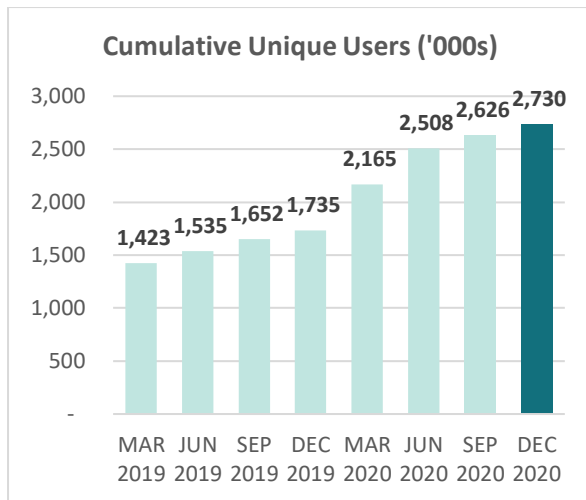
The Company’s cashflows from its Platform and Marketplace in aggregate grew 51% YoY as clients continued to migrate to online courses to take advantage of a shift towards online education.

As of 31 December 2020, OpenLearning had over 4.4m enrolments from over 2.7m registered learners. OpenLearning’s continued growth in enrolments and learners has seen the Company maintain its ranking as one of the world’s largest online education platforms. The following charts highlight the Company’s track record of growth over the past eight quarters.

Images 1 - 4: Platform SaaS Customers (paying >\$500/year), SaaS ARR (includes the OpenLearning platform and BEST Network), Cumulative Unique Users, and Cumulative Enrolments, Mar 2019 – Dec 2020



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The figures for Q4 FY20 includes a platform SaaS client 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. Q4 FY20 SaaS ARR includes contracted revenue from the BEST Network that was finalised post quarter end.

OpenCreds and Australian micro-credential markets continue to evolve

In July 2020, OpenLearning introduced OpenCreds, the first cross-sector micro-credentialing framework designed for Australia and aligned to the Australian Qualification Framework. In November 2020, OpenLearning released a version of OpenCreds for the Malaysian higher education sector. On the 25th and 26th of November, OpenLearning held two virtual Micro-credential Symposiums for Australia and Malaysia respectively, with over 400 attendees at each symposium.

To accelerate adoption of OpenCreds, the Company signed agreements with Open Universities Australia (OUA), Australia's largest higher education marketplace, for it to utilise the OpenLearning platform for micro-credentials and to jointly supporting the development of 30 OpenCreds on a revenue share basis with a new grant program. At the same time, the Company launched the OpenCreds Investment Fund to develop OpenCreds on a revenue-share basis in partnership with private education providers and has since signed up eight higher education providers to build 26 OpenCreds.

DeakinCo., part of Deakin University and a global leader in micro-credentials, focusing on workforce capabilities, signed a platform agreement for OpenLearning in July and has since launched six OpenCreds amongst other short courses targeting domestic and international students. The Company is receiving significant interest from universities and education providers in Australia and Malaysia to utilise its platform for OpenCreds.

Capital raised to fund strategic growth initiatives

OpenLearning ended its FY20 with a strong cash position of \$8.595m, bolstered by a successfully completing a \$5.939m institutional placement in order to deliver on revenue-share partnerships and near-term growth initiatives.

Specifically, proceeds from the placement will be directed towards funding:

- The setup and delivery of the UNSW Transition Program Online, which is expected to provide a significant new revenue stream to the Company
- The design and development of OpenCreds and qualifications on a revenue share basis
- Strategic acquisition opportunities
- Continued developments and enhancement of the OpenLearning platform

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- Working capital requirements

The Company made substantial progress in Q4 FY20 towards these initiatives.

OpenLearning Group CEO & Managing Director Adam Brimo said: “This past quarter was transformative for the Company with the signing of a five-year agreement with UNSW Global to deliver a ground-breaking four-month UNSW Transition Program Online, and a five-year agreement with UNSW and The University of Queensland for the BEST Network. At the same time, OpenLearning continues to build scale, with key operational and annualised recurring revenue metrics again higher in the December quarter in our core platform SaaS business. We are continuing to invest in revenue share opportunities to accelerate growth in FY21, including raising awareness of OpenCreds and building out a library of quality courses in coming quarters. We are grateful for the support of our partners and the dedication of our team this past year, enabling the Company to achieve record cash receipts and build a strong foundation for growth.”

Ends.

Authorised by:

Adam Brimo
Group CEO & Managing Director

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.

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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 2.7 million learners worldwide across over thousands of courses provided by 167 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

Use of funds

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

The December 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 in Q4 FY20	Funds expended between admission and 31 Dec 2020
Enhancing Course Quality/Design Services ²	\$771,569	(\$147,990)	(\$147,990)
Customer Onboarding/Support ³	\$492,767	(\$37,385)	(\$258,840)
Marketing and expansion of sales network ⁴	\$3,951,397	(\$480,490)	(\$2,234,504)
R&D ⁵	\$1,276,377	(\$101,780)	(\$518,175)
Expenses associated with the IPO ⁶	\$665,976	\$0	(\$628,859)
Working Capital ⁷	\$2,104,447	(\$1,118,747)	(\$4,083,923)
Total	\$9,262,533	(\$1,886,392)	(\$7,872,291)
Add: Receipts from customers between admission and 31 December 2020		\$737,633	\$3,694,946
Less: Product manufacturing and operating costs as disclosed in Appendix 4C ⁸		(\$417,823)	(\$1,490,915)
Less: Other costs (including course providers) as disclosed in Appendix 4C		(\$243,557)	(\$938,399)
Net funds expended between admission and 31 December 2020		(\$1,810,139)	(\$6,606,659)

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 Chairman	\$14,368
Fees to David Buckingham as Non-Executive Director	\$10,952
Fees to Beverley Oliver as Non-Executive Director	\$10,952
Fees to Spiro Pappas as Executive Director and Senior Advisor	\$38,819
Fees to Maya Hari (non-resident) as Non-Executive Director	\$13,266
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$43,762
Total	\$132,119

² Costs associated with the Transition Program Online, Open Microcredential Development Grant and OpenCredits Investment Fund.

³ Costs associated with improving customer onboarding and support and related systems/processes.

⁴ Increasing headcount of the sales, marketing and partnerships teams, sales automation and technical work to support lead generation.

⁵ 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.

⁶ All costs attributable to the IPO.

⁷ 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 as a result of new projects that required increased investment in software development, project management and overheads.

⁸ 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")

31 December 2020

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	737	3,183
1.2 Payments for		
(a) research and development	(104)	(269)
(b) product manufacturing and operating costs	(418)	(1,278)
(c) advertising and marketing	(93)	(382)
(d) leased assets	(8)	(29)
(e) staff costs	(1,107)	(3,879)
(f) administration and corporate costs	(483)	(1,429)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	34
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)	(342)	(962)
1.9 Net cash from / (used in) operating activities	(1,813)	(5,019)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(10)
(d) investments	-	-
(e) intellectual property	-	(132)
(f) other non-current assets (see note 7)	(148)	(148)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(150)	(290)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	5,939	5,939
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	279	629
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(356)	(356)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(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	5,862	6,194

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,720	7,741
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,813)	(5,019)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(150)	(290)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,862	6,194
4.5	Effect of movement in exchange rates on cash held	(24)	(31)
4.6	Cash and cash equivalents at end of period	8,595	8,595

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	1,458	1,718
5.2	Call deposits	7,100	3,000
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	37	2
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,595	4,720

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

- | | | Current quarter
\$A'000 |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 132 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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 sum of \$132,000 consists of salaries paid to executive directors and fees paid to non-executive directors plus related super contributions.

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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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

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.

Not Applicable.

8. Estimated cash available for future operating activities**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,813)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	8,595
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	8,595
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

- 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:28/01/21.....

Authorised by: Justyn Stedwell - 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. Included in item 1.8 'Other' are payments to education providers of \$244,000 for the current quarter 4 and \$860,000 for the year.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payments to recipients of the OpenCreds Investment Fund and staff to build the Transition Program Online and OpenCreds courses. These payments are capitalised in the balance sheet pending completion of the courses and amounted to \$148,000 for the current quarter and year.