

ASX Announcement | 20 October 2021
Quarterly Activities Report & Appendix 4C

**Platform revenue rises by 186% YoY, new CS101 program launches in October
with major technology companies as partners**

Investment Highlights:

- Platform Revenue increased significantly by 186% YoY in Q3 FY21 to \$0.825m.
- Platform Software-as-a-Service (SaaS) customers grew 37% YoY to 196 while annual recurring revenue (ARR)¹ grew 15% YoY to \$1.414m in Q3 FY21.
- Successful March 2021 intake of the UNSW Transition Program Online (TPO) with 86% of students receiving an offer from UNSW for either a degree or diploma.
- The TPO is now recognised by 6 universities in Australia, United Kingdom and New Zealand, growing this program's addressable market.
- August and September intakes of the TPO are now underway with over 70 students in total.
- The first cohort for OpenLearning's new technology upskilling program, CS101, commenced on 18th October with over 50 learners already enrolled.
- List of industry partners for CS101 continues to build and now includes Microsoft, Canva, Alibaba Cloud and Chronosphere.
- Cash receipts from customers grew strongly by 71% YoY to \$1.338m in the quarter.
- Cash on hand of \$4.233m as at 30 September 2021.

Sydney, Australia, 20 October 2021: Global lifelong learning platform **OpenLearning Limited** ('OpenLearning' or 'the Company') (ASX: OLL) is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 September 2021 (Q3 FY21), along with the following financial and operational update.

OpenLearning provides the complete solution for lifelong learning providers

Online lifelong learning markets in Australia and Southeast Asia continued to evolve over the middle part of calendar year 2021, with OpenLearning playing a key role in this process.

The Company continued to be a leader in the sector with new platform innovations, acceptance of the TPO by more universities, increasing adoption of its OpenCreds micro-credential framework and the launch of CS101 to bridge the technology skills gap in partnership with leading technology companies.

The Australian online education market is expected to grow 8.2% and reach \$7.9b in 2021, according to IBISWorld's latest forecast.² Lifelong learning, which includes both non-accredited courses and accredited courses, accounts for 95%, or \$7.5b, of the country's online education market.

OpenLearning's two-pronged strategy to growing its share of this market is to provide the complete technology solution to education providers to build and operate their education businesses (**Platform Subscription**) and, where it makes commercial sense, invest in building programs in partnership with

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 Online Education in Australia - Market Size 2007–2027: <https://www.ibisworld.com/au/market-size/online-education/>

top universities and corporates (**Program Delivery**). In addition, OpenLearning provides value-added services to accelerate client adoption of its platform, including a lifelong learning marketplace and learning design services.

With COVID-19 induced lockdowns lifting around the world and travel beginning to resume, the general consensus is that the pandemic has simply accelerated the structural change already occurring in the broader education sector and that online learning will be a primary mode of delivery in the lifelong learning market, particularly short courses and micro-credentials targeting working professionals.

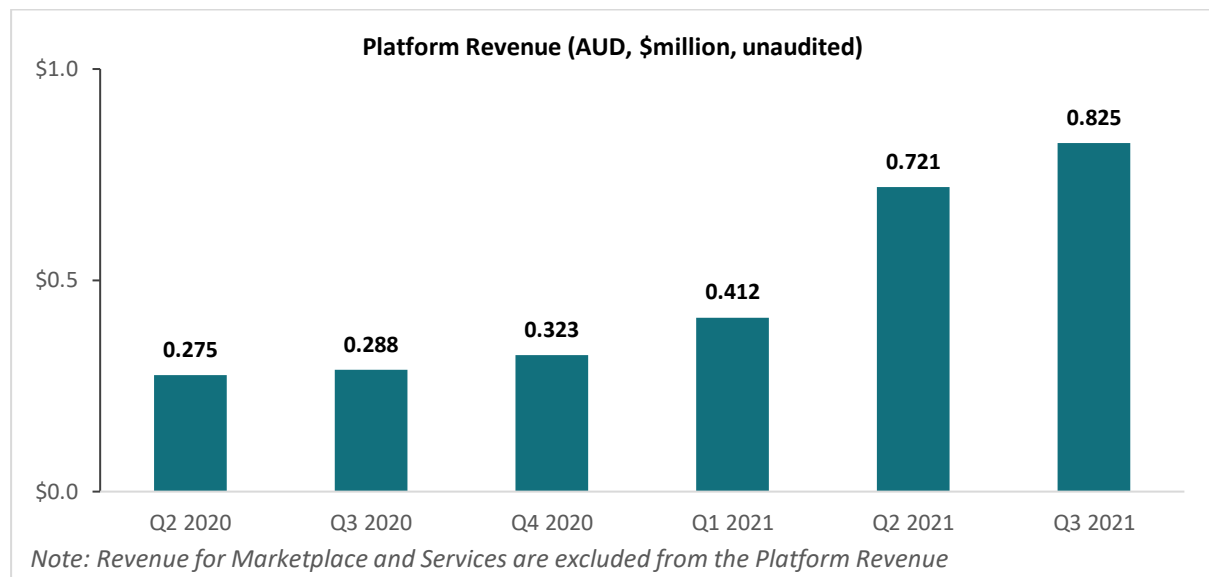
The Company looks forward to the return of international students and the resumption of on-campus education at the undergraduate level, which is likely to improve the financial situation of higher education providers and enable them to invest further in online and blended learning (mix of face-to-face and online learning).

Platform Revenues grow 186% from the prior year, with uptake of TPO a highlight

OpenLearning's Platform Revenue is derived from two products: 1) Platform Subscription and 2) Program Delivery.

Headline Q3 FY21 Platform Revenue continued to grow strongly, jumping by 186% YoY (and 14% QoQ) to \$0.825m. This significant Q3 FY21 growth was driven by the TPO and consistent Platform Subscription revenue.

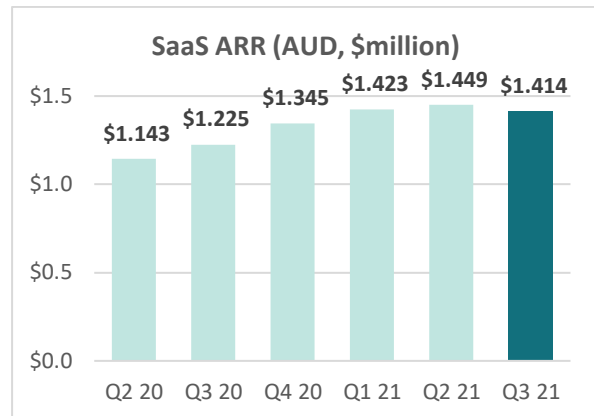
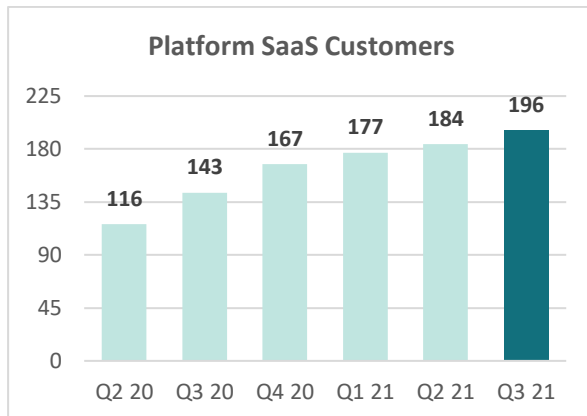
After a successful first intake of the TPO in March, the subsequent August and September intakes attracted 73 students. This means over 100 students have now enrolled in the TPO, less than a year since the agreement with UNSW Global was signed and six months after the start of the program.



OpenLearning's Platform Subscription is comprised of the recurring Software-as-a-Service (SaaS) revenue from education providers that pay to access and utilise the OpenLearning platform, including the BEST Network. The annual recurring revenue (ARR) from the Platform Subscription was up 15% on a YoY basis to \$1.414m in Q3 FY21.

Platform SaaS customers continued to rise, growing 37% YoY to 196 (with ARR in excess of \$500/year), a net increase of 12 clients in the quarter. Despite the increase in clients, ARR declined by 2% compared

to Q2 FY21 due to two unrelated Australia Government contracts not being renewed as a result of changes in each department's priorities, which totalled \$0.069m in ARR.



OpenLearning's Platform Subscription business has historically been a strong driver of revenue and a number of initiatives are underway to accelerate ARR growth.

In the past two quarters, the Company has: implemented usage-based pricing, which is expected to have a positive impact in the medium term; restructured and expanded its sales/partnerships team; established a sales and marketing team in Indonesia; and expanded its digital marketing efforts.

Program Delivery revenue stream growing strongly

OpenLearning's Program Delivery segment comprises programs delivered in partnership with top institutions for a large accessible market. The major driver of revenue growth in this segment is currently the TPO, a highly scalable four-month preparation program that provides prospective international students with direct-entry into UNSW, a global top 50 university.

The first intake of the TPO in March was successful, with 86% of students receiving an offer from UNSW for either a degree or diploma. The August and September intakes are now well underway, and students are already applying for the upcoming November intake as well as intakes scheduled for 2022.

With over 100 students enrolled since March and promising feedback, UNSW Global and OpenLearning are aiming to increase the number of universities that recognise the program. Already, in addition to UNSW, four United Kingdom universities and one New Zealand-based university have recognised the TPO. This number is expected to grow further in the coming months as discussions are ongoing with more universities.

Technology upskilling program, CS101, gains early traction

OpenLearning's Program Delivery segment is about to receive another boost, with the start of the first intake of its CS101 (short for 'computer science 101') program. This course is specifically designed for working professionals to enhance their computational thinking and programming skills and, in the process, make themselves more productive and employable. CS101 does not have any pre-requisites or entry criteria, making it accessible to a broad range of prospective learners worldwide.

According to a recent study by Accenture and the Tech Council, Australia will need an additional 60,000 tech workers per year over the next five years while only 7,000 students graduated with a technology-related degree in 2019, leading to a severe skills shortage that could limit the growth of the sector.

CS101 is designed to fill this gap by ensuring that the program is designed by industry, for industry. Led by OpenLearning's CTO David Collien and experienced learning designers, CS101 brings together industry experts and leading technology companies. The list of partners already includes Microsoft, Canva, Chronosphere and Alibaba Cloud, and is expected to grow further over time.

OpenLearning commenced development of its new CS101 program in Q2 FY21, with this task also extending across the Company's Q3 FY21 as well. The first cohort of CS101 commenced on 18th October, with over 50 people paying for the course and an additional 25 people from the industry partners. This figure is expected to rise further, and the next cohort is set for February 2022.

More information on the program is available on the website: <https://www.cs101.com/>.

User metrics continue to climb

OpenLearning added approximately 0.1m registered learners in 3Q FY21, taking the total number of registered users across all geographies above 3m for the first time. Platform enrolments grew by 0.195m, taking this metric above the 5m mark. These gains ensured OpenLearning retained its long-time position as one of Australia and Southeast Asia's largest lifelong learning platforms.

While OpenLearning's platform has continued to grow enrolments and learners, the Company is steadfastly prioritising growing revenue per user rather than maximising the number of learners.

Cash receipts continue to rise

OpenLearning reported an 71% YoY increase in cash receipts from customers to \$1.338m in Q3 FY21. This included receipts of \$0.238m from Platform Subscription and \$0.847m from Program Delivery as a result of students enrolling and paying in the August and September intakes of the TPO. Cash receipts from the Company's Learning Services came in at \$0.133m and gross sales of courses in the Marketplace were \$0.119m in the quarter.

Net operating cash outflows were (\$1.395m) in Q3 FY21, which included \$0.335m in once-off items and excludes license fees to be paid to UNSW Global of circa \$0.55m for the August and September intakes of the TPO. A cash outflow from investing activities of \$0.130m was also reported, representing setup and course design costs for CS101, which is expected to continue for a few quarters.

The setup phase of the TPO was completed in Q3 FY21 with the addition of the Design and Life Sciences streams to complement the Commerce, Actuarial Studies and Physical Science streams. The TPO will now move towards a business-as-usual delivery model with continuous improvement carried out as necessary.

OpenLearning's cash on hand as at 30th September 2021 was \$4.233m.

OpenLearning Group CEO & Managing Director Adam Brimo said: "OpenLearning delivered strong growth in platform revenues in Q3 FY21 and a number of initiatives are underway to accelerate growth across both the Platform Subscription and Program Delivery segments. Thanks to the hard work of our team and the support of UNSW Global, the Transition Program Online is starting to scale with promising results from the March intake, growing enrolments from the August and September intakes and a steadily increasing number of universities accepting students from the TPO upon completion. We are also thrilled with the launch of CS101, a truly ground-breaking computer science program that has attracted industry experts and leading technology companies who see the potential for it to bridge the skills gap. As Australia and Southeast Asia begin to re-open after COVID-19 restrictions, OpenLearning is well placed to continue growing its share of the lifelong learning markets in both of these geographies"

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 higher education technology 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 3m learners worldwide across over thousands of courses provided by 196 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

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

Annexure

Use of funds

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

The September 2021 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 ³	Funds expended in Q3 FY21	Funds expended between admission and 30 Sept. 2021
Enhancing Course Quality/Design Services ⁴	\$771,569	(120,540)	(\$610,511)
Customer Onboarding/Support ⁵	\$492,767	(28,992)	(\$339,346)
Marketing and expansion of sales network ⁶	\$3,951,397	(740,651)	(\$4,227,671)
R&D ⁷	\$1,276,377	(96,538)	(\$817,625)
Expenses associated with the IPO ⁸	\$665,976	-	(\$628,859)
Working Capital ⁹	\$2,104,447	(929,510)	(\$6,830,660)
Total	\$9,262,533	(1,916,231)	(\$13,454,672)
Add: Receipts from customers between admission and 30 Sept. 2021		1,337,698	\$7,358,688
Less: Product manufacturing and operating costs as disclosed in Appendix 4C ¹⁰		(587,467)	(\$3,143,393)
Less: Other costs (including course providers) as disclosed in Appendix 4C		(275,690)	(\$1,340,933)
Net funds expended between admission and 30 Sept. 2021		(1,441,690)	(\$10,580,310)

During Q3 FY21 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	\$13,834
Fees to David Buckingham as Non-Executive Director	\$10,967
Fees to Beverley Oliver as Non-Executive Director	\$10,967
Fees to Spiro Pappas as Non-Executive Director	\$10,967
Fees to Maya Hari (non-resident) as Non-Executive Director	\$14,010
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$46,703
Total	\$107,448

³ Includes cash at bank of \$1,262,533 held by the Company prior to admission, in addition to \$8m raised in the initial public offering.

⁴ Costs associated with course/program development including the Transition Program Online, OpenCreds Investment Fund and CS101.

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

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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,338	3,664
1.2 Payments for		
(a) research and development	(96)	(299)
(b) product manufacturing and operating costs	(587)	(1,652)
(c) advertising and marketing	(306)	(559)
(d) leased assets	(8)	(24)
(e) staff costs	(1,141)	(3,502)
(f) administration and corporate costs	(320)	(951)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	39
1.8 Other (see note 6)	(280)	(613)
1.9 Net cash from / (used in) operating activities	(1,394)	(3,887)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(16)
(d) investments	-	-
(e) intellectual property	-	(7)
(f) other non-current assets (see note 7)	(121)	(463)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(130)	(486)

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,744	8,595
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,394)	(3,887)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(130)	(486)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	13	11
4.6	Cash and cash equivalents at end of period	4,233	4,233

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	1,082	1,116
5.2	Call deposits	3,100	4,600
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	51	28
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,233	5,744

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**

107

-

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 \$107,000 consists of salaries paid to an executive director and fees paid to 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.

- 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
-	-
-	-
-	-
-	-

7.5 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)	(1,394)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,233
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,233
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3

- 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: 20/10/2021

Authorised by: Justyn Stedwell
(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 \$276,000 for the current quarter and \$678,000 for the year-to-date period. There was also a receipt of \$100,000 included in item 1.8 related to the prior year cash flow boost incentive, the appeal application which was allowed in the preceding quarter.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payments to recipients of the OpenCreds Investment Fund, payments to build the Transition Program Online and OpenCreds courses, and payments to develop a computer science programme. These payments are capitalised in the balance sheet pending completion of the courses and amounted to \$121,000 for the current quarter and \$463,000 for the year-to-date period.