

ASX Announcement | 29 April 2022
Quarterly Activities Report & Appendix 4C

Platform revenue up YoY in March 2022 quarter; simplified SaaS pricing model gains traction; UNSW TPO getting global recognition

Highlights:

- OpenLearning's Platform Revenue increased to \$0.652 million, up 58% year-on-year (YoY).
- Platform Software-as-a-Service (SaaS) annual recurring revenue (ARR)¹ reached \$1.501 million, (up 5% YoY).
- Successfully implemented simplified Platform SaaS pricing plan, removing lower-cost fixed price plans and requiring education providers to sign up to new usage-based plans. As a result, SaaS customers rose to 257 by end Q1 FY22 (up 45% YoY).
- Total enrolments grew 0.167 million to 5.287 million, while total unique users grew 0.085 million to 3.205 million.
- Cash receipts from customers totalled \$1.359 million in Q1 FY22, up 2% YoY.
- Cash on hand was \$4.515 million as at 31 March 2022

Sydney, Australia, 29 April 2022: 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 31 March 2022 (Q1 FY22), along with the following financial and operational update.

OpenLearning Platform continues to penetrate Australian life-long learning market

The OpenLearning platform has continued to gain traction as more education providers used it as an end-to-end solution for delivering short courses and micro-credentials. As a next generation lifelong learning platform, OpenLearning offers its clients a complete solution, including

- Easy to use course setup tools
- Digital credentialing and portfolios
- A robust assessment system
- 'Know Your Learner' functionality to identify academic misconduct
- Integrated marketing tools and payment gateway
- A scalable, modern cloud application

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.

The technology and services provided OpenLearning are succinctly detailed as following:

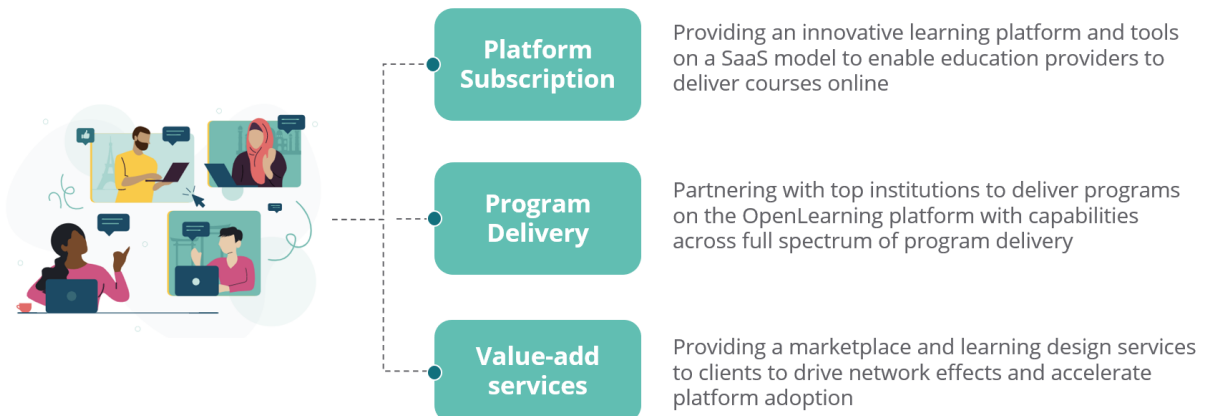


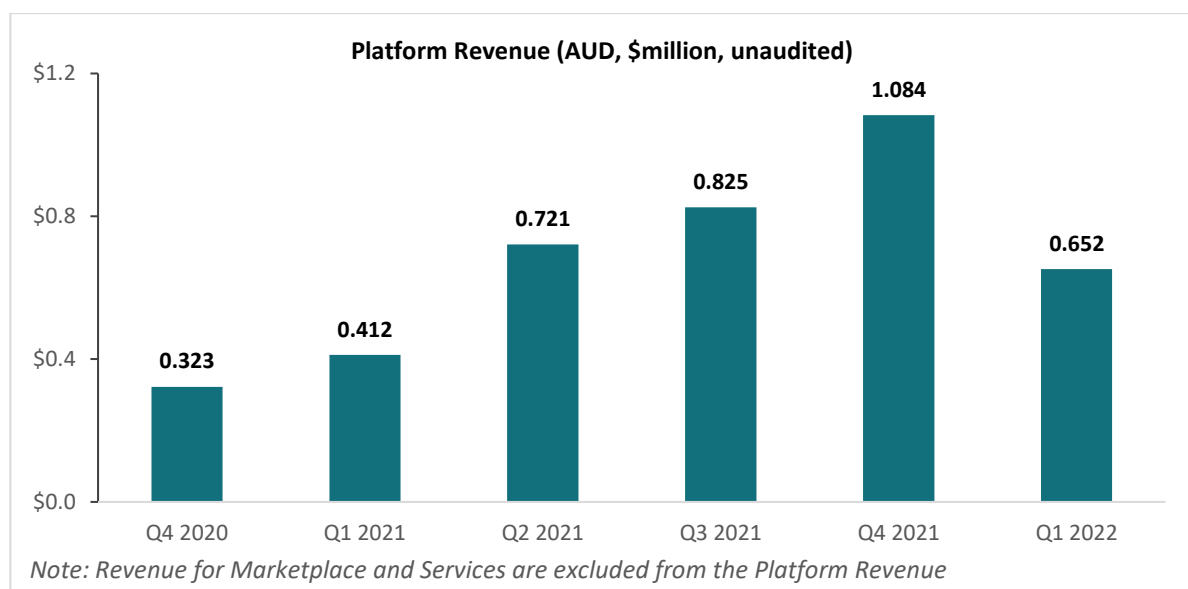
Figure 1: OpenLearning provides a 'one stop shop' for online lifelong learning providers

YoY increase for Platform Revenues over Q1 FY22

OpenLearning's Platform Revenue includes two segments: 1) Platform Subscription and 2) Program Delivery. Platform Revenue increased to \$0.652 million in Q1 FY22, 58% up YoY.

While Platform Revenue was lower than the prior quarter, this was reflective of two temporary factors:

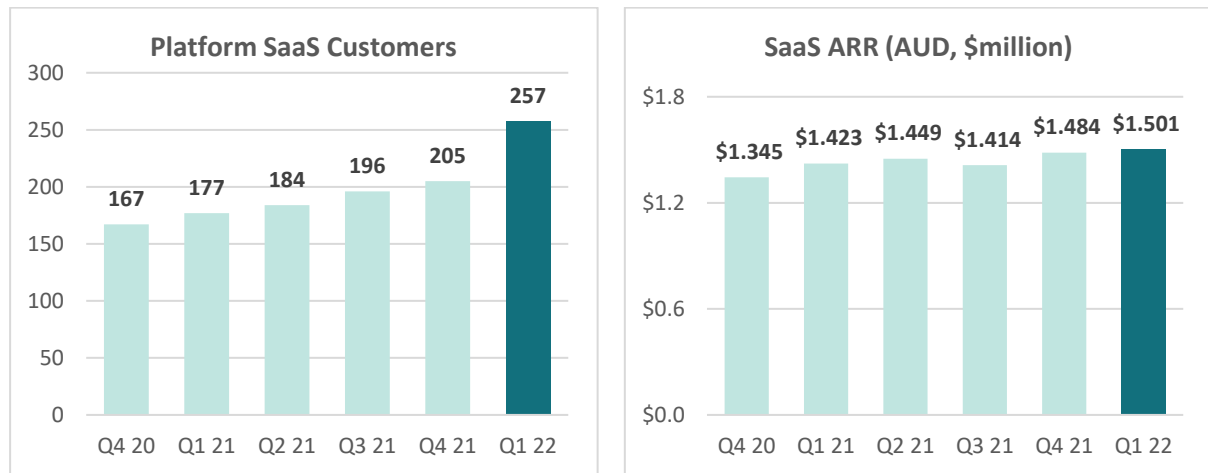
- A deliberate move by the Company to streamline its platform SaaS pricing model, which effectively delayed the timing of subscription revenues from education providers utilising the OpenLearning platform. This revenue is expected to grow in coming quarters, as a new usage-based pricing regime becomes the norm.
- An inherent 'lumpiness' in Program Delivery revenue. As the Company previously indicated to the market, intakes and the recognition of revenue over the duration of the TPO and CS101 programs will result in some volatility in the Company's quarterly Platform Revenue.



OpenLearning's Platform Subscription includes recurring Software-as-a-Service (SaaS) revenue from education providers that pay to access and utilise the OpenLearning platform, including the BEST Network. Platform SaaS annual recurring revenue (ARR)² reached \$1.501 million (up 5% YoY).

As noted above, OpenLearning has recently moved to simplify its Platform SaaS pricing by removing lower-cost fixed price plans and requiring education providers to sign up to new usage-based plans. The inner workings of this initiative are explained more fully later in this announcement. In the midst of these changes, platform SaaS customers rose to 257 by end Q1 FY22, up 45% YoY.

At the same time, total enrolments grew 0.167 million to 5.287 million, while total unique users increased by 0.085 million to 3.205 million.



OpenLearning successfully implements simplified platform SaaS pricing model

Product pricing in the Company's platform subscription has recently undergone a material change. A streamlined platform SaaS pricing model has gradually been introduced to the client base.

Previously, OpenLearning had over 300 educators subscribed to legacy SaaS plans at c.\$200/year. In Q1 FY22, the Company discontinued these legacy SaaS plans and required all education providers wanting to continue using the platform to subscribe 'institution SaaS plans' with a starting price of c.\$1,250/year for up to 100 learners with usage-based pricing thereafter.

To date, while overall SaaS revenue has registered only a modest increase, customer numbers have substantially risen as a result of the change in the pricing model. This reflects the switch now occurring between the old and new pricing models.

The key tenets of this revamped B2B SaaS model are:

- Tiered subscription plans for education providers to utilise the OpenLearning platform
- A fees schedule determined by usage by learners and educators and the features available to them
- Geo-targeted pricing for specific currencies

² 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.

- From a self-service and inside sales perspective, education providers now subscribe online with their credit card and get a 30-day free trial with access to all the tools to set up and run their courses
- Support is provided by online tutorials, knowledge - base, community and support team
- Specifically for university clients, Enterprise SaaS plans designed to meet the needs of universities are handled through OpenLearning's partnerships team.

This pricing strategy has resulted in only the education providers who see substantial value in the platform moving into the usage-based SaaS plans. It has delivered a simpler sales process, resulting in improved sales efficiency that is already supporting product-led growth.

OpenLearning continues to build scale in Program Delivery model

The UNSW Transition Program Online (TPO), a four-month direct entry program for prospective international students delivered in partnership with UNSW Global, is now recognised by eight universities across Australia, New Zealand and the United Kingdom. This list is expected to swell with a number of other universities now considering to recognise the program this year.

OpenLearning is now working closely with UNSW Global to open the way for universities that recognise the program to participate in marketing efforts. Their inclusion should, in turn, increase the demand for the TPO program. As shown in the following map of the world, TPO is now gaining traction across Asia, the US, the Middle East and parts of Africa.

Attracting international students across the globe

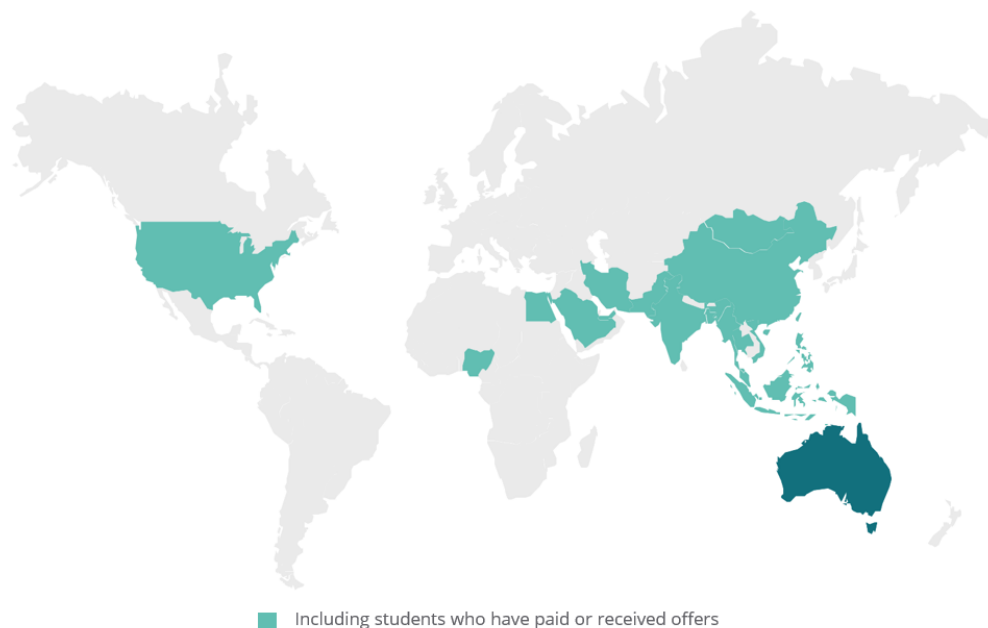


Figure 2: TPO is continuing to grow scale

Two intakes of TPO commenced in Q1 FY22, with three more due to commence throughout the year. The timing of these intakes and the recognition of revenue over the duration of the program will result in seasonal variations in the Company's Platform Revenue.

The Company is also building up scale with CS101 by entering the corporate upskilling market and piloting the licensing model with higher education institutions.

Cash receipts continue to record YoY increases

OpenLearning reported an 2% YoY increase in cash receipts from customers to \$1.359 million in Q1 FY22. More specifically, cash receipts by segment over the quarter were:

- Platform SaaS - \$0.570 million
- Program Delivery - \$0.434 million
- Marketplace - \$0.229 million
- Services - \$0.125 million

Net operating cash outflows were (\$1.448) million in Q1 FY22. The Company now focuses on improving its gross margins by adopting usage-based pricing, ending support for legacy SaaS plans and improving its utilisation of cloud hosting services. The Company is in the process of implementing a number of measures aligned with its strategy to improve operating efficiency and reduce costs while balancing investments to grow revenue.

OpenLearning's cash on hand as at 31 March 2022 was \$4.515 million, bolstered by the \$1.583 million of new capital received from the recent rights issue to eligible existing OpenLearning shareholders.

OpenLearning Group CEO & Managing Director Adam Brimo said: "We continued to successfully leverage off ongoing growth in the life-long learning market over the early part of calendar 2022. The list of education providers turning to our end-to-end platform to deliver their short courses grew further in the March 2022 quarter. And this growth impetus should remain in place over the coming year, as the long-term demand uplift for short courses and micro-credentials shows no signs of abating.

The March quarter was a watershed period for the Platform Subscription segment of our Company. It saw us phase out the remaining legacy SaaS plans and simplify our pricing model. The revenue is now determined by usage levels of both learners and educators and the features available to them. This new pricing structure will contribute to gross margin improvement down the track.

In the Program Delivery space, the number of universities now recognising the UNSW Global's TPO has risen to eight, and this number should grow further. We are now working closely with UNSW Global to open the way for universities that recognise the TPO program to participate in its marketing initiatives, which should feed more demand for the program amongst a wider group of prospective students."

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.

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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 3 million learners worldwide across thousands of courses provided by 257 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 March 2022 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 (AUD).

Use of Proceeds under Prospectus	Funds allocated under Prospectus ³	Funds expended in Q1 FY22	Funds expended between admission and 31 Mar. 2022
Enhancing Course Quality/Design Services ⁴	\$771,569	(198,581)	(1,064,826)
Customer Onboarding/Support ⁵	\$492,767	(40,770)	(418,907)
Marketing and expansion of sales network ⁶	\$3,951,397	(473,520)	(5,157,463)
R&D ⁷	\$1,276,377	(83,682)	(968,236)
Expenses associated with the IPO ⁸	\$665,976	-	(628,859)
Working Capital ⁹	\$2,104,447	(1,189,649)	(8,894,289)
Total	\$9,262,533	(1,986,202)	(17,132,580)
Add: Receipts from customers between admission and 31 Mar. 2022		1,358,865	9,609,047
Less: Product manufacturing and operating costs as disclosed in Appendix 4C ¹⁰		(843,890)	(5,590,936)
Less: Other costs (including course providers) as disclosed in Appendix 4C		(172,628)	(1,923,328)
Net funds expended between admission and 31 Mar. 2022		(1,643,855)	(15,037,797)

During Q1 FY22 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
Fee to Benjamin Shields as Non-Executive Director	\$14,623
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	\$14,014
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$46,703
Total	\$122,075

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")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,359	1,359
1.2 Payments for		
(a) research and development	(92)	(92)
(b) product manufacturing and operating costs	(844)	(844)
(c) advertising and marketing	(60)	(60)
(d) leased assets	(7)	(7)
(e) staff costs	(1,158)	(1,158)
(f) administration and corporate costs	(522)	(522)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	30	30
1.8 Other (see note 6)	(155)	(155)
1.9 Net cash from / (used in) operating activities	(1,448)	(1,448)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(1)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (see note 7)	(199)	(199)

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)	-	-
2.6	Net cash from / (used in) investing activities	(200)	(200)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,583	1,583
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	1,583	1,583

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,588	4,588
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,448)	(1,448)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(200)	(200)

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)	1,583	1,583
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
4.6	Cash and cash equivalents at end of period	4,515	4,515

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	4,476	4,558
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	39	30
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,515	4,588

**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
122
-

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 \$122,000 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)	(1,448)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,515
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,515
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: 29 April 2022

Authorised by: The Board of Directors
(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 mainly payments to education providers of \$173,000 net of miscellaneous receipts comprising mainly GST refund of \$47,000 for the current quarter.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payroll costs to build the OpenCreds Investment Fund courses and for platform development. These payments are capitalised in the balance sheet pending completion of the intangible assets and amounted to \$199,000 for the current quarter.