

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

Platform revenue grows in June 2022 quarter; strategic review and transformation underway

Highlights:

- Platform Software-as-a-Service (SaaS) annual recurring revenue (ARR)¹ increased 10% year-on-year (YoY) to \$1.597 million, as the Company focused on increasing revenue per customer
- Platform SaaS customer numbers declined to 244 as the Company removed its lower-cost SaaS plans, resulting in average ARR per customer increasing by 12% to \$6,544
- OpenLearning's Platform Revenue increased to \$0.737 million, up 2% YoY
- Total enrolments grew by 0.139 million to 5.426 million, while total unique users grew by 0.062 million to 3.267 million
- Cash receipts from customers totalled \$0.952 million in Q1 FY22, a decline of 4% YoY
- Strategic review commenced in May with the appointment of IBIS Capital, which has generated interest from multiple parties and a number of opportunities in Australia and overseas
- Cost reductions to save an estimated \$2.47 million² on an annualised basis to reduce losses and improve gross margins are underway
- Transition to a value-added distributor model underway with a focus on divesting a majority stake in the Company's Malaysian business and exploring other markets in Southeast Asia

Sydney, Australia, 29 July 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 30 June 2022 (Q2 FY22), along with the following financial and operational update.

Strategic review and focus on reaching break-even

The Company commenced a strategic review of its business in May 2022, following the receipt of approaches from interested parties, and appointed IBIS Capital to advise the Company on its options with the objective of maximising shareholder value [ASX Announcement 16th May 2022].

The strategic review is well underway and has generated interest from multiple parties in specific segments of the Company's operating businesses, and surfaced new opportunities to accelerate the Company's growth. The interest received thus far is non-binding and is currently being reviewed by the Company's Board of Directors, who will keep shareholders informed in accordance with their continuous disclosure obligations.

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 Based on the annualised difference between Q4 2021 actual and Q4 2022 estimated operating expenses and cost of sales associated with platform subscription.

Focus on the core OpenLearning technology platform

At this stage of the strategic review, the Board of Directors expects that the Company will retain and grow its core Platform SaaS business with a focus on reducing costs and restructuring the Company to achieve break-even.

The Company is in the process of transitioning from a direct sales approach in Southeast Asia to a value-added distributor model for each country, with discussions underway to divest a majority stake in the Company's Malaysian business. The distributor in each country handles sales, marketing and services for the OpenLearning platform and pays an annual usage-based SaaS fee to OpenLearning in exchange for operating and developing the OpenLearning platform.

The implementation of the distributor model in Southeast Asia is expected to result in a net improvement of approximately \$0.75 million to the Company's bottom line in FY23, while enabling it to enter more markets in the region with minimal capital outlay.

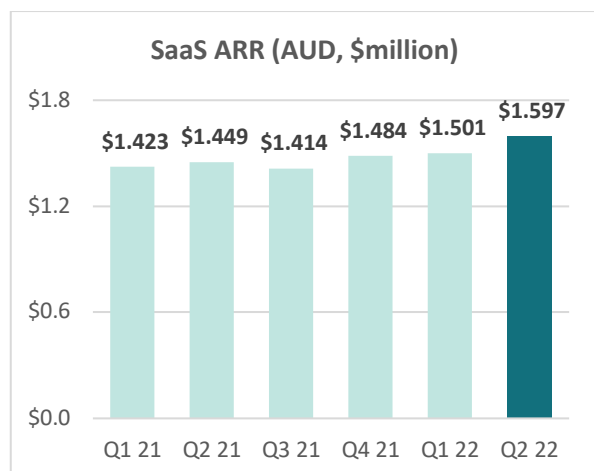
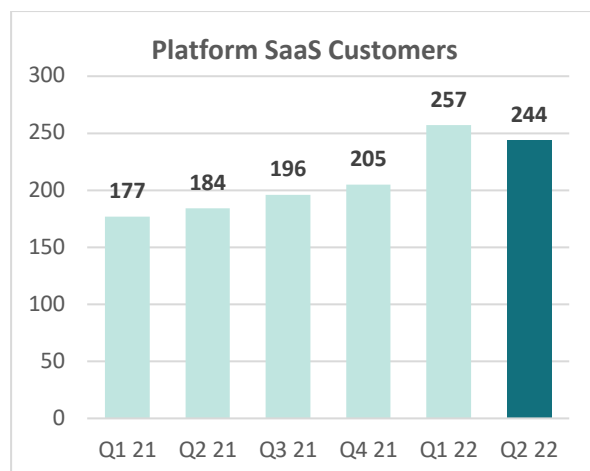
Platform SaaS growth accelerates in Australia and Malaysia

The OpenLearning platform has continued to gain traction as education providers have increased their usage of its end-to-end solution for delivering short courses and micro-credentials, resulting in Platform SaaS ARR increasing 6% quarter on quarter (QoQ) and 10% YoY to \$1.597m.

Over the past year, the Company has focused on simplifying its Platform SaaS pricing by removing lower-cost fixed price plans and requiring education providers to sign up to new usage-based plans that provide additional features to enable education providers to grow their enrolments and manage their courses.

This process continued in Q2 FY22 with the removal of Platform SaaS plans below ARR \$1,000, resulting in Platform SaaS customer numbers declining to 244 while at the same time driving a 12% QoQ increase in ARR per customer to \$6,544. Additionally, total enrolments grew 0.167 million to 5.287 million, while total unique users increased by 0.085 million to 3.205 million.

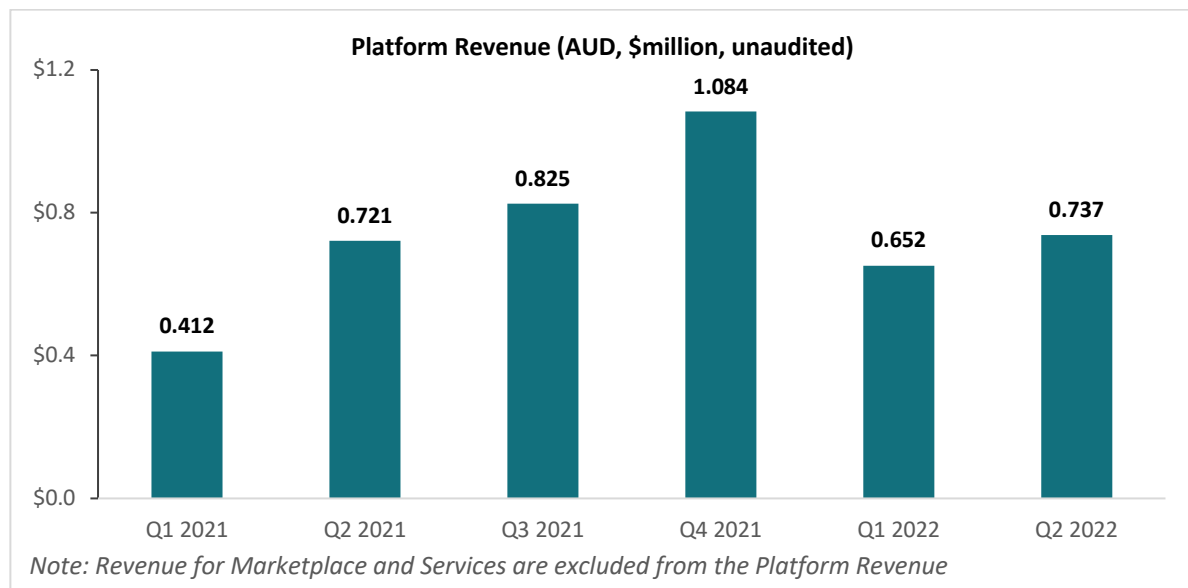
The Company's pricing strategy has resulted in only the education providers who see substantial value in the platform moving into the usage-based SaaS plans. It has delivered a simpler sales process, resulting in improved sales efficiency that is already supporting product-led growth and higher gross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



Platform Revenues continue to increase YoY in Q2 FY22

OpenLearning's Platform Revenue includes two segments: 1) Platform Subscription and 2) Program Delivery. Platform Revenue increased to \$0.737 million in Q2 FY22, 2% up YoY.

Platform Revenue growth was modest as a result of the inherent 'lumpiness' in Program Delivery revenue and a consistent number of students in the UNSW Transition Program Online (TPO) compared to 2021. 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 continues to build scale in Program Delivery model

The TPO is a four-month direct entry program for prospective international students delivered in partnership with UNSW Global, which has grown from being recognised by one university in early 2021 to now eight universities across Australia, New Zealand and the United Kingdom in the past year.

The TPO was launched in March 2021 and has since attracted over 130 students. It adopts an innovative delivery model focusing on activity and project-based learning, mentoring and portfolio-based assessment. The program runs multiple times a year with all students in the same cohort, regardless of which university they intend to study at upon completion, making it high scalable.

OpenLearning is now working closely with UNSW Global to open the way for universities that recognise the program to participate in marketing efforts. The two key initiatives underway to expand the TPO into more universities and increase enrolments are:

1. Establish a standalone website and a generic brand for the program so that more universities are willing to recognise and recommend it to their prospective students; and
2. Incentivise all university partners to invest in sales and marketing to drive enrolments.

Two intakes of TPO commenced in Q1 FY22 and ran through Q2 FY22. OpenLearning initially planned to run five intakes in 2022, however it has decided to combine the July intake with the August intake

to achieve better economies of scale. In addition to the August intake, there will also be an intake in November 2022. 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.

Cash receipts remain strong; cost reductions underway

The Company reported cash receipts from customers of \$0.952 million in Q2 FY22 (down 4% YoY), which is historically a weaker quarter due to the timing of intakes in the Program Delivery business. Cash receipts were driven by the Platform SaaS business, which saw more customers subscribe to annual plans. More specifically, cash receipts by segment over the quarter were:

- Platform SaaS - \$0.593 million (up 28% YoY)
- Program Delivery - \$0.072 million (down 72% YoY)
- Marketplace - \$0.161 million (unchanged)
- Services - \$0.126 million (up 12% YoY)

Net operating cash outflows were \$1.584 million in Q2 FY22, versus \$1.516 million in the same quarter last year, mainly due to delivery costs for the February and March intakes of the TPO and one-off expenses related to the strategic review and staff reductions. At the same time, operating expenses and hosting costs were lower than Q1 FY22. The Company's cash on hand as at 30 June 2022 was \$2.75 million.

As previously announced on 27th May 2022, the Company has embarked on a cost optimisation exercise that will reduce costs by an estimated \$2.47 million on an annualised basis³ by reducing cloud hosting costs, corporate overheads, sales and marketing costs, and restructuring its operations. The results of this exercise will appear in Q3 and Q4 FY22 as staff serve out their notice periods and operational efficiencies come into effect.

OpenLearning Group CEO & Managing Director Adam Brimo said: "It is clear that substantial changes need to be made in order for OpenLearning to reach break-even and that is our focus. We are pleased with the progress of the strategic review thus far and we are already implementing a range of key initiatives to reduce costs and move towards a capital-light growth model.

As we implement these changes and explore our strategic options, I would like to thank our team and stakeholders for their continued support. OpenLearning has made a significant impact on the lifelong learning market and enables hundreds of education providers to deliver world-class learning experiences. The OpenLearning Platform has broad appeal and we are confident that our Platform SaaS business will underpin our strategy to break-even.

Already, we are seeing that our transition to a usage-based SaaS model is resulting in higher ARR per customer and improving margins. The initiatives underway in our program delivery business are expected to yield results in the latter half of 2022 and the move to a distributor model in Southeast Asia, starting in Malaysia, is on track with discussions ongoing."

³ Based on the annualised difference between Q4 2021 actual and Q4 2022 estimated operating expenses and cost of sales associated with platform subscription.

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/> and follow the latest news here: <https://investors.openlearning.com/> 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 3 million learners worldwide across thousands of courses provided by hundreds of 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

During Q2 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 Spiro Pappas as Non-Executive Director and Chairman	\$10,905
Fees to Kevin Barry as Non-Executive Director (resigned 30 June 2022)	\$11,823
Fee to Benjamin Shields as Non-Executive Director	\$9,968
Fees to David Buckingham as Non-Executive Director (retired on 27 May 2022)	\$7,311
Fees to Maya Hari (non-resident) as Non-Executive Director (resigned on 26 April 2022)	\$5,723
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$46,345
Total	\$92,075

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 2022

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	952	2,311
1.2 Payments for		
(a) research and development	(52)	(144)
(b) product manufacturing and operating costs	(830)	(1,674)
(c) advertising and marketing	(41)	(101)
(d) leased assets	(1)	(8)
(e) staff costs	(1,081)	(2,239)
(f) administration and corporate costs	(380)	(902)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	20	50
1.8 Other (see note 6)	(171)	(326)
1.9 Net cash from / (used in) operating activities	(1,584)	(3,032)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (see note 7)	(183)	(382)

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	(186)	(386)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,515	4,588
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,584)	(3,032)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(186)	(386)

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)	-	1,583
4.5	Effect of movement in exchange rates on cash held	7	(1)
4.6	Cash and cash equivalents at end of period	2,752	2,752

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	2,598	4,476
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	154	39
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,752	4,515

**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
92
-

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 \$92,000 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)	(1,584)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,752
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,752
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.74

- 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:

The Company does not expect to have the same level of net operating cash flows because it has already embarked on a cost reduction exercise as detailed in its Q2 FY22 quarterly activities report that is expected to result in lower net operating cash outflows from Q3 FY22 onwards.

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:

The Company is undertaking a strategic review of its business [ASX Announcement 17th May 2022] that is exploring all options for the Company, including the sale of assets, capital raising, transition to a distributor model with the divestment of a majority stake in its Malaysian business and a restructuring to reduce costs [ASX Announcement 27th May 2022]. The strategic review is ongoing, and the Company expects that it will yield results in the near term.

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:

Yes. The Company is in the process of restructuring its operations as part of its strategic review and has already put in place measures to reduce operating costs while ensuring that its core business continues to meet its objectives.

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 July 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 \$159,000 for the current quarter and \$332,000 for the year-to-day period.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payroll costs to build the OpenCreds Investment Fund courses, CS101 courses, UNSW TP courses, and for platform development. These payments are capitalised in the balance sheet pending completion of the intangible assets and amounted to \$183,000 for the current quarter and \$382,000 for the year-to-day period.