

ASX Announcement | 31 January 2023
Quarterly Activities Report & Appendix 4C

OpenLearning grows SaaS revenue in Dec 2022 quarter; secures strategic investment from Education Centre of Australia

Highlights:

- Platform Software-as-a-Service (SaaS) annual recurring revenue (ARR)¹ increased 16% year-on-year (YoY) to \$1.715 million
- Platform SaaS customer numbers ended 2022 at 245, an increase of 20% YoY
- Cost optimisation exercise resulted in annualised savings of circa \$3.3 million in Q4 FY22 compared to Q4 FY21, an improvement on the Company's initial estimate by \$0.8 million
- Completion of a \$2.3 million capital raising comprising a strategic investment from the Education Centre of Australia (ECA) and a rights issue to eligible shareholders
- Cash receipts from customers totalled \$0.722 million in Q4 FY22, driven by a 22% increase in Platform SaaS cash receipts, which offset fewer enrolments in the Company's program delivery segment resulting in an overall YoY decline of 19% in total cash receipts from customers
- Total enrolments grew by 77 thousand to 5.637 million, while total unique users grew by 38 thousand to 3.357 million

Sydney, Australia, 31 January 2023: 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 December 2022 (Q4 FY22), along with the following financial and operational update.

Platform SaaS ARR continues to grow with improving margins

OpenLearning's platform offers education providers a complete solution for creating, delivering and managing short courses, micro-credential and degrees aligned to the principles of active learning, outcome-based education and social constructivism.

Through the platform, education providers are able to capture evidence of the students' learning process to verify how their students achieved the learning outcomes in addition to the results of their final assessments. This approach is particularly relevant due to recent advances in Generative AI and its use in the education sector, which may accelerate the shift from away traditional assessment methods towards portfolio-based assessment. The Company's management believes it is well positioned to capitalise on this shift as a result of the investments it has made into its platform over the years.

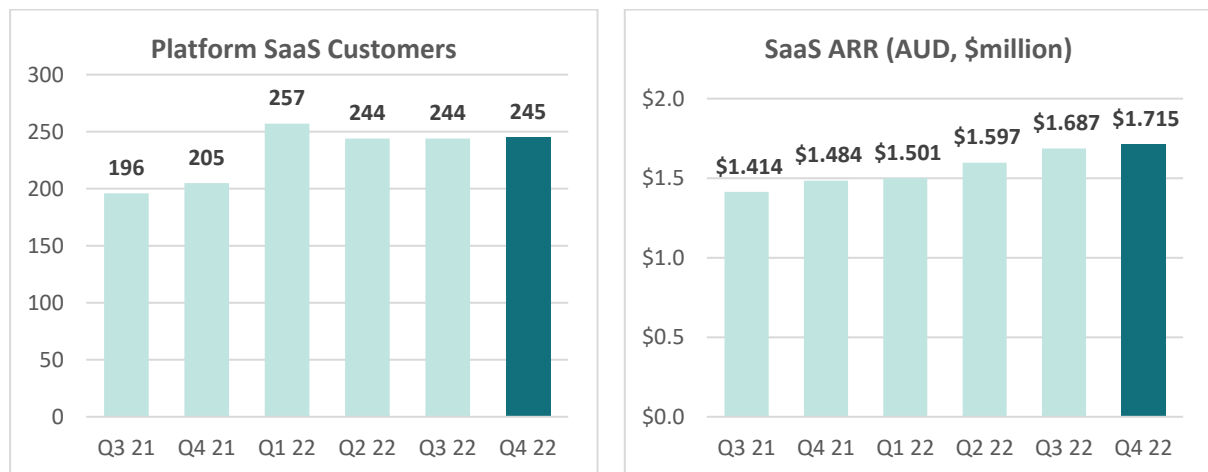
Over the past year, the Company has focused its product management efforts on a number of key customer use-cases, and as a result, has expanded the e-commerce, administration, learning, and assessment features of the platform. The additional functionality has supported OpenLearning's positioning as a leading platform for micro-credentials and greater adoption of the OpenCreds micro-

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.

credentialing framework, with over 100 OpenCreds now launched by providers in Australia, Malaysia and other countries. These improvements, along with the shift to usage-based pricing, are attracting new customers and increasing usage among existing customers, resulting in a 16% YoY increase in Platform SaaS ARR to \$1.715 million.

The Company also prioritised improvements to the platform's underlying technical architecture with the aim of reducing technical debt, improving performance and reducing cloud hosting costs to improve scalability. While these efforts are still ongoing, they have already resulted cloud hosting costs decreasing by 37% YoY, leading to higher gross margins for the Platform SaaS business.

Platform SaaS customer numbers grew to 245, an increase of 20% YoY as some legacy customers churned and new, higher-value customers signed up to the OpenLearning platform.



During the quarter, ARR per customer increased 1% to \$6,998 from the prior quarter. The overall ARR growth in the quarter was affected by end-of-year churn, which was 6% of ARR, but it was offset by new customer subscriptions and increased usage from existing customers.

Strategic investment from ECA and completion of capital raising

In Q4 FY22, the Company completed a \$2.3 million capital raising comprising a \$1.1 million strategic investment from the Education Centre of Australia ('ECA') [ASX Announcement 11th October 2022], a share placement and a partially underwritten rights issue to eligible shareholders at \$0.043 per Share. ECA now holds a 19.9% stake in OpenLearning and ECA Group CEO Rupesh K. Singh was appointed to the Company's Board of Directors as part of this investment. [ASX Announcement 16th November 2022].

ECA is a fast-growing and highly profitable international educational group with offices in seven countries, partnerships with Australian, U.K. and Indian universities, and wholly owned Australian education providers that enrol over 7,000 students per year. ECA assists students throughout their academic journey with end-to-end support called the ECA Advantage, including English language courses, undergraduate and postgraduate degrees and industry-relevant internships to help students transition into the global workforce.

Strategic review complete, working towards break-even

The Company commenced a strategic review of its business in May 2022, which generated interest from multiple parties and a number of opportunities for the Company. This review has now been completed and led to the following outcomes:

- Focus on growing the Platform SaaS business in new and existing geographies with a more streamlined global sales and marketing operation and product-driven growth initiatives.
- Strategic investment from ECA, a leading international education group that will utilise OpenLearning's platform and support its growth into new markets.
- Cost optimisation exercise resulting in annualised savings of circa \$3.3 million by reorganising teams, expanding operations in Southeast Asia and optimising cloud hosting usage.
- Restructure of the program delivery team for the Transition Program Online (TPO) that has reduced operating and delivery costs, lowering the break-even point for the program.
- In late stage discussions to establish OpenLearning in a new geography through a capital-light reseller and distribution model.

With these initiatives in place, the Company is confident that it will be able to reach break-even by growing revenue while closely controlling its costs. The Company's Board of Directors will continue to evaluate corporate transactions that can benefit shareholders and keep shareholders informed in accordance with its continuous disclosure obligations.

Restructure of the TPO to improve margins

The TPO is a four-month direct entry program for prospective international students delivered in partnership with UNSW Global, which is now recognised by ten universities across Australia, New Zealand and the United Kingdom, an increase of two universities in the past quarter.

Since the launch of TPO in March 2021 it has attracted over 155 students, with over 85% of students gaining entry into their preferred university. Despite these results and high levels of student satisfaction, the number of enrolments in 2022 were lower than expected, resulting in the cancellation of the November intake and lower revenue in the Company's program delivery segment. The Company is not currently responsible for marketing the program.

As previously indicated, the Company has reviewed the structure of the program and all elements of the delivery model and has now implemented a number of changes to increase operational efficiency. The Company expects that these changes will improve its gross margins on the program and lower the break-even point to improve profitability. The Company is working closely with UNSW Global to support their marketing efforts with the aim of increasing enrolment in 2023.

Cash outflows decline; cost reductions greater than estimated

The Company reported cash receipts from customers of \$0.722 million in Q4 FY22. While this result is down 19% YoY, cash receipts from the Platform SaaS business grew strongly by 22% YoY, driven by more customers subscribing to annual plans and existing customer paying for annual renewals. Overall, cash receipts were impacted by the cancellation of the November intake of the TPO and the timing of payments in the Marketplace segment.

More specifically, cash receipts by segment for the quarter were:

- Platform SaaS - \$0.505 million (up 22% YoY)
- Program Delivery - \$0.016 million (down 92% YoY)
- Marketplace - \$0.078 million (down 59% YoY)
- Services - \$0.123 million (down 8% YoY)

Net operating cash outflows improved by 49% YoY to \$1.151 million in Q4 FY22, versus \$2.270 million in Q4 FY21 as a result of the Company's cost optimisation exercise. This quarter incurred circa \$0.055 million in once-off expenses related to staff reductions and the strategic review. At the same time, operating expenses and cost of goods sold were lower than Q3 FY22. The Company's cash on hand as of 31 December 2022 was \$2.205 million.

The Company's cost optimisation exercise resulted in savings of circa \$3.3 million on an annualised basis², an improvement of circa \$0.8 million from the estimated \$2.47 million in savings previously identified. The results of this exercise were evident in Q4 FY22 and the Company expects operating cash outflows to reduce as a result of operational efficiencies and increasing Platform SaaS revenue.

OpenLearning Group CEO & Managing Director Adam Brimo said: "We are pleased with the continued growth in Platform SaaS revenue and the results of the cost optimisation exercise. We appreciate the support of our team and stakeholders as we completed the strategic review and restructured the business. We're excited to work closely with ECA and we look forward to supporting their learners and education providers to utilise OpenLearning.

"While 2022 was a year of transition for the Company, we are confident that we have the right foundations in place to grow revenue and manage our cost base with the aim of reaching break-even. Going forward, OpenLearning is well positioned to capitalise on what we believe will be a shift away from traditional methods of education towards active learning and social constructivism as a result of the adoption of Generative AI tools by learners and education providers."

Ends.

Authorised by:

Adam Brimo

Group CEO & Managing Director

² Based on the annualised difference between Q4 2021 actual and Q4 2022 estimated operating expenses and cost of sales associated with platform subscription.

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 Q4 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	\$10,795
Fee to Benjamin Shields as Non-Executive Director	\$7,970
Fees to John Merakovsky as Non-Executive Director	\$11,667
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$46,893
Total	\$77,325

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 2022

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	722	3,840
1.2 Payments for		
(a) research and development	(14)	(208)
(b) product manufacturing and operating costs	(781)	(3,005)
(c) advertising and marketing	(29)	(162)
(d) leased assets	(1)	(11)
(e) staff costs	(787)	(4,082)
(f) administration and corporate costs	(307)	(1,580)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid	-	24
1.7 Government grants and tax incentives	37	87
1.8 Other (see note 6)	8	(433)
1.9 Net cash from / (used in) operating activities	(1,151)	(5,531)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(12)
(d) investments	-	-
(e) intellectual property	-	(22)
(f) other non-current assets (see note 7)	(150)	(704)

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	(158)	(738)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,300	3,883
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	2,300	3,883

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,214	4,588
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,151)	(5,531)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(158)	(738)

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)	2,300	3,883
4.5	Effect of movement in exchange rates on cash held	-	3
4.6	Cash and cash equivalents at end of period	2,205	2,205

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	2,187	1,196
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	18	18
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,205	1,214

**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
77
-

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 \$71,000 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)	(1,151)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,205
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,205
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.91

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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 recently completed a cost reduction exercise as detailed in its Q4 FY22 quarterly that has resulted in lower net operating cash outflows for multiple consecutive quarters.

- 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 regularly considers its option for raising further capital, however, at this stage, it does not have any plans to raise further funds. In the event that it is required to raise further cash, the Company is confident that such efforts would be successful. Through the recently completed strategic review, the Company received non-binding indicative interest from potential investors and secured a strategic investment from the Education Centre of Australia (ECA) by way of a share placement and a partially underwritten rights issue, signifying that there is interest from investors in the Company.

- 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 has successfully restructured its operations as part of its strategic review and has already reduced 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: 31 January 2023

Authorised by: 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 \$37,000 the current quarter and \$451,000 for the year-to-day period. The item also includes a refund of the security deposit on the Company's offices that it received in the current quarter and other non-material items.
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 \$150,000 for the current quarter and \$704,000 for the year-to-day period.