

ASX Announcement | 24 April 2023
Quarterly Activities Report & Appendix 4C

**OpenLearning grows SaaS revenue, launches OpenLearning India
and reduces cash outflows**

Key Highlights:

1. Strong Growth in Platform SaaS ARR:

OpenLearning's Platform SaaS annual recurring revenue¹ (ARR) demonstrated strong growth, increasing by 19% YoY to \$1.788m as at the end of Q1 FY23.

2. Increased Platform SaaS ARR per Customer:

The Company experienced a significant 36% YoY increase in Platform SaaS ARR per customer, reaching \$7,948.

3. Strategic Partnership with Education Centre of Australia (ECA) to Expand into India:

OpenLearning signed a Distribution and SaaS Reseller Agreement with ECA to launch OpenLearning India. This partnership will bring the Company's SaaS Platform and a marketplace of short courses, micro-credentials, and online degrees to the Indian market.

4. Cash Receipts from Customers:

In Q1 FY23, cash receipts from customers totalled \$1.077 million, driven by a 39% increase in Platform SaaS cash receipts. This growth offset fewer enrolments from program delivery, resulting in an overall YoY decline of 21% in total cash receipts from customers.

5. Improved Operating Cash Outflows:

The Company successfully reduced net operating cash outflows by 59% to \$0.593m in Q1 FY23, reflecting the positive outcomes of cost optimisation efforts in FY22 and increased SaaS cash receipts.

Sydney, Australia, 24 April 2023: OpenLearning Limited, the AI powered SaaS platform for lifelong learning ('OpenLearning' or 'the Company') (ASX: OLL) is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 March 2023 (Q1 FY23), along with the following financial and operational update.

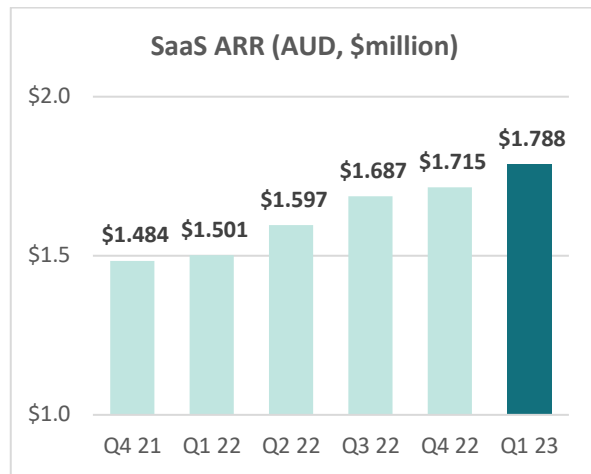
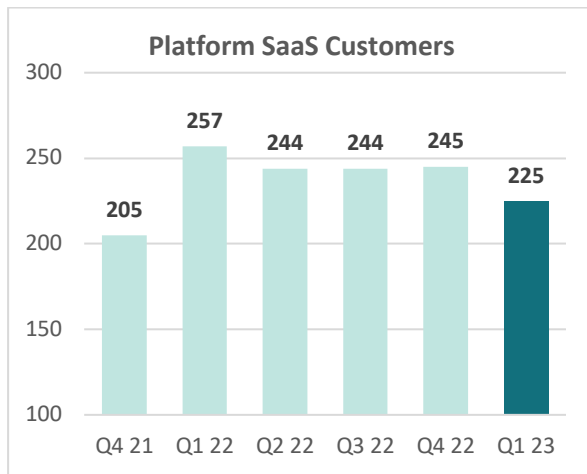
Strong Platform SaaS ARR Growth

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

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.

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The Company's Platform SaaS ARR experienced a strong growth of 19% YoY, reaching \$1.788 million by the end of Q1 FY23. Despite some smaller customers leaving due to pricing changes, the Platform gained new customers of higher value during the same period. As of Q1 FY23, the Platform has 225 subscribing customers.



ARR per customer increased 36% YoY to \$7,948, driven by new customer subscriptions and increased usage from existing customers.

Expansion into India in partnership with ECA

During the quarter, the Company signed a long-term Distribution and SaaS Reseller Agreement with the Education Centre of Australia ('ECA') to launch OpenLearning India ('Agreement'), which ECA will manage and promote to learners and universities in India, Nepal, Sri Lanka and Pakistan ('Platform Region') [ASX Announcement 7th March 2023]. Under the Agreement, OpenLearning will earn 5% of the gross enrolment fees in OpenLearning India's marketplace and 50% of Platform SaaS fees in the Platform Region.

India has one of the world's largest higher education sectors with 1,043 universities, 42,343 colleges, and 11,779 stand-alone institutions². The country also has the largest college-age population, projected to reach 126 million by 2026. However, India's higher education enrolment ratio³ of 27% lags far behind its peers, with China at 43% and Brazil at 51%. The government in India aims to increase the higher-education enrolment ratio to 50% by 2030. The sector is under significant capacity pressure, making quality online education critical to deliver scalable solutions to the country's higher education needs⁴.

The Agreement enables OpenLearning to enter the market in India with minimal investment, by leveraging ECA's expertise in Australia, India and across the sub-continent. Under the Agreement, ECA will handle sales, marketing, partnerships, course design and distribution of OpenLearning's SaaS Platform, while OpenLearning will establish, operate and provide technical support for the OpenLearning SaaS Platform that will be hosted on Microsoft Azure in India.

Development of Generative AI tools within OpenLearning

OpenLearning is on track to launch its first suite of AI-powered features within its lifelong learning platform in Q2 2023. These tools are expected to dramatically speed up the course authoring and the

² https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/aishe_eng.pdf

³ Higher education enrolment ratio measures total enrolment in higher education as a percentage of the eligible school-age population

⁴ "India Economics Strategy to 2035 – Navigating From Potential to Delivery", Australia Department of Foreign Affairs <https://www.nafsa.org/ie-magazine/2022/4/12/indias-higher-education-landscape>

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design process for education providers by leveraging Microsoft Azure's OpenAI GPT APIs and the Company's vast experience from supporting tens of thousands of online courses.

By leveraging OpenLearning's unique approach to active learning and social constructivism, these AI-driven tools will generate course content and learning activities in line with OpenLearning's educational philosophy. This AI-driven functionality will provide tailored suggestions to educators during the course design process, enabling them to create more engaging and effective learning experiences.

OpenLearning is uniquely placed to leverage generative AI since its platform was developed from the ground up for flexible content authoring and editing, enabling educators to create active learning experiences (learning by doing, projects) rather than passive content (reading, video and quiz). Historically, the greatest impediment for education providers to adopt this educational approach is the time and resources spent on redesigning their course content and moving them to OpenLearning.

The integration of Generative AI is expected to improve the OpenLearning's value proposition and result in higher usage to from existing and new education providers, leading to more SaaS platform subscription revenue.

TPO Direct Entry Program

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. Following the pilot period success of this pathway program, UNSW Global is engaging a new marketing partner with the intention to scale this program to a broader student audience.

Learning Services division and increasing Platform SaaS customer usage

The Company has decided to reduce its in-house learning design services capacity beyond Q2 FY23, resulting in further savings. With the increasing ease-of-use of the OpenLearning Platform, initiatives to up-skill Platform SaaS customers to design their own courses and the development of generative AI tools, OpenLearning is focused on being a 'do-it-yourself' (DIY) platform for education providers. This outcome is expected to increase usage of the OpenLearning Platform by customers and aligns with the Company's strategic direction of prioritising Platform SaaS.

Cash outflows decline; strong growth in SaaS cash receipts

Q1 FY23 cash receipts from customers amounted to \$1.077 million. Despite a 21% YoY drop, the Platform SaaS business experienced substantial growth, with cash receipts increasing by 39% YoY. This is driven by the increase of new annual subscription sign-ups and strong customer renewals.

Cash receipts by segment for the quarter were:

- Platform SaaS - \$0.783 million (up 39% YoY)
- Program Delivery - \$0.064 million (down 85% YoY)
- Marketplace - \$0.198 million (down 14% YoY)
- Services - \$0.031 million (down 75% YoY)

Net operating cash outflows improved by 59% YoY to \$0.593 million in Q1 FY23, versus \$1.448 million in Q1 FY22 as a result of the Company's cost optimisation exercise and higher Platform SaaS cash receipts from customers. The Company expects cash outflows in Q2 FY23 to be higher than Q1 FY23 as a result of restructuring costs for the learning services division and circa \$0.1 million in cloud hosting costs for invoices that were receipts post-quarter end. At the same time, operating expenses and cost of goods sold were lower than Q1 FY22. The Company's cash on hand as of 31 March 2023 was \$1.437 million.

OpenLearning Group CEO & Managing Director Adam Brimo said: "We are pleased with the continued growth in Platform SaaS revenue and that our move to a usage-based SaaS model over the past couple of years is leading to increasing ARR per customer. While we still have more work to do, the Company's cost-base is substantially lower than last year, and recurring revenue is growing. We are excited about our partnership with ECA to launch OpenLearning India, which marks an exciting new chapter in the Company's growth, as we expand our reach to one of the world's most dynamic and rapidly growing education markets."

Ends.

Authorised by:

Adam Brimo

Group CEO & Managing Director

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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.

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About OpenLearning

OpenLearning Limited is a higher education technology company that provides a scalable artificial intelligence (AI) powered SaaS platform for online learning 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/>

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Annexure

During Q1 FY23 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* | \$2,657 |
| Fees to John Merakovsky as Non-Executive Director | \$8,750 |
| Salary to Adam Brimo as Executive Director, Managing Director and Group CEO | \$46,893 |
| Total | \$60,345 |

* Benjamin Shields resigned as a Non-Executive Director on 27th January 2023

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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 2023

| 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 | 1,077 | 1,077 |
| 1.2 Payments for | | |
| (a) research and development | (43) | (43) |
| (b) product manufacturing and operating costs | (387) | (387) |
| (c) advertising and marketing | (29) | (29) |
| (d) leased assets | (1) | (1) |
| (e) staff costs | (758) | (758) |
| (f) administration and corporate costs | (316) | (316) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 2 |
| 1.5 Interest and other costs of finance paid | (1) | (1) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (see note 6) | (137) | (137) |
| 1.9 Net cash from / (used in) operating activities | (593) | (593) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (5) | (5) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets (see note 7) | (170) | (170) |

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| 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 | (175) | (175) |

| | | | |
|-------------|---|----------|----------|
| 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 | 2,205 | 2,205 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (593) | (593) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (175) | (175) |

Quarterly cash flow report for entities subject to Listing Rule 4.7B

| 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) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,437 | 1,437 |

| 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 | 1,416 | 2,187 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (balances with online payment providers) | 21 | 18 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,437 | 2,205 |

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 |
|------------------------------------|
| 69 |
| - |

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 \$69,000 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) | (593) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 1,437 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 1,437 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 2.42 |

- 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: 24 April 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 \$119,000 for the current quarter.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payroll costs for platform development. These payments are capitalised in the balance sheet pending completion of the intangible assets and amounted to \$170,000 for the current quarter.