

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

OpenLearning grows SaaS revenue and successfully launches Generative AI Assistant for its Platform SaaS Customers

Key Highlights:

1. Platform SaaS annual recurring revenue (ARR) continued to grow, increasing by 15% YoY to \$1.84 million as at the end of Q2 FY23.
2. Platform SaaS ARR per customer increased 25% YoY to \$8,178 in Q2 FY23 with B2B SaaS customer numbers remaining at 225, as existing customers upgraded their plans and new higher value customers replaced smaller customers.
3. Successful rollout of OpenLearning's AI Assistant ahead of schedule to all Platform SaaS customers at the end of June 2023. Following the success of the pilot program, new AI revenues are expected to commence from Q3 FY23.
4. Cash receipts from customers totalled \$0.553 million in Q2 FY23, a decline of 42% due to fewer enrolments from program delivery and the Company's strategic decision to no longer offer learning design services.
5. The Company reduced net operating cash outflows by 30% from previous corresponding period (PCP) to \$1.103 million in Q2 FY23 despite one-off restructuring costs to improve operating efficiency.

Sydney, Australia, 31 July 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 30 June 2023 (Q2 FY23), along with the following financial and operational update.

Strong Platform SaaS ARR Growth

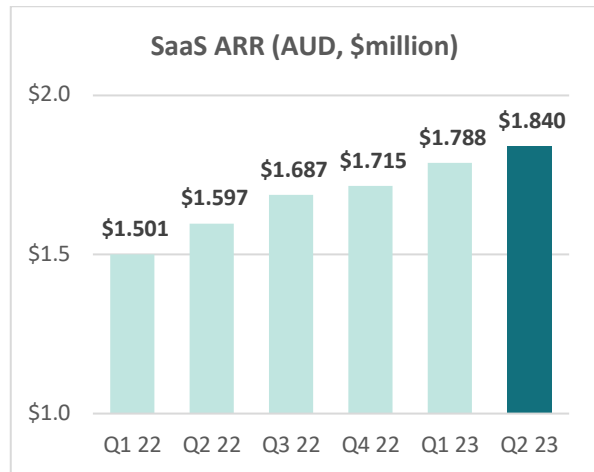
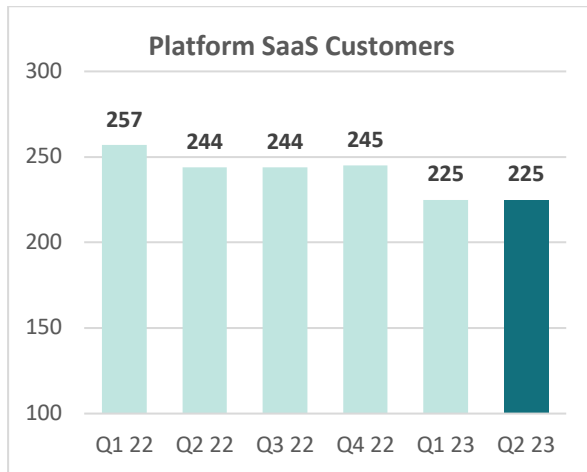
The OpenLearning platform enables education providers to manage all aspects of online learning, harnessing the power of Generative AI to streamline course design, content authoring and education delivery for short courses, micro-credentials and online degrees.

The Company's platform SaaS ARR experienced strong growth of 15% YoY, reaching \$1.84 million with 225 subscribing customers by the end of Q2 FY23.

Customer Value Increases

ARR per customer increased 25% YoY to \$8,178, driven by the acquisition of new higher value customer subscriptions and increased usage from existing customers. The rollout of the AI Assistant is also expected to be highly supportive of average customer value metrics as subscribers purchase credits to access the new AI Assistant tools.

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Successful Rollout of AI

OpenLearning successfully rolled out its novel AI Assistant on June 23rd, 2023. The release came ahead of schedule, largely driven by the overwhelming customer interest and the efficiency of the Company’s development team. The AI tools were showcased via two demonstration webinars during the quarter, which attracted an impressive 1,800-plus registrations and consequently led to a significant surge in sales enquiries.

The Company initially announced the launch of its AI Assistant on 3rd May 2023 with a pilot program that included Western Sydney University, Education Centre of Australia, Universiti Tenaga Nasional Malaysia (UNITEN), Sunway University Malaysia and University of Wollongong KDU Malaysia. In response to high demand from existing customers, the Company extended its pilot program to include 14 customers, garnering positive feedback.

The OpenLearning AI Assistant utilises Microsoft Azure’s OpenAI Service, harnessing the power of GPT-4 to streamline course design, and helping reduce the time and effort required to develop high quality short courses, micro-credentials and online degrees.

By leveraging OpenLearning's unique approach to active learning and social constructivism, these AI-driven tools generate course content and learning activities aligned with OpenLearning's educational philosophy. The embedded generative AI provides tailored suggestions to educators during the course design process, helping them create more engaging and effective learning experiences.

The Company’s AI Assistant currently provides two distinct tools: content generation, which generates 12 types of content, and learning activity creation, which produces 15 types of activities, which are automatically applied to the topic and information provided by the educator by using OpenLearning’s proprietary prompt layer on top of GPT-4.

Alongside this, OpenLearning has implemented a new pre-paid AI credit system to manage and monetise use of the AI Assistant. Customers can purchase credits to use the AI Assistant, with deductions made based on the volume of content generated. To promote the trial of this new tool, each customer has been granted an initial batch of free credits. The Company is pleased to report that it has already started selling AI credits to its customer-base.

The Company is now developing a range of new generative AI features to further enhance the course design process and improve efficiency for education providers. It expects to roll out these features to its customer base in upcoming quarters.

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

Expansion Into India in Partnership with ECA

In Q1 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.

ECA has already begun to promote OpenLearning in India with two large events in early July 2023 in New Delhi and Hyderabad that attracted hundreds of senior executives from India universities, Australian and Indian government officials and local media organisations. The Company's platform in the market is named 'OpenLearning Bharat' and is already attracting interest from local universities.

India has one of the world's largest higher education sectors with 1,043 universities, 42,343 colleges, and 11,779 stand-alone institutions¹. The country also has the largest college-age population, projected to reach 126 million by 2026. However, India's higher education enrolment ratio² 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 needs³.

University Pathways - TPO Direct Entry Program

The TPO is a four-month direct entry program for prospective international students delivered in partnership with UNSW College (formerly 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 College has engaged a new marketing partner with the intention to scale this program to a broader student audience under the new brand 'UniFastTrack'.

Given the Company's sharpened focus on Platform SaaS and AI, it is currently evaluating its options for the TPO in consultation with UNSW College.

Net Cash Outflows Decline

Q2 FY23 cash receipts from customers amounted to \$0.553 million, a decline of 42% PCP due to fewer enrolments from program delivery segment and the Company's strategic decision to no longer offer learning design services and focus on the SaaS business. Platform SaaS cash receipts were lower than

¹ https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/aishe_eng.pdf

² Higher education enrolment ratio measures total enrolment in higher education as a percentage of the eligible school-age population

³ "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>

the previous period due to the timing of payments from renewals of annual SaaS contracts, in line with the Company's expectations.

Cash receipts from Customer by segment for the quarter were:

- Platform SaaS - \$0.372 million (down 37% PCP)
- Program Delivery - \$0.016 million (down 78% PCP)
- Marketplace - \$0.155 million (down 4% PCP)

Net operating cash outflows improved by 30% PCP to \$1.103 million in Q2 FY23, versus \$1.584 million in Q2 FY22. This was a result of the Company's cost optimisation exercise and after accounting for one-off restructuring costs of \$0.1 million relating to the learning services division.

The Company's total available funding, including cash on hand as of 30 June 2023 was \$3.115 million.

OpenLearning Group CEO & Managing Director Adam Brimo said: "Achieving a successful rollout of our AI Assistant this quarter marks a significant milestone in the growth of our business. Not only could it contribute to increasing overall customer numbers, but it also serves as a valuable new revenue stream. The AI Assistant has the potential to enhance the average annual value of our existing customers and attract new education providers to our platform. The initial results are a testament to the speed and efficiency of our team in rapidly adopting and leveraging cutting-edge technology ahead of other platforms.

Additionally, we are excited about ECA's progress in India in partnership with ECA with the recent launch of OpenLearning Bharat in New Delhi and Hyderabad. Having the opportunity to personally presenting our learning platform to hundreds of senior executives from Indian universities and colleges was a rewarding experience. We eagerly anticipate supporting ECA's team as they intensify their sales efforts in the upcoming quarters."

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.

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About OpenLearning

OpenLearning is an Artificial Intelligence (AI) powered SaaS platform for lifelong learning.

The platform enables education providers to manage all aspects of online learning, harnessing the power of Generative AI to streamline course design, content authoring and education delivery for short courses, micro-credentials and online degrees.

OpenLearning is a trusted partner to more than 220 leading education providers, who have delivered tens of thousands of courses to over 3 million learners through its platform.

With a strong position in the Australian and Malaysian higher education sectors, and a growing presence in Indonesia and India, OpenLearning is revolutionising the way education is accessed and delivered globally.

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

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Annexure

During Q2 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
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	\$66,438

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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")

30 June 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	552	1,629
1.2 Payments for		
(a) research and development	24	(19)
(b) product manufacturing and operating costs	(495)	(882)
(c) advertising and marketing	(49)	(78)
(d) leased assets	(1)	(2)
(e) staff costs	(784)	(1,542)
(f) administration and corporate costs	(264)	(580)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	5
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (see note 6)	(89)	(226)
1.9 Net cash from / (used in) operating activities	(1,103)	(1,696)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(8)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (see note 7)	(210)	(380)

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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	(213)	(388)

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	1,200	1,200
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	1,200	1,200

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,437	2,205
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,103)	(1,696)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(213)	(388)

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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)	1,200	1,200
4.5	Effect of movement in exchange rates on cash held	(7)	(7)
4.6	Cash and cash equivalents at end of period	1,314	1,314

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	1,304	1,416
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	10	21
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,314	1,437

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
66
-

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 \$66,000 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
3,000	1,200
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

1,800

- 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)	(1,102)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,314
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,800
8.4 Total available funding (Item 8.2 + Item 8.3)	3,115
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.82

- 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: 31 July 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 \$161,000 for the current quarter and \$278,000 for the year-to-day period.
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 and \$380,000 for the year-to-day period.