

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

SaaS revenues grow, total customers grow and average customer value grows

Key Highlights:

1. **Platform SaaS annual recurring revenue (ARR) increases 11% YoY** to \$1.88 million as at the end of Q3 FY23.
2. **Average revenue per customer increases 18% YoY** to \$8,121pa in Q3 FY23 with B2B SaaS customer numbers growing to 231, a net increase of 6 customers in the quarter.
3. Customer usage of OpenLearning's AI Assistant has grown substantially over the past quarter and AI credit consumption has increase with the rollout of additional features.
4. Cash receipts from customers totalled \$0.782 million in Q3 FY23, a decline of 3% due to fewer enrolments from program delivery and the Company's strategic decision to no longer offer learning design services.
5. Net operating cash outflows **decreased by 36%** from previous corresponding period (PCP) to \$0.856 million in Q3 FY23 thanks to improved operating efficiency.

Sydney, Australia, 31 October 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 September 2023 (Q3 FY23), along with the following financial and operational update.

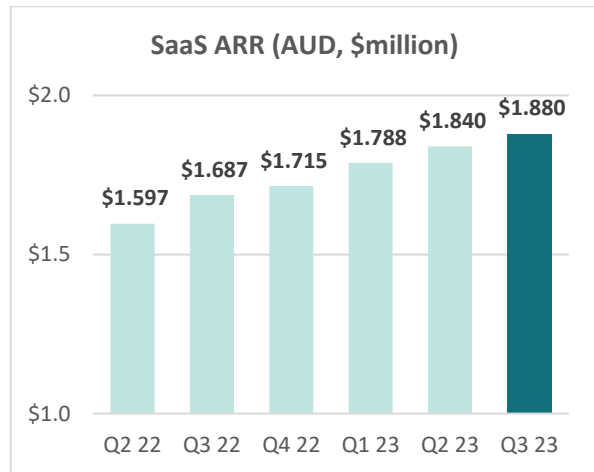
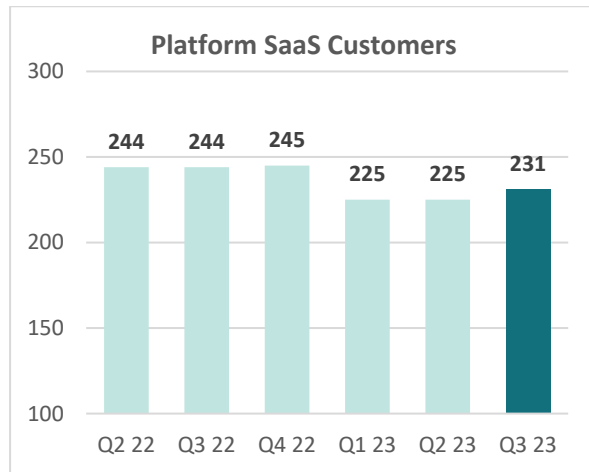
Strong Platform SaaS ARR Growth

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 11% YoY, reaching \$1.88 million with 231 subscribing customers by the end of Q3 FY23.

Customer Value Increases

ARR per customer increased 18% YoY to \$8,121, driven by the acquisition of new customers and increased usage from existing customers. The Company is already seeing a positive impact from the rollout of its AI Assistant, which is resulting in increasing usage of the platform from education providers as it reduces the time and resources required to build courses.



Successful Rollout of AI

OpenLearning successfully rolled out its novel AI Assistant on June 23rd, 2023, to all its customers.

On 24th August 2023, the Company released its third AI-powered feature, an image generator that analyses the content of a page in a course and produces a relevant image. This latest AI feature has been well received by OpenLearning's customers, doubling the usage of the AI Assistant in the first month it was available.

The Company's AI Assistant now provides three distinct tools: image generation, content generation, which generates 14 types of content, and learning activity creation, which produces 17 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.

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.

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 and is utilising these features to improve customer retention and expansion.

The Company is currently developing its largest AI-feature yet – a ground-breaking AI-powered course builder that brings together existing AI functionality and adds new capabilities to generate an entire course using AI based on input from an education provider. OpenLearning expects to launch this new feature by the end of 2023 and expects it to dramatically improve efficiency for education providers.

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.

Since the launch of OpenLearning Bharat, the Company has worked closely with ECA to expand its marketplace for India to over 200 courses from overseas education providers and support sales activities across India. The Company expects that it will take time for its business in India to grow although early signs are promising with a number of deals in the pipeline.

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 165 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'. The Company is currently running the August 2023 intake, which will complete by the end of the year.

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

Net operating cash outflows improved by 36% PCP to \$0.856 million in Q3 FY23, versus \$1.348 million in Q3 FY22. This was a result of the Company's cost optimisation exercise over the past year.

Q3 FY23 cash receipts from customers amounted to \$0.782 million, a decline of 3% 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 the previous period due to the timing of payments from renewals of annual SaaS contracts, in line with the Company's expectations. The increase in Marketplace cash receipts reflects higher sales of courses by its clients through OpenLearning's payment gateway.

Cash receipts from Customer by segment for the quarter were:

- Platform SaaS - \$0.382 million (up 17% PCP)
- Program Delivery - \$0.192 million (down 52% PCP)
- Marketplace - \$0.208 million (up 145% PCP)

The Company's total available funding, including cash on hand as of 30 September 2023 was \$2.064 million.

OpenLearning Group CEO & Managing Director Adam Brimo said: "We're excited by the adoption of the AI Assistant by OpenLearning's customers and the interest we're seeing from potential customers in our SaaS platform. Once again, we've grown our SaaS ARR, added new customers to our platform and continued working closely with ECA on our expansion into India. Development is currently underway on a ground-breaking AI-powered course builder that we expect to be well received by education providers and drive our sales and marketing efforts."

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 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/>

Annexure

During Q3 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	\$10,807
Fees to John Merakovsky as Non-Executive Director	\$8,750
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$47,354
Total	\$66,911

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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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	782	2,411
1.2 Payments for		
(a) research and development	(22)	(41)
(b) product manufacturing and operating costs	(357)	(1,239)
(c) advertising and marketing	(29)	(107)
(d) leased assets	(1)	(3)
(e) staff costs	(712)	(2,254)
(f) administration and corporate costs	(331)	(911)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(6)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (see note 6)	(181)	(407)
1.9 Net cash from / (used in) operating activities	(856)	(2,552)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(11)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (see note 7)	(190)	(570)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(193)	(581)

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	1,000	2,200
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	1,000	2,200

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,314	2,205
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(856)	(2,552)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(193)	(581)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,000	2,200
4.5	Effect of movement in exchange rates on cash held	(1)	(8)
4.6	Cash and cash equivalents at end of period	1,264	1,264

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	1,262	1,304
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	2	10
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,264	1,314

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
67
-

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 \$67,000 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	2,200
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

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)	(856)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,264
8.3	Unused finance facilities available at quarter end (Item 7.5)	800
8.4	Total available funding (Item 8.2 + Item 8.3)	2,064
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.41

- 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: 31/10/2023

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 \$169,000 for the current quarter and \$448,000 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 \$190,000 for the current quarter and \$570,000 for the year-to-day period.