

ASX Announcement | 31 July 2024
Quarterly Activities Report & Appendix 4C

**Platform SaaS ARR Grows 18% YoY and
New Generative AI Product Launches in Q2 FY24**

Key Highlights:

1. **Platform SaaS annual recurring revenue (ARR) growth accelerated 18%** year-on-year (YoY) to \$2.17 million in Q2 FY24. The business has now delivered 11 consecutive quarters of SaaS platform annualised revenue growth.
2. **Average revenue per B2B SaaS customer increased 16%** YoY to \$9,507 per annum in Q2 FY24.
3. **Cash receipts from customers grew 87%** vs PCP to \$1.033 million driven by strong growth in cash receipts from core platform SaaS and marketplace segments in Q2 FY24.
4. Further operating efficiencies drove cost savings and saw **net operating cash outflows decrease by 35%** vs PCP to \$0.716 million in Q2 FY24.
5. Usage of OpenLearning's **AI Course Builder** continues to grow and is now becoming an integral component of the company's learning management system.
6. **Launched CourseMagic.ai in late June 2024**, featuring an AI course builder that is compatible with other learning management systems, increasing the company's addressable market.
7. Recently acquired Australian higher education marketplaces, branded as **The Uni Guide**, have **begun to generate revenue** and sales activities are underway.
8. Signed agreements with **three resellers in the Philippines** to distribute OpenLearning's platform and AI tools to higher education and training institutions in the country.

Sydney, Australia, 31 July 2024: 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 2024 (Q2 FY24), along with the following financial and operational update.

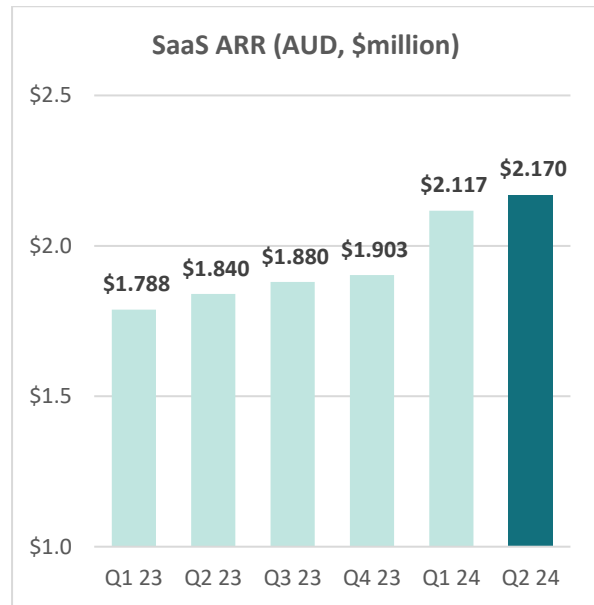
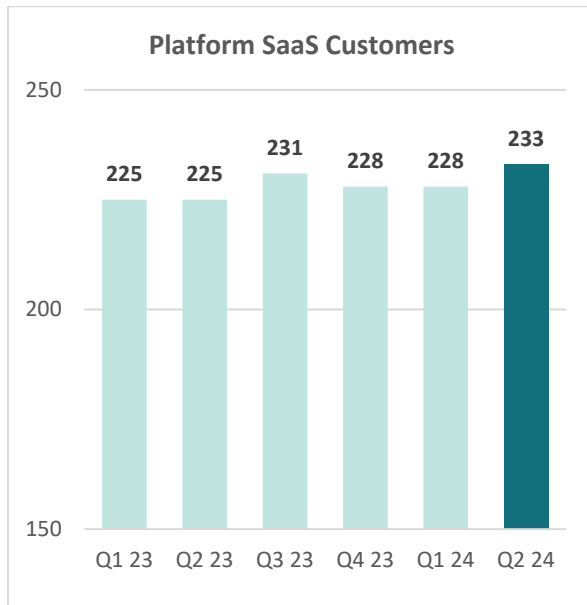
Strong Platform SaaS ARR Growth

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 annual recurring revenue (ARR) continued to grow in the quarter, increasing by 18% YoY, to reach \$2.17 million. This growth was driven by an increase in average SaaS ARR per customer, which increased by 16% YoY to reach an impressive \$9,507.

The platform boasts a strong customer base with 228 active B2B customers and 5 active B2C customers from CourseMagic, which only launched in late June 2024. However, new higher value subscriptions have replaced lower value customers while existing customers have increased their usage of the platform, driving average revenue per customer to new record highs.

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The Company derives recurring SaaS revenue from its platform offering, which comprises four products that add value to education providers:

- OpenLearning Learning Management System – Flagship end-to-end AI-powered platform for education providers to create, market, deliver and manage all types of courses.
- OpenLearning Marketplace – A global network of education marketplaces, including on OpenLearning.com, as well as TheUniGuide.com.au and PostGradAustralia.com.au.
- Biomedical Education and Skills Training (BEST) Network – An image-based teaching platform and virtual microscopy solution for biomedical education at leading medical schools.
- CourseMagic – Suite of AI-powered instructional design tools for educators and education providers that are designed to work with any learning management system.

Prospective customers are able to purchase each of the products individually with OpenLearning’s Learning Management System forming the basis of its land and expand strategy.

Launch of CourseMagic.ai

In late June 2024, the Company launched CourseMagic, a standalone product with a suite of Generative AI-powered tools, including an AI Course Builder, for educators that are compatible with leading learning management systems, including Canvas, Blackboard and Moodle.

CourseMagic is offered on a usage-based SaaS model targeting educators and education providers with SaaS fees based on the number of staff at the institution who utilise the tool and the number of AI tokens used by the institution.

The Company has seen significant uptake of the AI Course Builder and AI Assistant that are integrated with its OpenLearning platform and has received inbound interest from universities and colleges that are unable to switch to OpenLearning’s platform at this time but want to take advantage of OpenLearning’s ground-breaking AI tools. CourseMagic is designed to meet this demand.

Already, over 200 educators have signed up to trial CourseMagic with 5 converting into paid customers within the two-week period between launch and the end of the quarter.

The Company believes that vertical-specific AI tools are a nascent but growing market that address the shortfalls of generic AI agents such as ChatGPT and Google Gemini by incorporating domain expertise and solving use-cases without the need for the prompt engineering by the end-user.

Increasing Adoption of New AI Features

In January, the Company rolled out its most significant AI-feature to all its customers within the OpenLearning platform, a ground-breaking AI-powered course builder that can generate an entire course and all its content based on the educator's inputs.

The AI Course Builder is expected to save significant time and resources for education providers during course development. It offers a step-by-step AI wizard that creates course objectives, learning outcomes, course structure, modules, and content, all tailored based on the input provided by educators.

Usage of OpenLearning's AI tools has continued to grow, more than doubling in Q2 FY24 compared to Q1 FY24, reflecting an increase in repeat usage of the tools as well as new customers building courses more quickly with AI.

The incorporation of Generative AI is anticipated to enhance OpenLearning's value proposition, fostering increased utilisation among existing customers and attracting new customers, driving higher SaaS platform subscription revenue.

Gaining Traction in New Geographies

The Company is actively working with its network of resellers and partners across India, Philippines, Indonesia and Malaysia to promote its platform and win new business.

This quarter, OpenLearning signed resellers and partnership agreements with three companies in the Philippines that already sell educational products and services to universities and training providers. These companies have now begun their own campaigns to prospective customers in the market with support from OpenLearning.

OpenLearning has also continued to grow its pipeline of prospects and partners in India, including large public and private universities, considering utilisation of OpenLearning's platform and CourseMagic.

The Uni Guide Contributes to Revenue Growth

The Company has completed its acquisition of three leading Australian online higher education marketplaces and successfully transitioned its operations to the Company over the past quarter. The Company has branded this business unit as The Uni Guide.

The Uni Guide has already positively contributed to the Company's recurring revenue in Q2 FY24 and sales campaigns are underway to Australian universities, private higher education colleges and registered training organisations.

This acquisition strengthens OpenLearning's value proposition to education providers and complements its existing platform and marketplace by providing an additional channel to promote courses delivered by education providers.

The Company is planning to integrate elements of The Uni Guide with the OpenLearning platform to enable its existing customers to more easily promote their programs through this new channel and to streamline operations and cross-selling opportunities.

Net Cash Outflows Continue to Decline

Net operating cash outflows improved by a 35% to \$0.716 million in Q2 FY24, versus \$1.103 million in Q2 FY23. This was a result of the Company's cost optimisation exercise over the past year. In January 2024, the Company implemented a further cost reduction exercise that was completed in early FY24, resulting in one-off costs of \$0.128 million in the quarter.

Customer cash receipts grew 87% YoY to \$1.033 million, driven by strong growth in Platform SaaS and Marketplace. Notably, platform SaaS cash receipts surpassed the prior period by 15%, driven by the expansion of average SaaS revenue per customer and the renewal of annual SaaS contracts. Marketplace cash receipts also grew by 285% as a result of increased sales of courses from customers utilising OpenLearning's payment gateway.

Material cash receipts from customers by segment for the quarter were:

- Platform SaaS - \$0.428 million (up 15% PCP)
- Marketplace - \$0.596 million (up 285% PCP)

The Company's total available funding, including cash on hand as of 30 June 2024 was \$1.408 million.

OpenLearning Group CEO & Managing Director Adam Brimo said:

"The company delivered on its operational goals in Q2 FY24. We launched CourseMagic.ai, our innovative new generative AI product which will spearhead our 'land and expand' strategy with large institutions. We completed the transition of the The Uni Guide to OpenLearning, which has already made positive contributions to our revenue, and we made our first material steps to enter a new market in the Philippines.

This was achieved during a quarter that saw our platform's SaaS annual recurring revenue grow by 18% year-on-year, while cash receipts increased significantly and cash outflows decreased significantly, underscoring the impact of our strategic initiatives and the potential to leverage our technology.

We continue to expand our product offering and global footprint and we remain dedicated to delivering value to our customers and shareholders."

Ends.

Authorised by:

The Board of Directors

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Stay up to date with OpenLearning news as it happens:

Visit the Investor section of the OpenLearning website at: <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 230 leading education providers, who have delivered tens of thousands of courses to over 3.5 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 Q2 FY24 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 Matthew Reede as Non-Executive Director and Consultant | \$20,615 |
| Salary to Adam Brimo as Executive Director, Managing Director and Group CEO | \$47,328 |
| Total | \$78,750 |

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 2024

| 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 | 1,033 | 2,263 |
| 1.2 Payments for | | |
| (a) research and development | (11) | (40) |
| (b) product manufacturing and operating costs | (252) | (510) |
| (c) advertising and marketing | (35) | (56) |
| (d) leased assets | (1) | (2) |
| (e) staff costs | (527) | (1,271) |
| (f) administration and corporate costs | (236) | (486) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | 1 |
| 1.5 Interest and other costs of finance paid | (7) | (7) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (see note 6) | (680) | (1,075) |
| 1.9 Net cash from / (used in) operating activities | (716) | (1,143) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | (229) |
| (c) property, plant and equipment | (2) | (2) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets (see note 7) | (151) | (320) |

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| 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 | (153) | (551) |

| | | | |
|-------------|---|--------------|--------------|
| 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 | 1,050 | 1,050 |
| 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 | 1,050 | 1,050 |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 275 | 1,103 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (716) | (1,143) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (151) | (549) |

| 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) | 1,050 | 1,050 |
| 4.5 | Effect of movement in exchange rates on cash held | - | (3) |
| 4.6 | Cash and cash equivalents at end of period | 458 | 458 |

| 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 | 454 | 1,086 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (balances with online payment providers) | 4 | 17 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 458 | 1,103 |

6. Payments to related parties of the entity and their associates

- | | | Current quarter
\$A'000 |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 79 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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 \$79,000 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.

| | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---------------------------------------|---|--|
| 7.1 Loan facilities | 2,000 | 1,050 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 2,000 | 1,050 |

7.5 **Unused financing facilities available at quarter end** 950

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) | (716) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 458 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | 950 |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 1,408 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 1.97 |

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?

The Company does not expect to have the same level of net operating cash flows because it has now completed its cost reduction exercise as detailed in its Q1 and Q2 FY24 quarterly reports and its software-as-a-service revenue has been increasing.

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?

The Company is considering its options for raising further capital, however, at this stage, it has not yet made a decision to raise further funds. If it is required to raise further funds, the Company is confident that such efforts would be successful as a result of the progress the Company has made in consistently growing its SaaS revenue, reducing its cost-base over the past 12 months and released new products.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The Company has completed its restructuring exercise, has recently launched new products and it has sufficient resources to meet its objectives and continue its operations.

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 2024

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 \$692,000 for the current quarter and \$1,016,000 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 amounting to \$151,000 for the current quarter and \$320,000 for the year-to-day period.