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# ASX Announcement | 28 October 2020
# Quarterly Activities Report & Appendix 4C

## OpenLearning sees continued strong growth and early traction for OpenCreds from education providers in September quarter

**Highlights (all financial amounts are in AUD unless otherwise stated)**

- Strong growth across key metrics while investing in new medium-term revenue streams
- Selected eight education providers to build 26 courses under the OpenCreds Investment Fund
- 55% YoY increase in annualised recurring revenue (ARR)[1] to $1.225m (+7% QoQ)
- 160% YoY increase in Platform SaaS customers to 143 (+23% QoQ)
- 45% YoY increase in cash receipts from customers to $781k (-17% QoQ)
- 2.626m registered users, with a quarterly increase of 118k (+5% QoQ)
- 4.238m total enrolments, with a quarterly increase of 563k (+15% QoQ)
- Strong cash position of $4.7m as of 30 September 2020
- Post quarter-end, signed an agreement to deliver the UNSW Transition Program (online)

Sydney, Australia, 28 October 2020: Higher education technology company **OpenLearning Limited** ('OpenLearning' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 September 2020 (Q3 FY20), along with the following update. The Company's fiscal year coincides with the calendar year.

**Sustained long-term growth across key metrics**

OpenLearning reported cash receipts of $781k in Q3FY20. Although there was a slight dip QoQ due to the Company's focus on securing revenue share arrangements for OpenCreds and longer-form programs, the YoY increase was a robust 45%. Cash outflow was $1.214m and the Company ended the quarter with a strong cash position of $4.7m as of 30 September 2020.

OpenLearning's annualised recurring revenue (ARR) grew to $1.225m in Q3 FY20, an increase of 55% YoY and 7% QoQ. There was also a substantial rise in Platform SaaS clients, which increased 160% YoY to 143. Strong growth in SaaS customers was primarily driven by new self-service SaaS plans, which enable smaller education providers to subscribe to OpenLearning's platform for up to 250 learners for between $500 to $1,000/year. As their usage grows, they will be required to upgrade to higher-value SaaS plans.

After the end of the quarter, the Company signed a five-year license agreement with the University of New South Wales Global (UNSW Global) to deliver the new Transition Program (online) for international students through its OpenLearning platform [See the ASX announcement dated 28th October 2020].

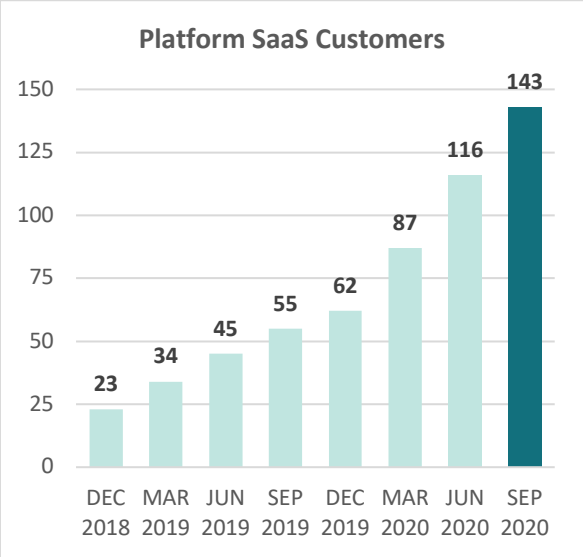
[1] Annualised recurring SaaS revenue, calculated by utilising the generally accepted industry standard, which involves multiplying the monthly accrued SaaS revenue in the month at the end of the quarter by 12 (months). The ARR calculation does not take into account the future expiry of the term of any contract under which SaaS revenue is generated or any customer lost during the relevant month.

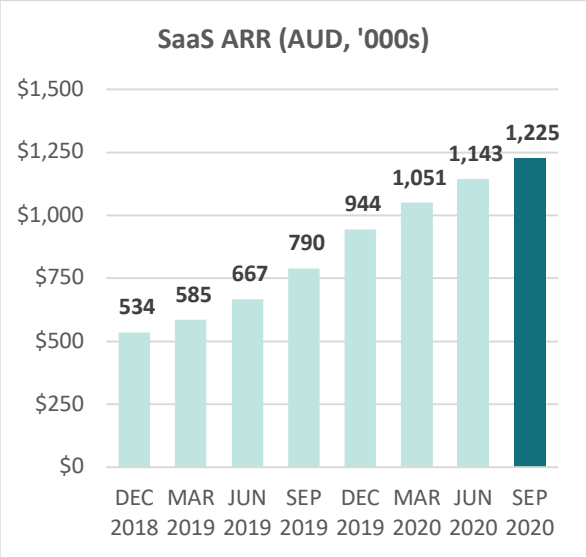
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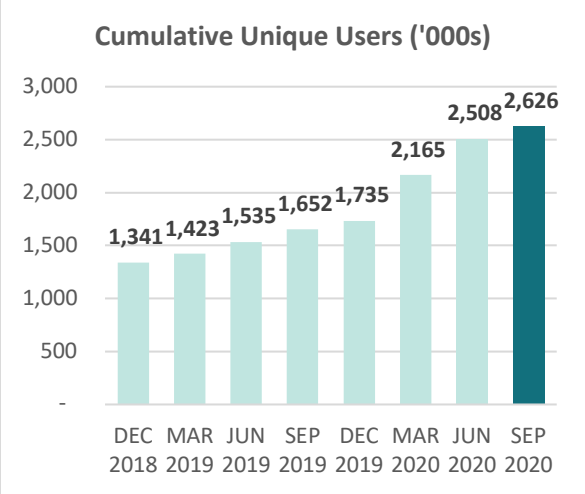
As of 30 September 2020, OpenLearning has had over 4.2 million enrolments from over 2.6 million registered learners and over 4,000 active courses[2], making it one of the world's largest online education platforms.

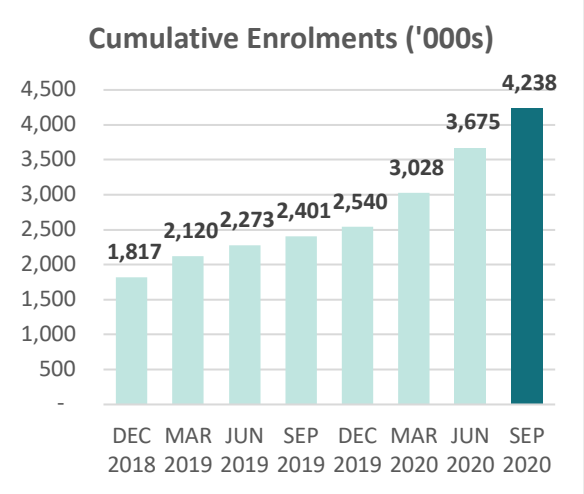
The following charts highlight the Company's track record of growth over the past eight quarters.

*Images 1 - 4: Platform SaaS Customers (paying >$500/year), SaaS ARR, Cumulative Unique Users, and Cumulative Enrolments Growth, December 2018 – September 2020*




The Company has recorded a net increase of 27 clients since the end of Q2 FY20. The figures for Q3 FY20 include renewals from two platform SaaS clients for which confirmation of the renewal has been received but signed agreements have yet to be exchanged due to the COVID-19 lockdown in Malaysia.

The substantial growth in enrolments was driven by institutions utilising OpenLearning for more than one course per learner, and learners returning to the platform to enrol in additional courses. This includes professional development courses in Malaysia, short courses in Australia related to COVID-19 and universities in Indonesia that began delivering multiple courses on OpenLearning during the quarter.

[2] Courses are considered active if they attracted over 10 enrolments in the period between 1st October 2019 and 30th September 2020.

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**Revenue by category**

The Company's strategy is to grow SaaS revenue by providing its learning platform to education providers on usage-based SaaS agreements ('Platform SaaS'). It also generates revenue by providing professional services to education providers to assist them in designing courses ('Learning Services') and by taking a share of the revenue from courses sold through OpenLearning's course marketplace ('Marketplace'). Cash receipts from customers by category for Q3 FY20 were as follows:

- Platform SaaS: AUD $238k
- Learning Services: AUD $235k
- Marketplace: AUD $308k

The Company's cashflow from its Platform and Marketplace were strong as a result of demand from clients to move their courses online and attract new students as a result of COVID-19.

**Supporting our partners through revenue share arrangements**

The impact of COVID-19 on the higher education sector is significant and ongoing, resulting in a number of universities and higher education providers reducing expenditure in some areas while investing in others. The Company views this as an opportunity to support its partners by providing more flexible terms and investing alongside them to develop micro-credentials and qualifications that will result in new revenue streams for both parties.

In addition to expanding the core Platform SaaS business, the Company is working to secure revenue share arrangements for OpenCreds and longer form programs for which it will provide learning services/support in exchange for a percentage of student fees rather than charging for its services upfront on a fee for service basis. The Company evaluates the commercial viability of each project before entering into a revenue share arrangement with a university or higher education provider.

In line with the Company's strategy highlighted in its half-yearly report, it has begun developing a number of OpenCreds on a revenue share basis through its OpenCreds Investment Fund and through its existing partnerships. In some cases, the Company will forgo short term platform and services revenue in order to receive a percentage of enrolment fees in a multi-year arrangement.

**Agreement with Open Universities Australia**

In July 2020, the Company signed agreements with Open Universities Australia (OUA) to establish a close working relationship between the two organisations for the purpose of growing the micro-credential market in Australia.

Under the agreements, OpenLearning and OUA will jointly fund the setup and learning design costs of up to 30 OpenCreds through the creation of the Open Microcredential Development Grant with $750k of value, including a $450k in-kind contribution from the Company for learning design with the balance contributed by OUA in cash to universities.

During the quarter, OpenLearning and OUA engaged in discussions with a number of universities about their participation in the Open Microcredential Development Grant and the opportunity to distribute their courses through OUA. These discussions are ongoing, and the Company is pleased with the progress and the level of interest from Australian universities.

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**OpenCreds Investment Fund makes first allocations**

OpenCreds Investment Fund allocated the first round of funding to eight education providers to develop 26 OpenCreds through an open and competitive application process. The recipients were:

- Catalyst Education, a leading supplier of vocational education and training in Australia and operates Selmar Institute of Education, Royal College and Practical Outcomes focus on the early childhood, aged care and disability care sectors and are registered training organisations (RTOs) accredited under the National Act.
- Le Cordon Bleu Australia, which offers world-class vocational, higher education and postgraduate studies in culinary, hotel and restaurant management, gastronomy, and tourism & event management in Adelaide, Brisbane, Melbourne, Sydney and Perth.
- ParentTV, a video streaming platform personalising parenting advice from the world's leading research-based parenting educators direct to parents via any digital device.
- RedHill Education Limited, which delivers vocational and higher education courses in English language, digital technologies, and interior design to over 4,000 domestic and international students each year across its four campuses and listed on the ASX in 2010.
- Switch Education for Business, which provides courses to support middle to senior management as they adapt to new ways of leading and managing amidst disruption in today's world.
- Eduvidd, a provider continuing professional development courses for nursing and midwifery.
- Laneway Education, which delivers courses that combine project-based learning, design thinking and networking to create a one of a kind learning experience that focuses on real-world outcomes, business innovation and industry engagement.
- The Growth Network, which publishes books and delivers courses related to business growth and supports a network of leading professional growth coaches who work with growing businesses.

The providers and courses were selected based on the quality of the application, track record of the provider and commercial potential. The OpenCreds selected will range from 2.5 hours to 50 hours of learning and are expected to sell for between $100 and $500 through OpenLearning once they are developed, of which OpenLearning will receive between 35% to 50% of the fees.

**Growth from existing clients**

During the quarter, OpenLearning saw continued growth from a number of its existing clients. Some key highlights were:

- UNSW, which continued to expand their usage of OpenLearning, including AGSM, which ran a course for 3,000 alumni and received a student satisfaction rating of 8.83/10.
- Australian Catholic University, which launched their first course in Q3 for over 1,000 learners.
- DeakinCo., which launched a suite of courses on OpenLearning targeting the international market and will soon launch professional development courses targeting the Australian market.
- High Resolves, which has continued to onboard additional schools into their courses on OpenLearning and has received very positive feedback from students.

**New platform agreements in Malaysia and Indonesia**

OpenLearning also continues to see growth in Malaysia and Indonesia. The Company now has a total of seven Indonesian universities using OpenLearning to deliver courses for their own students. Recently, OpenLearning has secured a number of new clients in Malaysia, including with local universities, colleges

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and training providers who are moving online due to COVID-19. OpenLearning has tailored the OpenCreds framework to the Malaysian higher education system and expects to launch the OpenCreds Malaysia framework in October 2020.

**Strategy to capitalise on accelerated shift towards online education**

The disruption caused by COVID-19 to the education sector has been a key driver of the Company's growth in the past quarters and is likely lead to fundamental and long-lasting changes to the higher education sector. The Company is being prudent by executing against a clear strategy that balances investing in growth and managing operating cash outflow by focusing on three key areas:

- **Platform for delivering high-quality education**

  The Company's focus is on growing SaaS revenue by enabling education providers to deliver quality online education through its purpose-built platform and learning services division as the medium/long term solution for education providers to move online. The Company sees opportunities to support education providers large and small through this transition and is investing in scaling its online customer acquisition, sales and onboarding processes. In recognition of the impact of COVID-19 on the sector, the Company intends to work with selected partners on a revenue share basis to enable them to move online with minimal upfront costs.

- **Leader in micro-credentials and short courses**

  The launch of OpenCreds and the OpenCreds Investment Fund, along with the agreements that the Company has signed with Open Universities Australia, have positioned the Company to become the leader in the fast-growing and strategically important Australian micro-credential market. The Company is seeing an increase in demand in this segment from both learners and education providers in Australia and across Southeast Asia and will therefore continue to invest in initiatives and partnerships to enhance its position.

- **Strategic partnerships**

  The Company continues to actively pursue partnerships with companies that offer complementary products that fit into the OpenLearning ecosystem, resellers in new markets or sectors in which the Company does not currently operate and with higher education providers themselves, to accelerate the development of high-value courses and qualifications that have a strong business case and would create long term value for all parties.

**OpenLearning Group CEO & Managing Director Adam Brimo said:** "The September quarter was another strong one for OpenLearning, with us achieving solid year on year growth across all key metrics. As outlined in our half-year report, we are actively working to secure new partnerships on a revenue share basis for OpenCreds and qualifications to unlock significant value in the quarters ahead. We remain well-positioned to enable education providers to expand into micro-credentials and short courses by leveraging our purpose-built platform and our world-class learning services and delivery capability."

**Authorised by:**
Adam Brimo
Group CEO & Managing Director

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**Ends.**

**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/. 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 software as a service 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 2.6 million learners worldwide across over thousands of courses provided by 143 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

To learn more, please visit: www.solutions.openlearning.com

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**Annexure**

**Use of funds**

In accordance with ASX Listing Rule 4.7C, the Company provides the following information:

The September 2020 quarter is a period which is covered by the Use of Funds Statement as outlined in the Company's Replacement Prospectus dated 12 November 2019.

A summary of expenditure during the quarter and to date since listing is set out below.

| Use of Proceeds under Prospectus | Funds allocated under Prospectus | Funds expended between admission and 30 September 2020 |
|---|---|---|
| Enhancing Course Quality/Design Services[3] | $771,569 | $0 |
| Customer Onboarding/Support[4] | $492,767 | ($221,456) |
| Marketing and expansion of sales network[5] | $3,951,397 | ($1,754,013) |
| R&D[6] | $1,276,377 | ($416,395) |
| Expenses associated with the IPO[7] | $665,976 | ($628,859) |
| Working Capital[8] | $2,104,447 | ($2,965,176) |
| Total | $9,262,533 | ($5,985,899) |
| | | |
| Add: Receipts from customers between admission and 30 September 2020 | | $2,957,313 |
| Less: Product manufacturing and operating costs as disclosed in Appendix 4C[9] | | ($1,073,092) |
| Less: Other costs (including course providers) as disclosed in Appendix 4C | | ($694,842) |
| Net funds expended between admission and 30 September 2020 | | ($4,796,520) |

During the quarter 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 Kevin Barry as Non-Executive Director and Chairman | $15,940 |
| Fees to David Buckingham as Non-Executive Director | $10,679 |
| Fees to Beverley Oliver as Non-Executive Director | $10,679 |
| Fees to Spiro Pappas as Executive Director and Senior Advisor | $37,574 |
| Fees to Maya Hari (non-resident) as Non-Executive Director | $13,268 |
| Salary to Adam Brimo as Executive Director, Managing Director and Group CEO | $41,053 |
| Total | $129,193 |

The Company's expenditure to date is consistent with the use of funds detailed in prospectus.

[3] The Company intends to allocate funds in this category to the Open Microcredential Development Grant and the OpenCreds Investment Fund, which were previously announced and highlighted in this quarterly report.
[4] Costs associated with improving customer onboarding and support and related systems/processes.
[5] Increasing headcount of the sales, marketing and partnerships teams, sales automation and technical work to support lead generation.
[6] Continued improvements in the OpenLearning platform above and beyond 'business-as-usual' software development work, which the Company does not consider R&D and is captured under Working Capital.
[7] All costs attributable to the IPO
[8] Includes general costs associated with the management and operation of the business including administration expenses, ongoing software development, management salaries, directors' fees, rent and other associated costs.
[9] Includes expenditure directly related to generating revenue and in line with the costs disclosed in Appendix 4C, including staff costs for Learning Services division, revenue share to course providers in the Marketplace division; web hosting and support costs for the Platform.

# Appendix 4C

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

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| **Name of entity** | |
|---|---|
| OPENLEARNING LIMITED | |
| **ABN** | **Quarter ended ("current quarter")** |
| 18 635 890 390 | 30 September 2020 |

| **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 | 781 | 2,446 |
| 1.2 | Payments for | | |
| | (a) research and development | (60) | (165) |
| | (b) product manufacturing and operating costs | (289) | (860) |
| | (c) advertising and marketing | (114) | (289) |
| | (d) leased assets | (7) | (21) |
| | (e) staff costs | (902) | (2,772) |
| | (f) administration and corporate costs | (298) | (946) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 1 | 29 |
| 1.5 | Interest and other costs of finance paid | - | (8) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (see note 6) | (326) | (620) |
| **1.9** | **Net cash from / (used in) operating activities** | **(1,214)** | **(3,206)** |

| **2.** | **Cash flows from investing activities** | | |
|---|---|---|---|
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | (8) |
| | (d) investments | - | - |
| | (e) intellectual property | - | (132) |
| | (f) other non-current assets | - | - |

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| 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** | **-** | **(140)** |

| | | | |
|---|---|---|---|
| **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 | 17 | 350 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | (18) |
| 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** | **17** | **332** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 5,923 | 7,741 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,214) | (3,206) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | (140) |

| 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) | 17 | 332 |
| 4.5 | Effect of movement in exchange rates on cash held | (6) | (7) |
| **4.6** | **Cash and cash equivalents at end of period** | **4,720** | **4,720** |

| 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 | 1,718 | 2,811 |
| 5.2 | Call deposits | 3,000 | 3,098 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (balance with PayPal) | 2 | 14 |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **4,720** | **5,923** |

| 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 | 129 |
| 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 $129,000 consists of salaries paid to executive directors and fees paid to non-executive directors plus related super contributions.

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*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 | - | - |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | - | - |

| | | |
|---|---|---|
| 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) | (1,214) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 4,720 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 4,720 |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | 4 |

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.

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## 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: 28 October 2020

Authorised by: Justyn Stedwell - Secretary
(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 payment to course creators of $336,000 for the current quarter 3 and $616,000 for the year-to-date period.

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