



Keypath Education International, Inc.

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ASX code: KED

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KEYPATH'S 2021 FULL-YEAR RESULTS EXCEED PROSPECTUS

Chicago, USA, Melbourne, AUS and Toronto, CAN, Keypath Education International, Inc. (Keypath) (ASX: KED) today released its full year results for the twelve months ended June 30, 2021 (FY2021) and Appendix 4E. The FY2021 Results and Appendix 4E are prepared in US dollars under US GAAP.

Notable highlights of FY2021 include:

- **Successful initial public offer raising US\$154.4 million after offer expenses**
- **Revenue of US\$98.1 million, exceeded prospectus forecast by 8% (6% on constant currency)**
- **Adjusted EBITDA¹ of positive US\$6.7 million against loss of US\$1.4 million projected by Keypath as of the prospectus date**
- **Contribution margin² of 26% versus prospectus forecast of 19%**
- **85,358 Course enrollments, 8% higher than prospectus forecast of 79,000**
- **32 global university partners at year end, up 39% from FY2020**
- **US\$67.5 million of cash on hand, to be used in operations and pursuit of growth objectives**

Since it was founded in 2014, Keypath has grown rapidly to become a market-leading, global education technology company. In FY2021, Keypath has made its most significant commitment to date to its future growth, investing US\$12 million through the launch of 34 new programs (up 32% from FY2020) and the addition of 9 new university partners.

Keypath's Global Chief Executive Officer, Steve Fireng said "Keypath has a strong track record of growing revenues, which continued to accelerate in FY2021. Higher education is going through a digital transformation and we have a leading position in the global online higher education market, which is expected to grow from US\$36 billion in 2019 to US\$97 billion by 2025 and currently represents just 2% of the global higher education industry."³

"Our FY2021 achievements set the foundation for our continued growth and investment in new programs and partnerships, with a focus on the healthcare space, including nursing and STEM programs."

¹Adjusted EBITDA represents earnings before interest, tax, depreciation and amortization adjusted for non-recurring expenses associated with Keypath's initial public offering and non-cash stock-based compensation.

²Contribution margin is revenue less direct costs, which consists of salaries and wages and general, direct marketing and general and administration expenses attributable to direct departments. Contribution margin is not a US GAAP based measure.

³Holon IQ, Online Degree Market Size (April 2020).

FINANCIAL SUMMARY

US\$m	FY21	FY20	% variance vs FY20A	Prospectus forecast FY21	% variance vs Prospectus forecast FY21
Revenue	98.1	55.5	77%	91.1	8%
EBITDA	(43.4)	(7.4)	484%	(48.0)	-10%
EBITDA % of revenue	-44%	-13%	230%	-53%	-16%
Adjusted EBITDA ⁴	6.7	(7.4)	-190%	(1.4)	-581%
Adjusted EBITDA % revenue	7%	-13%	-151%	-2%	-546%
Net loss for the period	(78.7)	(11.4)	590%	(88.0)	-11%
Contribution margin %	26%	12%	117%	19.0%	35%
Cash on hand	67.5	14.7			

Revenue Drivers

In FY2021, revenue increased 77% (67% on constant currency) year over year to US\$98.1m underpinned by course enrollment growth, strong student retention, new partners and the launch of new programs in key disciplines. FY2021 saw the signing of 34 new programs. This revenue result is 6% higher, on a constant currency basis, than the prospectus forecast.

The FY2021 vintage⁵ represents the largest in Keypath's history in terms of the number of programs but also the overall revenue trajectory (twice the FY2020 vintage in year one). The FY2021 vintage alone is expected to be a significant driver of near-term growth.

Contribution Margin and Adjusted EBITDA

During FY2021, Keypath generated a contribution margin of 26% of revenue, more than double the prior year's 12% of revenue. The growth in contribution margin reflects the higher mix of revenue derived from maturing vintages, and the contribution margin will continue to expand beyond the prospectus forecast period as a greater proportion of the overall portfolio of programs reach maturity (i.e., are in market for 4+ years).

Keypath's FY2021 Adjusted EBITDA of US\$6.7 million exceeded the loss of US\$1.4 million projected by Keypath as of the prospectus date primarily driven by the higher than forecast revenue performance and favorable timing of staffing costs. Adjusted EBITDA excluded US\$8.1 million of certain non-recurring items and US\$41.9 million of stock-based compensation expense associated with the IPO in FY2021.

Operating Costs

Salaries and wages are Keypath's largest expense and in FY2021 increased 45% year-over-year to US\$47.8 million, reflecting the addition of 149 employees to support the growth in partners, programs and students as well as increased corporate staff to support this growth and all public company requirements. As a proportion of revenue, salaries and wages declined from 59% in FY2020 to 50% to FY2021.

⁴ Adjusted EBITDA projected by Keypath as of the prospectus date.

⁵ Vintage refers to the financial year in which a new program starts to be delivered to students. Revenue from the first year of a vintage reflects a combination of the timing of when programs start (because Keypath does not earn revenue until the first student intake on a program) and the number of programs that start.

Direct marketing costs increased 50% year-over-year to US\$33.2 million in FY2021 due to an increased number of searches conducted and enquiries made by prospective students, an increased volume of marketing reflective of the increased number of active programs and a higher proportion of new programs in FY2021 in the development and launch phase. As a proportion of revenue, direct marketing declined from 40% in FY2020 to 35% to FY2021.

Other general & administrative expenses increased 36% year-over-year to US\$10.5 million in FY2021 principally driven by the growth in the company's operational activities. Travel costs were lower due to COVID restrictions on domestic and international travel.

OPERATING COSTS				
Year end June 30	2021		2020	
	US\$000	% Revenue ⁶	US\$000	% Revenue
Salaries and wages ⁷	47,794	50%	32,854	59%
Direct marketing	33,245	35%	22,197	40%
G&A expenses ⁸	10,545	11%	7,745	14%
Total Operating Costs	91,584	96%	62,796	113%

Operating costs as a percentage of revenue declined from 113% in FY2020 to 96% reflecting the leverage on the cost base from increasing scale.

Keypath recorded a net loss of US\$78.7 million which was a US\$9.3 million improvement compared to the prospectus forecast loss for the period.

Cash on hand at June 30, 2021 was US\$67.5 million following the successful IPO. Keypath has no debt and the cash will be used to pursue the Company's growth objectives.

OPERATING SUMMARY

During FY2021, Keypath recorded over 85,000 course enrollments, an increase of 51% over the prior year and 8% higher than the prospectus forecast. This strong enrollment growth reflects 9 new university partners, in the US, Australia, Canada and Malaysia, and the addition of 34 programs since FY2020, including six new programs signed since the date of Keypath's prospectus. There has also been increased demand for online programs as the impacts of COVID-19 accelerated the consideration by universities of online learning as a feasible alternative to on-campus learning.

In FY2021, Keypath's global presence expanded beyond its existing base of US, Canada, UK and Australia with the first program term sheet signed with a Malaysian University in May 2021.

In North America, improved retention, individual student course load and related credit hours, resulted in better than expected revenue from that market. In Australia and Asia-Pacific, higher flow-through of continuing enrollments drove outperformance, particularly as a result of a boost to graduate certificate enrollments throughout Australia.

⁶ Revenue is reduced by US\$2.6m to adjust for fee income relation to transition services associated with a partner taking its services in-house.

⁷ Excludes stock-based compensation expense and legacy cash awards. Salaries and wages are also net of wages capitalized in intangible assets for software and course development (US\$2.7 million for FY2021 and US\$2.1 million for FY2020) and commissions capitalized in contract acquisition costs (US\$0.8 million for both FY2021 and FY2020). Awards were granted to certain employees in substitution for their legacy performance awards, and which provide for a cash payment on satisfaction of certain conditions following the IPO date and described in the Company's prospectus

⁸ G&A expenses are net of capitalized contractor costs (US\$0.5 million for FY21 and US\$0.9 million for FY2020).

Student demand remains strong across all key disciplines, especially in certain healthcare disciplines, notably Nursing and STEM, where Keypath continues to look to increase capacity to meet this demand.

The FY2020 and FY2021 vintages are significantly larger than prior year vintages, primarily driven by KeypathEDGE and the related launch of larger placement programs in North America and the result of a boost to graduate certificate enrollments throughout Australia.

Keypath anticipates this recent momentum in new enrollment activity will establish a strong foundation for near term revenue growth. Furthermore, 92% of revenue in FY2021 is from contracts expiring in 2024 and beyond, underscoring the strength of Keypath's existing revenue streams.

OUTLOOK

Keypath is well positioned in the global EdTech and online program management (OPM) market with growing acceptance by universities that online education has a critical role to play in meeting the education demands of an estimated 180 million additional students globally over the coming decade⁹. The global EdTech and OPM industries are accelerating at their fastest rate in years with online education forecast to be worth US\$404 billion by 2025 or 5.2% of the total global digital spend¹⁰. Keypath, with its global footprint, sits at the forefront of this growth.

Keypath is on track with new university and program signings, including the launch of its first program in Malaysia in July 2021, with an expected first student intake planned for October 2021. Southeast Asia has been identified by Keypath as a region offering strong growth potential.

Over the next year, the mix of programs being offered will shift away from business as the dominant discipline (37% of revenue in FY2021) towards healthcare, including nursing. In FY2022, we anticipate the healthcare discipline will account for 35% of revenue compared to 24% in FY2021. This sector together with growing demand for STEM courses is expected to continue to drive growth and our new program pipeline over the next few years.

Keypath's ability to stay tapped into the emerging trends and position itself ahead of others in the market, can be attributed to its investment in KeypathEDGE. This tech and data platform enables us to obtain up-to-date information relating to relevant markets, customer behavior and student experience. It drives all our investment decisions, including being an early mover in Southeast Asia, and delivers strong outcomes for students, partners and Keypath.

Keypath is confident in its outlook for FY2022 and reaffirms its prospectus forecast for revenue of \$116.4 million and EBITDA of (\$23.0 million).

FY2021 Results Webcast

The FY2021 financial results and investor presentation are available via the ASX Company Announcement's platform and on Keypath's website at:

<https://investors.keypathedu.com/investors/results-and-reports>

A conference call briefing for analysts and institutional investors will be held at 9.00am (AEST) on August 30, 2021. Investors are invited to attend a web conference of that briefing given by Steve Fireng, Global Chief Executive Officer and Managing Director, Peter Vlerick, Chief Financial Officer and Ryan O'Hare, Chief Executive Officer, Australia and Asia-Pacific.

⁹ ICFE Monitor, Global Higher Education Growth Through 2040 (October 2018).

¹⁰ <https://www.holoniq.com/notes/sizing-the-global-edtech-market/>

Participants can access the webcast on the day through the following link:

<https://services.choruscall.com.au/webcast/keypath-210830.html>

If you are unable to participate in the webcast live, it will be available for viewing later that day on Keypath's website.

This announcement has been authorized by the Board.

Ends.

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About Keypath

Founded in 2014, Keypath is a global, market-leading edtech company in the online program management (OPM) market. In collaboration with its 32 university partners, Keypath delivers 140 career-relevant, technology-enabled online higher education programs to over 30,000 students with the goal of preparing them for the future of work.

The suite of services Keypath provides to its university partners includes designing, developing, launching, marketing, and managing online programs. Keypath also undertakes market research and provides student recruitment, support and placement services. The services Keypath provides are underpinned by KeypathEDGE, its integrated technology and data platform.

Keypath has approximately 600 employees with offices and partners in Australia, the United States, Canada, the UK and is expanding into Malaysia. Australia is a key market for Keypath, with 51% of FY2021 revenue generated from its Australian operations.

Restriction on purchases of CDIs by US persons

Keypath is incorporated in the US State of Delaware and none of its securities have been registered under the US Securities Act of 1933 or the laws of any state or other jurisdiction in the United States. Trading of Keypath's CHES Depositary Interests (CDIs) on the Australian Securities Exchange (ASX) is not subject to the registration requirements of the US Securities Act in reliance on Regulation S under the US Securities Act and a related 'no action' letter issued by the US Securities and Exchange Commission to the ASX in 2000. As a result, the CDIs are "restricted securities" (as defined in Rule 144 under the US Securities Act) and may not be sold or otherwise transferred except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. For instance, US persons who are qualified institutional buyers ("QIBs", as defined in Rule 144A under the US Securities Act) may purchase CDIs in reliance on the exemption from registration provided by Rule 144A. To enforce the transfer restrictions, the CDIs bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons excluding QIBs. In addition, hedging transactions with regard to the CDIs may only be conducted in compliance with the US Securities Act.