



*Keypath Education International, Inc.*  
ARBN: 649 711 026  
ASX code: KED  
[www.keypathedu.com](http://www.keypathedu.com)

# **KEYPATH EDUCATION INTERNATIONAL, INC.**

## **APPENDIX 4E: PRELIMINARY FINAL REPORT under ASX Listing Rule 4.3A**

**Reporting period: July 1, 2020 to June 30, 2021**  
**Previous period: July 1, 2019 to June 30, 2020**  
**(In US dollars)**

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## Results for Announcement to the Market

### Company Details

**Name of entity:** Keypath Education International, Inc.

**ARBN:** 649 711 026

### Results for Announcement to the Market

<b>US\$'000</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Up/(Down)</b>	<b>% Change</b>
Revenue from ordinary activities	\$ 98,092	\$ 55,484	\$ 42,608	77%
Loss from ordinary activities after tax attributable to members	(77,155)	(9,803)	(67,352)	687%
Net loss for the period attributable to members	(78,734)	(11,398)	(67,336)	591%

A discussion of the Company's results for the year ended June 30, 2021 in comparison to the prior year is included in the Operating and Financial review. The Company was admitted to the Official List of the Australian Securities Exchange (ASX) on June 1, 2021 (IPO) and its results for the year ended June 30, 2021 include the financial effect of various non-recurring transactions arising from and effectuated in conjunction with the IPO. The Operating and Financial Review includes a comparison of the Company's actual results to the Prospectus forecast results.

### Dividends

No dividends were or will be paid or declared during this reporting period. There are no dividend or dividend reinvestment plans currently in operation.

### Net Tangible Assets and Per Share

<b>US\$'000, except per share data</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Net tangible assets	\$ 99,873	\$ 29,091
Weighted average shares of common stock outstanding	146,791,203	141,671,878
Net tangible assets per share	\$ 0.68	\$ 0.21

Net tangible assets are defined as the consolidated net assets of the Company, less goodwill and intangible assets. For the purposes of determining the net tangible assets per share, the common stock CDI ratio is 1:1.

### Basis of Preparation

The financial information included in this preliminary final report and the attached consolidated financial statements is prepared in accordance with United States generally accepted accounting principles (US GAAP). All amounts are reported in US dollars, unless otherwise noted.

## Audit Status

The financial information in this report is based on the Company's consolidated financial statements, which have been audited by PricewaterhouseCoopers LLP. The audit report, which was unqualified, is included within this Appendix 4E.

## Changes in Control Over Entities

The Company was incorporated on March 11, 2021 in Delaware. Pursuant to a corporate reorganization, the Company acquired Keypath International, Ltd. (Keypath International) immediately prior to, and in conjunction with, the IPO and became the legal parent of Keypath International and its controlled entities, which together comprise the consolidated group (the Group). Information on the corporate reorganization was set out in the Prospectus and in Note 12 on the consolidated financial statements.

## Other Information Required by Listing Rule 4.3A

Other Appendix 4E disclosure requirements under Listing Rule 4.3A, including additional information on the results of the Company, its cash flows and financial position are presented in the Company's consolidated financial statements for the year ended June 30, 2021. This document should be read in combination with any other public announcements made during the reporting period pursuant to continuous disclosure requirements of the ASX Listing Rules and the Corporations Act 2001 (Cth).

**SIGNED BY:**

A handwritten signature in blue ink, appearing to read 'Peter Vlerick', is positioned above the printed name.

Peter Vlerick, Chief Financial Officer

**August 30, 2021**

## Operating and Financial Review

### For the years ended June 30, 2021 and 2020

#### Overview

The Company was admitted to the Official List of the ASX on June 1, 2021. As discussed in the Appendix 4E, the Company became the legal parent of the Keypath group of companies in place of Keypath International pursuant to a corporate reorganization completed immediately prior to the IPO. In accordance with US GAAP (and similar to IFRS), the corporate reorganization is considered a combination under common control, meaning that the consolidated results are reported as if the Company had always been the parent of the Group.

The Company's principal activity is online program management (OPM) serving the postgraduate education market of traditional universities. In collaboration with its university partners, Keypath delivers career-relevant, technology-enabled online higher education programs to 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 nearly 600 employees with offices and partners in Australia, the United States, Canada, the UK and is expanding into Malaysia.

#### Comparison of actual results for the year ended June 30, 2021 with Prospectus forecasts

The actual results for the year ended June 30, 2021 were significantly affected by various non-recurring transactions arising from or effectuated in connection with the IPO, as described in the Prospectus and included in the Statutory Forecast Income Statement and Cash Flows. The table below compares the actual results to the Prospectus forecasts on a statutory basis.

USD \$'000, year ended June 30, 2021

Note

Statutory

			Actual	Prospectus
<b>Income statement</b>				
<b>Revenue</b>	1	\$	<b>98,092</b>	<b>\$ 91,054</b>
Operating costs	2		(91,584)	(92,440)
Stock-based compensation expense	3		(41,941)	(38,522)
Legacy long-term incentive plan (LTIP) Cash Awards	4		(3,187)	(3,187)
IPO transaction costs expensed	5		(4,915)	(4,916)
Other income	6		154	-
<b>EBITDA</b>			<b>(43,381)</b>	<b>(48,011)</b>
Depreciation and amortization			(4,152)	(4,613)
<b>EBIT</b>			<b>(47,533)</b>	<b>(52,624)</b>
Interest expense	7		(2,346)	(2,498)
Loss on redemption of non-controlling interest	8		(27,667)	(27,688)
<b>Loss before income taxes</b>			<b>(77,546)</b>	<b>(82,810)</b>
Income taxes benefit (expense)	9		391	(3,604)
<b>Net loss</b>			<b>(77,155)</b>	<b>(86,414)</b>
Non-controlling interest redemption increment			(1,579)	(1,575)
<b>Net loss attributable to Keypath Education International, Inc. Shareholders</b>		\$	<b>(78,734)</b>	<b>\$ (87,989)</b>
<b>Cash flows</b>				
Cash flow from operating activities	10	\$	(11,224)	\$ (12,883)
Cash flow from investing activities			(4,143)	(4,148)
Cash flow from financing activities	11		67,502	56,575
Effect of exchange rate changes			617	970
<b>Net cash flows</b>		\$	<b>52,752</b>	<b>\$ 40,514</b>

**Notes:**

1. The Company outperformed its statutory forecast revenue for the year driven by several factors, including better retention, increased student course load and related credit hours, and a favorable foreign exchange impact.
2. The Company's key operating costs are direct marketing, salaries and wages and general and administration expenses. The lower total operating costs compared to the statutory forecast primarily reflect the timing of new employee commencements and other operating expenses.
3. The statutory forecast included stock-based compensation expense primarily relating to legacy incentive plans. For the Prospectus, this expense was based on the IPO share price of AUD\$3.71 converted at an exchange rate 0.725 to USD. The actual exchange rate on the IPO date (June 1, 2021) was 0.773, giving rise to a higher USD converted value of the legacy plans and consequently a higher expense than the Prospectus forecast.
4. On the IPO date, the Company granted members of the executive leadership team Legacy LTIP Cash Awards in consideration for the cancellation of their existing employee performance awards. The actual and forecast expense for the Legacy LTIP Cash Awards was the same as this expense was unaffected by exchange rate movements.
5. The actual results and the statutory forecast included a portion of the costs of the IPO and other transaction costs expensed.
6. Other income primarily includes foreign currency transaction gains.
7. Interest expense includes interest paid, early termination fees and a non-cash write-off of unamortized borrowing costs both associated with debt that was fully repaid from the IPO proceeds.
8. Prior to the IPO, certain Keypath entities had redeemable non-controlling interests that held preferred units in those entities, details of which were set out in the Prospectus. All of these non-

controlling interests were redeemed using a portion of the IPO proceeds. The loss on redemption shown above represents the difference between the payout values and their carrying amounts at the time of redemption.

9. For FY21 actual, the Company recorded tax benefits primarily related to the utilization of foreign net operating losses (NOLs) and the release of valuation allowances for its Canada and UK subsidiaries, post-IPO legal entity restructuring and recapitalization of certain foreign entities.
10. Operating cash flows compared to the statutory forecast primarily reflect stronger cash receipts reflective of increased revenue and lower operating costs as noted above.
11. All financing cash flows related to the IPO proceeds and the use of those funds to pay the non-controlling interests, the non-participating securityholders, the loan and the IPO offer costs. The IPO proceeds were initially denominated in AUD. The net IPO proceeds retained by the Company were higher than forecasted due to the stronger AUD exchange rate as noted above at note 3.

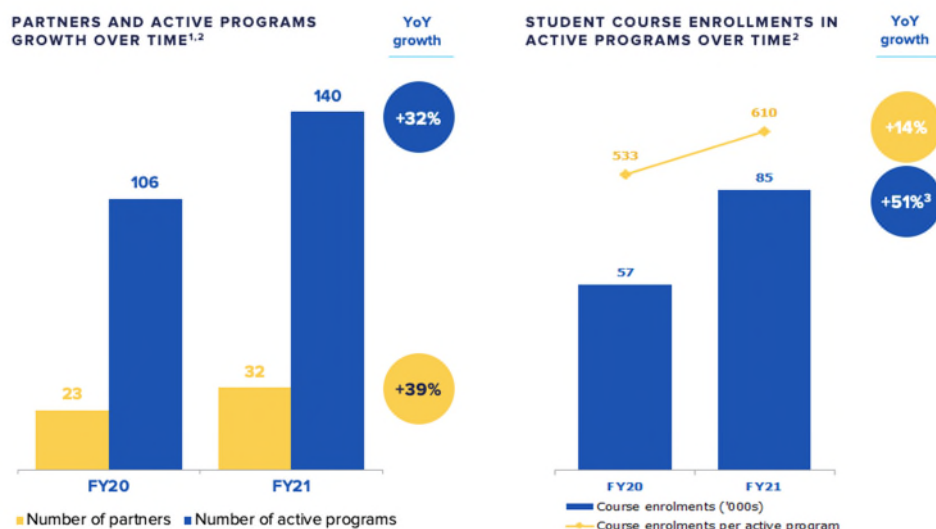
## Comparison of actual results for the year ended June 30, 2021 compared to the year ended June 30, 2020

USD \$'000	For the Years Ended June 30,	
	2021	2020
<b>Income statement</b>		
<b>Revenue</b>	<b>\$ 98,092</b>	<b>\$ 55,484</b>
Operating costs	(91,584)	(62,796)
Stock-based compensation expense	(41,941)	-
Legacy LTIP Cash Awards	(3,187)	-
IPO transaction costs expensed	(4,915)	-
Other income	154	(121)
<b>EBITDA</b>	<b>(43,381)</b>	<b>(7,433)</b>
Depreciation and amortization	(4,152)	(3,334)
<b>EBIT</b>	<b>(47,533)</b>	<b>(10,767)</b>
Interest expense	(2,346)	(328)
Loss on redemption of non-controlling interest	(27,667)	-
<b>Loss before income taxes</b>	<b>(77,546)</b>	<b>(11,095)</b>
Income taxes benefit	391	1,292
<b>Net loss</b>	<b>(77,155)</b>	<b>(9,803)</b>
Non-controlling interest redemption increment	(1,579)	(1,595)
<b>Net loss attributable to Keypath Education International, Inc. Shareholders</b>	<b>\$ (78,734)</b>	<b>\$ (11,398)</b>
<b>Cash flows</b>		
Cash flow from operating activities	\$ (11,224)	\$ (6,079)
Cash flow from investing activities	(4,143)	(3,771)
Cash flow from financing activities	67,502	19,496
Effect of exchange rate changes	617	41
<b>Net cash flows</b>	<b>\$ 52,752</b>	<b>\$ 9,687</b>

## Revenue

The Company earned revenue of US\$98.1 million for the year ended June 30, 2021 (FY21) compared to US\$55.5 million in the prior year (FY20), an increase of 77%. On a constant currency basis, FY21 revenue increased by 67% compared to FY20. Keypath's strong revenue performance is underpinned by course enrollment growth, strong student retention, new partners and the launch of new programs in key disciplines. FY21 saw the signing of 34 new programs, a record for the Company.

## Partners, active programs and student enrollments have continued to grow



<sup>(1)</sup> Active programs refers to degree-granting programs (excludes diplomas and certificates) currently delivered by Keypath, excluding discontinued programs.

<sup>(2)</sup> 106 programs in FY20 includes 16 non-revenue generating programs signed during FY20, in addition to the 90 revenue generating programs in FY20 as disclosed in Keypath's Prospectus.

The Company closely monitors revenue by vintage (the fiscal year in which a program starts to be delivered to students) as this provides an insight into the ramp-up of programs once they begin and following the significant investment made by Keypath during their development and launch phase. Keypath does not earn revenue from a program until the first student intake into that program.

USD\$'000, Revenue by vintage	For the Years Ended June 30,	
	2021	2020
2015 and prior	\$ 10,580	\$ 11,386
2016	4,137	3,820
2017	15,367	10,636
2018 <sup>3</sup>	20,468	14,468
2019	21,555	11,105
2020	15,363	4,068
2021	10,621	n/a
<b>Total revenue</b>	<b>\$ 98,091</b>	<b>\$ 55,483</b>

<sup>(3)</sup> 2018 vintage includes a one-time US\$2.6 million transition services fee to assist a partner to take its programs in-house.

Vintages prior to 2019 grew less quickly than newer vintages as these programs have achieved or are quickly approaching maturity. 2019 and subsequent vintages continue to scale towards maturity and reflect the full benefit of the KeypathEDGE platform described in the Prospectus.

The Company's revenues are primarily earned in the North America and Australian markets where approximately 97% and 96% of revenue was generated in FY21 and FY20, respectively. Programs signed

in FY21 spanned all of Keypath's markets including the US, Canada, Australia and Malaysia. Management continues to explore further opportunities in South-East Asia.

## Operating costs

The Company's key operating costs are:

- Salaries and wages – The Company's cost base is primarily employee costs relating to the salaries and wages of its direct cost departments including recruitment (comprising student recruitment advisors and recruitment management departments), marketing services, product development (employees who work on program and learning design), student retention, account management and student placement. In addition to these direct costs, the Company also has corporate functions such as IT, finance, legal, HR, business development and executive management functions. Employee levels in most direct areas are determined so as to ensure that existing and planned contractual service standards can be met and tend to be program specific. Salaries and wages in other areas are less program specific and less affected by significant increases in revenue, enabling Keypath management to achieve greater scalability from existing employee resources.
- Direct marketing costs – The Company relies on pay per click advertising via Google, Facebook and LinkedIn as its main marketing channel in promoting online programs. Other lead generating channels also include search engine optimization (SEO), pay per impression and email marketing. Direct marketing costs include creative costs, representing outsourced expenses notably related to creative design work, public relations and video.
- General and administration (G&A) expenses – include contract and the aggregate costs of managing and administering the affairs of the Company. Specialist contractors are engaged to assist with the design and development of programs. Other G&A expenses primarily include information technology and communications, lease and property outgoings, professional fees and outsourced services, insurance, and travel.

USD\$'000	For the Years Ended June 30,	
	2021	2020
Salaries and wages <sup>1</sup>	\$ 47,794	\$ 32,854
Direct marketing	33,245	22,197
G&A expenses <sup>2</sup>	10,545	7,745
<b>Total operating costs</b>	<b>\$ 91,584</b>	<b>\$ 62,796</b>

<sup>(1)</sup> Excludes stock-based compensation expense and Legacy LTIP Cash Awards. Salaries and wages are also net of wages capitalized in intangible assets for software and course development (US\$2.7 million for FY21 and US\$2.1 million for FY20) and commissions capitalized in contract acquisition costs (US\$0.8 million for both FY21 and FY20).

<sup>(2)</sup> G&A are net of capitalized contractor costs (US\$0.5 million for FY21 and US\$0.9 million for FY20).

Salaries and wages increased in FY21 to US\$47.8 million from US\$32.9 million in FY20, an increase of 45%. This increase reflects 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 listed public company requirements. Salaries and wages as a proportion of revenue<sup>3</sup> declined in FY21 to 50% from 59% in FY20.

Direct marketing increased in FY21 to US\$33.2 million from US\$22.2 million, an increase of 50%. Direct marketing expense has increased 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 FY21 in their development and launch phase. Direct marketing expenses as a proportion of revenue<sup>3</sup> declined in FY21 to 35% from 40% in FY20.

G&A expenses increased in FY21 to US\$10.5 million from US\$7.7 million in FY20, an increase of 36%. While the majority of G&A related costs have increased with the larger size of the business and IT requirements, travel costs were lower in FY21 than in FY20 due to COVID-19 restrictions on domestic and international travel. G&A expenses as a proportion of revenue<sup>3</sup> declined in FY21 to 11% from 14% in FY20, reflecting the lower sensitivity of these costs to revenue or volume changes.

<sup>(3)</sup> The percentage that each expense item represents of revenue in FY21 is based on revenue of US\$98.1 million less the fee of US\$2.6 million for transition services to be provided by the Company to assist a partner to take its programs in-house.

### Contribution Margin, EBITDA and Adjusted EBITDA

Keypath uses the following non-US GAAP measures to assess its business performance: contribution margin, EBITDA and Adjusted EBITDA.

- Contribution margin is revenue less direct costs, which consists of salaries and wages, direct marketing and G&A expenses attributable to direct departments. Contribution margin is used to monitor and evaluate individual program's financial performance relative to planned performance targets over the whole-of-life of the program;
- EBITDA includes contribution margin less indirect costs to consider the performance of business operations as a whole, where corporate costs are operated on a global basis to support day-to-day operations; and
- Adjusted EBITDA includes EBITDA less certain non-recurring items and stock-based compensation expense.

USD \$'000	For the Years Ended June 30,	
	2021	2020
<b>Income statement</b>		
<b>Revenue</b>	<b>\$ 98,092</b>	<b>\$ 55,484</b>
Direct salaries and wages	(37,156)	(24,124)
Direct marketing	(33,245)	(22,197)
G&A expenses allocated to direct departments	(2,022)	(2,456)
<b>Contribution margin</b>	<b>25,669</b>	<b>6,707</b>
Corporate costs	(22,957)	(10,806)
Depreciation and amortization	(4,152)	(3,334)
Stock-based compensation expense	(41,941)	-
<b>EBITDA</b>	<b>(43,381)</b>	<b>(7,433)</b>
Stock-based compensation expense	41,941	-
Legacy LTIP Cash Awards	3,187	-
IPO transaction costs expensed	4,915	-
<b>Adjusted EBITDA</b>	<b>\$ 6,662</b>	<b>\$ (7,433)</b>
<i>Contribution margin %<sup>4</sup></i>	26%	12%
<i>EBITDA % of revenue<sup>4</sup></i>	(44%)	(13%)
<i>Adjusted EBITDA % of revenue<sup>4</sup></i>	7%	(13%)

<sup>(4)</sup> When excluding from US\$98.1 million FY21 revenue a fee of US\$2.6 million for transition services to be provided by the Company to assist a partner to take its programs in-house, FY21 contribution margin was 24%, FY21 EBITDA % of revenue was (48%) and FY21 Adjusted EBITDA % of revenue was 4%.

The improved contribution margin and Adjusted EBITDA margin in FY21 reflects the improving business scale and cost leverage noted above as vintages continue to mature and newer vintages scale more rapidly.

## **Depreciation and amortization**

Depreciation and amortization is primarily incurred on intangible assets comprising program development, software and website platforms and contract acquisition costs. Program development expenditure primarily includes capitalized salaries and wages of staff and contractor costs directly involved in program development. Contract acquisition costs include capitalized commissions paid to staff who earn such commissions as part of their remuneration for winning new partners and programs. The amounts capitalized are determined in accordance with US GAAP. Depreciation and amortization has increased in FY21 from FY20 due to the increased development expenditures and commissions paid reflective of the increase in new partners and programs (see also comments on cash flows below).

## **Stock-based compensation expense and Legacy LTIP Cash Awards**

In conjunction with the IPO, the existing RU/options plan and the existing performance awards plan operated by KEH (Keypath Education Holdings, LLC 2017 Equity Incentive Plan) were terminated and replaced by conditional obligations on the Company to provide CDIs in relation to the restricted units, CDI Rights in relation to the employee options and the conditional rights to receive a cash payment (Legacy LTIP Cash Awards) in relation to the performance awards.

Stock-based compensation expense is comprised of:

- US\$23.9 million for CDIs in relation to restricted units for Steve Fireng, the existing CEO (legacy/one-time),
- US\$17.8 million for CDI Rights in relation to the employee options (legacy/one-time), and
- US\$0.2 million for grants to the employees under the 2021 Equity Incentive Plan (ongoing and represents one month of expense).

## **IPO transaction costs expensed**

IPO transaction costs expensed include a US\$3.2 million fee payable to Sterling Fund Management, LLC for services provided by it to the Company and its affiliates, US\$1.0 million of advisor fees incurred in preparing the Company to operate as a listed public company (such as auditor and tax advisory fees related to the audited financial statements and reviewed financial statements, corporate governance advice, remuneration benchmarking and advisory fees related to the 2021 Equity Incentive Plan) and US\$0.7 million of internal costs.

## **Interest expense**

Interest expense was incurred on borrowings entered into by Keypath during FY20 and which were repaid in full at the IPO date. For FY21, the Company recognized a US\$0.9 million non-cash write-off of unamortized balance of capitalized borrowing costs and the unwinding of the present value discount on the

loan, and US\$0.4 million in early termination fees, which have been recognized as an interest expense in the consolidated statement of loss.

### Loss on redemption of non-controlling interest

A number of third parties held interests in the Group prior to the IPO primarily in the form of redeemable preferred units that carried a preferred return rate per annum. All non-controlling interests were redeemed from the proceeds from the IPO (see also comments on financial position below). A US\$27.7 million loss represents the difference between the payout values and their carrying amounts at the time of redemption.

### Income tax benefit

For FY21 actual, the Company recorded tax benefits primarily related to the utilization of foreign NOLs and the release of valuation allowances for its Canada and UK subsidiaries, post-IPO legal entity restructuring and recapitalization of certain foreign entities. For FY20, the Company recorded tax benefits related to the utilization of the NOLs and the release of valuation allowances in Australia.

### Cash flows

USD \$'000	For the Years Ended June 30,	
	2021	2020
<b>EBITDA</b>	<b>\$ (43,381)</b>	<b>\$ (7,433)</b>
Non-cash items:		
Stock-based compensation expense	41,941	-
Other non-cash items	208	(1,827)
Change in net working capital	(11,797)	3,452
Legacy LTIP Cash Awards	3,187	-
Interest paid	(1,382)	(271)
Income taxes paid	-	-
<b>Cash flow from operating activities</b>	<b>(11,224)</b>	<b>(6,079)</b>
Additions of amortizable intangible assets	(3,108)	(3,199)
Purchases of property and equipment	(1,035)	(572)
<b>Cash flow from investing activities</b>	<b>(4,143)</b>	<b>(3,771)</b>
(Repayments of) proceeds from long-term debt	(10,000)	10,000
Proceeds of initial public offering, net of issuance and transaction costs	154,432	-
Payments to redeemable non-controlling interests	(58,608)	-
Payments to non-participating securityholders	(18,322)	-
Proceeds from issuance of preferred units to non-controlling interests in subsidiary entities	-	5,000
Proceeds from capital contributions	-	5,000
Payments of debt issuance costs	-	(504)
<b>Cash flow from financing activities</b>	<b>67,502</b>	<b>19,496</b>
Effect of exchange rate changes	617	41
<b>Net cash flows</b>	<b>\$ 52,752</b>	<b>\$ 9,687</b>

Operating cash flows, excluding US\$4.9 million of IPO transaction costs paid, remained essentially unchanged at US\$6.3 million cash used in FY21 compared to US\$6.1 million cash used in FY20. During FY21, we have spent approximately US\$12 million related to the FY21 and FY22 vintages primarily

reflected in cash from operating activities. During FY20, we have spent approximately US\$9 million related to the FY20 and FY21 vintages.

Investing cash expenditures increased to US\$4.1 million from US\$3.8 million in FY20 consistent with increased program development and contract acquisition costs (commissions paid) and which are eligible to be capitalized as intangible assets under US GAAP.

FY21 financing cash flows reflect the net proceeds from the IPO and the use of those funds to pay in full the non-controlling interests, the non-participating securityholders and the borrowings. Financing cash flows in FY20 reflect the capital structure of the Group prior to the IPO.

## Financial position

The Company's IPO has transformed its capital structure and provided the Company with liquidity sufficient to fund its operations and pursue its growth objectives stated in the Company's Prospectus. A summary of the financial position of the Company as of June 30, 2021 compared to June 30, 2020 is provided below.

USD \$'000	June 30, 2021	June 30, 2020
Cash and restricted cash	\$ 67,451	\$ 14,699
Accounts receivable and other current assets	21,923	7,323
Accounts payable and other current liabilities	(23,040)	(12,983)
<b>Net Working Capital</b>	<b>66,334</b>	<b>9,039</b>
Property and equipment, net	1,715	1,401
Goodwill	8,754	8,754
Intangible assets, net	5,813	5,609
Other non-current assets	8,784	5,668
Borrowings	-	(9,035)
Other non-current liabilities	(951)	(1,547)
<b>Net Assets</b>	<b>\$ 90,449</b>	<b>\$ 19,889</b>
Redeemable non-controlling interests (mezzanine equity)	\$ -	\$ 29,362
Preferred shares	-	16,100
Common stock	2,082	-
Additional Paid-in Capital	246,154	54,085
Accumulated deficit	(157,787)	(79,658)
<b>Total Shareholders' Equity (Deficit)</b>	<b>90,449</b>	<b>(9,473)</b>
<b>Total Equity</b>	<b>\$ 90,449</b>	<b>\$ 19,889</b>



# **Keypath Education International, Inc.**

## **Report of Independent Auditors and Consolidated Financial Statements June 30, 2021 and 2020 (In thousands of US dollars)**



## **Report of Independent Auditors**

To the Shareholders and Board of Directors of Keypath Education International, Inc.

We have audited the accompanying consolidated financial statements of Keypath Education International, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2021 and June 30, 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Keypath Education International, Inc. and its subsidiaries as of June 30, 2021 and June 30, 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***/s/PricewaterhouseCoopers LLP***

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario, Canada

August 29, 2021

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# Keypath Education International, Inc.

## Consolidated Balance Sheet

As of June 30, 2021 and 2020

(In thousands of US dollars, except share data)

	Note	June 30, 2021	June 30, 2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 67,049	\$ 14,331
Restricted cash		402	368
Accounts receivable, net of allowance	4	19,384	6,875
Prepaid expenses and other current assets		2,539	448
<b>Total Current Assets</b>		<b>89,374</b>	<b>22,022</b>
<b>Non-Current Assets</b>			
Property and equipment, net	2	1,715	1,401
Goodwill		8,754	8,754
Intangible assets, net	3	5,813	5,609
Operating leases right-of-use assets	6	1,502	1,600
Contract acquisition cost	4	2,501	1,990
Deferred tax asset	9	2,535	1,714
Contract with customer, non-current portion		2,110	201
Other assets		136	163
<b>Total Assets</b>		<b>\$ 114,440</b>	<b>\$ 43,454</b>
<b>Liabilities and Shareholders' Deficit</b>			
<b>Current Liabilities</b>			
Accounts payable		\$ 4,280	\$ 3,385
Accrued liabilities	7	11,297	6,813
Deferred revenue	4	1,779	1,168
Income tax payable	9	1,076	722
Operating lease liabilities	6	1,421	895
Deferred compensation liability	8	3,187	-
<b>Total Current Liabilities</b>		<b>23,040</b>	<b>12,983</b>
<b>Non-Current Liabilities</b>			
Long-term debt, net	5	-	9,035
Long-term operating lease liabilities	6	604	1,353
Other liabilities		347	194
<b>Total Liabilities</b>		<b>23,991</b>	<b>23,565</b>
<b>Mezzanine Equity</b>			
Redeemable non-controlling interests	10	-	29,362
<b>Shareholders' Equity (Deficit)</b>			
Preferred shares (par value \$0.01 per share, 500,000 shares authorized, zero issued and outstanding in 2021)	12	-	16,100
Common stock (par value \$0.01 per share, 500,000,000 shares authorized, 208,223,105 issued and outstanding in 2021)	12	2,082	-
Additional Paid-in Capital	12	246,154	54,085
Accumulated deficit		(157,883)	(79,149)
Accumulated other comprehensive income (loss)		96	(509)
<b>Total Shareholders' Equity (Deficit)</b>		<b>90,449</b>	<b>(9,473)</b>
<b>Total Liabilities and Equity</b>		<b>\$ 114,440</b>	<b>\$ 43,454</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Keypath Education Holdings, LLC

## Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended June 30, 2021 and 2020

(in thousands of US dollars)

		For the Years Ended	
	Note	June 30, 2021	June 30, 2020
<b>Revenue</b>	17	\$ 98,092	\$ 55,484
<b>Operating Expenses</b>			
Salaries and wages		93,585	32,854
Direct marketing		33,245	22,197
General and administrative		18,949	11,079
<b>Total operating expenses</b>		<b>145,779</b>	<b>66,130</b>
<b>Operating Loss</b>		<b>(47,687)</b>	<b>(10,646)</b>
<b>Other Income (Expense)</b>			
Interest expense	5	(2,346)	(328)
Loss on redemption of non-controlling interest	10	(27,667)	-
Other income and (expense), net		154	(121)
<b>Loss before income taxes</b>		<b>(77,546)</b>	<b>(11,095)</b>
Income taxes benefit	9	391	1,292
<b>Net Loss</b>		<b>(77,155)</b>	<b>(9,803)</b>
Non-controlling interest redemption increment	10	(1,579)	(1,595)
<b>Net Loss Attributable to Keypath Education International, Inc. Shareholders</b>		<b>\$ (78,734)</b>	<b>\$ (11,398)</b>
<b>Loss Per Share:</b>			
Basic and diluted loss per common share	11	\$ (0.54)	\$ (0.08)
Basic and diluted weighted average shares of common stock outstanding		146,791,203	141,671,878
<b>Other Comprehensive Loss:</b>			
Net loss attributable to Keypath Education International, Inc. shareholders		\$ (78,734)	\$ (11,398)
Foreign currency translation adjustment		605	41
<b>Total Other Comprehensive Loss Attributable to Keypath Education International, Inc. Shareholders</b>		<b>\$ (78,129)</b>	<b>\$ (11,357)</b>

The accompanying notes are an integral part of these consolidated financial statements.



# Keypath Education International, Inc.

## Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Years Ended June 30, 2021 and 2020

(in thousands of US dollars, except share data)

	Preferred Units		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
<b>Balance as of July 1, 2019</b>	<b>16,100</b>	<b>\$ 16,100</b>	<b>141,671,878</b>	<b>\$ -</b>	<b>\$ 49,085</b>	<b>\$ (67,751)</b>	<b>\$ (550)</b>	<b>\$ (3,116)</b>
Net loss						(11,398)		(11,398)
Currency translation adjustment							41	41
Capital contributions					5,000			5,000
<b>Balance as of June 30, 2020</b>	<b>16,100</b>	<b>16,100</b>	<b>141,671,878</b>	<b>-</b>	<b>54,085</b>	<b>(79,149)</b>	<b>(509)</b>	<b>(9,473)</b>
Net loss						(78,734)		(78,734)
Currency translation adjustment							605	605
Conversion of preferred shares to Common (Note 12)	(16,100)	(16,100)	16,100		16,100			-
Common control transaction (Note12)			-	1,417	(19,739)			(18,322)
Proceeds of initial public offering, net of issuance and transaction costs (Note 12)			57,172,708	572	153,860			154,432
Stock-based compensation (Note 13)			9,362,419	93	41,848			41,941
<b>Balance as of June 30, 2021</b>	<b>-</b>	<b>\$ -</b>	<b>208,223,105</b>	<b>\$ 2,082</b>	<b>\$ 246,154</b>	<b>\$ (157,883)</b>	<b>\$ 96</b>	<b>\$ 90,449</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Keypath Education International, Inc.

## Consolidated Statements of Cash Flows

For the years ended June 30, 2020 and 2021

(in thousands of US dollars)

		For the Years Ended June 30,	
	Note	2021	2020
<b>Operating activities:</b>			
Net loss		\$ (77,155)	\$ (9,803)
Adjustments to reconcile net loss to net cash from operating activities:			
Loss on redemption of non-controlling interest	10	27,667	-
Depreciation and amortization		4,152	3,334
Stock-based compensation expense	13	41,941	-
Deferred income taxes	9	(670)	(1,714)
Other, net	5	878	(113)
Changes in operating assets and liabilities:			
Accounts receivable		(11,940)	(841)
Prepays and other		(4,771)	(1,050)
Accounts payable and accrued liabilities		4,634	2,904
Deferred revenue		573	792
Income taxes payable	9	280	412
Deferred compensation liability	8	3,187	-
<b>Net cash from operating activities</b>		<b>(11,224)</b>	<b>(6,079)</b>
<b>Investing activities:</b>			
Additions of amortizable intangible assets		(3,108)	(3,199)
Purchases of property and equipment		(1,035)	(572)
<b>Net cash from investing activities</b>		<b>(4,143)</b>	<b>(3,771)</b>
<b>Financing activities:</b>			
Proceeds from long-term debt	5	-	10,000
Repayments of long-term debt	5	(10,000)	-
Proceeds of initial public offering, net of issuance and transaction costs	12	154,432	-
Payments to redeemable non-controlling interests	10	(58,608)	-
Payments to non-participating securityholders	12	(18,322)	-
Proceeds from issuance of preferred units to non-controlling interests in subsidiary entities		-	5,000
Proceeds from capital contributions		-	5,000
Payments of debt issuance costs	5	-	(504)
<b>Net cash from financing activities</b>		<b>67,502</b>	<b>19,496</b>
Effect of exchange rate changes on cash and restricted cash		617	41
Net change in cash and restricted cash		52,752	9,687
Cash and restricted cash at beginning of year		14,699	5,012
Cash and restricted cash at end of year		<b>\$ 67,451</b>	<b>\$ 14,699</b>
<b>Supplemental cash flows information:</b>			
Interest paid		\$ 1,382	\$ 271
Income taxes paid		\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

### NOTE 1 – PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

#### Description of Business

Keypath Education International, Inc.'s (the Company) principal activity is online program management (OPM) serving the postgraduate education market of traditional universities. The Company enables universities in Australia, Malaysia, North America and the United Kingdom to deliver technology-enabled online degrees and programs driven by market-demand. Through end-to-end technology and data-driven service, the Company and its subsidiaries (the Group) partner with universities to design, launch, and grow online programs that deliver career-relevant skills to address global, social and economic challenges and prepare busy professionals for the future of work.

Services provided include design and development of program courses, marketing to prospective students, recruitment and retention of students during their enrollment, and for certain programs, placement services. The Company enters into bespoke long-term contracts with universities and earns revenue through an agreed revenue share with the relevant university during the contracted term. Keypath's employees and offices are presently located in Canada, the United States, Australia and the United Kingdom.

#### Initial Public Offering

The Company was incorporated in Delaware on March 11, 2021. Pursuant to a corporate reorganization, the Company acquired Keypath International Ltd. (Keypath International) immediately prior to, and in conjunction with, an Initial Public Offering (IPO) of CHESS Depositary Interests (CDIs) over the Company's common stock. The Company was admitted to the Official List of the Australian Securities Exchange (ASX) on June 1, 2021. All common stock of the Company is represented by CDIs on a 1-for-1 ratio, which are tradable on ASX. Further information on the capital structure of the Company, including the financial effect of the IPO, is set out in Note 12.

#### Basis of Presentation

The accompanying consolidated financial statements include these of the Company and its subsidiaries after elimination of all intercompany accounts and transactions. These consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (US GAAP). All amounts are reported in US dollars, unless otherwise noted. Some financial data is non-IFRS information under Regulatory Guide 230 (Disclosing non-IFRS financial information) published by the Australian Securities and Investments Commission or non-US GAAP financial measures within the meaning of Regulation G of the US Securities Exchange Act of 1934.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

under the circumstances. Estimates and assumptions are inherent in the analysis and the measurement of impairment of accounts receivable, the recoverability of long-lived assets, amortizable intangibles, goodwill, deferred tax assets, and stock-based compensation expense. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates. The Company evaluates its estimates and assumptions on an ongoing basis.

The Company has not experienced a significant disruption to its business as a result of COVID-19, primarily as a result of all of the programs operated by the Group being online programs and university partners implementing other online meeting platforms to substantially reduce or replace the need for students to attend campus. Certain programs continue to experience sustained increased demand, while other disciplines are demonstrating a return to pre-COVID-19 levels of demand. However, while COVID-19 persists, there continues to be some uncertainty as to its future effects on the Company's business.

### Revenue from Contract with Customers

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. OPM services consist of marketing, recruitment, program management, placement services, student retention, course development and help desk support services to support online e-learning degree programs offered by universities. Revenue from OPM is comprised primarily of a share of tuition fees invoiced to students who enroll in the program courses with university partners. The Company's contracts with university partners typically have terms of seven to ten years. The Company determined that OPM services are a single performance obligation as the obligations under the contracts consist of tightly integrated technology and services that university partners need to attract, enroll, educate and support students, which are not distinct within the context of the contracts. The single performance obligation is delivered as the university partners receive and consume benefits, which occurs ratably over a series of academic terms. The amounts received from university partners over the term of the arrangement are variable in nature in that they are dependent upon the number of students that are enrolled in the program within each academic term. These amounts are allocated to and are recognized ratably over the related academic term, defined as the period beginning on the first day of classes through the last. Fees paid by customers, paid in advance, are deferred on the consolidated balance sheets and recognized as income as they are earned.

The Company does not disclose the value of unsatisfied performance obligations because the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a service that forms part of a single performance obligation.

### Contract Acquisition Costs

Under ASC 606 and Subtopic 340-40, the *"incremental costs of obtaining a contract with a customer"* are to be capitalized as an asset if the Company expects to recover these costs. The Company has identified that sales commissions paid on the signing of a new partner and/or program have met this criterion as it relates directly to obtaining university partner degree program contracts and are not earned unless a

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

contract is executed and the related programs launch. The capitalized commissions are amortized over the term of the contract life, which usually ranges from seven to ten years.

### Concentration of Credit Risk

**Financial Instruments:** The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and accrued expenses. The carrying values of cash, accounts receivable and accounts payable and accrued expenses are considered to be representative of their respective fair values because of the relatively short-term maturity or variable pricing of these financial instruments.

**Accounts Receivable:** Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. Concentration of credit risk with respect to trade receivables exists due to the size of the Company's dependence on larger clients. The Company maintains allowances for potential credit losses. Concentration of credit risk with respect to trade receivables exists due to the size of the Company's dependence on large clients.

As of June 30, 2021 and 2020, the Company's top five customers comprised over 46.5% and 51.4%, respectively, of total revenue as follows:

	2021	2020
Customer 1	16.7%	19.0%
Customer 2	8.8%	10.3%
Customer 3	7.5%	8.3%
Customer 4	6.8%	7.8%
Customer 5	6.7%	6.0%
Total	<u>46.5%</u>	<u>51.4%</u>

**Foreign Currency Risk:** The Company is exposed to foreign currency risk relating to transactions and assets denominated in a foreign currency. The Company does not currently use derivative instruments to manage its foreign currency risk.

### Cash and Restricted Cash

Restricted cash is represented by a bank guarantee required on the Company's office lease in Australia.

### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable, net of allowance includes trade accounts receivable, which is comprised of billed and unbilled revenue. Accounts receivable is stated at amortized cost net of allowance for doubtful accounts. The Company's methodology to measure the allowance for doubtful accounts requires an estimation of loss rates based upon historical loss experience adjusted for factors that are relevant to determining the expected collectability of accounts receivable. Some of these factors include current market conditions, delinquency trends, aging behaviour of receivables and credit and liquidity quality indicators for industry groups, customer classes or individual customers. The Company's estimates are reviewed and revised

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

periodically based on the ongoing evaluation of credit quality indicators. Historically, actual write-offs for uncollectible accounts have not significantly differed from prior estimates.

The Company recognizes unbilled revenue when revenue recognition occurs in advance of billings. Unbilled revenue is recognized because billings to university clients do not occur until after the academic term has commenced and final enrollment information is available. The Company's unbilled revenue represents contract assets. Unbilled accounts receivable is recognized once the presentation period commences for amounts to be invoiced to students under instalment plans that are paid over the same presentation period.

### Contract Liability

The Company records a contract liability that represents the excess of amounts billed or received as compared to amounts recognized in revenue on the Company's consolidated statements of loss and comprehensive loss as of the end of the reporting period, and such amounts are reflected as a current liability on the consolidated balance sheets. The Company generally receives payments from university clients early in each academic term. These payments are recorded as deferred revenue until the services are delivered or until the Company's obligations are otherwise met, at which time revenue is recognized.

### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Expenditures for purchases and improvements are capitalized. Depreciation on furniture and fixtures is calculated using the straight-line method over the estimated seven-year useful lives of the assets. Computer hardware is depreciated on a straight-line basis over three to five years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the improvements, ranging from five to seven years using the straight-line method.

### Leases

The Company leases office premises in the US, Canada and Australia, as well as some office equipment, and has determined that these would continue as operating leases under ASC 842, *Leases*. The Company does not have any finance leases.

For the Company's operating leases, an assessment is performed to determine if an arrangement contains a lease at lease inception, which is generally when the Company takes possession of the asset. The Company records a lease liability and a corresponding right-of-use asset. Lease liabilities represent the Company's obligation to make lease payments arising from the lease and are calculated as the present value of minimum lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the Company's incremental borrowing rate based on relevant benchmark interest rates at the lease commencement, as the information necessary to determine the rate implicit in the lease is not readily available. Right-of-use assets represent the right to control the use of the leased asset during the lease and are initially recognized in an amount equal to the lease liability. In addition, prepaid rent, initial direct costs and adjustments for lease incentives are components of the right-of-use asset. The lease expense is recognized on a straight-line basis over the lease term.

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

The Company has elected, as an accounting policy for its leases of real estate, to account for lease and non-lease components in a contract as a single lease component. In addition, the recognition requirements are not applied to leases with a term of 12 months or less. Rather, the lease payments for short-term leases are recognized in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

Variable payments that depend on an index or a rate are initially measured using the index or rate at the lease commencement date. Such variable payments are included in the total lease payments when measuring the lease liability and right-of-use asset. The Company will only re-measure variable payments that depend on an index or a rate when the Company is re-measuring the lease liability due to any of the following occurring: (i) the lease is modified and the modification is not accounted for as a separate contract; (ii) a contingency, upon which some or all of the variable lease payments that will be paid over the remainder of the lease term are based, is resolved; (iii) there is a change in lease term; (iv) there is a change in the probability of exercising a purchase option or (v) there is a change in the amount probable of being owed under residual value guarantees. Until the lease liability is re-measured due to one of the aforementioned events, additional payments for an increase in the index or rate will be recognized in the period in which they are incurred. Variable payments that do not depend on an index or a rate are excluded from the measurement of the lease liability and recognized in the consolidated statements of loss and comprehensive loss in the period in which the obligation for those payments is incurred. The Company will re-measure its lease payments when the contingency underlying such variable payments is resolved such that some or all of the remaining payments become fixed.

### Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company tests for goodwill impairment at the reporting unit level. When testing for goodwill impairment, the Company performs a qualitative assessment. Based on the results of this qualitative assessment, if the Company concludes it is more likely than not that a reporting unit's fair value is less than its carrying amount, a quantitative analysis is performed. The quantitative analysis involves comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value reflects the price a market participant would be willing to pay in a potential sale of the reporting unit and may be based on the income approach (discounted cash flow method) or the market approach (guideline public company method). If the fair value exceeds carrying value, then it is concluded that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure possible goodwill impairment loss. The second step includes valuing the tangible and intangible assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying value of that goodwill. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company recognizes an impairment loss in an amount equal to the excess, not to exceed the carrying value.

In conducting the qualitative assessment, the Company performs an analysis on the conditions below as it relates to the business to determine if goodwill is impaired:

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

- Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets;
- Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (consider in both absolute terms and relative to peers), a change in the market for an entity's products or services, or a regulatory or political development;
- Cost factors such as increases in labor, or other costs that have a negative effect on earnings and cash flows;
- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods, company valuation trend;
- Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation; and
- Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

After performing the qualitative assessment as June 30, 2021 and 2020, the Company determined that goodwill was not impaired.

### Intangible Assets

Intangible assets with a definite life are amortized on the straight-line basis over periods ranging from three to eleven years. Such assets are periodically evaluated as to the recoverability of their carrying values. These intangible assets include customer relationships, trade names, website platforms, software and other intangibles (which includes capitalized course development).

**Capitalized course development:** Costs related to the development of online learning courses are capitalized and amortized on a straight-line basis over three years. These costs include instructional design, multimedia development and the uploading of course material. Applicable costs include direct third-party costs (such as specific contract labor, software and licence purchases) as well as salaries and wages and other payroll-related costs of employees specifically involved in development of courses contracted with university partners.

Capitalized course development costs are assessed for impairment whenever circumstances, such as the cancellation of a program with a university partner, indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized to the extent that the carrying amount exceeds the estimated fair value of the asset.



# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

### Impairment of Long-Lived Assets

The Company evaluates the recoverability of the carrying value of long-lived assets (property and equipment and amortizable intangible assets) whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

### Income Taxes

The Company is a holding company for subsidiaries that are corporations or limited liability companies.

The consolidated financial statements reflect the tax cost or benefit of the results of its operations, and as such, the Company presents its income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenue.

The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company files income tax returns for itself and its subsidiaries in the US federal jurisdiction, various US States and foreign jurisdictions as required.

### Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on

# Keypath Education International, Inc.

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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(in thousands of US dollars)

assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date;
- Level 2 inputs – other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 inputs – unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. In these cases, the Company develops its own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The Company's cash is classified as Level 1.

### Stock-Based Compensation

**2021 Equity Incentive Plan:** The terms of stock option grants, including the exercise price per share and vesting periods, are determined by the Company's Board of Directors and the Company's People, Performance and Culture Committee. Stock options granted under the 2021 Equity Incentive Plan are granted at exercise prices of not less than the fair market value of the Company's common stock on the date of grant. Stock options are subject to service-based vesting conditions and may vest at various times from the date of the grant, with options vesting after a period of three years.

The Company accounts for stock-based compensation awards made to employees and directors under ASC 718, *Share-Based Payments*, which requires measurement and recognition of compensation expense for all share-based payment awards based on the fair value. The Company values stock options using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the risk-free interest rate, expected life of the option, expected stock price volatility and dividend yield. The risk-free interest rate assumption is based upon observed interest rates for constant maturity US Treasury securities consistent with the expected term of the Company's employee stock options. The expected life represents the period of time the stock options are expected to be outstanding and is based on the "simplified method." Under the "simplified method," the expected life of an option is presumed to be the mid-point between the vesting date and the end of the contractual term. Due to the lack of sufficient historical exercise data, the Company uses the "simplified method" to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The Company analysed the market data of peer companies and calculated implied asset volatility. This volatility factor was then applied as a variable to determine the fair value of our stock options granted for the year ended June 30, 2021. The Company assumes no dividend yield because dividends are not expected to be paid in the near future. See Note 13 for additional information.

Under ASC 718, share-based compensation expense is recognized based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. The Company

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recognizes stock-based compensation expense on a straight-line basis over the awards' requisite service period.

**Legacy Plans:** Prior to the IPO, a subsidiary entity had granted to certain employees limited liability company profits interests for federal income tax purposes, in the form of restricted units, as well as options to acquire restricted units ("unit options"). These awards were cancelled upon the IPO and replaced by:

- The issue of CDI Rights for all vested and unvested unit options as of the IPO date. The CDI Rights convert to CDIs on a one-for-one basis.
- The issue of restricted CDIs for restricted units that had vested as of the IPO date and the allotment of restricted stock for those restricted units that were not vested as of the IPO date.

Information in relation to these legacy plans is provided in Note 13. Further, the terms of a cash-based long term performance awards scheme were also cancelled and replaced by Legacy LTIP Cash Awards on the IPO date, resulting in the recognition of a deferred compensation liability. Information on this liability is provided in Note 8.

### Combination of Entities Under Common Control and Comparative Information

As stated above, the Company became the legal parent of the Group pursuant to a corporate reorganization. The Company has accounted for the capital reorganization at book value and on a retrospective basis, consistent with the guidance for combinations under common control provided under ASC 805, *Business Combinations*. On this basis, the consolidated financial statements for the Company will effectively reflect a continuation of the Keypath International consolidated financial statements accounted for using the continuity of interests method of accounting, where:

- the consolidated assets and liabilities of the Company at the IPO date reflected the carrying values of the consolidated assets and liabilities acquired from Keypath International (rather than their fair values), and the results of the Company reflect the results of operations in a manner consistent with Keypath International's historical financial reporting;
- the accumulated losses and other reserves recognized in the consolidated financial statements of the Company will include the consolidated accumulated losses and other reserves acquired from Keypath International;
- the amount recognized as issued capital in the consolidated financial statements of the Company reflect the book value of the CDIs issued by the Company to effect its acquisition of Keypath International; and
- the comparative financial information to be presented in the Company's consolidated financial statements for the year ended June 30, 2021 will be that as reported by Keypath International in its consolidated financial statements for the year ended June 30, 2020.

### Foreign Currency

The functional and reporting currency of the Company is United States dollars. In accordance with ASC 830, *Foreign Currency Matters*, assets and liabilities of non-US subsidiaries whose functional currency is the local currency are translated into US dollars at exchange rates prevailing at the consolidated balance

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sheet date. Functional currencies of non-US subsidiaries include Australian dollars, Canadian dollars, British Pounds Sterling and Malaysian Ringgit. Revenue and expenses are translated at average exchange rates during the year. The net exchange differences resulting from these translations are reported in accumulated other comprehensive (loss) income. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of loss and comprehensive loss.

### Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standards Update (ASU) No. 2020-10, *Codification Improvements* (ASU 2020-10). The amendments in ASU 2020-10 affect a wide variety of topics in the Accounting Standards Codification (ASC) by either clarifying the codification or correcting unintended applications of the guidance. The amendments do not change US GAAP and, therefore, are not expected to result in a significant change in current accounting practice. The adoption of ASU 2020-10 did not have a material impact on the consolidated financial statements or related disclosures.

The Company adopted ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU 2018-15). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs for internal-use software, effective January 1, 2020. The adoption of ASU 2018-15 did not have a material impact on the consolidated financial statements.

### Recent Accounting Pronouncements Not Yet Adopted

In August 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (ASU 2020-06). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts indexed to and potentially settled in an entity's own equity. The new guidance eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. As a result, in more cases, convertible debt will be accounted for as a single instrument. The guidance also removes certain conditions for equity classification related to contracts in an entity's own equity and requires the application of the if-converted method for calculating diluted earnings per share. This ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04). ASU 2020-04 is intended to provide optional expedients and exceptions for applying US GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, to ease the potential accounting and financial reporting burden associated with the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This ASU may be applied as of the beginning of any interim period that includes its effective date (i.e., March 12, 2020) through December 31,

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2022. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements or related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions such as (i) exceptions to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income/gain from other items; (ii) exceptions to the requirement to recognize deferred tax liabilities for equity method investments when a foreign subsidiary becomes an equity method investment; and (iii) exceptions to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments also simplify the accounting for income taxes by requiring that an entity evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transition. Further, the amendments require that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The amendments in ASU 2019-12 are effective for annual and interim periods in fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently assessing the impact the adoption of this amendment will have on the Company's financial position and its related disclosures.

### NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Computer equipment	\$ 1,810	\$ 1,419
Leasehold improvements	1,318	963
Furniture and fixtures	495	331
Work in progress	12	122
Total	3,635	2,835
Less: accumulated depreciation	(1,920)	(1,434)
Property and equipment, net	\$ 1,715	\$ 1,401

Depreciation expense was \$771 and \$540 for the years ended June 30, 2021 and 2020, respectively.

### NOTE 3 – AMORTIZABLE INTANGIBLE ASSETS

Finite-lived intangible assets consisted of the following as of June 30, 2021 and 2020:

	2021		
	Gross Carrying Amount	Accumulated Amortization	Net Value
Customer relationships	\$ 1,910	\$ (902)	\$ 1,008
Web-site platforms, software, and other intangibles	11,144	(6,447)	4,697
Trade names	205	(97)	108
	\$ 13,259	\$ (7,446)	\$ 5,813

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	2020		
	Gross Carrying Amount	Accumulated Amortization	Net Value
Customer relationships	\$ 1,910	\$ (743)	\$ 1,167
Web-site platforms, software, and other intangibles	8,666	(4,349)	4,317
Trade names	205	(80)	125
	<u>\$ 10,781</u>	<u>\$ (5,172)</u>	<u>\$ 5,609</u>

The changes in the carrying amount of intangible assets were as follows:

	Total
<b>Balance as of June 30, 2019</b>	\$ 4,893
Capitalized course development during the year	3,222
Amortization during the year	(2,483)
Changes due to foreign currency fluctuations	(23)
<b>Balance as of June 30, 2020</b>	5,609
Capitalized course development during the year	3,002
Amortization during the year	(2,955)
Changes due to foreign currency fluctuations	157
<b>Balance as of June 30, 2021</b>	<u>\$ 5,813</u>

The estimated intangible assets amortization expense for each of the next five years ended June 30, is as follows:

2022	\$ 2,797
2023	1,809
2024	766
2025	177
2026	176

## NOTE 4 – CONTRACT ASSETS AND LIABILITIES

### Contract Liabilities

Contract liabilities comprise of deferred revenue and were \$1,779 and \$1,168 as of June 30, 2021 and 2020, respectively. The following table presents the change in the Company's deferred revenue for the years ended June 30, 2021 and 2020:

	2021	2020
<b>Balance as of July 1</b>	\$ 1,168	\$ 376
Revenue deferred in current period	1,779	1,168
Revenue deferred in prior periods recognized as revenue in consolidated statement of loss	(1,168)	(376)
<b>Balance as of June 30</b>	<u>\$ 1,779</u>	<u>\$ 1,168</u>

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### Contract Acquisition Costs

Sales commissions capitalized for the years ended June 30, 2021 and 2020 were \$815 and \$818, respectively. Total amortization during the years ended June 30, 2021 and 2020 was \$426 and \$310, respectively.

Contract acquisition costs consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Gross Carrying Amount	\$ 3,766	\$ 2,829
Accumulated Amortization	(1,265)	(839)
Net Value	<u>\$ 2,501</u>	<u>\$ 1,990</u>

### Allowance for Doubtful Accounts

The following table presents the change in the Company's provision for doubtful accounts for the years ended June 30, 2021 and 2020:

	2021	2020
Balance as of July 1	\$ 745	\$ 417
Current period change	(269)	328
Write-offs	(33)	-
Balance as of June 30	<u>\$ 443</u>	<u>\$ 745</u>

## NOTE 5 – LONG-TERM DEBT

Long-term debt, net was \$nil and \$9,035 as of June 30, 2021 and 2020, respectively. At the IPO date, the Company repaid the \$10,000 loan balance under the Venture Loan and Security Agreement with Horizon Technology Finance Corporation (Horizon).

Long-term debt, net consisted of secured promissory notes and as of June 30, 2020, was as follows:

	2020
Loan A – LIBOR plus 8.5%, maturing October 1, 2024	\$ 3,750
Loan B – LIBOR plus 8.5%, maturing October 1, 2024	3,750
Loan C – LIBOR plus 8.5%, maturing October 1, 2024	<u>2,500</u>
Total debt	10,000
Unamortized debt discount	(489)
Unamortized transaction costs	<u>(476)</u>
Long-term debt, net	<u>\$ 9,035</u>

On March 30, 2020, the Company entered into a Venture Loan and Security Agreement with Horizon to borrow up to \$15,000 under four separate loan commitments consisting of \$3,750 (Loan A), \$3,750 (Loan B), \$2,500 (Loan C) and \$5,000 (Loan D). The funds were to be used for general working capital purposes. As at June 30, 2020, the Company had fully drawn on the facilities available under Loans A, B and C (the

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secured promissory notes). The secured promissory notes had a maturity date of October 1, 2024 and were subject to interest at a per annum rate (based on a 360-day year) equal to the One-Month LIBOR Rate as reported in the Wall Street Journal on the first calendar day of the month plus 8.5%. The One-Month LIBOR Rate was subject to a minimum/floor of 2%. The secured promissory notes were subject to interest only for the first 24 months of the promissory note term, followed by 30 months of principal and accrued interest payments. Principal was repayable in 30 equal payments of \$125, \$125 and \$83 for Loan A, B and C respectively with the terminal amount due on the maturity date. The availability of the Loan D commitment was subject to the Company and its subsidiaries achieving \$50,000 in trailing 12-month revenues. Note that this condition had been met as of June 30, 2020. Loan D was undrawn as of June 30, 2020 and had a termination date of March 31, 2022, if undrawn as of such date. The secured promissory notes were secured by collateral consisting of certain assets of the Company including stock pledges in its subsidiaries, property, plant and equipment, intangibles, licences and cash, among others as defined in the Venture Loan and Security Agreement.

For the year ended June 30, 2020, the Company capitalized \$504 in transaction costs related to the issuance of the Venture Loan and Security Agreement against the secured promissory notes. The unamortized balance was amortized over the remaining term of the secured promissory notes on a straight-line basis.

For the years ended June 30, 2021 and 2020, the Company recorded amortization of \$103 and \$28, respectively, in relation to the transaction costs which has been recorded within interest expense in the consolidated statement of loss. For the year ended June 30, 2021, the Company recognized a \$862 non-cash write-off of unamortized balance of capitalized borrowing costs and the unwinding of the present value discount on the loan, and \$405 in early termination fees, which have been included in interest expense in the consolidated statement of loss.

In connection with the Venture Loan and Security Agreement, the lender was issued warrants to purchase Series B preferred units in a subsidiary entity. The warrants were cash settled on the IPO date for an amount of \$1,597. Further information is provided in Note 10.

### NOTE 6 – LEASES

The Company holds operating leases for its office premises in the US, Canada and Australia, as well as certain office equipment. Non-cancellable operating leases for office space expire in fiscal years through 2023 and require the Company to pay its pro rata portion of operating costs (property taxes, maintenance and insurance). The leases for office space include options to extend the leases for a further five years for both the Melbourne Australia and Canadian offices, and for two seven-year terms for the US office. These extension options were not deemed to be reasonably certain of exercise as of lease commencement as the existing office spaces may or may not meet future capacity requirements. Therefore, the extension options are not included in the determination of their respective non-cancellable lease terms.

Total lease expense recorded for the years ended June 30, 2021 and 2020 was \$1,392 and \$1,138, respectively, and is recognized within general and administrative expenses in the consolidated statements of loss. Included in the operating lease expense above are certain variable payments to common area



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maintenance and property taxes. Expenses for variable payments were \$397 and \$309, respectively, for the years ended June 30, 2021 and 2020.

Information regarding operating lease terms and discount rates as of June 30, 2021 and 2020 were as follows:

	2021	2020
Weighted average remaining lease term (years)	1.49	2.31
Weighted average discount rate	10%	10%

Maturities of lease liabilities as of June 30, 2021, were as follows:

2022	\$	1,560
2023		629
Total lease payments		2,189
Less: implicit interest		164
Total lease liability (short-term and long-term)	\$	2,025

Supplemental cash flow information related to operating leases were as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,284	\$ 1,039
Right-of-use assets obtained in exchange for operating lease obligations, net of lease incentives	392	2,183

### NOTE 7 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Compensation	\$ 6,404	\$ 3,982
Professional fees	1,114	382
Direct marketing costs	3,325	\$ 2,195
Other	454	254
Total accrued liabilities	\$ 11,297	\$ 6,813

### NOTE 8 – DEFERRED COMPENSATION LIABILITY

On the IPO date, a legacy cash incentive award plan, the Keypath Education Holdings, LLC 2017 Equity Incentive Plan, and all award agreements evidencing the grant of Performance Awards issued thereunder, was terminated and replaced by new individual cash awards, the Legacy long-term incentive plan (LTIP) Cash Awards. No expense had been previously recognized in relation to the Performance Awards as the conditions given rise to any liability had not been met.

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The Legacy LTIP Cash Awards grant the relevant employee the right to receive a cash payment if the Company achieves certain market capitalization criteria within two years following the IPO, provided that, subject to certain exceptions, the relevant employee remains in continuous employment with the Company on the payment date following the achievement of the applicable market capitalization criteria.

The granting of the Legacy LTIP Cash Awards at the IPO date resulted in the recognition of a liability for \$3,115, representing the pro rata liability at the IPO date for relevant employees' service periods since the grant date to one year from the IPO date (the earliest possible date payment of the Legacy LTIP Cash Awards could occur). The corresponding expense is included in the consolidated statement of loss. A further expense and liability of \$73 are recognized from the IPO date to June 30, 2021, such that the liability as of June 30, 2021 is \$3,187. Further expense of \$813 will be recognized during the year ending June 30, 2022 to a maximum liability of \$4,000 (which includes a maximum liability to Chief Executive Officer (CEO) and executive director Steve Fireng of \$2,500). The liability has been classified as a current liability on the basis that the conditions above will be met on the first anniversary from the IPO date.

### NOTE 9 – INCOME TAXES

The US and foreign components of (loss) income before income taxes for the years ended, June 30, 2021 and 2020 are as follows:

	2021	2020
United States	\$ (80,673)	\$ (9,771)
Foreign	3,127	(1,324)
Total	<u>\$ (77,546)</u>	<u>\$ (11,095)</u>

The Company files income tax returns in the US federal jurisdiction, various state jurisdictions and foreign jurisdictions. The provision for income taxes for the years ended June 30, 2021 and 2020 includes these components:

	2021	2020
Current		
United States – federal	\$ -	\$ -
United State - states and local	-	-
Foreign	279	426
Total current income tax provision	<u>279</u>	<u>426</u>
Deferred		
United States – federal	-	-
United State - states and local	-	-
Foreign	(670)	(1,718)
Total deferred income tax benefit	<u>(670)</u>	<u>(1,718)</u>
Total income tax benefit	<u>\$ (391)</u>	<u>\$ (1,292)</u>

# Keypath Education International, Inc.

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A reconciliation of the Company's income tax benefit at the statutory rate to the reported income tax benefit for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Tax at statutory rate (21%)	\$ (16,285)	\$ (2,330)
Withholding tax	279	426
Change in partnership investment	1,606	(863)
Prior year changes	(109)	92
Change in valuation allowance	10,485	918
State income taxes	(2,777)	(261)
Earnings of foreign subsidiaries	1,196	(43)
Stock-based compensation	5,118	-
Non-deductible expenses	170	834
Other	(74)	(65)
	<u>\$ (391)</u>	<u>\$ (1,292)</u>

The components of current and deferred income taxes on the consolidated balance sheets as of June 30, 2021 and 2020 are as follows:

	2021	2020
Income taxes payable	\$ (1,076)	\$ (722)
Deferred income tax asset	2,535	1,714

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets as of June 30, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets:		
Allowance for doubtful accounts	\$ 111	\$ -
Accrued expenses and other	837	351
Stock-based compensation	4,380	-
Accrued compensation and related benefits	1,486	326
Goodwill and fixed assets	12,649	-
Partnership investment	-	5,669
Net operating losses (NOLs)	17,263	16,946
Other	592	-
Valuation allowance	(31,360)	(20,877)
Total deferred tax assets	<u>5,958</u>	<u>2,415</u>
Deferred tax liabilities:		
Prepaid expenses and security deposits	564	-
Fixed assets	1,408	365
Intangible assets	746	-
Accrued business commissions	678	336
Other	27	-
Total deferred tax liabilities	<u>3,423</u>	<u>701</u>
Net deferred tax asset	<u>\$ 2,535</u>	<u>\$ 1,714</u>

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A reconciliation of the beginning and ending amount of unrecognized tax benefits, is as follows:

	2021	2020
Balance as of July 1	\$ 255	\$ 208
Additions related to current year provisions	212	59
Reductions related to prior years provisions	-	(12)
Balance as of June 30	<u>\$ 467</u>	<u>\$ 255</u>

The Company had \$467 of unrecognized tax benefits, including interest and penalties as of June 30, 2021. Substantially all of these amounts, if recognized, would impact the Company's tax provision and effective tax rate. It is the Company's policy to recognize interest and penalties related to income tax matters in income tax expense (benefit).

Prior to the year ended June 30, 2021, the Company had a history of losses. As a result, it was uncertain if the Company would generate sufficient taxable income to realize the deferred tax assets and, hence, had established a valuation allowance. For the year ended June 30, 2021, the Canadian and UK subsidiaries reported earnings. It is expected that these earnings will continue and strengthen. Therefore, the valuation allowances for the Canadian and UK subsidiaries were removed. The valuation allowance for the Australian subsidiary was removed in 2020. The valuation allowance for the deferred tax asset in the US remains.

As of June 30, 2021, the Company had total net operating loss carry-forwards for income tax purposes of \$69,947, comprised of \$59,183 of federal NOLs, and \$10,764 of foreign NOLs. Federal NOLs of \$29,484 expire at various intervals between the years 2036 and 2038, while \$29,699 have an unlimited life. Foreign NOLs of \$1,394 expire at various intervals between the years 2028 and 2037, while \$9,370 have an unlimited life. The Company also has loss carry-forwards in certain US states, which will expire over various periods based on individual state tax laws.

The Company's foreign subsidiaries are subject to income tax in foreign jurisdictions. Tax years 2018 through 2021 remain open to examination.

### NOTE 10 – REDEEMABLE NON-CONTROLLING INTERESTS

Redeemable non-controlling interests were classified as mezzanine equity on the consolidated balance sheet as of June 30, 2020 comprising:

	2020
Preferred units in Keypath Education Holdings, LLC (KEH)	\$ 18,141
Preferred units in Keypath Education Intermediate Holdings, LLC (KEIH)	10,704
Warrants held by Horizon	<u>517</u>
	\$ 29,362

All non-controlling interests were redeemed from the proceeds received from the IPO at or immediately after completion of the IPO.

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The redemption of the non-controlling interests resulted from the following transactions:

- The preferred units in KEH were redeemed for a cash payment of \$19,136, with no gain or loss on redemption. The consolidated statement of loss for the year ended June 30, 2021 includes non-controlling redemption increment on these units of \$995 for the period from July 1, 2020 to the date of redemption;
- The preferred units in KEIH were redeemed for a cash payment of \$37,875. The consolidated statement of loss for the year ended June 30, 2021 includes non-controlling redemption increment on these units of \$584 for the period from July 1, 2020 to the date of redemption, and a non-cash loss on redemption of \$26,587, being the difference between the redemption amount and the carrying amount of these units at the date of redemption; and
- The warrants held by Horizon were redeemed for a cash payment of \$1,597, giving rise to a non-cash loss on redemption included in the consolidated statement of loss of \$1,080.

### NOTE 11 – LOSS PER SHARE

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include options for CDIs and CDI Rights.

The following table summarizes the pro forma impact of the Company's IPO on loss per share for the years ended June 30, 2021 and 2020, assuming 141,671,878 shares had been issued on July 1, 2019. No pro forma adjustments have been made to net loss as reported.

	2021	2020
Numerator:		
Net loss attributable to Keypath Education International, Inc. shareholders	\$ (78,734)	\$ (11,398)
Numerator for basic loss per share attributable to Keypath Education International, Inc. common shareholders	\$ (78,734)	\$ (11,398)
Denominator:		
Denominator for basic loss per share - weighted average common shares	146,791,203	141,671,878
Effect of dilutive securities:		
Options for CDIs	-	-
CDI Rights	-	-
Denominator for diluted loss per share - weighted average common shares	146,791,203	141,671,878
Loss per share – Basic	\$ (0.54)	\$ (0.08)
Loss per share – Diluted	\$ (0.54)	\$ (0.08)

Diluted net loss per share is the same as basic loss per share for the years ended June 30, 2021 and 2020 because the effects of potentially dilutive items were anti-dilutive, given the Company's net loss.

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Accordingly, 5,996,151 options for CDIs and 9,235,539 CDI Rights have been excluded from the calculation of weighted average number of shares for the year ended June 30, 2021.

### NOTE 12 – EQUITY

#### *Pre-IPO Transactions*

Prior to the incorporation of the Company, the business of Keypath was conducted by KEH, a direct subsidiary of KEIH and an indirect subsidiary of Keypath International. The existing investors indirectly controlled Keypath International through their interests in AVI Mezz. AVI Mezz held all of the shares in Keypath International.

The Company was incorporated on March 11, 2021 in Delaware. Pursuant to a corporate reorganization, the Company acquired Keypath International immediately prior to, and in conjunction with, the IPO and became the legal parent of Keypath International and its controlled entities, which together comprise the consolidated group.

On July 1, 2021 as a part of an internal restructure, two of Keypath's wholly-owned subsidiaries KEIH and Keypath International merged with and into another Keypath wholly-owned subsidiary, KEH. The surviving entity, KEH, assumed all of KEIH's and Keypath International's assets, liabilities, rights and obligations. Given all entities were and (where applicable) remain, wholly-owned subsidiaries of Keypath during the previous and current reporting period, there is no material change to Keypath's profit or loss arising from the mergers.

A list of the directly and indirectly wholly-owned subsidiaries of the Company as of June 30, 2021, is as follows:

Name	Country of Incorporation	% of the Company's Equity Interest in the Subsidiary
Keypath International, Inc.	United States*	100%
Keypath Education Intermediate Holdings, LLC	United States**	100%
Keypath Education Holdings, LLC	United States**	100%
Keypath Education, LLC	United States**	100%
Keypath Education Canada, Inc.	Canada	100%
Keypath Education UK, Ltd.	United Kingdom	100%
Keypath Education Australia Pty Ltd	Australia	100%
Keypath Education Malaysia Sdn. Bhd.	Malaysia	100%

\*Domesticated into Delaware from the Cayman Islands on June 30, 2021.

\*\* Formed in the state of Delaware.

In connection with the IPO, the Company undertook the following restructuring transactions:

**(a) Conversion of preferred shares to ordinary shares** – the existing preferred shares in Keypath International were converted into ordinary shares of Keypath International. This resulted in a decrease of preferred shares by \$16,100 with a corresponding increase in ordinary shares;

# Keypath Education International, Inc.

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(in thousands of US dollars)

**(b) Acquisition of Keypath International by the Company** – Keypath International’s sole shareholder (AVI Mezz) and a unitholder in that shareholder (AVI Holdings) distributed ordinary shares in Keypath International to the existing investors in those entities that “exited” their interests in the Keypath business (non-participating securityholders). Those non-participating securityholders transferred their ordinary shares in Keypath International to the Company in exchange for an \$18,322 cash payment, and AVI Mezz transferred its remaining ordinary shares in Keypath International in exchange for restricted stock in the Company to be held as CDIs, which resulted in the Company becoming the owner of the existing Group members. The restricted CDIs held by AVI Mezz will be released from voluntary escrow upon the announcement of the Company’s results for the year ending June 30, 2022.

This transaction was accounted for as a combination under common control and resulted in the carrying amount of ordinary shares of Keypath International of \$70,185 being replaced by \$1,417, representing 141,687,978 CDIs issued by the Company to AVI Mezz; and

**(c) Termination of the existing restricted units (RU)/options plan and the existing performance awards plan** – in conjunction with the IPO, the existing RU/options plan and the existing performance awards plan operated by KEH (Keypath Education Holdings, LLC 2017 Equity Incentive Plan) were terminated and replaced by conditional obligations on the Company to provide CDIs in relation to the restricted units, CDI Rights in relation to the options and the Legacy LTIP Cash Awards plan in relation to the performance awards. See Note 8 in relation to the Legacy LTIP Cash Awards plan and Note 13 in relation to the CDI Rights.

On the IPO date, 7,000 restricted units had been granted, all to the CEO and executive director, Steve Fireng. The termination of the restricted units resulted in 9,362,419 CDIs being held by Steve Fireng, of which 1,129,846 CDIs are subject to forfeiture in accordance with the vesting schedule that originally applied to the restricted units that runs periodically through October 2024. The CDIs issued to Steve Fireng on the IPO date in exchange for the restricted units represented 6,000 vested restricted units as of that date, and the CDIs subject to forfeiture represent 1,000 unvested units as of that date.

The CDIs held by Steve Fireng will be released from voluntary escrow in the following tranches: 50% released upon the announcement of the Company’s results for the year ending June 30, 2022, 25% released upon the announcement of the Company’s results for the year ending June 30, 2023 and 25% released upon the announcement of the Company’s results for the year ending June 30, 2024.

### ***Initial Public Offering***

The Company was admitted to the Official List of the ASX on June 1, 2021. The initial public offering of CDIs over shares of common stock (one CDI equivalent to one common share) were offered at an issue price of A\$3.71 (approximately \$2.87) per CDI to raise \$163,961. Total cost of the IPO incurred during the year ended June 30, 2021 totaled \$9,529, resulting in overall net proceeds of \$154,432, of which \$58,608 was used to payout non-controlling interests, \$18,322 to pay the non-participating securityholders and \$10,000 to repay the outstanding loan.

Information in relation to the payments made to redeem the non-controlling interests is set out in Note 10. Payments made to non-participating securityholders represent payments made to individual shareholders

# Keypath Education International, Inc.

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in Keypath International that exchanged their equity holdings for notes payable in cash by the Company on the IPO date.

### **Common and Preferred Stock**

The total number of shares of stock of all classes of capital stock that the Company is authorized to issue is 500,500,000, of which 500,000,000 are shares of common stock having a par value of \$0.01 per share and 500,000 are preferred stock having a par value of \$0.01 per share. As of June 30, 2021, the Company had issued 208,223,105 shares of common stock on 1:1 ratio to CDIs as follows:

	Number of Shares	Common Stock
CDIs	57,172,708	\$ 572
CDIs held in escrow	151,050,397	1,510
	<u>208,223,105</u>	<u>\$ 2,082</u>

As of June 30, 2021, no preferred stock was issued.

### **NOTE 13 – STOCK-BASED COMPENSATION**

The Company has the following stock-based compensation plans:

- The 2021 Equity Incentive Plan, which commenced on the IPO date; and
- CDI Rights, which replace, from the IPO date, options issued under the Keypath Education Holdings, LLC 2017 Equity Incentive Plan.

Information in relation to the restricted units issued under the Keypath Education Holdings, LLC 2017 Equity Incentive Plan is set out in Note 12.

The assumptions used in estimating the fair value of Options granted under Black-Sholes method include:

- Risk-free interest rate 0.3%
- Expected term 6 years
- Expected volatility 45%
- Dividend yield 0%

In estimating the fair value of CDIs and CDI Rights, an Illiquidity discount of 7% to 10% was applied.

### **2021 Equity Incentive Plan**

**Type of awards:** Effective from the IPO date, the Company implemented the 2021 Equity Incentive Plan which provides a framework under which individual grants of equity or equity-based incentive awards (Awards) may be made to directors and employees of the Company. The following types of Awards may be granted:



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- options to subscribe for CDIs (Options);
- rights to be paid a cash amount determined by the price of CDIs at a specified time or the movement in price over a period of time (Stock Appreciation Rights);
- ability to subscribe for CDIs that are subject to restrictions, including on transfer, until specified conditions are satisfied (Restricted Stock);
- rights to receive CDIs or cash that are subject to restrictions, including on transfer, until specified conditions are satisfied (Restricted Stock Units); or
- rights to receive CDIs, which may be based on specified conditions (Stock Bonus Awards).

**Exercise price or strike price:** The exercise price or purchase price or strike price will not be less than 100% of the fair market value of CDIs on the grant date and will be determined by the Company's Board of Directors.

**Vesting and exercise:** Options will become exercisable when the applicable vesting conditions have been satisfied.

Stock Appreciation Rights granted in tandem with an Option follow the same vesting and exercise provisions as the corresponding Option. Stock Appreciation Rights have a term of no more than 10 years from the date of grant and shall vest as set forth in the applicable Award agreement. Stock Appreciation Rights will be settled either in CDIs and/or by a cash payment equal to the fair market value of the number of CDIs subject to the Stock Appreciation Rights multiplied by the fair market value of a CDIs over the strike price when exercised (subject to any federal, state, local and non-US income and employment taxes required to be withheld).

Restricted Stock Units will cease to be restricted when the applicable vesting conditions have been satisfied in accordance with the Award agreement.

Stock Bonus Awards are a grant of unrestricted securities, subject to any conditions set forth in the Award agreement.

**Lapsing and forfeiture:** Options and Stock Appreciation Rights will expire on the date specified in the grant, or any earlier date specified in the Award agreement (for example, upon failure to satisfy a vesting condition or in certain circumstances where a participant's employment is terminated).

Restricted Stock and Restricted Stock Units will become subject to forfeiture or compulsory transfer on the occurrence of a date or circumstance specified in the Award agreement (for example, upon failure to satisfy a vesting condition).

**Options granted:** The only Awards granted under the 2021 Equity Incentive Plan as of June 30, 2021 are Options. The table below sets out Options granted from the IPO date to June 30, 2021:

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	Number of Options	Grant Date Fair Value
Steve Fireng	1,424,561	\$ 1,624
Other executive leadership team employees	3,434,309	3,915
Non-executive directors	377,807	431
Other employees	759,474	866
	<u>5,996,151</u>	<u>\$ 6,836</u>

These Options have an exercise price of the CDI price as of the IPO date (being Australian dollars \$3.71, which at that date equated to United States dollars \$2.87) and are exercisable from the third anniversary of the IPO date, expire on the sixth anniversary from the IPO date and otherwise are subject to the terms of the applicable Award agreement and the 2021 Equity Incentive Plan.

### CDIs

CDIs issued to Steve Fireng are described in the Note 12.

### CDI Rights

Prior to the IPO, certain employees (other than Steve Fireng) had been granted 6,850 unit options under the Keypath Education Holdings, LLC 2017 Equity Incentive Plan. Prior to the IPO date, no unit options had been exercised and no stock-based compensation expense was recognized. These unit options were cancelled on the IPO date in consideration for the granting by the Company of 9,235,539 CDI Rights.

On the IPO date, 6,381,565 CDI Rights (representing 4,654 unit options) were vested, with the remainder vesting according to the original monthly vesting schedule that applied to the unit options. CDI Rights will automatically convert to CDIs on specific conversion dates as follows:

- CDI Rights vested as of the IPO date will automatically convert into CDIs upon the announcement of the Company's results for the year ending June 30, 2022. As these CDI Rights represent "vested" interests of a holder, CDIs in respect of these CDI Rights will be issued to that holder whether or not the holder remains employed by a Group member on the results announcement date; and
- CDI Rights unvested on the IPO date will follow the original monthly vesting schedule of the unvested unit options that they replaced. For the CDI Rights that vest after the IPO date and before the date of the announcement of the Company's results for the year ending June 30, 2022, these CDI Rights will automatically convert into CDIs on the results announcement date. For the CDI Rights that are unvested following the date of the announcement of the Company's results for the year ending June 30, 2022, those CDI Rights will vest on a monthly basis and automatically convert into CDIs on a monthly basis until the second anniversary of the IPO date, at which time any remaining CDI Rights will automatically convert into CDIs, subject to the relevant holder remaining an employee until the relevant vesting date (for example, if a holder of CDI Rights ceases employment, all of their CDI Rights which have not vested and converted into CDIs will lapse).

The table below sets out the expected timing of conversion of CDI Rights to CDIs (1 for 1) assuming that all relevant employees remain entitled to their CDI Rights.

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	<u>Number of CDIs</u>
Vested on the IPO date	6,381,563
Vested at June 30, 2021	153,410
Forfeited at June 30, 2021	68,422
Expected to vest at June 30, 2022	1,529,218
Expected to vest at June 30, 2023	1,102,926
	<u>9,235,539</u>

### **Stock-based compensation expense**

The following table presents stock-based compensation expense recognized in the consolidated statement of loss for the year ended June 30, 2021. Stock-based compensation expense for the year ended June 30, 2020 was \$nil.

	<u>2021</u>
CDIs	\$ 23,926
CDI Rights	17,819
2021 Equity Incentive Plan	196
Stock-based compensation expense	<u>\$ 41,941</u>

## **NOTE 14 – COMMITMENTS AND CONTINGENCIES**

Other than the commitments on the operating leases (Note 6), the Company has no legal commitments or contingencies as of June 30, 2021.

## **NOTE 15 – RELATED PARTY TRANSACTIONS**

### **Affiliates**

On July 1, 2017, KEH entered into an advisory services agreement with Sterling Fund Management, LLC (an entity associated with Sterling Capital Partners IV, the general partner of the Sterling Funds, who through AVI Mezz represent the majority shareholder of the Company) for the provision of certain management, consulting and financial services to KEH. Payment of fees under that agreement by KEH has been deferred since July 1, 2017. This agreement was terminated on the IPO date whereupon the Company and Sterling Fund Management, LLC mutually agreed that the Company would pay \$3,250 to Sterling Fund Management, LLC in respect of services provided by Sterling Fund Management, LLC to the Company and its affiliates.

The Company through a combination under common control acquired Keypath International from AVI Mezz. Further information on this transaction is provided in Note 12.

Immediately prior to the IPO, certain individual unitholders in AVI Mezz and other entities affiliated with Sterling Funds (the non-participating securityholders) exchanged their equity interests in these entities for

# Keypath Education International, Inc.

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shares in Keypath International. These shares were then exchanged for cash consideration payable by the Company upon IPO, resulting in Keypath International becoming wholly-owned by the Company. On or about the IPO date, the non-participating securityholders were paid a total of \$18,322, which included a payment to Steve Fireng of \$1,963.

The Company entered into a Relationship Deed on May 11, 2021 with Sterling Capital Partners IV as general partner of the Sterling Funds. This document governs the parties' relationship while the Sterling Funds retain at least 5% of issued shares in the Company. Sterling Capital Partners IV, the Sterling Funds and Sterling Fund Management, LLC have also entered into confidentiality arrangements with the Company which govern access to Keypath's information, including information provided pursuant to the above Relationship Deed.

### **Directors**

Mr. M Avi Epstein and Mr. R. Christopher Hoehn-Saric are non-executive directors of the Company and have certain ownership interests and employment arrangements with the Sterling Funds and their affiliates. No payments, remuneration or other transactions have been made or entered into by the Company directly with these directors.

Ms. Diana Eilert, Ms. Melanie Laing, Mr. Robert Bazzani and Ms. Susan Wolford are independent non-executive directors of the Company and receive remuneration as directors on standard commercial terms, either directly or through companies associated with them. Each of these directors has also been granted Options under the 2021 Equity Incentive Plan (128,070 Options to Ms. Eilert, and 83,246 Options to each of Ms. Laing, Mr. Bazzani and Ms. Wolford, either directly or through companies associated with them). Information on directors' remuneration will be provided in the Company's Annual Report.

Mr. Steve Fireng is the CEO and executive director of the Company. He is entitled to a maximum payment under the Legacy LTIP Cash Awards (Note 9) of \$2,500, received CDIs (which are subject to escrow arrangements) in exchange for his legacy restricted units as set out in Note 12, was granted Options under the 2021 Equity Incentive Plan as set out in Note 13, granted Legacy LTIP Cash Awards in exchange for the cancellation of his legacy performance awards, and, as a non-participating securityholder, received cash from the payments made as noted above. Information on his remuneration will be provided in the Company's Remuneration Report, prepared as part of its Annual Report to shareholders.

### **NOTE 16 – EMPLOYEE RETIREMENT PLANS**

The Company has a 401(k) defined contribution retirement savings plan offered to all US employees, a similar registered retirement savings plan match plan offered to all Canadian employees and a UK pension plan offered to all UK employees. Employees can elect to contribute up to the maximum allowable contribution, and the Company will match the employee's contribution up to 100% of the first 3% and then 50% on the next 2% for both the US and Canadian plans. The UK plan match is a set employee contribution of 5% matched 80% by the employer. During the years ended June 30, 2021 and 2020, the Company contributions were \$787 and \$565, respectively, for the US plan, \$106 and \$85, respectively, for the Canadian plan and \$42 and \$33, respectively, for the UK plan.

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In Australia, pension (superannuation) contributions are made in accordance with Australian statutory mandated rates, which were 9.5% of an employee's gross salary or wage for the years ended June 30, 2021 and 2020, increasing to 10% from July 1, 2021, subject to set limits over certain salary thresholds. Employees may contribute to any plan operated by registered superannuation funds of their choice. During the years ended June 30, 2021 and 2020, the Company's superannuation contributions expense for Australian employees were \$1,277 and \$801, respectively.

### NOTE 17 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company has one reportable operating segment, being OPM. The Company's reportable segments are determined based on (i) financial information reviewed by the chief operating decision maker, being the CEO, (ii) internal management and related reporting structure, and (iii) the basis upon which the CEO makes resource allocation decisions. While the Company operates in different geographies, the OPM business offered by the Company in each geography is fundamentally the same. The CEO evaluates revenue by geography as an important measure of operating performance and growth. However, the costs of the Company are assessed by the CEO on a consolidated basis as many costs are centralized or cross geographic boundaries, and accordingly any measure of profitability by geography is not considered meaningful. The primary measure of profitability used by the CEO is earnings before interest, taxes, depreciation and amortization (EBITDA) on a consolidated basis and Adjusted EBITDA, which is EBITDA adjusted to exclude the effects of certain non-recurring items and stock-based compensation expense.

The following table presents a breakdown of consolidated revenue by geography for the years ended June 30, 2021 and 2020:

	2021	2020
<b>Revenue</b>		
US	\$ 41,828	\$ 26,041
Canada	3,703	2,522
North America	45,531	28,563
APAC <sup>1</sup>	49,719	24,948
Rest of World <sup>2</sup>	2,842	1,973
<b>Total Revenue</b>	\$ 98,092	\$ 55,484

<sup>1</sup>Asia-Pacific Countries (APAC) currently includes Australia and Malaysia, with the Malaysian business commencing operations during the year ended June 30, 2021 but not earning any revenue.

<sup>2</sup>The Rest of World currently includes the United Kingdom.

Revenue for the year ended June 30, 2020 includes a \$2,556 fee for transition services to assist that partner to take its programs in-house, which will be paid by the university partner through 2024.

The following table reconciles the Company's primary measures of profitability, EBITDA and Adjusted EBITDA, to Operating loss for the years ended June 30, 2021 and 2020:

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	June 30, 2021	June 30, 2020
<b>Operating loss</b>	\$ (47,687)	\$ (10,646)
Other income and (expense), net	154	(121)
EBIT	(47,533)	(10,767)
Depreciation and amortization	4,152	3,334
<b>EBITDA</b>	<b>\$ (43,381)</b>	<b>\$ (7,433)</b>
Stock-based compensation expense	41,941	-
Legacy long-term incentive plan cash awards	3,187	-
IPO transaction costs expensed	4,915	-
<b>Adjusted EBITDA</b>	<b>\$ 6,662</b>	<b>\$ (7,433)</b>

The calculation of EBITDA and Adjusted EBITDA should not be viewed as a substitute for calculations under US GAAP. EBITDA and Adjusted EBITDA calculated by the Company may not be comparable to the EBITDA and Adjusted EBITDA calculations of another company. Management believes the use of these measures aid in the understanding of the Company's operating performance.

### NOTE 18 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through August 30, 2021, the date the consolidated financial statements were available to be issued.

## Glossary

<b>\$ or USD</b>	United States Dollars (unless otherwise specified)
<b>2021 Equity Incentive Plan</b>	The 2021 Equity Incentive Plan adopted by the Company under which options over CDIs have been granted to members of management and independent non-executive directors
<b>Adjusted EBITDA</b>	EBITDA excluding certain non-recurring items and stock-based compensation
<b>ASC 606</b>	Accounting Standards Codification Topic 606 "Revenue from Contracts with Customers" issued by FASB
<b>ASC 718</b>	Accounting Standards Codification Topic 718 "Compensation – Stock Compensation" issued by FASB
<b>ASC 740</b>	Accounting Standards Codification Topic 740 "Income Taxes" issued by FASB
<b>ASC 805</b>	Accounting Standards Codification Topic 805 "Business Combinations" issued by FASB
<b>ASC 830</b>	Accounting Standards Codification Topic 830 "Foreign Currency Matters" issued by FASB
<b>ASC 842</b>	Accounting Standards Codification Topic 842 "Leases" issued by FASB
<b>ASU</b>	Accounting Standard Update
<b>ASX</b>	Australian Securities Exchange
<b>AUD</b>	Australia dollars
<b>AVI Holdings</b>	AVI Holdings, L.P. and unitholder in AVI Mezz
<b>AVI Mezz</b>	AVI Mezz Co., LP, the sole shareholder of Keypath International prior to the Restructure and IPO
<b>Board or Board of Directors</b>	The board of directors of Keypath
<b>CDI</b>	CHESS Depositary Interest
<b>CDI Rights</b>	Rights to receive CDIs following IPO received by certain employees in substitution for their previously existing employee options
<b>CEO</b>	Chief executive officer
<b>CHESS</b>	The Clearing House Electronic Sub-register System for settlement of shares on the ASX, operated by ASX settlement system and electronic securities depository for cash equities, warranties and other equity related securities traded in Australia
<b>Company or Keypath</b>	Keypath Education International, Inc.
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation, amortization
<b>FASB</b>	Financial Accounting Standards Board of the United States
<b>FY20</b>	The year beginning July 1, 2019 to June 30, 2020
<b>FY21</b>	The year beginning July 1, 2020 to June 30, 2021
<b>G&amp;A</b>	General and administration
<b>Group</b>	The group of companies constituted by Keypath, KEH, KEIH (prior to the merger), Keypath Education, LLC, Keypath Education Canada, Inc, Keypath Education UK, Ltd, Keypath Education Australia Pty Ltd and Keypath Education Malaysia Sdn. Bhd.
<b>Horizon</b>	Horizon Technology Finance Corporation as: <ul style="list-style-type: none"> <li>• lender under the Venture Loan and Security Agreement; and</li> <li>• holder of the warrants in KEIH. Horizon is referred to as a Non-controlling interest in respect of the warrants</li> </ul>
<b>IFRS</b>	International Financial Reporting Standards
<b>IPO</b>	The initial public offering of Keypath
<b>KEH</b>	Keypath Education Holdings, LLC, a Group member
<b>KEIH</b>	Keypath Education Intermediate Holdings, LLC, a Group member
<b>Keypath International</b>	Keypath International, Ltd.
<b>Legacy LTIP Cash Awards</b>	Awards granted to certain employees of the Company 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
<b>LIBOR</b>	London Interbank Offered Rate
<b>LTIP</b>	Long term incentive scheme

<b>Mezzanine equity</b>	Under US GAAP, the Non-Controlling Interests are considered to be mezzanine equity, a concept which does not exist under Australian Accounting Standards
<b>Non-controlling interests</b>	<ul style="list-style-type: none"> <li>• 2U in relation to preferred units it held in KEIH;</li> <li>• AdVenture Interactive in relation to preferred units it held in KEH; and</li> <li>• Horizon in relation to the warrants it held in KEIH</li> </ul>
<b>Non-participating securityholders</b>	Existing investors in AVI Mezz and AVI Holdings (a unitholder in AVI Mezz) who "exited" their interests in the Keypath business in connection with the IPO
<b>OPM</b>	Online program management
<b>Options</b>	Options to subscribe for CDIs
<b>Prospectus</b>	Prospectus, dated May 11, 2021 (including the electronic form of the Prospectus)
<b>Restricted Stock</b>	CDIs issued by the Company to AVI Mezz and to Steve Fireng that are subject to voluntary escrow agreements as set out in Note 12
<b>Restricted Stock Units</b>	Rights to receive CDIs or cash that are subject to restrictions, including on transfer, until specified conditions are satisfied
<b>SEC</b>	US Securities and Exchange Commission
<b>Stock Appreciation Rights</b>	Rights to be paid a cash amount determined by the price of CDIs at a specified time or the movement in price over a period of time
<b>Stock Bonus Awards</b>	Rights to receive CDIs, which may be based on specified conditions
<b>US or United States</b>	United States of America, its territories and provinces and any state of the United States of America
<b>US GAAP</b>	US generally accepted accounting principles
<b>Venture Loan and Security Agreement</b>	The loan agreement between the Company and Horizon under which Horizon agreed to lend to the Company up to \$15,000