



**Keypath Education International, Inc.**  
**ARBN: 649 711 026**  
**ASX code: KED**  
**www.keypathedu.com**

## **ASX Announcement**

**October 25, 2021**

# **Q1 2022 (September 30, 2021) Activity Report and Appendix 4C**

[Keypath Education International, Inc.](#) (Keypath or the Company) (ASX: KED) today released its Quarterly Activity Report and Appendix 4C – Quarterly Cash Flow Report for the quarter ended September 30, 2021 (Q1 FY22). The Appendix 4C is prepared in US dollars (the Company's functional and presentation currency) under US GAAP and is unaudited. Similarly, any financial measures presented in the Quarterly Activity Report are unaudited.

## **Highlights**

- **Continued strong momentum in trading performance during Q1 FY22; revenue grew 40.8% year-over-year (38.5% on a constant currency basis)**
- **Two new partners and seven new programs have been added since September 30, 2021**
- **Our first program in Malaysia has its first student intake in October; marketing and recruitment activities are underway and meeting expectations**
- **Contribution margin and adjusted EBITDA are pacing ahead of expectations**
- **Cash position US\$63.9 million (no debt) as of September 30, 2021 reflecting US\$3.5 million of net cash outflow in Q1 FY22**
- **We remain confident in achieving our prospectus forecast for FY22<sup>1</sup>**

## **Key Financial Metrics**

<b>US\$M</b>	<b>Q1 FY22</b>	<b>Q1 FY21</b>	<b>Change</b>	<b>Change (%)</b>
Revenue	30.4	21.6	8.8	40.8%
Contribution margin <sup>2</sup>	8.9	6.2	2.6	42.4%
Contribution margin %	29.2%	28.9%	0.3%	31 bps
Adjusted EBITDA <sup>3</sup>	1.1	2.5	(1.4)	(57.8%)

<sup>1</sup> FY22 prospectus forecast: revenue US\$116.4 million, contribution margin US\$18.1 million (or 15.5%) and adjusted EBITDA US\$11.6 million.

<sup>2</sup> Contribution margin is revenue less direct costs, which consists of salaries and wages, direct marketing and general & administrative expenses attributable to direct departments. Contribution margin is used to monitor and evaluate an individual program's financial performance relative to planned performance targets over the whole-of-life of the program. Contribution margin is not a US GAAP based measure.

<sup>3</sup> Adjusted EBITDA is earnings before interest, tax, depreciation and amortization excluding stock-based compensation. Adjusted EBITDA is not a US GAAP based measure. Note that reported EBITDA for Q1 FY22 was US\$3.0 million as compared to US\$2.5 million in Q1 FY21. Q1 FY22 adjustments to reported EBITDA include US\$3.6 million of one-time stock-based compensation and long-term incentive plan cash awards and US\$0.5 million of ongoing stock-based compensation. There was no stock-based compensation in Q1 FY21.

## Key Operating Metrics

	Q1 FY22	Q1 FY21	Change	Change %
Partners	32	26	6	40.8%
Active programs <sup>4</sup>	140	117	23	19.7%
Course enrolments <sup>5</sup>	33,033	25,971	7,062	27.2%

## Business Activities and Operational Update

Keypath has continued to deliver strong revenue growth with Q1 FY22 revenue growing 40.8% to US\$30.4 million (38.5% growth on a constant currency basis when adjusted for favorable foreign exchange impacts of US\$0.5 million<sup>6</sup>).

Keypath's strong revenue performance is underpinned by course enrollment growth across the globe, in particular by growth in key healthcare verticals in the US. In addition, strong student retention and the launch of new programs in key disciplines contributed to performance in Q1 FY22. Revenue per course enrollment increased by 10.7% year-over-year primarily driven by our more recent, large vintages that are more heavily weighted toward nursing and health verticals. Student demand remains strong across all key disciplines, especially in certain clinical disciplines where we continue to look to increase capacity to meet this demand.

Adopting the definition in footnote 4 below, our current program count was 133 as compared to 104 in Q1 FY21. The decrease of seven programs from the above table is due to the consolidation of several programs now managed as one program and the removal of non-strategic programs that are no longer receiving investment. The cumulative FY21 revenue associated with the non-strategic programs was US\$0.3 million. We do not expect significant additional combinations or removals of programs in the future. Subsequent to September 30, 2021, Keypath has added two new partners and seven new programs globally, which brings our total program and partner count to 140 and 34, respectively.

Contribution margin for Q1 FY22 improved by 42.4% to US\$8.9 million, despite the FY21 and FY22 vintages<sup>7</sup> being the largest vintages in the history of the Company, in terms of size and investment, and these vintages being in the net cash outflow stage of their lifecycle. This strong contribution margin performance coupled with continuing cost leverage resulted in positive adjusted EBITDA of \$1.1 million in the quarter. This is despite the incremental costs associated with the large, new vintages noted above, the incremental public company costs (people and external costs), system investments and start-up costs for our Southeast Asia operation.

Keypath's Founder and CEO, Steve Fireng, said "We have continued our positive momentum with our Q1 FY22 results showing we are driving strong revenue growth and contribution

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4 As academic credentials differ across systems of higher education around the world, Keypath is now including a more specific definition of what we will more generally refer to as a "program" in various filings and disclosures. For these purposes, Keypath defines a program as a bachelor's, master's, or doctoral degree program, a post master's degree certificate (in the United States) or a stand-alone graduate diploma program (in APAC) that we are actively supporting on behalf of one of our university partners or for which we have executed contracts for a future program launch. Note that for consistency, the figures in the table reflect the methodology consistent with our prior 4C disclosure.

5 September 30, 2021 (Q1 FY22) include estimates for enrollments pending invoicing. Note that course enrollments are counted in the quarter in which the applicable term began.

6 The comparisons at constant currency rates (foreign exchange) reflect comparative local currency foreign exchange rates at the prior period's average foreign exchange rates. This measure provides information on the change in revenue assuming that foreign currency exchange rates have not changed between the prior period and the current period. The Company believes the use of this measure aids in the understanding of changes in revenue without the impact of foreign currency.

7 Vintage year or vintage cohort refers to the fiscal year in which the first student intake occurred for any given program. For example, if a program commences on July 1, 2021, it will be classified as an FY22 vintage. Fiscal year is from July 1 to June 30.

margin. We continue to expand into Southeast Asia, add partnerships with universities and programs within healthcare and STEM disciplines and we have already closed eight programs from our FY23 vintage. Keypath is well positioned across the globe to expand its technology and services to continue to help universities provide quality access to education in a digital environment.”

### **Cash Flows and Position**

As of September 30, 2021, the Company had total cash on hand of US\$63.9 million, consisting of US\$63.5 million of cash and cash equivalents and US\$0.4 million of restricted cash. The Company remains debt-free and well-positioned to pursue the Company’s growth objectives.

Net cash used in operations in the quarter was US\$1.9 million, primarily reflecting the timing of employee costs and direct marketing required to procure, develop and manage new programs ahead of their launch. Note that approximately US\$3.3 million of bonuses related to FY21 were paid in the current quarter.

Net cash used in investing activities in the quarter was US\$1.0 million, primarily representing the capitalized value of employee and contractor costs directly involved in the development of programs and eligible for capitalization under US GAAP.

There were no financing activities in the quarter.

### **First Quarter (Q1 FY22) Results Briefing**

Keypath is providing a briefing on this result today commencing 9:00am (AEDT). Participants can access the webcast through the following link <https://ccmediaframe.com/?id=OQROgcr7>

### **Further information**

#### **Investor Contact**

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## **About Keypath**

Founded in 2014, Keypath is a global, market-leading edtech company in the online program management (OPM) market. In collaboration with its 34 university partners, Keypath delivers career-relevant, technology-enabled online higher education programs with the goal of preparing students 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 more than 600 employees with operations in Australia, the United States, Canada, the UK and Malaysia.

## **Forward Looking Statements**

This announcement contains forward-looking statements, including guidance and forecasts. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond Keypath's control and speak only as of the date of this announcement. These forward-looking statements should be read in conjunction with, and are qualified by reference to, risks as set out in Section 5 of Keypath's prospectus dated May 11, 2021, general assumptions, specific assumptions and the sensitivity analysis as set out in Section 4 of that prospectus, and other information in this announcement. Readers are cautioned not to place undue reliance on forward looking statements.

## **Restriction on purchases of CDIs by US persons**

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

## Appendix 4C

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

**Name of entity**

Keypath Education International, Inc.

**ABN**

649 711 026 (ARBN)

**Quarter ended ("current quarter")**

September 30, 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (3 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	32,929	32,929
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(520)	(520)
(c) advertising and marketing (Direct Marketing)	(10,954)	(10,954)
(d) leased assets (Facilities/Office copiers)	(519)	(519)
(e) staff costs (excluding staff costs included in 2.1(e) below)	(18,902)	(18,902)
(f) administration and corporate costs	(3,444)	(3,444)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(523)	(523)
1.7 Government grants and tax incentives		
1.8 Other – costs of the Offer and other transaction costs expensed		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,933)</b>	<b>(1,933)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(218)	(218)
(d) investments		

Appendix 4C

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
	(e) intellectual property (mainly capitalized employee costs directly involved in program development)	(823)	(823)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(1,041)</b>	<b>(1,041)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>0</b>	<b>0</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and restricted cash for the period</b>		
4.1	Cash and restricted cash at beginning of period	67,451	67,451
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,933)	(1,933)

Appendix 4C

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,041)	(1,041)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	(535)	(535)
4.6	<b>Cash and restricted cash at end of period</b>	<b>63,942</b>	<b>63,942</b>

5.	Reconciliation of cash and restricted cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	63,556	67,049
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Restricted Cash)	386	402
5.5	<b>Cash and restricted cash at end of quarter (should equal item 4.6 above)</b>	<b>63,942</b>	<b>67,451</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: Related party costs paid in the quarter relate to independent board director fees consistent with disclosures in the prospectus, of which approximately US\$50 thousand related to FY21.</i>		

**Appendix 4C**

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

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		N/A
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,933)
8.2	Cash and cash equivalents at quarter end (item 4.6)	63,942
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	63,942
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	33
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:		
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:		
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		



## **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: October 25, 2021

Authorized by: By the Board  
(Name of body or officer authorizing release – see note 4)

## **Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorized for release to the market by your board of directors, you can insert here: "By the board". If it has been authorized for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorized for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorized for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.