



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

## **ASX Announcement**

February 14, 2022

# **Keypath delivers strong growth in H1 FY22**

[Keypath Education International, Inc.](#) (Keypath or the Company) (ASX: KED) today released its results and Appendix 4D for the half year ended December 31, 2021 (H1 FY22). The Appendix 4D is prepared in US dollars under US GAAP.

## **Highlights of H1 FY22**

- **Continued strong momentum in trading performance:**
  - Revenue of US\$56.9 million, 37.0% higher than H1 FY21
- **Significant partner and program additions:**
  - Five new partners and 33 new programs added in H1 FY22
  - Expanded into Singapore with our second partner in Southeast Asia; expecting to launch two programs in FY23
- **Positive momentum in contribution margin and adjusted EBITDA:**
  - Contribution margin of US\$12.2 million, 37.1% higher than H1 FY21
  - Adjusted EBITDA of US(\$3.7) million
- **Net loss for the period reflects listed company costs and other investments:**
  - Net loss of US\$13.5 million (which includes US\$5.7 million of one-time stock-based compensation and long-term incentive plan cash awards) from US\$3.3 million in H1 FY21
- **Strong cash position:**
  - US\$72.4 million (no debt) as of December 31, 2021
  - Organic growth fully funded to cash flow break even
- **We remain confident in achieving our prospectus forecast for FY22<sup>1</sup>**

Keypath's Founder and CEO, Steve Fireng, said "We have continued our positive momentum with our H1 FY22 results, showing we are driving strong revenue growth and contribution margin as the largest vintages in our history progress through our proven unit economic model."

"We continue to grow partnerships with universities and programs within healthcare, business, data and STEM disciplines, and we have already closed 28 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."

"As a market-leading global education technology company driven by our vision to 'Transform education, transform the world' we are ideally placed to contribute to the digital transformation of higher education, an industry expected to grow from US\$36 billion to US\$97 billion<sup>2</sup> in 2025

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<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> Source: "Global Online Degree and Micro-credentials Market", HolonIQ, March 2021.

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with current online education penetration levels of 2% also forecast to increase. We remain confident in our outlook and achieving our prospectus forecast for FY22 and continuing to drive strong momentum in revenue growth and profitability into the future.”

### Key Financial Metrics

US\$M	H1 FY22	H1 FY21	Change	Change (%)
Revenue	56.9	41.6	15.4	37.0%
Contribution margin <sup>3</sup>	12.2	8.9	3.3	37.1%
Contribution margin %	21.5%	21.4%	0.0%	1.4 bps
Adjusted EBITDA <sup>4</sup>	(3.7)	1.6	(5.3)	(337.2%)
Adjusted EBITDA %	-6.5%	3.8%	-10.3%	(1031 bps)
Net loss for the period	13.5	3.3	10.3	314.9%
Cash on hand	72.4	67.5 <sup>5</sup>	4.9	7.3%

### Key Operating Metrics

	H1 FY22	H1 FY21	Change	Change %
Partners	37	30	7	23.3%
Active programs <sup>6</sup>	166	115	51	44.3%
Course enrolments <sup>7</sup>	44,664	36,252	8,412	23.2%

### Revenue growth momentum continues

Keypath has continued to deliver strong revenue growth with H1 FY22 revenue growing 37.0% to US\$56.9 million (35.6% growth on a constant currency basis). Keypath’s strong revenue performance is underpinned by course enrollment growth, strong student retention and the launch of new programs in key disciplines.

As of December 31, 2021 our current program count is 166, which represents an increase of 33 programs from the June 30, 2021 (FY21) period. The 33 programs added in the half came from the North American and APAC regions, with 27 coming from the Healthcare and Social Services verticals including 17 in Nursing. In addition, included in this count are two programs with our first partner in Singapore, with an expected FY23 first student intake. Our pipeline of new programs is at historically high levels and is exceeding expectations.

3 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 not a US GAAP based measure.

4 Adjusted EBITDA is earnings before interest, tax, depreciation, amortization and excluding stock-based compensation and IPO transaction costs. Adjusted EBITDA is not a US GAAP based measure. Note that reported EBITDA for H1 FY22 was US(\$10.5) million as compared to US \$1.4 million in H1 FY21. H1 FY22 adjustments to reported EBITDA include US\$5.7 million of one-time stock based compensation and long term incentive plan cash awards and US\$1.0 million of ongoing stock based compensation. H1 FY21 adjustments to reported EBITDA include US\$0.1 million of IPO transaction costs; there was no stock-based compensation in H1 FY21.

5 US\$67.5 million is cash balance as of June 30, 2021.

6 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 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.

7 Year-to-date December 30, 2021 (H1 FY22) include estimates for enrollments pending invoicing. Note that course enrollments are counted in the quarter in which the applicable term began.

## **Contribution margin and EBITDA continue their positive trajectory**

Contribution margin for H1 FY22 increased by 37.1% to US\$12.2 million, despite the FY21-FY23 vintages<sup>8</sup> being the largest vintages in the history of the Company, in terms of size and investment, and these vintages, collectively, being in the net cash outflow stage of their lifecycle. Our proven unit economic model is driving strong profitability in our mature vintages with recent vintages expected to build on that profitability as they progress through the unit economic model.

This strong contribution margin coupled with strong vintage performance resulted in adjusted EBITDA of US(\$3.7) million for H1 FY22. We achieved this despite the incremental costs associated with the large, new vintages noted above, the incremental listed company costs (people and external costs), system investments and start-up costs for our Southeast Asia operation.

## **Cash Flows and Position**

As of December 31, 2021, the Company had total cash on hand of US\$72.4 million, consisting of US\$72.0 million of cash and cash equivalents and US\$0.4 million of restricted cash reflecting US\$4.9 million of net cash inflow in H1 FY22. The Company remains debt-free and well-positioned to pursue the Company's growth objectives.

Net cash provided by operations in the half-year was US\$7.7 million, primarily driven by strong revenue growth and collections.

Net cash used in investing activities in the half-year was US\$2.4 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 half-year.

## **Outlook**

Keypath is well positioned with growing acceptance among universities and a clear trajectory of accelerating global growth in online learning.

Revenue in H1 FY22 up 36% YoY (constant currency), contribution margin of US\$12.3 million (up 37% YoY), adjusted EBITDA margin of (6.5)% and the positive development in our cash position continues the Company's strong momentum in FY22.

We are on track with new university and program signings with five new partners and 33 new programs, including in Southeast Asia. Healthcare and Social Services expansion, including Nursing, continues to drive growth and new program pipeline.

KeypathEDGE investments are providing operational leverage and scale as shown with our results in H1 FY22.

We remain confident in achieving our prospectus FY22 forecast: revenue of US\$116.4 million, contribution margin of US\$18.1 million and adjusted EBITDA of US\$(11.6) million.

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<sup>8</sup> 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.

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## **Investor Day**

We are aiming on holding an Investor Day in April to provide further information about the Company, including our strategy and growth levers, and unit economics and path to profitability. Further information about this will be provided to the market in due course.

## **Investor Briefing**

An Investor Briefing webcast will be held at 9.00am February 14, 2022 (AEDT) hosted by:

- Steve Fireng, Global CEO and Managing Director
- Peter Vlerick, CFO
- Ryan O'Hare, CEO, Australia & Asia-Pacific
- Malcolm McNab, Director of Investor Relations

The agenda for the Investor Briefing will be:

- Company overview
- H1 FY22 results
- Outlook

Participants can register for the Investor Briefing webcast through the following link:

<https://s1.c-conf.com/diamondpass/10018324-qu2j3n.html>

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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 37 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 700 employees with operations in Australia, the United States, Canada, the UK, Malaysia and Singapore.

## **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.

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## **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 CHESS 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.

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