



Keypath Education International, Inc.
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ASX code: KED
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ASX Announcement

April 28, 2022

Q3 2022 (March 31, 2022) 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 March 31, 2022 (Q3 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 of Q3 FY22 and Q3 YTD FY22

- **Continued strong momentum in trading performance**
 - Q3 YTD FY22 revenue of US\$87.8 million, 28.6% higher than Q3 YTD FY21 (29.2% higher on a constant currency basis)
 - Q3 FY22 revenue of US\$30.9 million, 15.6% higher than Q3 FY21 (19.2% higher on a constant currency basis)
- **Continued partner and program additions**
 - Six new partners and 35 new programs Q3 YTD FY22
 - One new partner and two new programs added in Q3 FY22 in our Nursing and Business verticals
- **Positive momentum in contribution margin and adjusted EBITDA**
 - Targeting breakeven adjusted EBITDA from H2 FY24 with a continuing improvement beyond H2 FY24
- **Strong cash position**
 - US\$60.2 million (no debt) as of March 31, 2022
 - Organic growth fully funded through to cash flow breakeven
- **We remain confident in achieving our prospectus forecast for FY22¹**

Keypath's Founder and CEO, Steve Fireng, said "We have continued our positive momentum with our Q3 YTD 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.

Our significant progress in global Healthcare OPM continues with our market leading Healthcare platform delivering outstanding outcomes for our partners, students and society more broadly as we work to close the significant shortages of healthcare workers globally.

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

We have already closed 30 programs from our FY23 vintage and are already selling into our FY24 vintage. With the unprecedented demand we are converting into our largest ever partner and program pipeline, 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. We continue to expand into Southeast Asia with the launch of our first partner and programs in Singapore within business, data and STEM disciplines.

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 billion² in 2025 with current online education penetration levels of 2% also forecast to increase.

We remain confident in our prospectus forecast for FY22 and the momentum we are experiencing gives us confidence in our ability to achieve breakeven adjusted EBITDA from H2 FY24."

Key Financial Metrics³

US\$M	Q3 FY22	Q3 FY21	Change	Change (%)	Q3 YTD FY22	Q3 YTD FY21	Change	Change (%)
Revenue	30.9	26.7	4.2	15.6%	87.8	68.2	19.5	28.6%
Contribution margin ⁴	5.8	8.0	(2.2)	(28.0%)	18.0	16.9	1.1	6.3%
Contribution margin %	18.7%	30.0%	(11.3%)	(1134 bps)	20.5%	24.8%	(4.3)	(432 bps)
Adjusted EBITDA ⁵	(1.6)	3.3	(4.9)	(146.7%)	(5.3)	4.9	(10.2)	(207.6%)

Key Operating Metrics

	Q3 FY22	Q3 FY21	Change	Change %
Partners	38	31	7	22.6%
Active programs ⁶	168	122	46	37.7%
Course enrollments - QTR	34,572	29,979	4,593	15.3%
Course enrollments - YTD ⁷	79,233	66,231	13,002	19.6%

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

3 Financial information in this presentation including, totals and percentages, may be subject to rounding.

4 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.

5 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 Q3 FY22 was US(\$3.5) million as compared to US\$3.0 million in Q3 FY21. Q3 FY22 adjustments to reported EBITDA include US\$1.4 million of one-time stock-based compensation and long-term incentive plan cash awards and US\$0.5 million of ongoing stock-based compensation. Q3 FY21 adjustments to reported EBITDA include US\$0.3 million of IPO transaction costs. Reported EBITDA for Q3 YTD FY22 was US(\$13.9) million as compared to US\$4.5 million in Q3 YTD FY21. Q3 YTD FY22 adjustments to reported EBITDA include US\$7.1 million of one-time stock-based compensation and long-term incentive plan cash awards and US\$1.5 million of ongoing stock-based compensation. Q3 YTD FY21 adjustments to reported EBITDA include US\$0.4 million of IPO transaction costs; there was no stock-based compensation in Q3 YTD FY21.

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 March 31, 2022 (Q3 YTD FY22) include estimates for enrollments pending invoicing. Note that course enrollments are counted in the quarter in which the applicable term began.

Revenue growth momentum continues

Keypath has continued to deliver revenue growth with Q3 YTD FY22 revenue growing 28.6% to US\$87.8 million (29.2% growth on a constant currency basis when adjusted for unfavorable foreign exchange impacts of US\$0.4 million) and Q3 FY22 revenue growing 15.6% to US\$30.9 million (19.2% growth on a constant currency basis when adjusted for unfavorable foreign exchange impacts of US\$1.0 million⁸). The quarter-on-quarter revenue comparability has been impacted in Australia by the Omicron wave, including staff and student disruption, as well as localized flooding in New South Wales in Q3 FY22 and by COVID-related increase in enrollment due to lockdowns in Q3 FY21. We remain confident in our prospectus forecast for FY22 and driving longer-term growth beyond FY22.

Keypath's revenue performance is underpinned by course enrollment growth, student retention and the launch of new programs in key disciplines such as Healthcare and STEM, which has also driven increasing revenue per enrollment.

As of March 31, 2022 our current program count is 168, which represents an increase of two programs from the December 31, 2021 (Q2 FY22) period. The two programs added in the quarter came from the North American and APAC regions, with one coming from the Nursing vertical and one coming from the Business vertical. Our pipeline of new programs is at historically high levels and is exceeding expectations.

Contribution margin and EBITDA continue their positive trajectory

Contribution margin for Q3 YTD FY22 increased by 6.3% to US\$18.0 million which reflects the large number of programs we have signed recently that are in their deepest investment phase and the FY21-FY23 vintages⁹ being the largest vintages in the history of the Company, in terms of size and investment and expected steady-state revenue.

Q3 YTD FY22 contribution margin, coupled with strong vintage performance, resulted in adjusted EBITDA of US(\$1.6) million and US(\$5.3) million for Q3 FY22 and Q3 YTD FY22, respectively. Adjusted EBITDA for Q3 YTD FY22 reflects the investment of US\$12.4 million (compared to US\$8.5 million in Q3 YTD FY21) in 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.

Targeting breakeven EBITDA from H2 FY24

Given the profitability performance of our vintages and the larger proportion of mature vintages in our portfolio over time, we are targeting breakeven adjusted EBITDA from H2 FY24. The operational leverage provided by our unit economic model and a relatively fixed indirect cost base is expected to drive a continuing improvement beyond H2 FY24.

⁸ 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. Management believes the use of this measure aids in the understanding of changes in revenue without the impact of foreign currency.

⁹ 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.

Cash Flows and Position

As of March 31, 2022, the Company had total cash on hand of US\$60.2 million, consisting of US\$59.8 million of cash and cash equivalents and US\$0.4 million of restricted cash reflecting net cash outflow of US\$12.1 million and US\$7.2 million in Q3 FY22 and Q3 YTD FY22, respectively. The Company remains debt-free and well-positioned to pursue the Company's growth objectives.

Net cash used in operating activities was US\$11.1 million and US\$3.3 million in Q3 FY22 and Q3 YTD FY22, respectively, reflecting the timing of collections, employee costs and direct marketing required to procure, develop and manage new programs ahead of their launch. Q1 and Q3 are typically lower cash receipt quarters as our largest student starts / enrollments are typically in these quarters with a relatively high cash outflow versus cash inflow. Quarterly cash flow is also impacted by the timing of launches and therefore spending on new programs.

Net cash used in investing activities was US\$1.0 million and US\$3.4 million in Q3 FY 22 and Q3 YTD FY22, respectively, 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 or half-year.

Q3 FY22 Results briefing and Investor Day

A briefing on our Q3 FY22 results will be held as part of our Investor Day at 8.30am (AEST) April 28, 2022 and will be hosted by:

- Steve Fireng, Founder and Global CEO
- Peter Vlerick, CFO
- Ryan O'Hare, Asia Pacific CEO
- Howell Williams, Asia Pacific Chief Development Officer
- Malcolm McNab, Director of Investor Relations

The agenda for the Investor Day will be:

- Q3 FY22 results, current trading and outlook
- Online Program Management market overview, Keypath's competitive position and growth strategy, including in Healthcare and Southeast Asia
- Program development and delivery, including unit economic model and path to profitability

Participants can register for the Investor Briefing webcast through the following link: [Register for Keypath Investor Day](#)

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 38 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.

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")

March 31, 2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	23,381	96,809
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(452)	(1,483)
(c) advertising and marketing (Direct Marketing)	(11,533)	(34,065)
(d) leased assets (Facilities/Office copiers)	(531)	(1,598)
(e) staff costs (excluding staff costs included in 2.1(e) below)	(18,721)	(53,209)
(f) administration and corporate costs	(3,206)	(9,261)
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	(7)	(531)
1.7 Government grants and tax incentives		
1.8 Other – costs of the Offer and other transaction costs expensed		
1.9 Net cash from / (used in) operating activities	(11,069)	(3,338)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(107)	(489)
(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 (9 months) \$US'000
	(e) intellectual property (mainly capitalized employee costs directly involved in program development)	(911)	(2,929)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(1,018)	(3,418)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
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	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and restricted cash for the period		
4.1	Cash and restricted cash at beginning of period	72,367	67,451
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(11,069)	(3,338)

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 (9 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,018)	(3,418)
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	(56)	(471)
4.6	Cash and restricted cash at end of period	60,224	60,224

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	59,823	71,978
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Restricted Cash)	401	389
5.5	Cash and restricted cash at end of quarter (should equal item 4.6 above)	60,224	72,367

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	97
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.</i>		

Appendix 4C

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

7.	Financing facilities <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>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		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.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(11,069)
8.2	Cash and cash equivalents at quarter end (item 4.6)	60,224
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	60,224
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
<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: April 28, 2022

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.