



# H1 FY23 Results Presentation

---

February 27, 2023



# Important notices and disclaimer

This presentation has been prepared by Keypath Education International, Inc. (Keypath) on February 27, 2023. It contains summary information about Keypath, its activities and its financials which are current as at the date of this presentation.

## Preparation of financial information

This presentation is prepared in US dollars, Keypath's functional and presentation currency. This presentation contains unaudited financial information prepared by Keypath's management and you should not place undue reliance on this information. Keypath's results are prepared in accordance with US-GAAP. Some financial data is non-IFRS information under Regulatory Guide 230 (Disclosing non-IFRS financial information) published by ASIC or non-GAAP financial measures within the meaning of Regulation G of the US Securities Exchange Act of 1934. Keypath is not required to comply with Regulation G and it may not provide a reconciliation and other disclosures about its non-IFRS information or non-GAAP financial measures that would be required by Regulation G. Such non-IFRS financial information/non-GAAP financial measures do not have a standardized meaning prescribed by the Australian Accounting Standards (AAS) or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although Keypath believes this information provides useful information for investors and forms key performance indicators, Keypath investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this presentation. Financial information in this presentation including totals and percentages may be subject to rounding.

## Forward Looking Statements

This presentation contains forward-looking statements. Forward-looking statements may include statements regarding Keypath's intentions, objectives, plans, expectations, assumptions and beliefs about future events, including Keypath's expectations with respect to the financial and operating position or performance of its business, its capital position and future growth. Forward-looking statements are based on assumptions and contingencies that are subject to change without notice and are not guarantees of future performance. They involve known and unknown risks, uncertainties and other important factors, many of which are beyond the control of Keypath, its directors and management and which may cause actual outcomes to differ materially from those expressed or implied in this presentation. Forward-looking statements should be read in conjunction with, and are qualified by reference to, information in this presentation or previously released by Keypath to ASX. Readers are cautioned not to place undue reliance on forward looking statements, which are provided for illustrative purposes only and are not necessarily a guide to future performance. No representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, and to the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements is disclaimed, and except as required by law or regulation (including the ASX Listing Rules), Keypath undertakes no obligation to update any forward-looking statements. Keypath also notes that past performance may not be a reliable indicator of future performance.

## Past performance

Past performance is not indicative of future performance. The past performance information in this presentation is given for illustrative purposes only. Nothing in this presentation or any other information which is made available to you, can be relied upon as a promise, representation, warranty or guarantee as to the past, present or future performance of Keypath.

## Third party information

Some material in this presentation may be derived from publicly available sources prepared by third parties which has not been independently verified by Keypath. No representation or warranty is made as to the accuracy, reliability, adequacy or completeness of the information. This presentation should not be relied upon as a recommendation or forecast by Keypath.

## No advice given

This presentation does not and is not intended to constitute financial advice or an offer, invitation, inducement, solicitation or recommendation to purchase or sell any Keypath securities or any other financial product in any jurisdiction. This presentation is not a disclosure document or any other offering document under Australian or any other law; it is for information purposes only. The distribution of this presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Nothing in this presentation constitutes legal, financial, tax, accounting or other advice, and does not take into account the particular investment objectives, financial situation, taxation position or needs of any person. The information provided in this presentation may not be suitable for your specific needs and should not be relied upon as advice in substitution of you obtaining independent advice. Before making any investment decision, you should consider the appropriateness of the information with regard to your specific needs, including financial, legal and taxation advice or other professional advice appropriate to your jurisdiction.

## No responsibility or liability

To the maximum extent permitted by law, Keypath and its related body corporate, affiliates, directors, officers, employees, agents, advisers and any other person involved in the preparation of this presentation will not be liable for any direct or indirect loss, damage, claim, demand, cost or expense arising from reliance on information contained within this presentation or in connection with this presentation, including any fault, negligence, error or omission within this presentation. Keypath does not accept any responsibility to inform you of any matter arising or coming to its notice after the date of this presentation which may affect any matter referred to in this presentation. This presentation should be read in conjunction with the Company's other periodic and continuous disclosure announcements lodged with ASX.

## 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 US Securities Act) and may not be sold or otherwise transferred except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. For instance, US persons who are qualified institutional buyers (QIBs, as defined in Rule 144A under the US Securities Act) may purchase CDIs in reliance on the exemption from registration provided by Rule 144A. To enforce the transfer restrictions, the CDIs bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons excluding QIBs. In addition, hedging transactions with regard to the CDIs may only be conducted in compliance with the US Securities Act.

## PRESENTATION AGENDA

1. Introduction to Keypath Education
  2. H1 FY23 Results Building on our Strong Track Record
  3. FY23 Progress and Outlook
- 
- A. Appendix: Financial Statements

1

# Introduction to Keypath Education

---

# Investment highlights

As a global EdTech company, our vision is to be a leader in education transformation – the key that unlocks greatness in educators and individuals.

By transforming education, together we can transform the world for the better in a sustainable way for individuals (including our people), partners, and society in general.

We partner with leading universities to offer high quality online programs across the most in-demand disciplines globally.



# Keypath at a glance

Growing, global business in an attractive market with strong underlying fundamentals



**43**

Global university partners



**197**

Total active programs



**800**

Employees (approx.)



**Best place to work**

Awards in Australia, Canada and US



**22%**

H1 FY23 Healthcare revenue growth rate



**US\$58.7m**

H1 FY23 revenue

(+3% over H1 FY22, +8% constant currency)

**52%**

North America revenue

**46%**

APAC revenue

**2%**

ROW revenue

**US\$51.5m**

Cash balance (expected to be fully funded to cash flow breakeven)

**US\$125m – US\$130m**

FY23 revenue guidance

**H2 FY24**

Adjusted EBITDA breakeven target

# Long-term priorities

Focusing on the key drivers of growth, profitability and capital allocation

1



## Optimize the base

- Optimize our portfolio / reallocating investment capital
- Drive mature vintage contribution margins
- Execute growth plans on new vintages

2



## Grow in Healthcare

- Existing product (e.g., ABSN) expansion
- New Healthcare product launches across a Healthcare online education platform
- Expand Australia clinical programs with our competitive advantages in Healthcare capabilities

3



## Expand in APAC

- Expand via enterprise relationships
- Expand offerings across online education platforms
- Grow new partners in Southeast Asia

4

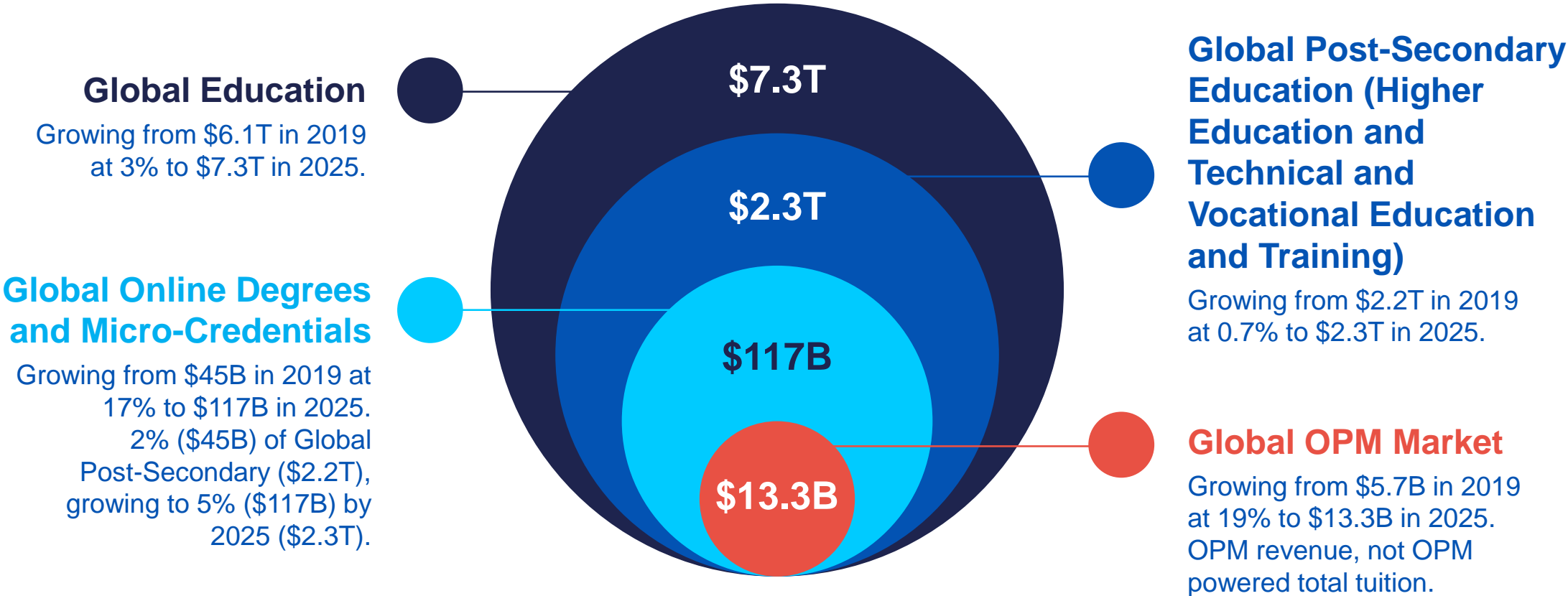


## Continue our path to profitability with adjusted EBITDA profitability from H2 FY24

# In a market undergoing growth and transformation

Online education continues to drive growth within global education

Global Online Degree and Micro-Credentials and Global OPM Market Size. USD 2019-2025



Source: HolonIQ Smart Estimates, February 2021. Not to scale.

# Online education is undergoing significant evolution, creating opportunities for EdTech companies

Entering a new phase of complexity and innovation

	10 YEARS AGO	TODAY	FUTURE
OFFERING TYPE	<ul style="list-style-type: none"><li>Narrow post graduate options</li><li>Mass market appeal</li></ul>	<ul style="list-style-type: none"><li>Global markets</li><li>Wider program offerings</li><li>Increasingly segmented audiences</li></ul>	<ul style="list-style-type: none"><li>Complex Healthcare and broader vertical / geographic online education platforms</li><li>Moving from one-to-one to one-to-many</li></ul>
OFFERING CHARACTERISTICS	<ul style="list-style-type: none"><li>Undifferentiated</li><li>Uncomplex</li></ul>	<ul style="list-style-type: none"><li>EdTech becoming global</li><li>Expansion of verticals / specializations in which online education offered</li><li>Consumer groups becoming segmented based on need / life stage</li></ul>	<ul style="list-style-type: none"><li>Focus on complex healthcare and online education platforms that offer broader ranges of short to long courses</li><li>Meet students where they are at that point of their career/life</li><li>Provide full flexibility for the most value-creating education pathways for students</li></ul>

# Why the focus on Healthcare?

## Experts in the highly attractive Healthcare vertical



US\$12 billion global online healthcare education market with US Healthcare masters degree market enrollments CAGR of 6.6% since 2012<sup>1</sup>

Global shortage of 6 million nurses by 2030<sup>2</sup>; 9 of the top 20 fastest growing professions in the US are in healthcare<sup>3</sup>

### US\$12bn

Global online healthcare education market size in 2025<sup>4</sup>

### 55%

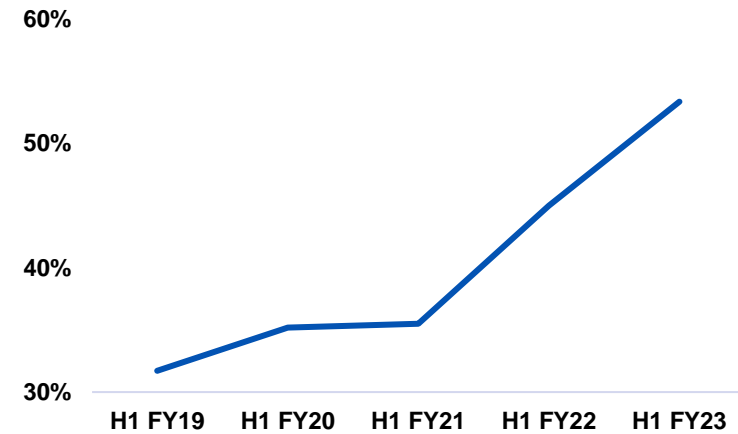
Growth in ABSN (Nursing) enrollment<sup>5</sup>

### 30.6m

Global shortage of Nurses and Midwives<sup>6</sup>

### 21%

Growth in Google search demand within healthcare and social science since 2018<sup>7</sup>



Keypath Healthcare<sup>8</sup> revenue as % of total

(1) Wiley Education Services (2021). State of the education market: Trends and insights in key master's disciplines.

(2) World Health Organization.

(3) World Economic Forum.

(4) Source: HolonIQ. Estimate assuming healthcare is approximately 10% of the overall global online and alt cred education market. Healthcare spending accounted for ~10% of total GDP globally and graduate education in healthcare accounted for ~16% of total graduate education in the U.S.

(5) 2020-2021 AACN Enrollment & Graduations in Baccalaureate and Graduate Programs in Nursing.

(6) Lancet 2022; 399: 2129–54 Published Online May 23, 2022

(7) Google.

(8) Healthcare includes Nursing, Health and Social Services verticals.

# Keypath's global competitive advantage in Healthcare

Keypath is one of the largest online healthcare education providers globally with a leading clinical placement expertise



Keypath is one of the **largest online healthcare education providers** globally

**Build once, launch globally:** leverage in house expertise to launch highly complex programs in new geographies tailored to specific local needs / markets

Develop deeper local employer relationships and placement services globally; Keypath has **leading clinical field expertise**

28

Partners with  
Healthcare<sup>1</sup> programs (20 of  
which have Student Placement  
services)

110

Healthcare<sup>1</sup>  
programs

22%

Growth in Keypath  
Healthcare<sup>1</sup> revenue  
H1 FY23 vs H1 FY22

~15k

Clinical and field  
placement  
relationships

~350

Healthcare systems

53%

H1 FY23 Keypath  
Healthcare<sup>1</sup> revenue  
as % of total

>15k

Clinical placements

## AREAS WITHIN HEALTHCARE VERTICAL

### In Portfolio

- ✓ Nursing
- ✓ Social Work
- ✓ Speech Language Pathology
- ✓ Mental Health
- ✓ Counseling
- ✓ Psychology
- ✓ Pharmacy
- ✓ Public Health

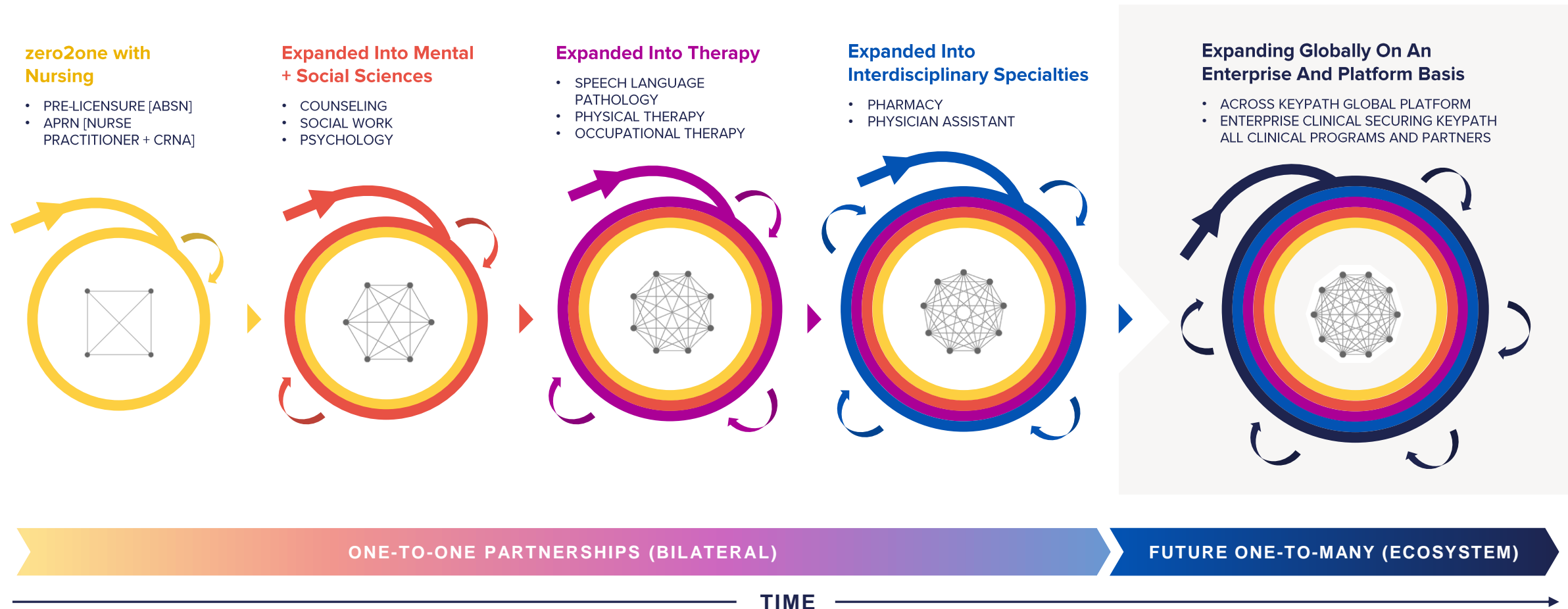
### In Pipeline

- Occupational Therapy
- Physical Therapy
- Nurse Anesthetist
- Physician Assistant

(1) Healthcare includes Nursing, Health and Social Services verticals.

# Building and accelerating the global Healthcare flywheel over time

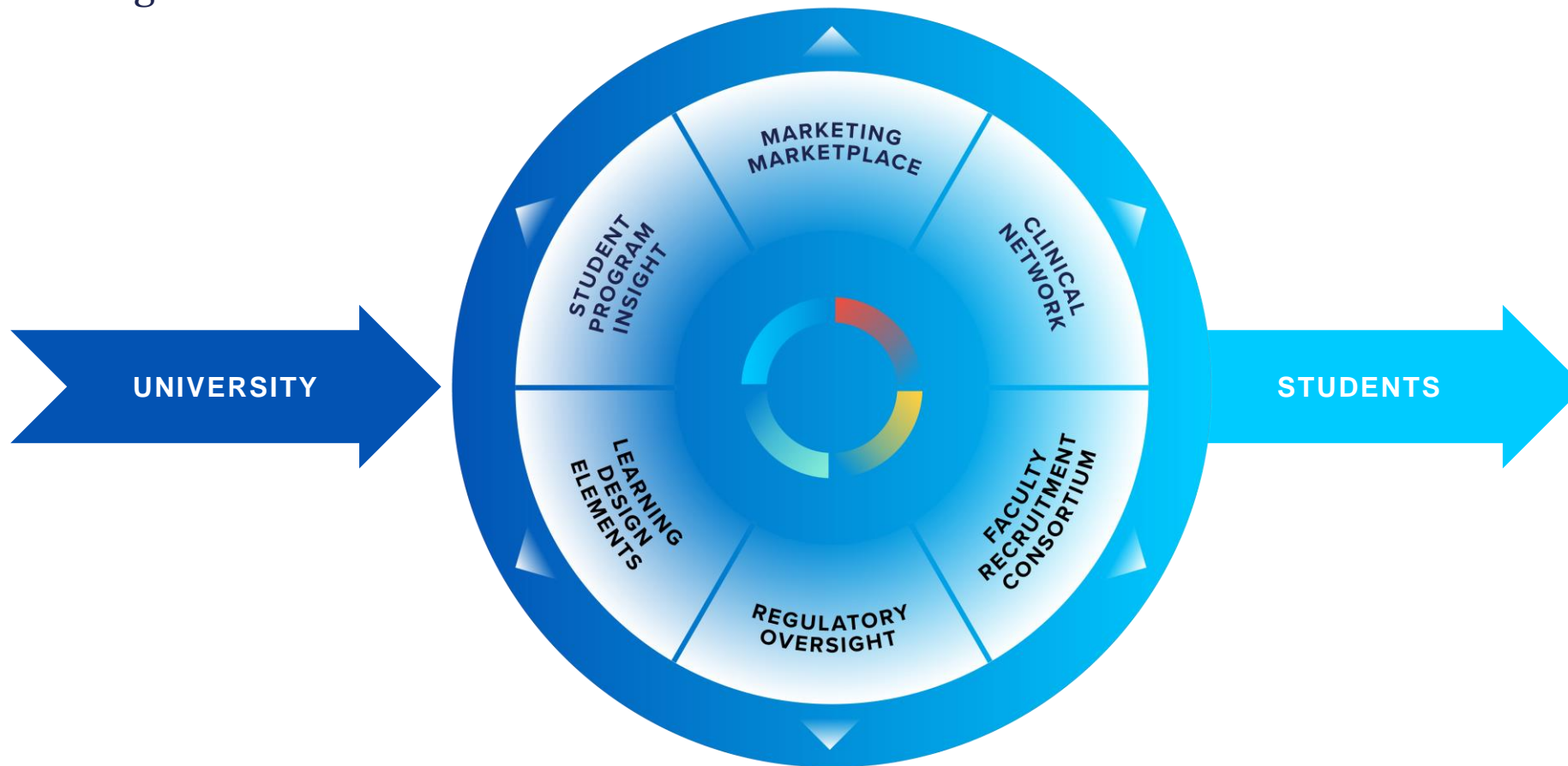
Building 1) one of the largest, 2) most diverse, 3) global online Healthcare education offerings



“Engine” of expansion: expanding partners, products and services adds value and momentum for all stakeholders over time, while also increasing difficulty of replication or disintermediation

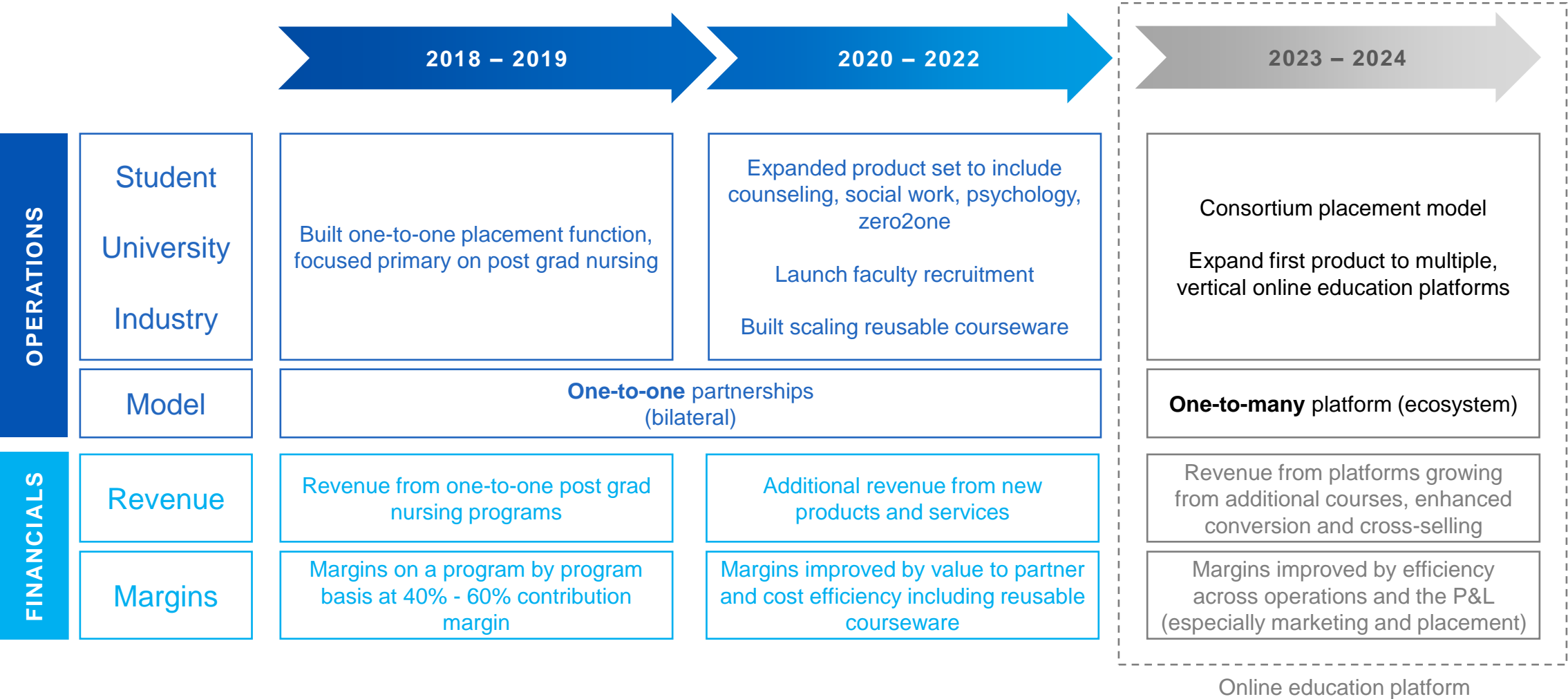
# Keypath has built a proprietary platform to benefit universities, students and the healthcare industry

The capabilities will continue to expand as the platform grows further benefitting all stakeholders



# Building the Healthcare education platform of the future

Using the existing head start to pull further ahead of the competition



# Keypath's strong foundation for growth in APAC

## Proven track record in APAC



**10** Australian university partners



**Full enterprise agreements**

With many partners



**Healthcare expansion**

Underway with 20 Healthcare programs



**2**

Leading private institutions  
Keypath partners with in two major markets with more to come



**Largest EdTech growth region**

In Southeast Asia with international markets growing 2x as fast as U.S. ability to scale with existing and new partners' online adoption journey



**Strategy**

Build on two enterprise-level partnerships with online education platforms across the business and STEM / Future of Work areas, then Healthcare

# Melbourne Business School (“MBS”) and Keypath: a landmark new partnership

Keypath assisting the home for Australia’s top ranked MBA<sup>1</sup> go online.



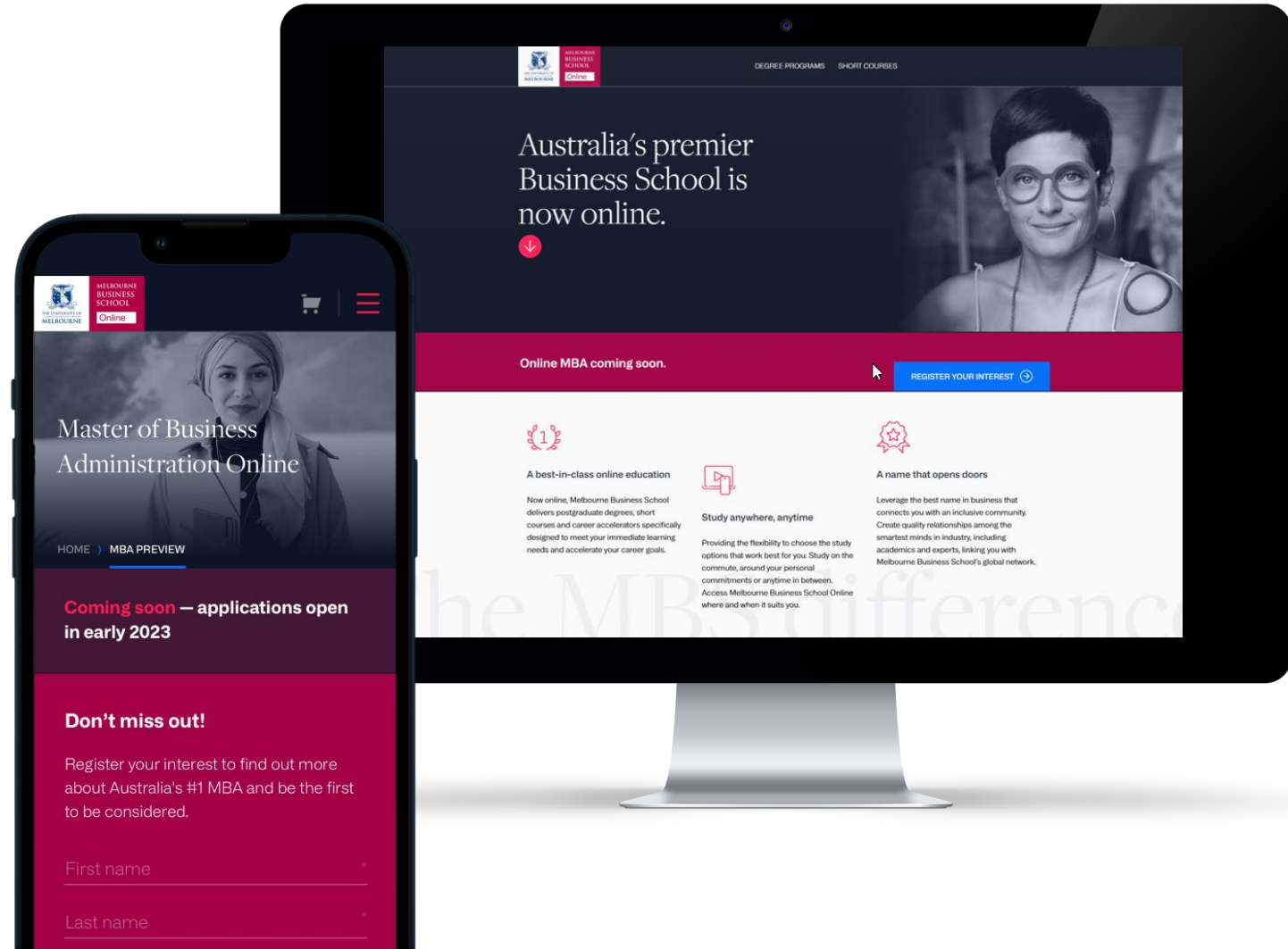
MBS MBA launching online plus short courses, career accelerators and degrees



Offered as a platform concept for increased market reach and impact beyond postgraduate programs

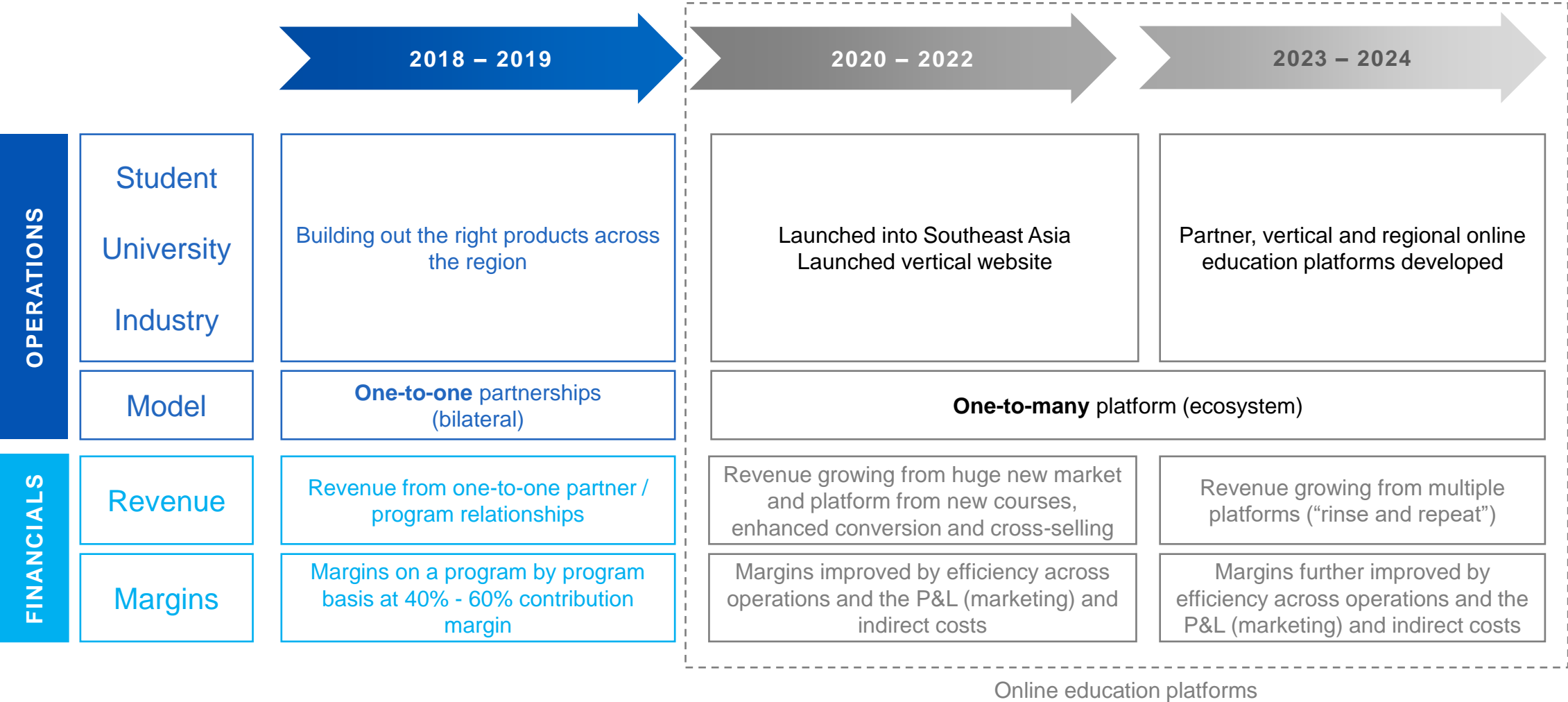


Keypath trusted to take MBS online for the first time



# Building the APAC online education platforms

Using our market leadership in APAC to pull further ahead of any competition.



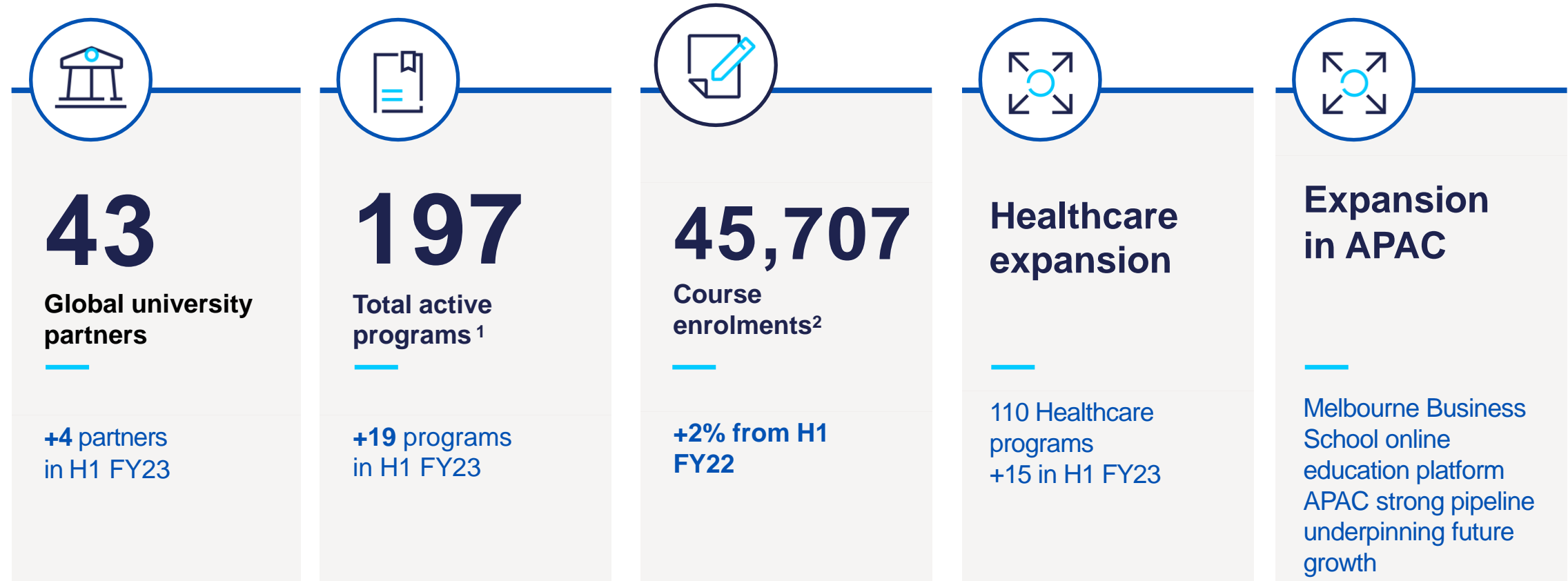
2

# H1 FY23 Building on our Strong Track Record

---

# H1 FY23 operational highlights

Continued strong growth in partners, programs, enrollments, Healthcare and APAC



(1) 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; As of December 31, 2022, 153 programs were revenue generating while 12 were in market but pre-1st enrollment.

(2) Includes estimates for enrollments pending invoicing.

# H1 FY23 financial highlights (in US \$m)

Strong revenue growth and cash balance to support growth objectives

**\$58.7m**

Revenue

up +3% from H1  
FY22, +8% constant  
currency

**\$9.3m**

15.9% contribution  
margin

Down -24% from H1  
FY22

**(\$6.7m)**

Adjusted EBITDA

Down -79% from H1  
FY22

**~\$7m**

Investment<sup>1</sup>

In new programs  
launched in H1

Roughly flat with H1  
FY22

**\$51.5m**

Cash on hand

Expected to be fully  
funded to cash flow  
break even

(1) Represents the net cash investment in all H1 FY23 to FY24 vintage programs included in the H1 FY23 financial results; net cash investment in all H1 FY22 to FY23 vintage programs included in the H1 FY22 financial results was ~\$7m.

## Continuing our strong operational track record

The high value partners place on the Keypath offering is shown by the rapid growth in our partners and programs

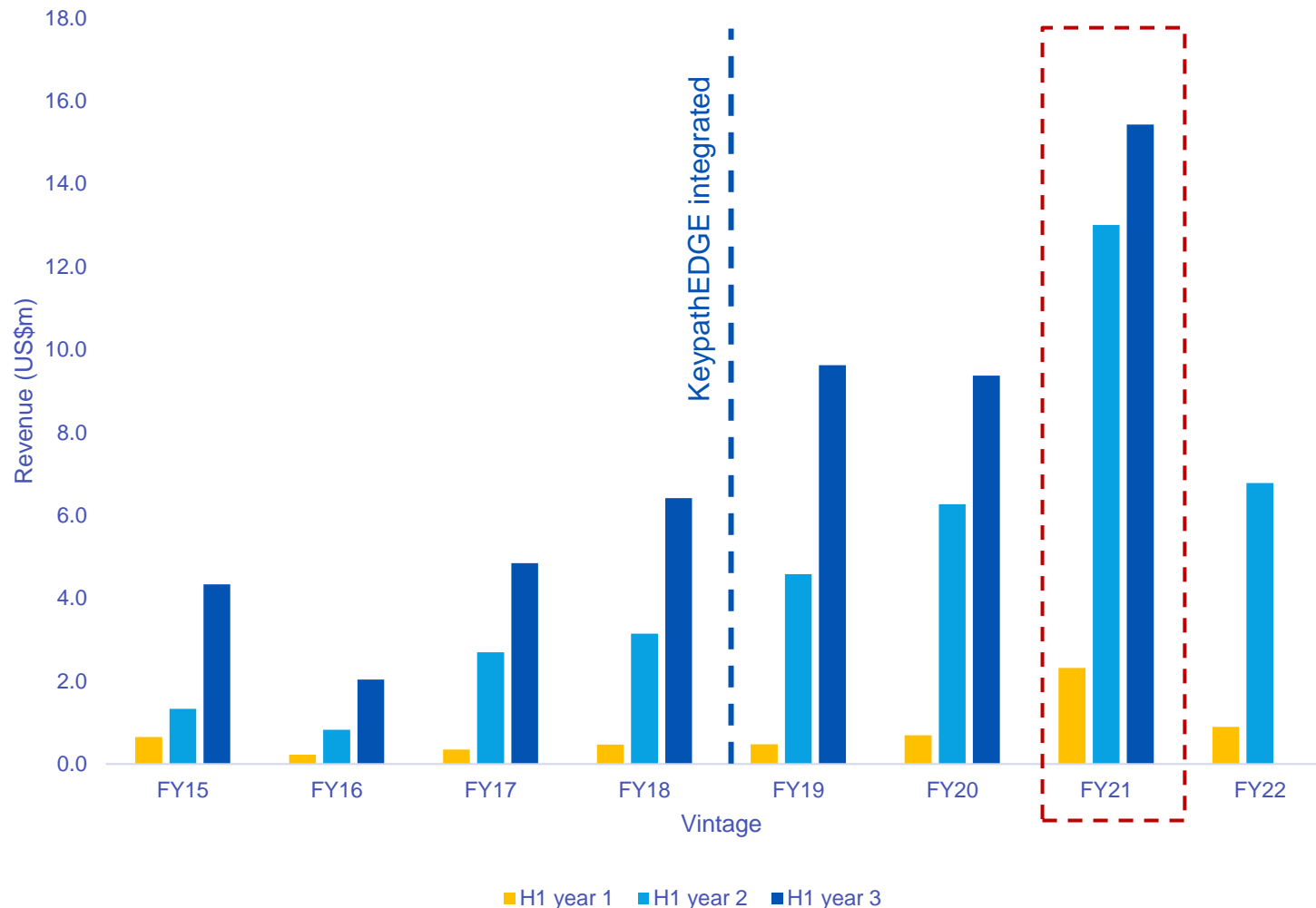
	Partners	Programs
H1 FY21	30	115
H1 FY22	37	166
H1 FY23	43	197

**31%**

Program number CAGR  
H1 FY21 – H1 FY23

# Continuing to allocate capital to the strongest programs

Building on our data driven approach to program selection through KeypathEDGE



## COMMENTARY

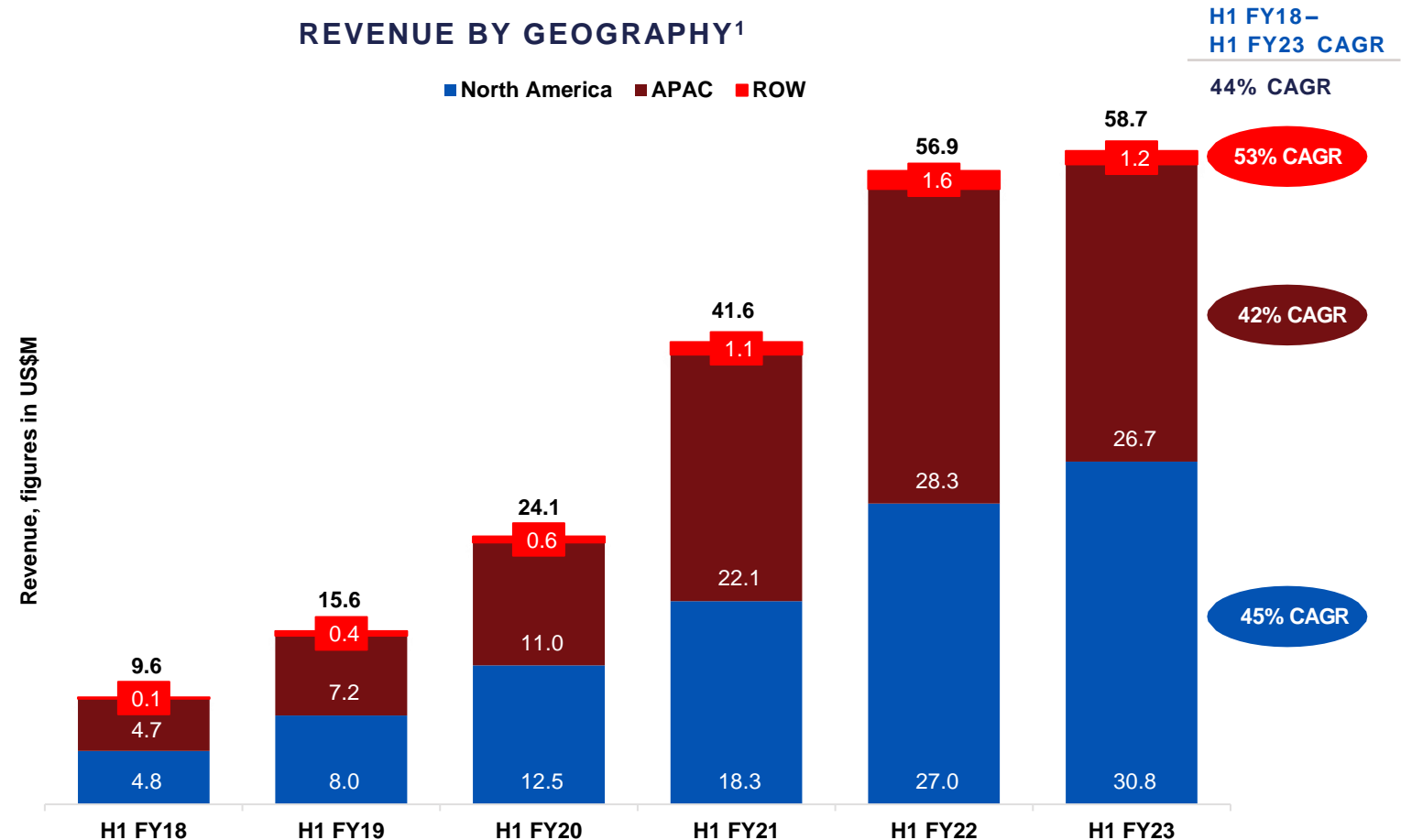
- 1 Our FY21 vintage is performing strongly in its first three years versus vintages pre-KeypathEDGE and is indicative of the impact KeypathEDGE has had on our more recent vintages
- 2 We expect this positive momentum in the quality of our vintages to continue given the amount and quality of our proprietary data and technology informed pipeline of partners and programs driven by KeypathEDGE
- 3 We expect newer vintages to be US\$25 million - US\$45 million at mature steady state revenue and achieve contribution margins of 40% - 60% following our proven unit economic model

# Building on our strong financial track record

Keypath's foundation of strong revenue growth is demonstrated in our global diversification and track record

# 44%

Revenue CAGR  
H1 FY18 – H1 FY23

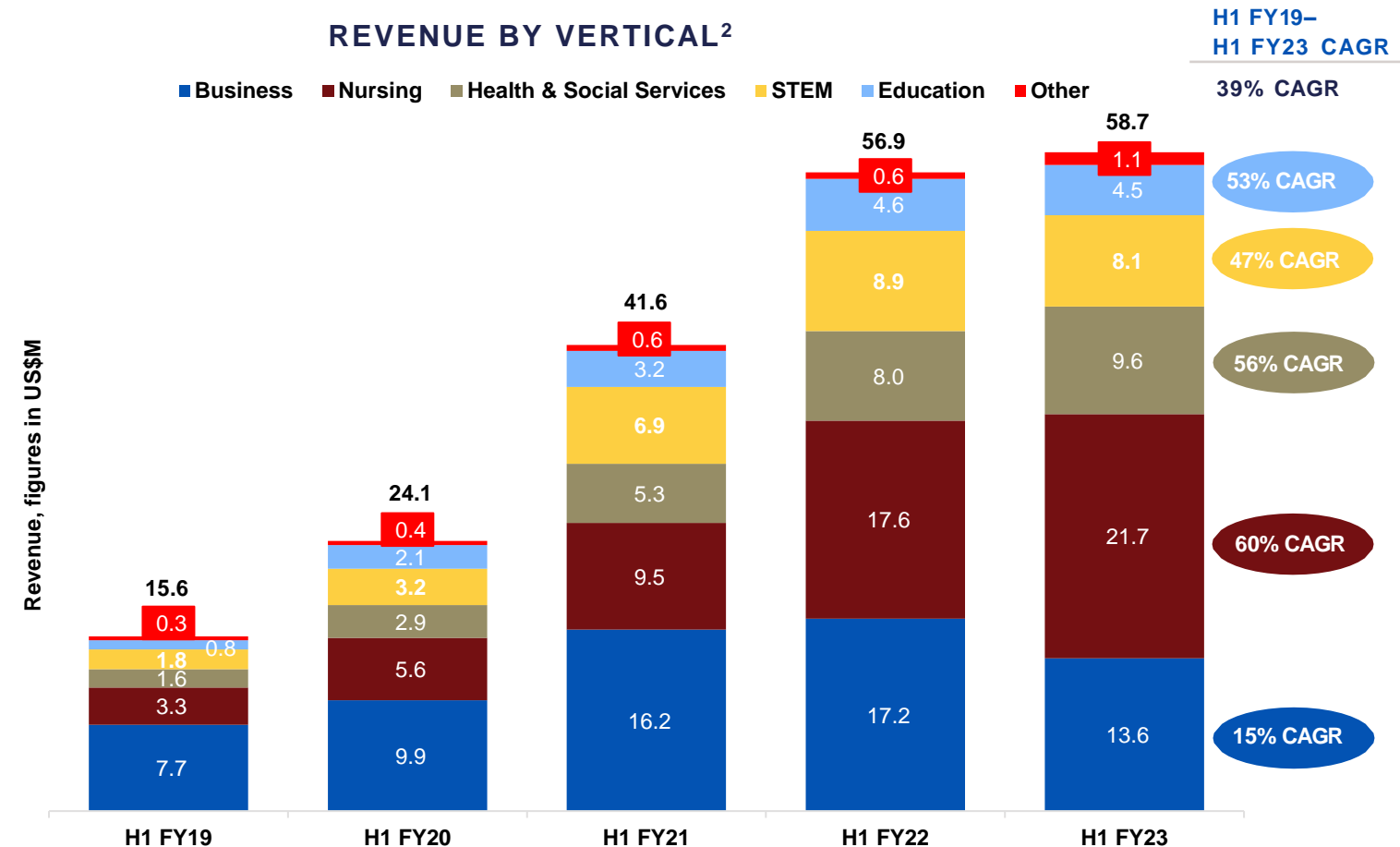


(1) North America region includes the United States and Canada. Asia-Pacific (APAC) region includes Australia, Malaysia and Singapore. The Rest of World includes the United Kingdom.

# Revenue diversity evolving with market demand

Keypath's diversified revenue by vertical enables Keypath to capture market opportunity in the highest demand verticals at any given time

**59%** Healthcare<sup>1</sup> revenue CAGR  
H1 FY19 – H1 FY23

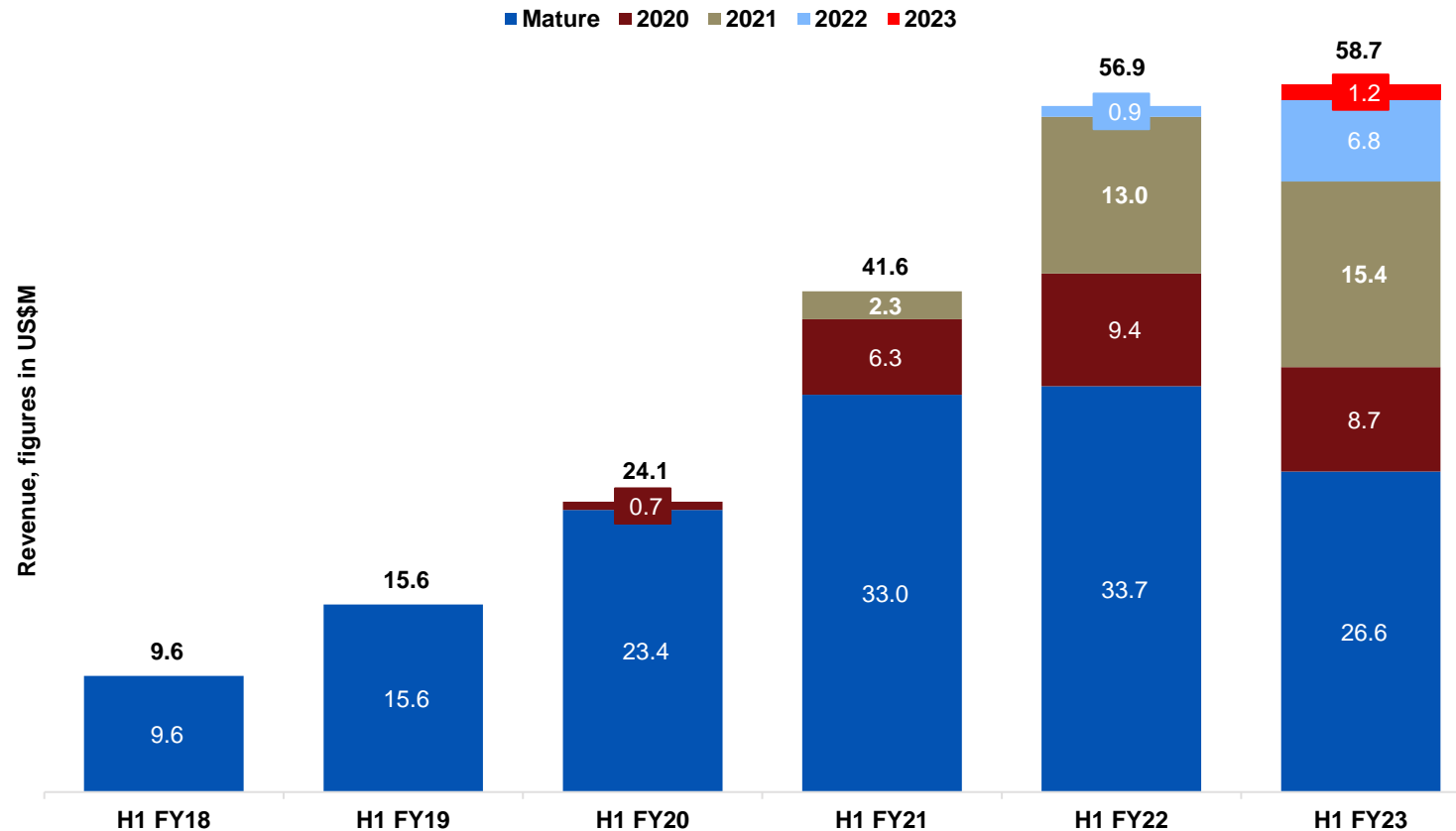


(1) Healthcare includes Nursing, Health and Social Services verticals.

(2) Other primarily includes law.

# Revenue by vintage<sup>1</sup>

Newer vintages continue to expand rapidly



## COMMENTARY

1

Revenue growth by vintage **as expected**

2

Newer vintages are and will continue to drive **future growth and profitability** when they reach maturity

3

Mature vintages, as expected, are declining due to the **shift in market conditions and our investment re-allocation**

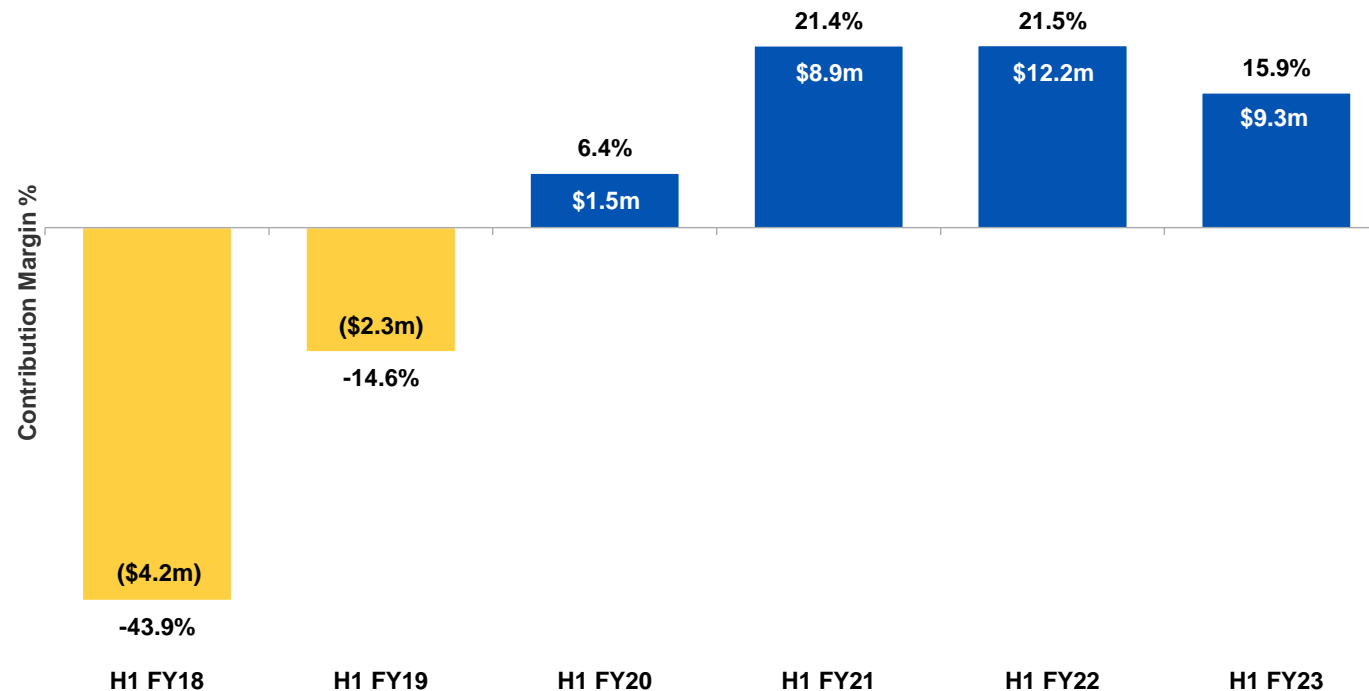
4

This investment re-allocation will continue from mature vintages and the decline in mature vintages is expected to be approximately 15% on a constant currency basis in FY23.

(1) Vintage refers to the fiscal year in which a new program has its first student intake. Revenue from the first year of a vintage reflects a combination of the timing of when a program has its first student intake (Keypath does not earn revenue until the first student intake on a program) and the number of programs in the respective vintage.

# Contribution margin by year

Contribution margin will continue to improve as the unit economic model plays out and mature vintages reach our targeted margins of 40-60%

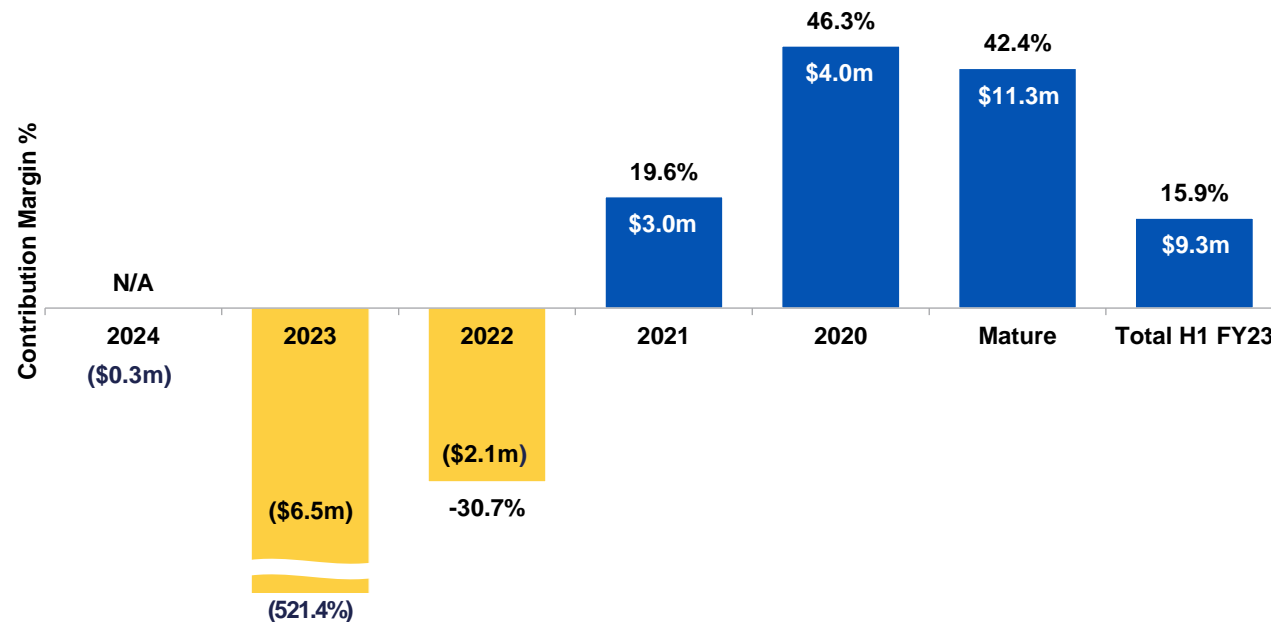


## COMMENTARY

- 1 Larger vintages and a maturing portfolio will **drive margin expansion over the long-term** consistent with the unit economic model
- 2 The contribution margin for H1 FY23 declined from FY22 due to the tough comparison in H1 FY22 due to the COVID bump in FY22, with timing of launches, and continued pressure in more mature vintages also contributing
- 3 **Contribution margins will continue to improve over the long term** as a greater % of the overall portfolio of programs reach maturity (i.e., are in market for 4+ years)

# H1 FY23 contribution margin by vintage

Mature vintages' contribution margin at 42% proving unit economic model; long-term upward momentum to this level from post-KeypathEDGE vintages



## COMMENTARY

- 1** **Mature vintages prove unit economic model** and evidence profitability of business model even in the face of revenue decreases previously noted
- 2** Vintages in "grow" and "launch" stages are progressing through unit economic model as expected
- 3** **FY21 vintage reached positive contribution margin faster** than any vintage in the history of the Company; still maturing and expected to get to 40% - 60% in accordance with unit economic model

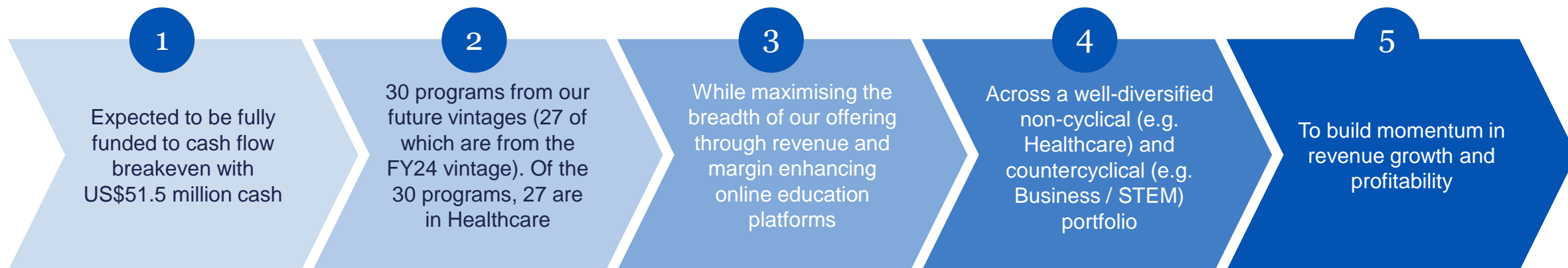
3

# FY23 Progress and Outlook

---

# Strong financial foundations and outlook

Well positioned to continue being a leading, growing and (soon) profitable online education company



Reconfirming guidance <sup>1</sup>	
Revenue	FY23: US\$125 million – US\$130 million
Adjusted EBITDA	FY23: US(\$7) million – US(\$9) million
	H2 FY24: adjusted EBITDA breakeven targeted

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

(1) FY23 guidance is on constant currency basis assuming USD:AUD rate of 0.695

# Q&A

---

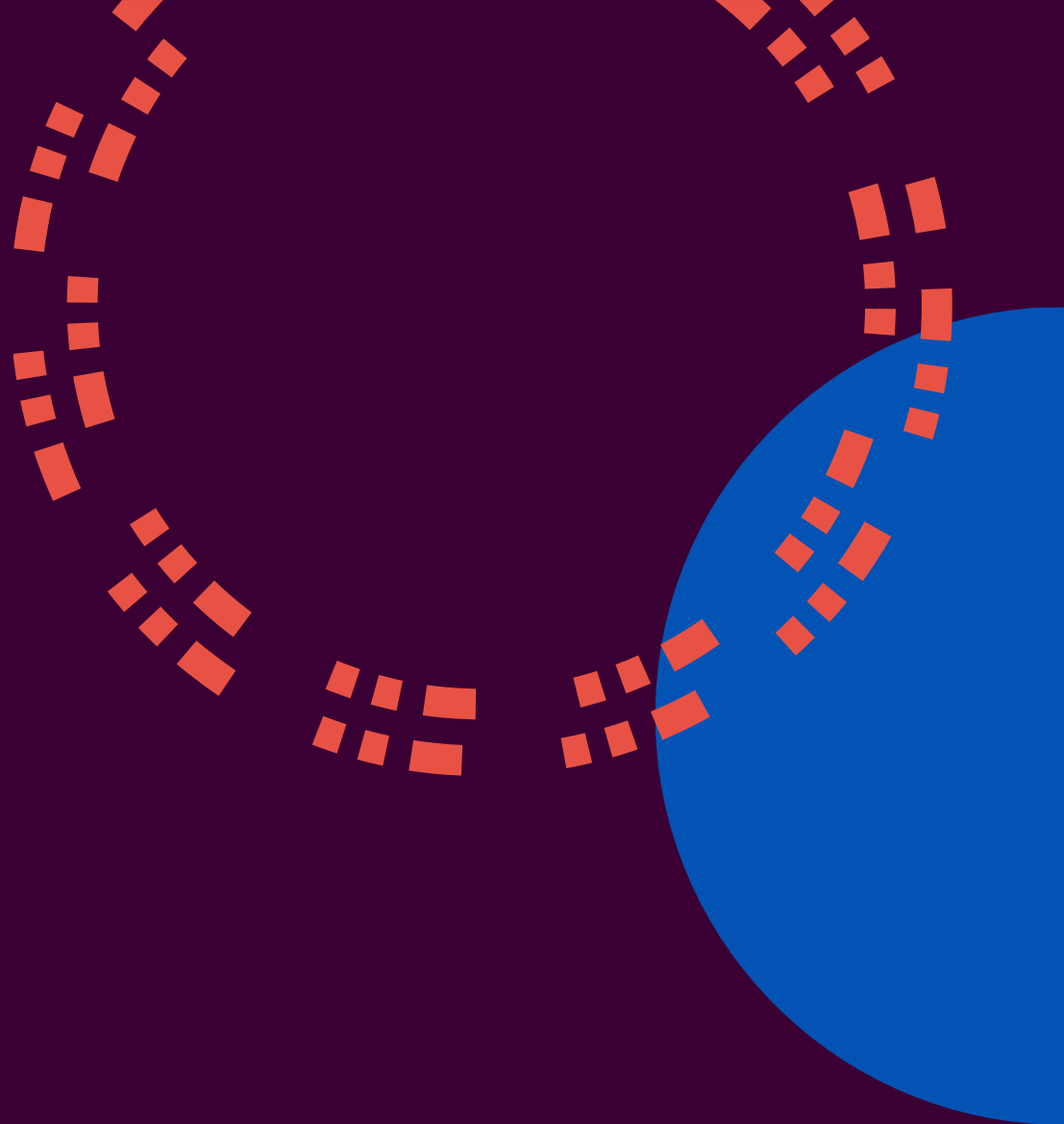




# Appendix



Financial Statements



# Income statement

US\$m	H1 FY23	H1 FY22	% change
<b>Revenue</b>	<b>58.7</b>	<b>56.9</b>	<b>3.1%</b>
Salaries and wages	(34.5)	(30.4)	13.6%
Direct marketing	(22.5)	(21.1)	6.6%
General and administration (G&A) expenses	(8.2)	(9.0)	(9.3%)
Depreciation and amortization	(2.5)	(2.4)	7.3%
Stock-based compensation expense (one-time)	(1.0)	(5.3)	(81.5%)
Stock-based compensation expense (ongoing)	(0.9)	(1.0)	(9.9%)
Legacy Long-Term Incentive Plan Cash Awards	2.0	(0.4)	(551.2%)
<b>Operating Loss</b>	<b>(8.9)</b>	<b>(12.7)</b>	<b>(29.5%)</b>
Other income and (expense), net	(0.2)	(0.2)	4.7%
<b>Loss before income taxes</b>	<b>(9.1)</b>	<b>(12.9)</b>	<b>(29.1%)</b>
Income tax expense	(0.3)	(0.7)	(62.2%)
<b>Net loss</b>	<b>(9.4)</b>	<b>(13.5)</b>	<b>(30.7%)</b>
Revenue growth %	3.1%	37.0%	(3391 bps)
Salaries and wages % of revenue	58.8%	53.3%	545 bps
Direct marketing % of revenue	38.3%	37.1%	125 bps
General and administration % of revenue	13.9%	15.8%	(190 bps)

## COMMENTARY

- Strong **revenue** performance +8% (constant currency) is underpinned by course enrollment growth, strong student retention and the launch of new programs in key disciplines
- **Salaries and wages** expense increased primarily reflects the addition of employees to support the growth in partners and programs as well as annual merit based employee pay increases
- **Direct marketing** costs increased due to the growth in active programs and the number and size of programs in their development and launch phase
- **G&A** costs decreased driven by efficiencies and cost management
- **Other (expense) income** primarily includes foreign currency transaction losses
- **Income tax** primarily relates to withholding taxes, minimum state income tax payments and book to tax temporary differences

# Balance sheet statement

US\$m	December 31, 2022	June 30, 2022	% change
Cash and restricted cash	51.5	59.2	(13.0%)
Accounts receivable and other current assets	6.1	19.0	(67.9%)
Accounts payable and other current liabilities	(18.5)	(29.3)	(36.9%)
<b>Net Working Capital</b>	<b>39.1</b>	<b>48.8</b>	<b>(19.9%)</b>
Property and equipment, net	1.2	1.3	(2.2%)
Goodwill	8.8	8.8	-%
Intangible assets, net	7.0	6.7	5.2%
Other non-current assets	7.1	7.2	(0.8%)
Other non-current liabilities	(0.7)	(0.4)	50.6%
<b>Net Assets</b>	<b>62.6</b>	<b>72.3</b>	<b>(13.4%)</b>
Common stock	2.1	2.1	2.5%
Additional paid-in capital	255.3	255.5	(0.1%)
Accumulated losses	(194.9)	(185.4)	5.1%
<b>Total Equity</b>	<b>62.6</b>	<b>72.3</b>	<b>(13.4%)</b>

## COMMENTARY

- **Strong cash position US\$51.5 million (no debt)** as of December 31, 2022; Cash will be used in operations and to pursue the Company's growth objectives; organic growth expected to be fully funded through to cash flow break even
- **Accounts receivable and other current assets** have decreased as a result of strong collections during H1 FY23
- **Accounts payable and other current liabilities** have decreased as a result of timing of payroll and vendor payments

# Cash flow statement

US\$m	H1 FY23	H1 FY22	% change
<b>EBITDA</b>	<b>(6.6)</b>	<b>(10.5)</b>	<b>(37.3%)</b>
<i>Non-cash items:</i>			
Stock-based compensation expense	1.9	6.3	(69.7%)
Legacy Long-Term Incentive Plan Cash Awards	(2.0)	0.4	(551.5%)
Deferred income taxes	0.2	0.7	(71.0%)
Change in net working capital	3.7	11.3	(67.5%)
Income taxes paid	(0.1)	(0.5)	(80.0%)
<b>Cash flow from operating activities</b>	<b>(2.9)</b>	<b>7.7</b>	<b>(137.4%)</b>
Additions of amortizable intangible assets	(2.1)	(2.0)	4.3%
Purchases of property and equipment	(0.5)	(0.4)	23.0%
<b>Cash flow from investing activities</b>	<b>(2.6)</b>	<b>(2.4)</b>	<b>7.3%</b>
Payments of taxes from withheld shares	(1.4)	-	-
Employee stock repurchases	(0.7)	-	-
<b>Cash flow from financing activities</b>	<b>(2.1)</b>	<b>-</b>	<b>-</b>
Effect of exchange rate changes	(0.1)	(0.4)	(76.6%)
<b>Net cash flows</b>	<b>(7.7)</b>	<b>4.9</b>	<b>(255.9%)</b>
Cash and restricted cash at beginning of period	59.2	67.5	(12.3%)
<b>Cash and restricted cash at end of period</b>	<b>51.5</b>	<b>72.4</b>	<b>(28.8%)</b>

## COMMENTARY

- As a result of our disciplined focus on cash management, our **cash burn was US\$7.7 million in H1 FY23**
- For H1 FY23, cash flow used in operating activities was US\$2.9 million compared to US\$7.7 million cash provided in H1 FY22; primarily driven by the net working capital changes from the timing of payroll, vendor payments and collections, and a cash payment of US\$2.0 million to the holders of Legacy LTIP Cash Awards in September 2022
- For H1 FY23, net cash used in investing activities was US\$2.6 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
- For H1 FY23, net cash used in financing activities was US\$2.1 million, representing the amount of cash outflow to satisfy employees' income tax withholding obligations as part of a net-share settlement of stock-based awards and employee stock repurchases

# Contribution margin in detail

US\$m	H1 FY23	H1 FY22	% change
<b>Revenue</b>	<b>58.7</b>	<b>56.9</b>	<b>3.1%</b>
Direct salaries and wages net of capitalized costs	(25.3)	(22.4)	13.2%
Direct marketing expenses	(22.5)	(21.1)	6.6%
G&A expenses allocated to direct departments	(1.6)	(1.2)	26.0%
<b>Contribution margin</b>	<b>9.3</b>	<b>12.2</b>	<b>(23.7%)</b>
Corporate costs	(15.8)	(15.8)	0.2%
Stock-based compensation expense (one-time)	(1.0)	(5.3)	(81.5%)
Stock-based compensation expense (ongoing)	(0.9)	(1.0)	(9.8%)
Legacy Long-Term Incentive Plan Cash Awards	2.0	(0.4)	(551.5%)
Other income and (expense), net	(0.2)	(0.2)	5.0%
<b>EBITDA</b>	<b>(6.6)</b>	<b>(10.5)</b>	<b>(37.3%)</b>
Contribution margin %	15.9%	21.5%	(558 bps)
Direct salaries and wages net of capitalized costs %	43.1%	39.3%	385 bps
Direct marketing expenses %	38.3%	37.1%	125 bps
G&A expenses allocated to direct departments %	2.7%	2.2%	48 bps
Corporate costs %	26.9%	27.7%	(79 bps)
EBITDA %	(11.2%)	(18.4%)	722 bps

## COMMENTARY

- **Contribution margin:**
  - is revenue less direct costs, which consists of salaries and wages and general and administration expenses attributable to direct departments, and direct marketing
  - is not a US GAAP based measure; it is used by Keypath to monitor and evaluate financial performance of individual programs relative to planned performance targets over the lifetime of the programs
  - is not a replacement for the financial performance of the Company as a whole as determined in accordance with US GAAP
- H1 FY23 **contribution margin** of US\$9.3 million, or 15.9%
- **Corporate costs** are roughly flat year-over-year

# Adjusted EBITDA

US\$m	H1 FY23	H1 FY22	% change
<b>Operating loss</b>	<b>(8.9)</b>	<b>(12.7)</b>	<b>(29.5%)</b>
Other income and (expense), net	(0.2)	(0.2)	4.7%
<b>EBIT</b>	<b>(9.1)</b>	<b>(12.9)</b>	<b>(29.1%)</b>
Depreciation and amortization	2.5	2.4	7.3%
<b>EBITDA</b>	<b>(6.6)</b>	<b>(10.5)</b>	<b>(37.3%)</b>
Stock-based compensation expense (one-time) <sup>1</sup>	1.0	5.3	(81.5%)
Stock-based compensation expense (ongoing)	0.9	1.0	(9.9%)
Legacy Long-Term Incentive Plan Cash Awards	(2.0)	0.4	(551.2%)
<b>Adjusted EBITDA</b>	<b>(6.7)</b>	<b>(3.7)</b>	<b>78.8%</b>
EBIT % of revenue	(15.5%)	(22.6%)	705 bps
EBITDA % of revenue	(11.2%)	(18.4%)	722 bps
Adjusted EBITDA % of revenue	(11.3%)	(6.5%)	(480 bps)

(1) Projected Stock-Based compensation expense (one-time): \$1.5M for FY23 and \$0.2M for FY24.

## COMMENTARY

- **EBIT** is earnings before interest and tax
- **EBITDA** is earnings before interest, tax, depreciation and amortization
- The calculation of **EBITDA** should not be viewed as a substitute for calculations under US GAAP. EBITDA calculated by the Company may not be comparable to the EBITDA calculation of another company
- Adjusted EBITDA:
  - Management believes **adjusted EBITDA** is useful to help evaluate the operating performance of the business and as an indicator of cash generated or used by the day-to-day operations of the business, before taking into account the costs and cash flows associated with the capital and funding structure of Keypath, and before taking into account movements in net working capital
  - represents EBITDA less non-recurring items as well as stock-based compensation
  - impacted by recent, large vintages being in their investment phase, public company costs, Malaysian expansion and investments in systems
- H1 FY23 adjusted EBITDA of **US(\$6.7) million**; year-over-year comparisons impacted primarily by a tough comparison vs. H1 FY22 due to the COVID bump in FY22, timing of launches, and continued pressure in more mature vintages

# Contacts

---

## **Investor Relations**

Malcolm McNab

Director of Investor Relations

[malcolm.mcnab@keypathedu.com.au](mailto:malcolm.mcnab@keypathedu.com.au)

