



# FY23 Results Presentation

---

August 28, 2023



# Important notices and disclaimer

This presentation has been prepared by Keypath Education International, Inc. (Keypath) on August 28, 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. FY23 Results Building on our Strong Track Record
  3. FY24 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.

## INVESTMENT HIGHLIGHTS



Transform  
education,  
transform  
the world.

1

Keypath is a **global leader** in online education, a **huge, growing and rapidly evolving market**

2

Well placed to leverage our **global scale and data** to solve global skills challenges

3

**Driving growth and profitability** through online education platforms in the large and growing Healthcare and Asia Pacific markets

4

Results continue to **build on our strong track record** of operational and financial delivery

5

**Positive growth and profitability outlook** underpinned by competitive advantages, strong cash position and path to profitability

# Keypath’s real and measurable impact shows we are fulfilling our purpose

Keypath significantly extending the reach of high-quality higher education in the most in demand areas

Expanding reach of higher education

**>104,000**  
Annual enrollments

**~90%**  
Of students are outside geographic footprint<sup>1</sup> of university

**57%**  
Per annum growth 2016 — 2020 in Keypath regional enrollments in Australia<sup>2</sup>

**51%**  
Of enrollments in Keypath’s programs are students from ‘low’ to ‘medium’ socio-economic areas<sup>3</sup>

Solving Healthcare shortages

**29**  
Partners with Healthcare programs

**118**  
Healthcare programs

**>18k**  
Clinical placements

**23**  
New Healthcare-focused degree and graduate certificate programs in FY23

1. In the US, defined as 25 miles  
2. Outperforming the industry average in Australia of just 8% p.a.; Source for Australia: DESE 2020 Data, ‘SES Assessment’ Keypath Impact Model (PowerBI) August 2022); source for US: [www.ers.esda.gov](http://www.ers.esda.gov). Remote and regional students are by post code that fits with USDA ERS definition of “Non-Metro”; low / medium / high income levels are categorized on a county-by-county basis as a % of state median income (Low = County Median Household Income <=75% of State Median, Medium = County Median Household Income > 75% and <= 100% of State Median, High = County Median Household Income > 100% of State Median).  
3. In Australia, compared in Australia to 36% for programs offered through on-campus study modes at the same universities; sources same as footnote 1.

# Keypath at a glance

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



(1) As of June 30, 2023

# 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 Australian clinical programs with our competitive advantages in Healthcare capabilities

3



## Expand in APAC

- Expand via enterprise relationships with leading universities
- 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



# Our strategy to deliver on our purpose

Focusing our strategy on markets where we have the competencies to make the largest positive impact

US



FOCUS MARKETS

COMPETITIVE ADVANTAGES

OUR WINNING CAPABILITIES

LEADING INNOVATION AND DELIVERY IN THE LARGE AND IN DEMAND HEALTHCARE VERTICAL

US\$12bn

Global online healthcare education market size in 2025

30.6m

Global shortage of Nurses and Midwives

>66k

Qualified applications not offered admission in US pre-licensure BSN programs August 2021 to July 2022

1

One of the largest and only clinical / field placement technologies and services provider

2

Continually adding new complex Healthcare products to portfolio

3

Universities can leverage our Healthcare platform to quickly scale programs

96

US Healthcare programs


>400

US Healthcare systems

>18k

Clinical placements

APAC



FOCUS MARKETS

COMPETITIVE ADVANTAGES

OUR WINNING CAPABILITIES

LEADER IN ONLINE HIGHER EDUCATION INNOVATION IN APAC

1

Build on our market leading position in Australia with innovative and new offerings

2

Southeast Asia is the world's Largest EdTech growth region<sup>1</sup>

3

Major Government support and policy changes in favor of online education

1

Building on our unique strengths of:

A. Student acquisition

B. Proven economic model


C. Leading education institution partners

2

Adding programs with our existing partners and adding new partners


3

Leverage core strengths to win in new ways in new geographies with new and innovative offerings




11

Leading Australian education institutions




Healthcare expansion underway with 22 APAC Healthcare degree programs



3

Leading private institutions Keypath partners within Southeast Asia



Innovation

(1) Source: HolonIQ  
Note: see later slides for other sources.

# Why the focus on Healthcare?

## Experts in the highly attractive Healthcare vertical



Large and growing vertical with significant long-term demand for qualified Healthcare professionals

KeyPath is one of the largest online healthcare education providers globally delivering complex programs with a leading clinical placement expertise

### HIGHLY ATTRACTIVE VERTICAL

**~US\$12bn**

Global online healthcare education market size in 2025<sup>1</sup>

**>66k**

Qualified applications not offered admission in US pre-licensure BSN programs August 2021 to July 2022<sup>2</sup>

**30.6m**

Global shortage of Nurses and Midwives<sup>3</sup>

**301k**

Growth in health and social care workers needed in Australia from 2021 - 2026<sup>4</sup>

### KEYPATH KEY COMPETITIVE ADVANTAGES

**118**

Healthcare<sup>5</sup> programs

**22%**

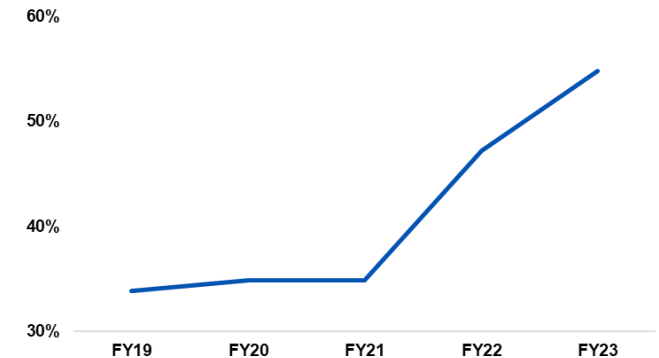
Growth in KeyPath Healthcare<sup>5</sup> revenue FY23 vs FY22

**>400**

Healthcare systems

**>18k**

Clinical placements



KeyPath Healthcare<sup>5</sup> revenue as % of total

### KEYPATH AREAS WITHIN HEALTHCARE VERTICAL

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

(1) 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 US.

(2) 2022-2023 Enrollment and Graduations in Baccalaureate and Graduate Programs in Nursing. Washington, DC: American Association of Colleges of Nursing.

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

(4) National Skills Commission (<https://www.nationalskillscommission.gov.au/insights/projecting-employment-2026>).

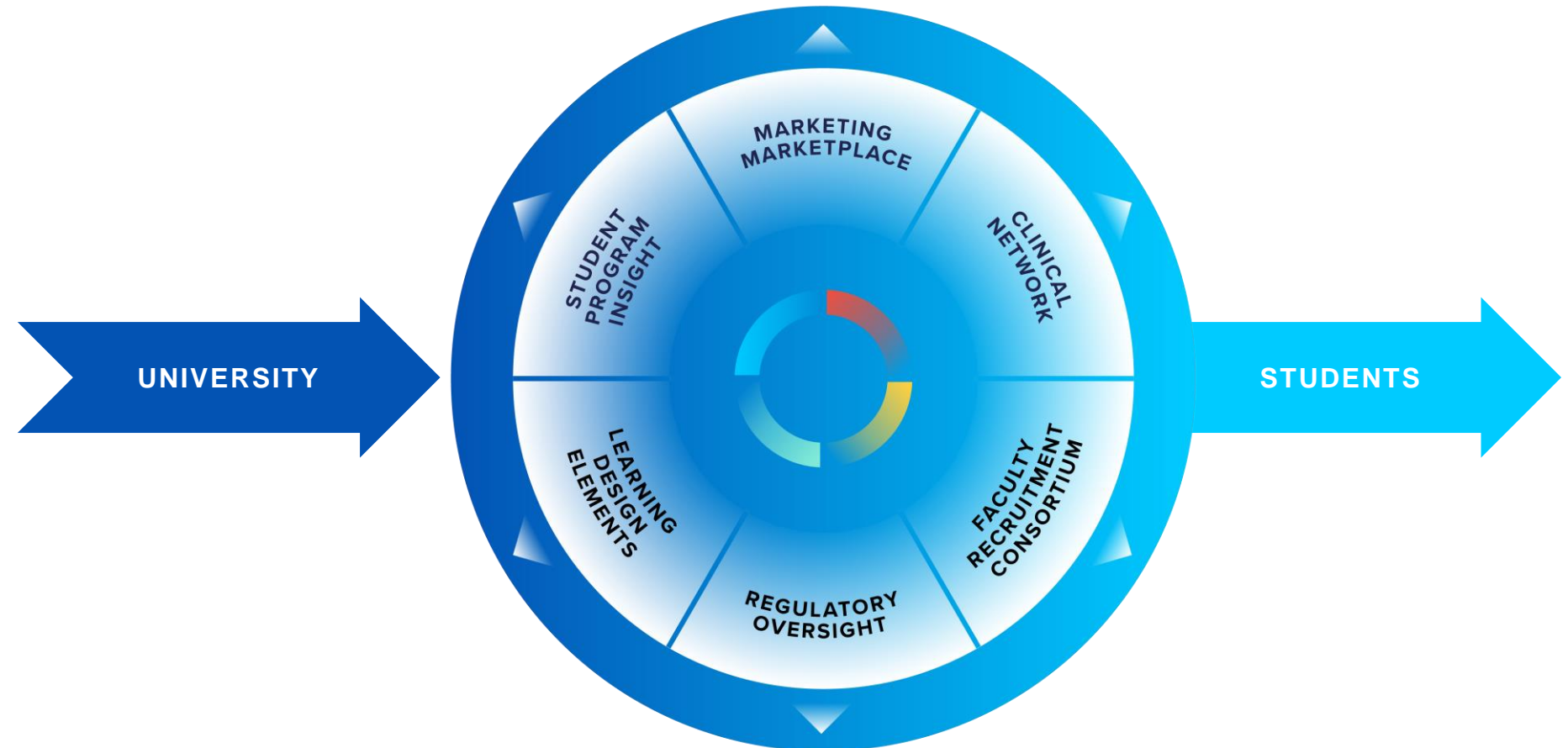
(5) Healthcare includes Nursing, Health & Social Services verticals.

# 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; it is why partners choose us and it can't be replicated or disintermediated.

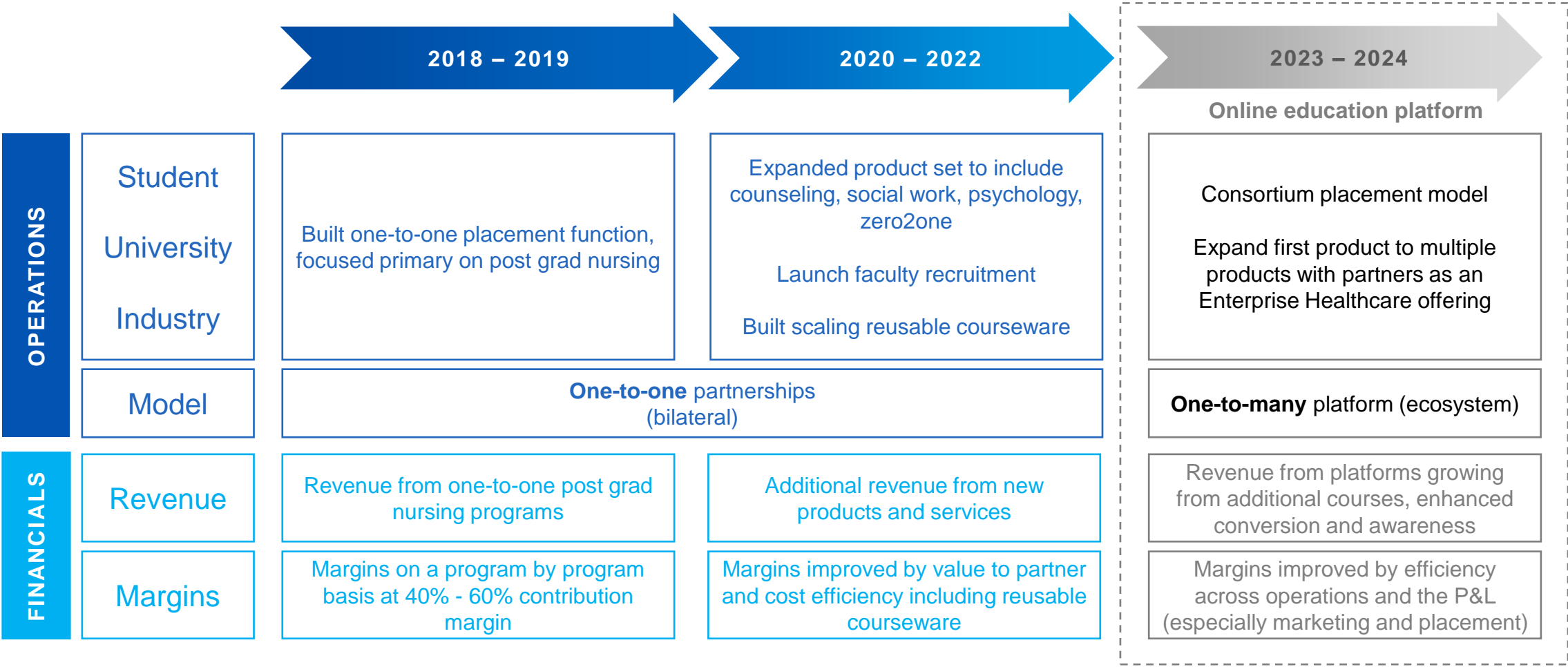
Keypath provides a “catch all” solution for universities to scale quickly in online Healthcare education

Universities are the only bodies who can confer degrees to qualify people to solve this healthcare shortage



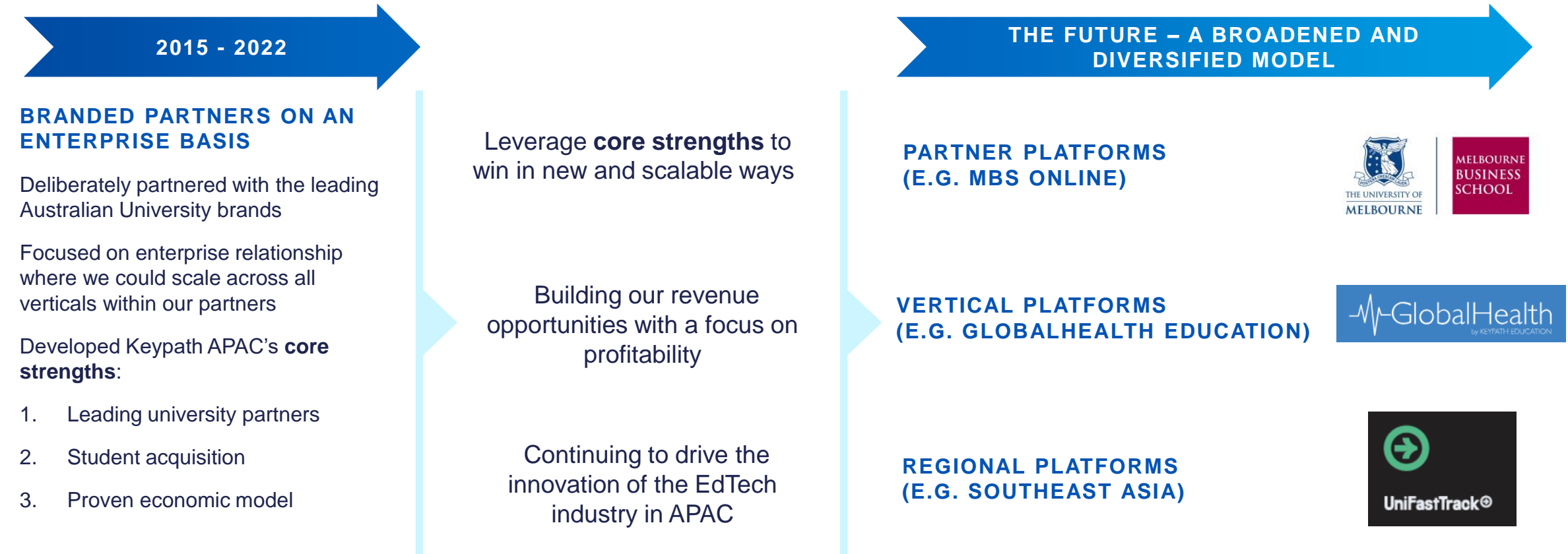
# Building the Healthcare education platform of the future

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



# Building on our market leading innovation in Edtech in the region

Always innovating on our core strengths to provide the best possible EdTech solutions to our partners and their students



Building on our market leadership in APAC by continuing to add new programs with partners (including growing in Healthcare) and offering new and innovative ways to bring a broader and diversified offering to market faster

# Melbourne Business School (“MBS”) and Keypath: above expectations

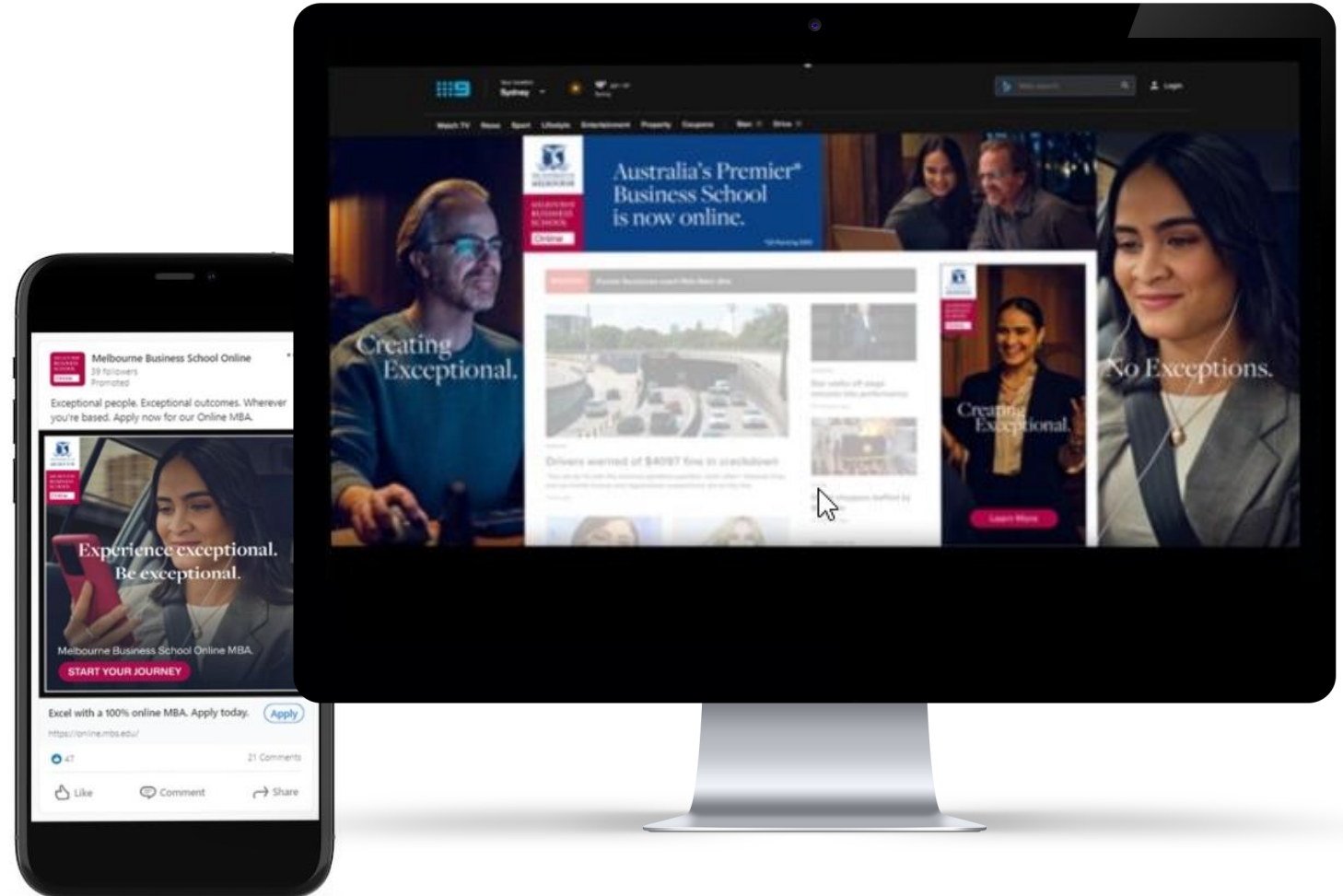
Enrollments for Australia’s top ranked MBA<sup>1</sup> going online ahead of expectations for first intake



MBS MBA launching online plus short courses and career accelerators.

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

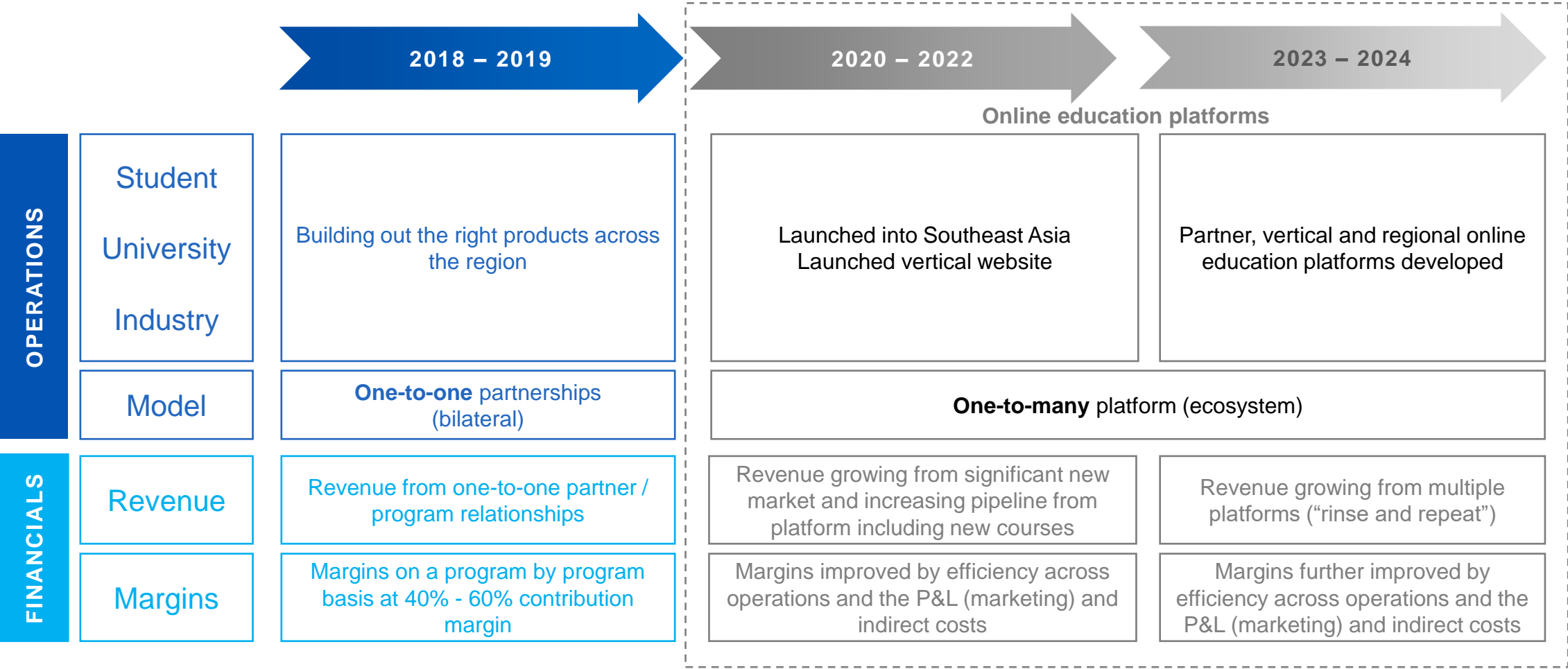
MBS online enrollments ahead of expectations for the first intake with >1/3 of students from outside Victoria





# Building the APAC online education platforms

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



2

# FY23 Building on our Strong Track Record

---



# FY23 restructuring, strategic and investment updates

We continue to focus our strategy and investment on where we can have the biggest impact with our unique competitive strengths in US Healthcare and our APAC expansion

## STRATEGIC FOCUS ON MOST ATTRACTIVE MARKETS WHERE WE HAVE UNIQUE COMPETITIVE STRENGTHS

- During FY23, **we reduced our workforce by approximately 50 people** and restructured our Canadian, UK and some US operations given our **strategic focus on Healthcare in the US and growing throughout the APAC region**
- This resulted in one-time restructuring charges of US\$2.0 million, of which US\$0.8 million was non-cash asset impairments and US\$1.2 million employee termination related charges
- The restructuring and increased focus on US Healthcare and APAC expansion is **expected to result in margin accretion over the medium term**

## ALSO MEANS EXITING SOME PARTNERS AND PROGRAMS OVER TIME

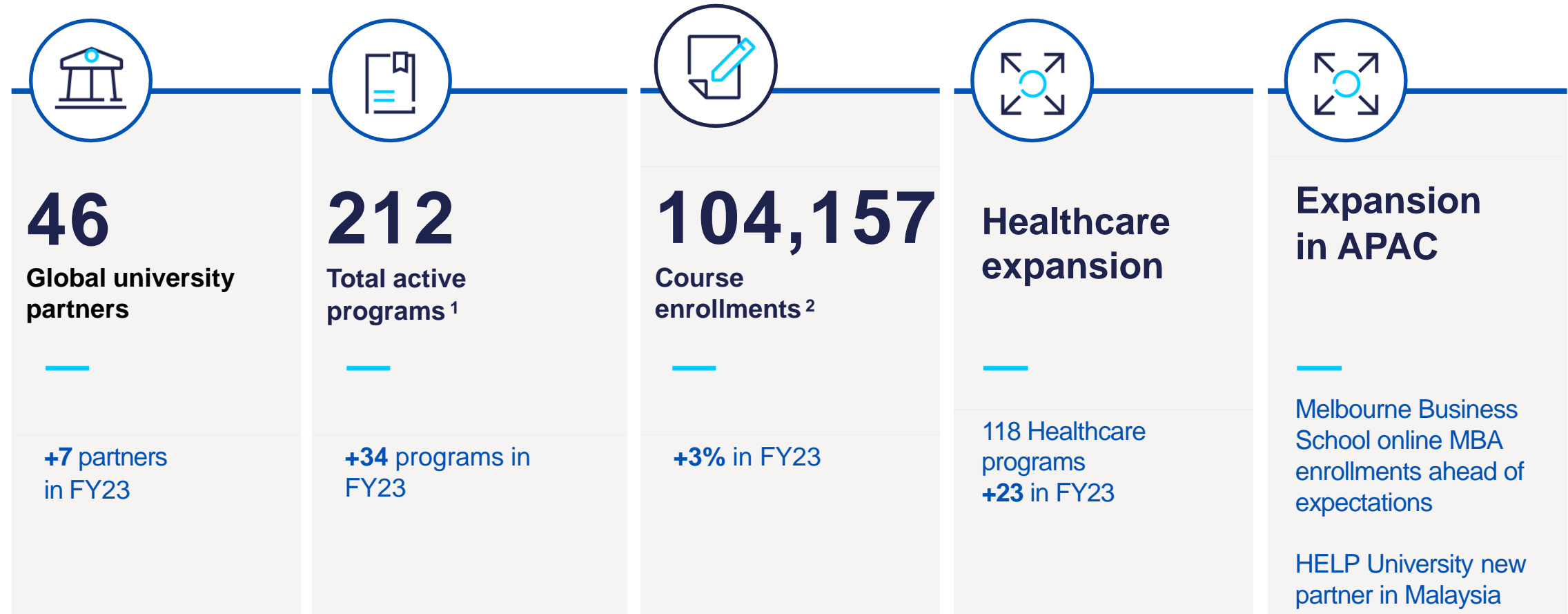
- We will be winding down seven partners, primarily in the UK and Canada, as part of continuing our focus on the Healthcare market
- Exited partners results in ~US\$5.6 million of lost revenue in FY24 which reduces the year-on-year revenue growth by ~6 percentage points
- Due to the increasing diversity of our programs across the higher education spectrum, we will no longer be reporting partner and program numbers from Q1 FY24 **with the reporting focus continuing to shift to steady state mature revenue for upcoming vintages and broader revenue growth expectations**

## REGISTERING WITH THE SEC DUE TO THEIR REQUIREMENTS

- Due to SEC requirements, the Company commenced preparing for registration with the SEC
- This process resulted in one-time costs incurred in FY23, including accounting and legal advice, of US\$0.3 million with additional one-time costs expected in FY24 and ongoing annual costs of ~US\$1 million
- This registration may increase the Company's flexibility to access a broader range of investors in the future and list its securities on a national security exchange, but the Company has no current plans for any such listing or any US capital raising

# FY23 operational highlights

Continued strong growth in partners, programs, 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 June 30, 2023, 163 programs were revenue generating while 21 were in market but pre-1st enrollment.

(2) Includes estimates for enrollments pending invoicing.

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

Strong revenue growth and cash balance to support growth objectives while driving improving profitability

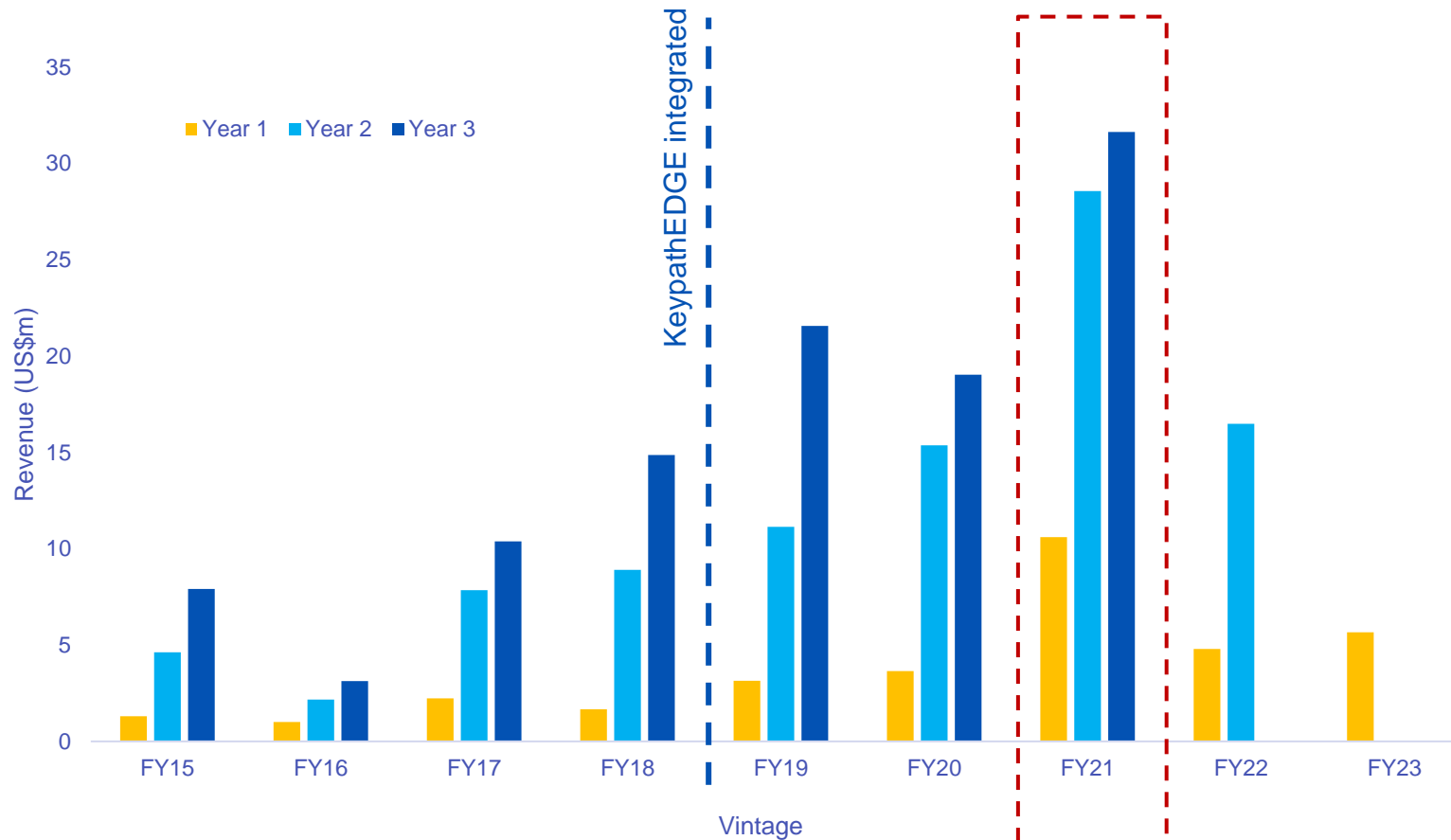
<b>\$124.2m</b> Revenue 	<b>\$23.1m</b> 18.6% contribution margin 	<b>\$(9.4)m</b> Adjusted EBITDA 	<b>~\$16m</b> Investment <sup>2</sup> 	<b>\$46.8m</b> Cash on hand 
<b>\$126.2m</b> at guidance exchange rates within FY23 guidance <sup>1</sup>  +5% from FY22, +9% constant currency	+5% from FY22	<b>\$(8.4)m</b> at guidance exchange rates within FY23 guidance <sup>1</sup>  +11% from FY22	In new programs launched in FY23; decrease of ~\$3m from FY22	Expected to be fully funded to cash flow break even

(1) FY23 revenue guidance was US\$125 million to US\$130 million and FY23 adjusted EBITDA guidance was US\$(7) million to US\$(9) million on a constant currency basis assuming USD:AUD rate of 0.695.

(2) Represents the net cash investment in all FY23 and later vintage programs included in the FY23 financial results; net cash investment in all FY22 and later vintage programs included in the FY22 financial results was ~\$19m.

# 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 now expect the majority of newer vintages to be US\$25 million - US\$35 million at mature steady state revenue and achieve contribution margins of 40% - 60% following our proven unit economic model

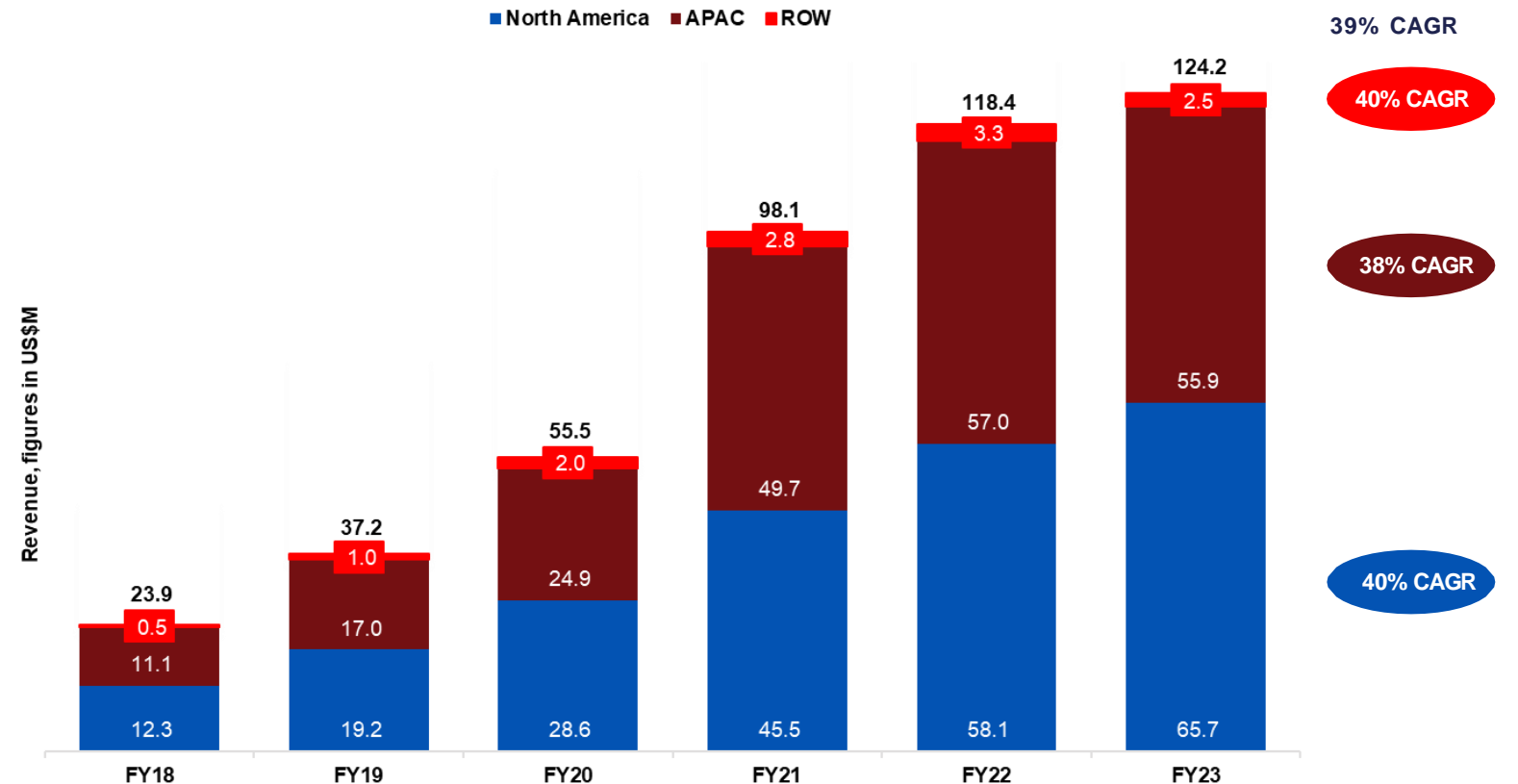
# Building on our strong financial track record

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

# 39%

Revenue CAGR  
FY18 – FY23

## REVENUE BY GEOGRAPHY<sup>1</sup>

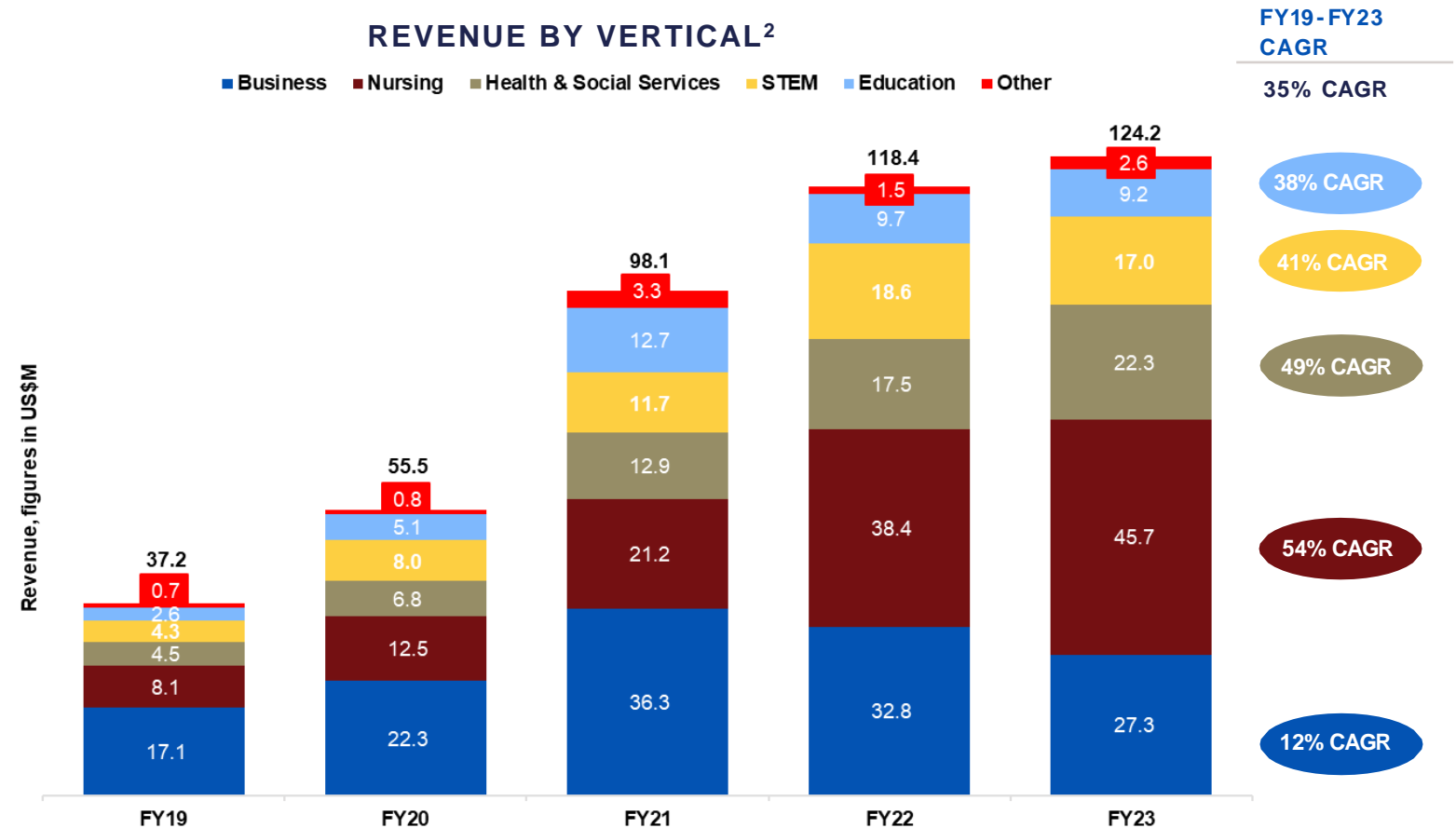


(1) North America region includes the United States and Canada. Asia-Pacific (APAC) region includes Australia, Malaysia and Singapore. The Rest of World includes the United Kingdom.

# 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

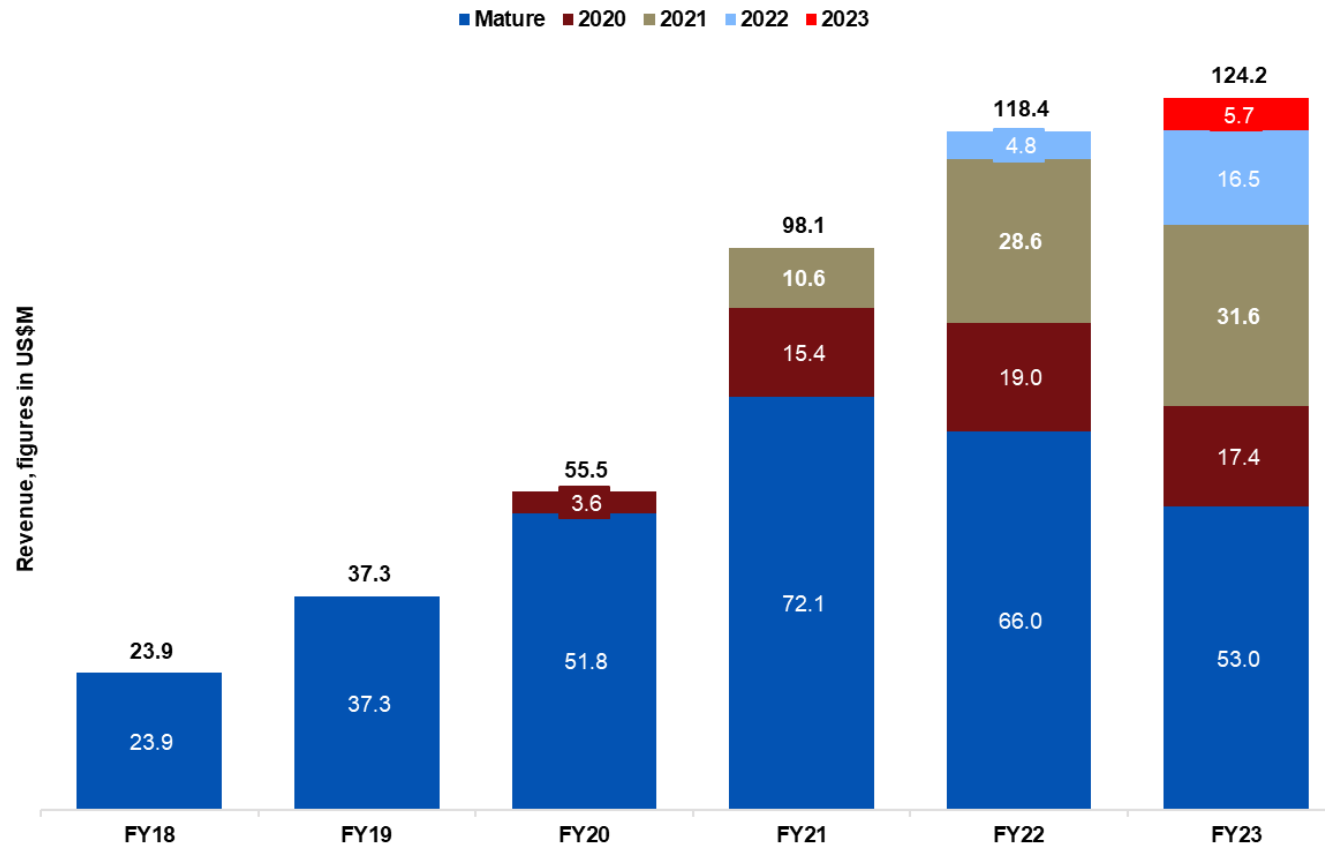
**52%** Healthcare<sup>1</sup> revenue CAGR  
FY19 – FY23



(1) Healthcare includes Nursing, Health & Social Services verticals.  
(2) Other primarily includes law.

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

Newer vintages continue to expand rapidly



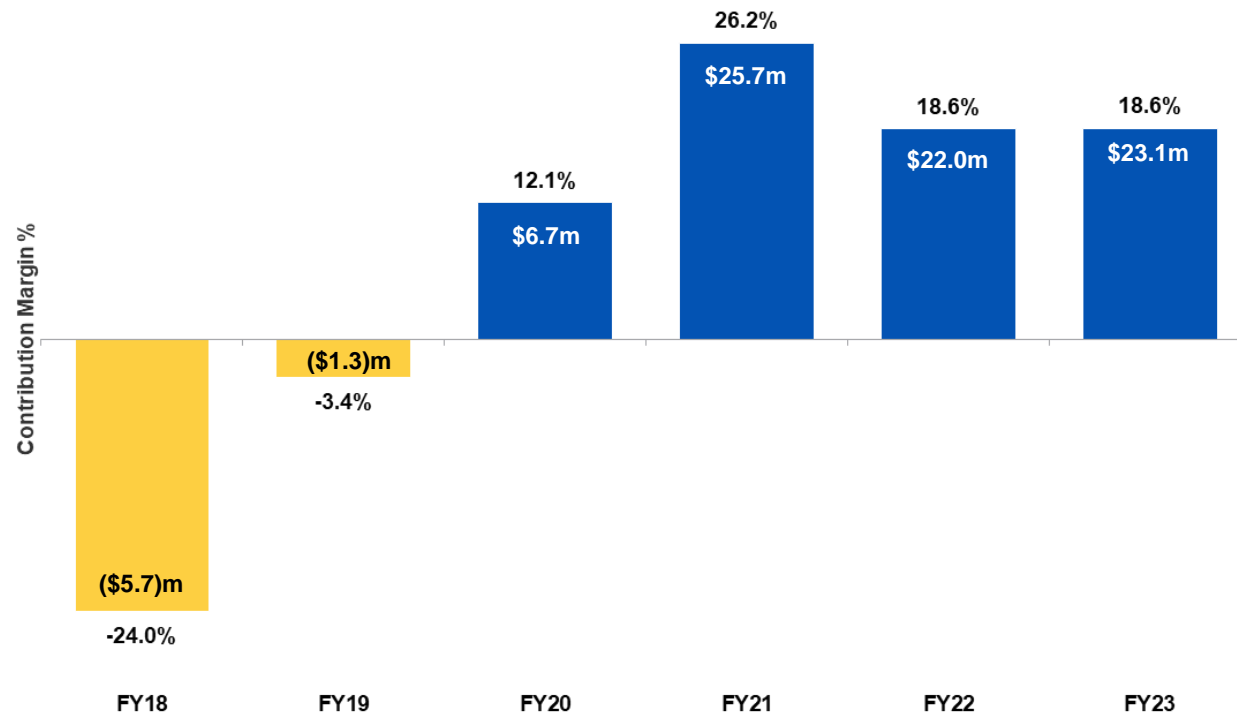
## COMMENTARY

- 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, declined due to the **shift in market conditions, our investment reallocation, and ramp down of terminated programs**
- 4 This investment reallocation will continue from mature vintages and the decline in mature vintages was approximately 16% on a constant currency basis in FY23; we expect an improvement on this in FY24 with an 11% decline in mature vintage revenue (excluding exited program revenue of US\$5.6 million)

(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%



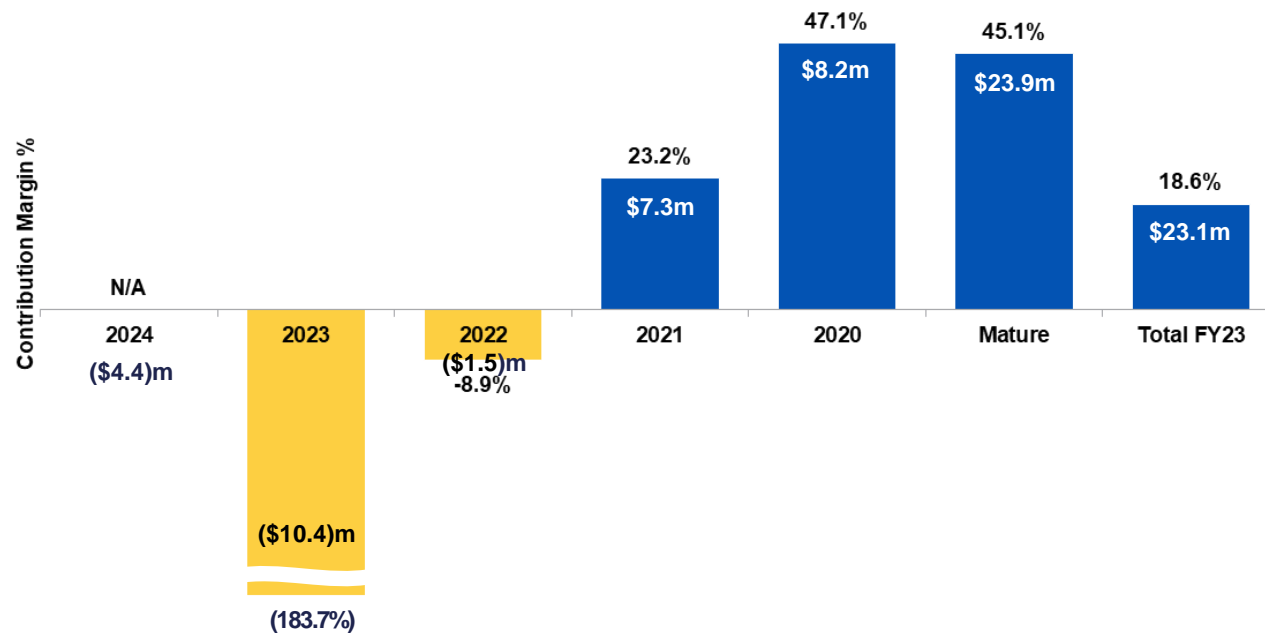
### COMMENTARY

- 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 FY23 increased from FY22 (flat CM% YOY) due to higher revenue and cost management, which were partially offset by investment in new programs, continued pressure in more mature vintages, and the tough comparison in FY22 due to the COVID bump in FY22
- 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)



# FY23 contribution margin by vintage

Mature vintages' contribution margin at 45% 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

# FY24 Progress and Outlook

---

# Strong financial foundations and outlook

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



	FY24 guidance <sup>1</sup>	Commentary
Revenue	FY24: US\$130 million – US\$135 million	<ul style="list-style-type: none"> <li>Healthcare (55% of Keypath total revenue) grew 22% in FY23 offset by a reduction in mature vintage revenue of approximately 16% (in constant currency); we expect an improvement on this in FY24 at an 11% decline (excluding exited program revenue)</li> <li>FY24 revenue excludes US\$5.6 million revenue from exited programs; <b>mid-teens revenue growth in FY24</b> if this is added back</li> <li>Longer-term <b>annual revenue growth rates expected to be in the mid-teens</b></li> <li>Annualized cost savings of ~US\$4 million expected from the restructuring</li> </ul>
Adjusted EBITDA	FY24: US\$(1) million – US\$(3) million	
	From H2 FY24: Adjusted EBITDA breakeven targeted	

Continued growth balanced with accelerated profitability

(1) FY24 guidance is on constant currency basis assuming USD:AUD rate of 0.67

# Q&A

---

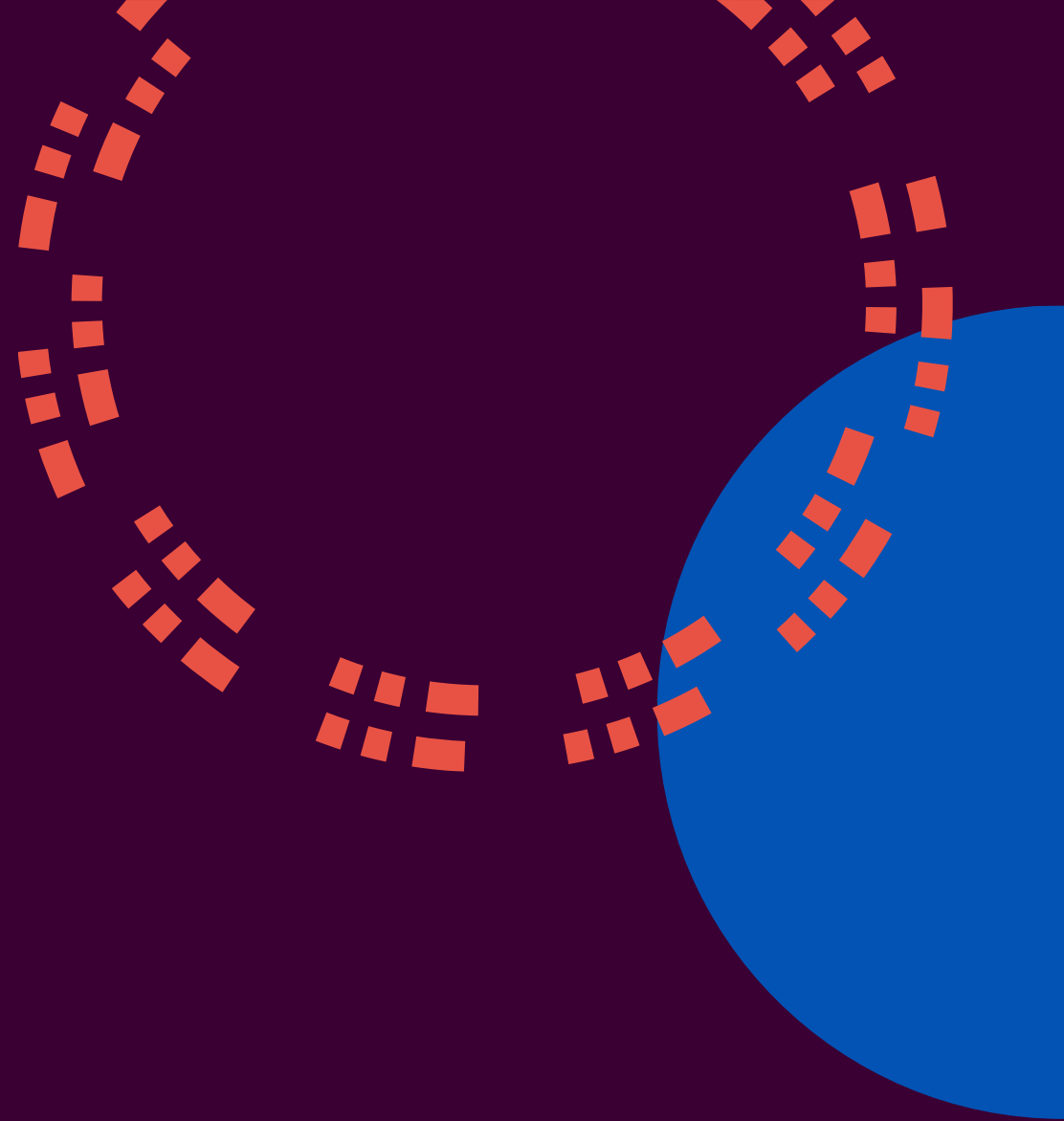




# Appendix



Financial Statements



# Income statement

US\$m	FY23	FY22	% change
<b>Revenue</b>	<b>124.2</b>	<b>118.4</b>	<b>4.9%</b>
Salaries and wages	(69.0)	(63.3)	9.0%
Direct marketing	(47.4)	(47.1)	0.7%
General and administration (G&A) expenses	(16.4)	(17.3)	(5.1%)
Depreciation and amortization	(5.2)	(4.9)	5.6%
Stock-based compensation expense (one-time)	(1.5)	(7.2)	(79.8%)
Stock-based compensation expense (ongoing)	(2.7)	(2.1)	24.9%
Legacy Long-Term Incentive Plan Cash Awards	2.0	(0.8)	(346.0%)
Restructuring	(2.0)	-	-%
SEC Registration costs	(0.3)	-	-%
<b>Operating Loss</b>	<b>(18.2)</b>	<b>(24.4)</b>	<b>(25.3%)</b>
Other expense	(0.7)	(1.2)	(41.6%)
<b>Loss before income taxes</b>	<b>(18.9)</b>	<b>(25.6)</b>	<b>(26.1%)</b>
Income tax expense	(0.8)	(1.1)	(28.9%)
<b>Net loss</b>	<b>(19.7)</b>	<b>(26.7)</b>	<b>(26.2%)</b>
Revenue growth %	4.9%	20.7%	(1583 bps)
Salaries and wages % of revenue	55.6%	53.5%	208 bps
Direct marketing % of revenue	38.2%	39.7%	(158 bps)
General and administration % of revenue	13.2%	14.6%	(140 bps)

## COMMENTARY

- Strong **revenue** performance +9% (constant currency) is underpinned by course enrollment growth, student retention and the launch of new programs in key disciplines
- **Salaries and wages** expense increased despite flat headcount end of FY23 vs. end of FY22 primarily due to additions during FY23 and then headcount reductions later in the year related to a restructuring, as well as higher benefits costs and annual merit-based employee pay increases
- **Direct marketing** costs increased slightly due to the growth in active programs and the number and size of programs in their development and launch phase, which was partially offset by spend rationalization for existing programs and reductions from exited programs
- **G&A** costs decreased driven by efficiencies and cost management
- **Other expense** primarily includes foreign currency transaction losses
- **Income tax** primarily relates to withholding taxes, minimum state income tax payments and book to tax temporary differences. All Net Operating Loss carry forwards in Australia have been utilized showing the profitability of that business; further proof of unit economic model

# Contribution margin in detail

US\$m	FY23	FY22	% change
<b>Revenue</b>	<b>124.2</b>	<b>118.4</b>	<b>4.9%</b>
Direct salaries and wages net of capitalized costs	(50.5)	(46.6)	8.6%
Direct marketing expenses	(47.4)	(47.1)	0.7%
G&A expenses allocated to direct departments	(3.1)	(2.8)	11.1%
<b>Contribution margin</b>	<b>23.1</b>	<b>22.0</b>	<b>5.2%</b>
Corporate costs	(31.8)	(31.3)	1.4%
Stock-based compensation expense (one-time)	(1.5)	(7.2)	(79.8%)
Stock-based compensation expense (ongoing)	(2.7)	(2.1)	24.9%
Legacy Long-Term Incentive Plan Cash Awards	2.0	(0.8)	(346.0%)
Restructuring	(2.0)	-	-%
SEC Registration costs	(0.3)	-	-%
Other expense	(0.7)	(1.2)	(41.6%)
<b>EBITDA</b>	<b>(13.8)</b>	<b>(20.7)</b>	<b>(33.6%)</b>
Contribution margin %	18.6%	18.6%	5 bps
Direct salaries and wages net of capitalized costs %	40.7%	39.3%	139 bps
Direct marketing expenses %	38.2%	39.7%	(158 bps)
G&A expenses allocated to direct departments %	2.5%	2.3%	14 bps
Corporate costs %	25.6%	26.5%	(86 bps)
EBITDA %	(11.1%)	(17.5%)	641 bps

## COMMENTARY

- **Contribution margin:**
  - is revenue less direct costs, which consist 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
- FY23 **contribution margin** of US\$23.1 million, or 18.6%
- **Corporate costs** are roughly flat year-over-year

# Balance sheet statement

US\$m	June 30, 2023	June 30, 2022	% change
Cash and restricted cash	46.8	59.2	(20.9%)
Accounts receivable and other current assets	13.6	19.0	(28.4%)
Accounts payable and other current liabilities	(27.8)	(29.3)	(5.3%)
<b>Net Working Capital</b>	<b>32.6</b>	<b>48.8</b>	<b>(33.2%)</b>
Property and equipment, net	1.0	1.3	(20.1%)
Goodwill	8.8	8.8	-%
Intangible assets, net	7.6	6.7	13.6%
Other non-current assets	5.1	7.2	(28.8%)
Other non-current liabilities	(0.5)	(0.4)	6.7%
<b>Net Assets</b>	<b>54.6</b>	<b>72.3</b>	<b>(24.4%)</b>
Common stock	2.1	2.1	2.8%
Additional paid-in capital	257.5	255.5	0.8%
Accumulated losses	(205.0)	(185.4)	10.6%
<b>Total Equity</b>	<b>54.6</b>	<b>72.3</b>	<b>(24.4%)</b>

## COMMENTARY

- **Strong cash position US\$46.8 million (no debt)** as of June 30, 2023; 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** decreased as a result of strong collections during FY23
- **Accounts payable and other current liabilities** decreased as a result of timing of payroll and vendor payments
- **Other non-current assets** decreased due to lower operating lease right-of-use assets, contract assets, and deferred tax assets



# Cash flow statement

US\$m	FY23	FY22	% change
<b>EBITDA</b>	<b>(13.8)</b>	<b>(20.7)</b>	<b>(33.6%)</b>
<i>Non-cash items:</i>			
Stock-based compensation expense	4.1	9.4	(55.9%)
Legacy Long-Term Incentive Plan Cash Awards	(2.0)	0.8	(346.0%)
Deferred income taxes	0.4	0.8	(46.6%)
Asset impairments	0.8	-	-%
Other non-cash items	0.4	0.2	79.0%
Change in net working capital	5.8	8.3	(29.7%)
Income taxes paid	(0.5)	(0.5)	(11.1%)
<b>Cash flow from operating activities</b>	<b>(4.6)</b>	<b>(1.7)</b>	<b>171.2%</b>
Additions of amortizable intangible assets	(4.6)	(4.3)	7.7%
Purchases of property and equipment	(0.7)	(0.6)	29.4%
<b>Cash flow from investing activities</b>	<b>(5.4)</b>	<b>(4.9)</b>	<b>10.2%</b>
Payments of taxes from withheld shares	(1.4)	-	-
Employee stock repurchases	(0.7)	-	-
<b>Cash flow from financing activities</b>	<b>(2.2)</b>	<b>-</b>	<b>-</b>
Effect of exchange rate changes	(0.2)	(1.7)	(88.6%)
<b>Net cash flows</b>	<b>(12.3)</b>	<b>(8.3)</b>	<b>49.2%</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>46.8</b>	<b>59.2</b>	<b>(20.8%)</b>

## COMMENTARY

- As a result of our disciplined focus on cash management, our **cash burn was US\$8.1 million in FY23 (roughly the same as FY22)** after removing US\$4.2 million of FY23 non-operating cash outflows for previously disclosed one-time long-term incentive plan cash awards payout and employee net-share settlements of stock-based awards and employee stock repurchases
- Net cash used in operating activities was US\$4.6 million in FY23 compared to US\$1.7 million in FY22; primarily driven by a cash payment of US\$2.0 million to the holders of Legacy LTIP Cash Awards in September 2022
  - UD\$0.8 million non-cash impairment charges related to long lived assets, primarily right-of-use assets and capitalized contract acquisition costs
- Net cash used in investing activities was US\$5.4 million in FY23, primarily representing the capitalized value of employee and contractor costs directly involved in the development of programs and eligible for capitalization under US GAAP
- Net cash used in financing activities was US\$2.2 million in FY23, 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

# Adjusted EBITDA

US\$m	FY23	FY22	% change
<b>Operating loss</b>	<b>(18.2)</b>	<b>(24.4)</b>	<b>(25.3%)</b>
Other income and (expense), net	(0.7)	(1.2)	(41.6%)
<b>EBIT</b>	<b>(18.9)</b>	<b>(25.6)</b>	<b>(26.1%)</b>
Depreciation and amortization	5.2	4.9	5.6%
<b>EBITDA</b>	<b>(13.8)</b>	<b>(20.7)</b>	<b>(33.6%)</b>
Stock-based compensation expense (one-time) <sup>1</sup>	1.5	7.2	(79.8%)
Stock-based compensation expense (ongoing)	2.7	2.1	24.9%
Legacy Long-Term Incentive Plan Cash Awards	(2.0)	0.8	(346.0%)
Restructuring	2.0	-	-%
SEC Registration costs	0.3	-	-%
<b>Adjusted EBITDA</b>	<b>(9.4)</b>	<b>(10.5)</b>	<b>(10.9%)</b>
EBIT % of revenue	(15.2%)	(21.6%)	638 bps
EBITDA % of revenue	(11.1%)	(17.5%)	641 bps
Adjusted EBITDA % of revenue	(7.5%)	(8.9%)	133 bps

## 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/one-time 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
- FY23 Adjusted EBITDA of **US\$(9.4) million**, an improvement of \$1.1 million compared to FY22

(1) Stock-Based compensation expense (one-time) projected to be \$0.2 million for FY24.

# Contacts

---

## **Investor Relations**

Malcolm McNab

Director of Investor Relations

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

