



# H1 FY24 Results Presentation

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February 27, 2024



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## PRESENTATION AGENDA

1. Introduction to Keypath Education
  2. H1 FY24 Results Showing Strong Growth and Profitability
  3. FY24 Progress and Outlook
- A. Appendix: Financial Statements

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# Introduction to Keypath Education

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# 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.



# Long-term priorities

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



# Our strategy to deliver on our purpose in the US

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

FOCUS MARKETS	COMPETITIVE ADVANTAGES	OUR WINNING CAPABILITIES
---------------	------------------------	--------------------------

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

>78k  
Qualified nursing applications were not offered places at nursing schools in 2022<sup>1</sup>

~100k

Registered nurses (RNs) left the workforce during the COVID-19 pandemic in the past two years due to stress, burnout and retirements<sup>2</sup>

30.6m

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

US\$12bn

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

1 One of the largest 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

26.2%

H1 FY24 growth in US Healthcare<sup>5</sup> revenue

>600

US Healthcare systems

>24k

Clinical placements

(1) Source: American Association of Colleges of Nursing. (2) National Council of State Boards of Nursing “Examining the Impact of the COVID-19 Pandemic on Burnout & Stress Among U.S. Nurses.” (3) Lancet 2022; 399: 2129–54 Published Online May 23, 2022. (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 US. (5) Healthcare includes Nursing, Health & Social Services verticals.

# Our strategy to deliver on our purpose in APAC



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

FOCUS MARKETS	COMPETITIVE ADVANTAGES	OUR WINNING CAPABILITIES
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## LEADER IN ONLINE HIGHER EDUCATION INNOVATION IN APAC

<div>1</div> <div>Build on our <b>market leading position</b> in Australia with innovative and new offerings</div>	<div>1</div> <div>Building on our <b>unique strengths</b> of: A. Student acquisition B. Proven economic model C. Leading education institution partners</div>	<div></div> <div><div>11</div><div>Leading Australian education institutions</div></div>
<div>2</div> <div>Southeast Asia is the world's <b>Largest EdTech growth region</b><sup>1</sup></div>	<div>2</div> <div>Adding programs with our existing partners and adding new partners</div>	<div></div> <div><div>Healthcare expansion</div><div>underway with <b>36% of APAC revenue coming from Healthcare</b></div></div>
<div>3</div> <div><b>Major Government support</b> and policy changes in favor of online education in Southeast Asia</div>	<div>3</div> <div>Leverage core strengths to win <b>in new ways in new geographies</b> with new and innovative offerings</div>	<div><div></div><div><div>3</div><div>Leading private institutions Keypath partners with in Southeast Asia</div></div></div> <div><div></div><div><div>Innovation</div></div></div>

(1) Source: HolonIQ.



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# H1 FY24 Results Showing Strong Growth and Profitability

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# H1 FY24 operational highlights

Continued strong growth in partners, enrollments, Healthcare and APAC



## 44

**Global university partners**

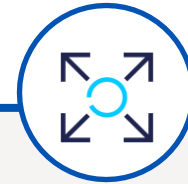
+1 partner from H1  
FY23



## 47,746

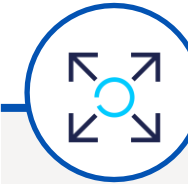
**Course  
enrolments<sup>1</sup>**

+4.3% from H1 FY23



## Healthcare expansion

27.8% growth in revenue in  
Healthcare



## Expansion in APAC

Melbourne Business School  
exceeding early expectations

Healthcare fastest growing  
vertical

Asia continued growth

(1) Includes estimates for enrollments pending invoicing.

# H1 FY24 financial highlights (in US \$m)

Strong revenue growth and cash balance to support growth objectives

**\$66.9m**

Revenue

**+\$8.2m, or +14.0%,**  
increase from H1  
FY23<sup>1</sup>, **+15.3%**  
constant currency

**\$18.1m**

27.0% contribution  
margin

**+\$8.8m, or +95.5%,**  
improvement from H1  
FY23

**\$2.3m**

Adjusted EBITDA

**+\$9.1m, or +133.4%,**  
improvement from H1  
FY23

**~\$6m**

Investment<sup>2</sup>

Decrease of \$1m from  
H1 FY23

**\$41.7m**

Cash on hand

Expected to be fully  
funded to cash flow  
break even

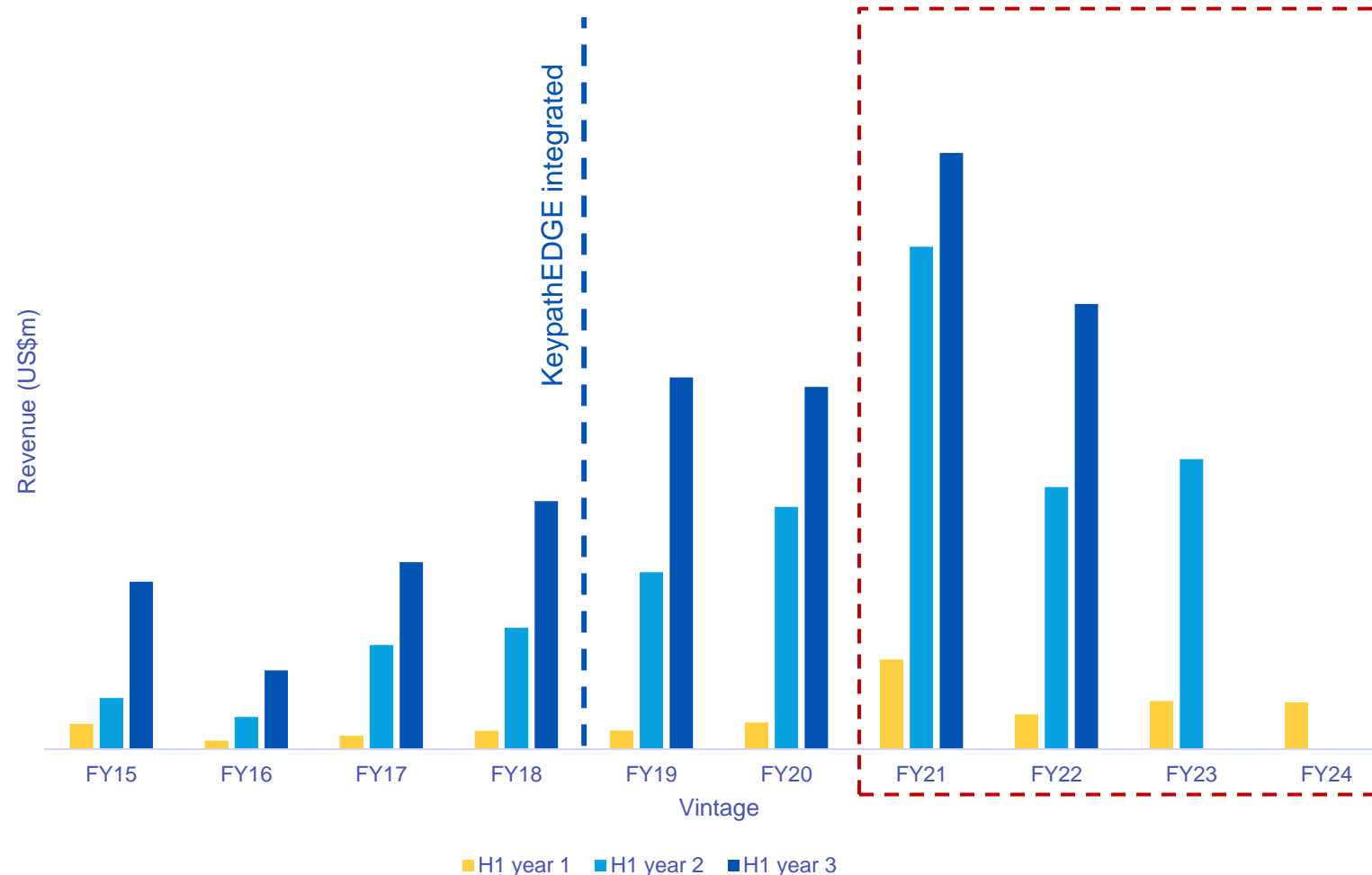
(1) Comparable H1 FY23 results revised throughout this presentation; please see Appendix and H1 FY24 Appendix 4D for further detail.

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

# Continuing to allocate capital to the strongest programs

Building on our data driven approach to program selection through KeypathEDGE

## COMMENTARY

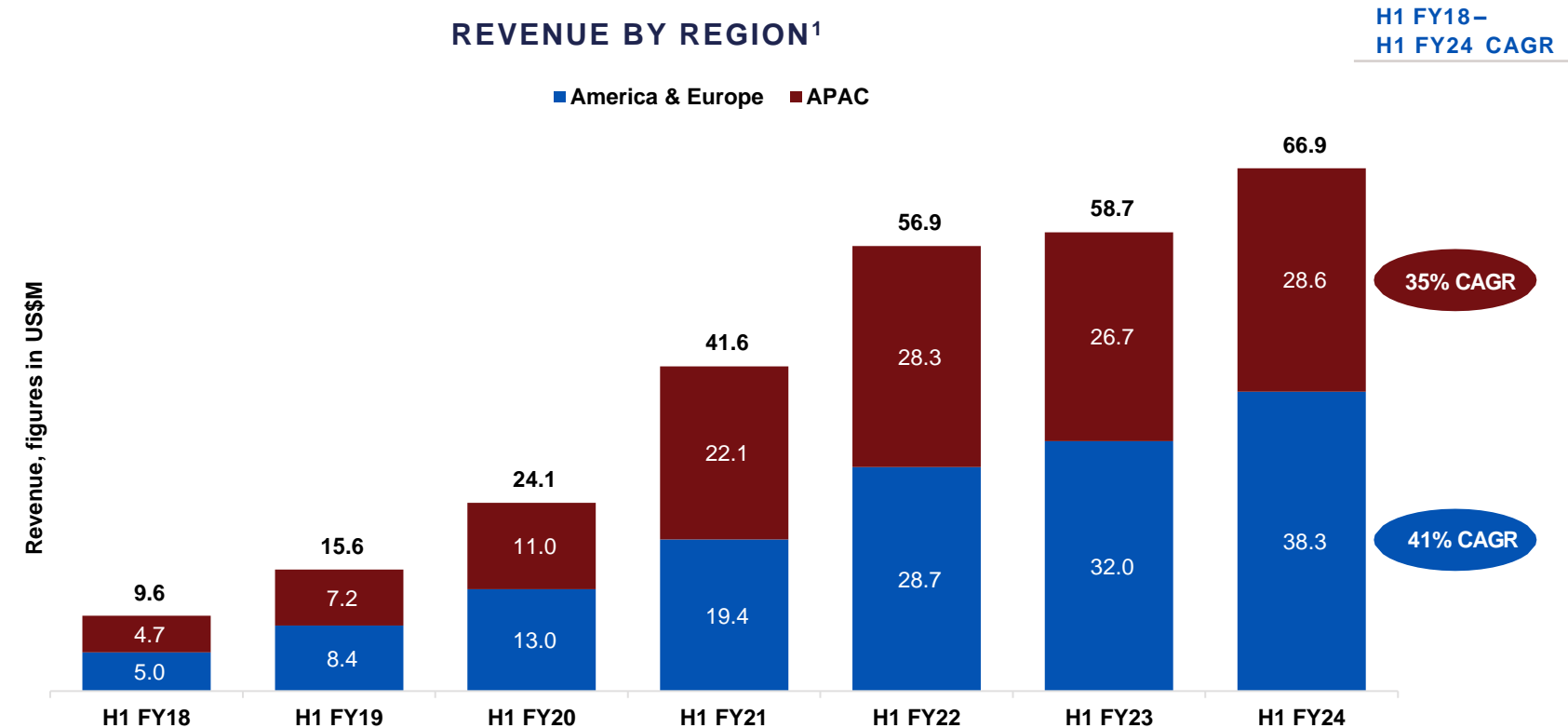


- 1 Our newer vintages of FY21 and later are performing strongly in their first three years versus vintages pre-KeypathEDGE and are indicative of the impact KeypathEDGE has had on our more recent vintages
- 2 We expect this positive momentum in the quality of our vintages to continue given the amount 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\$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 global diversification and track record

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



# 38%

Revenue CAGR  
H1 FY18 – H1 FY24

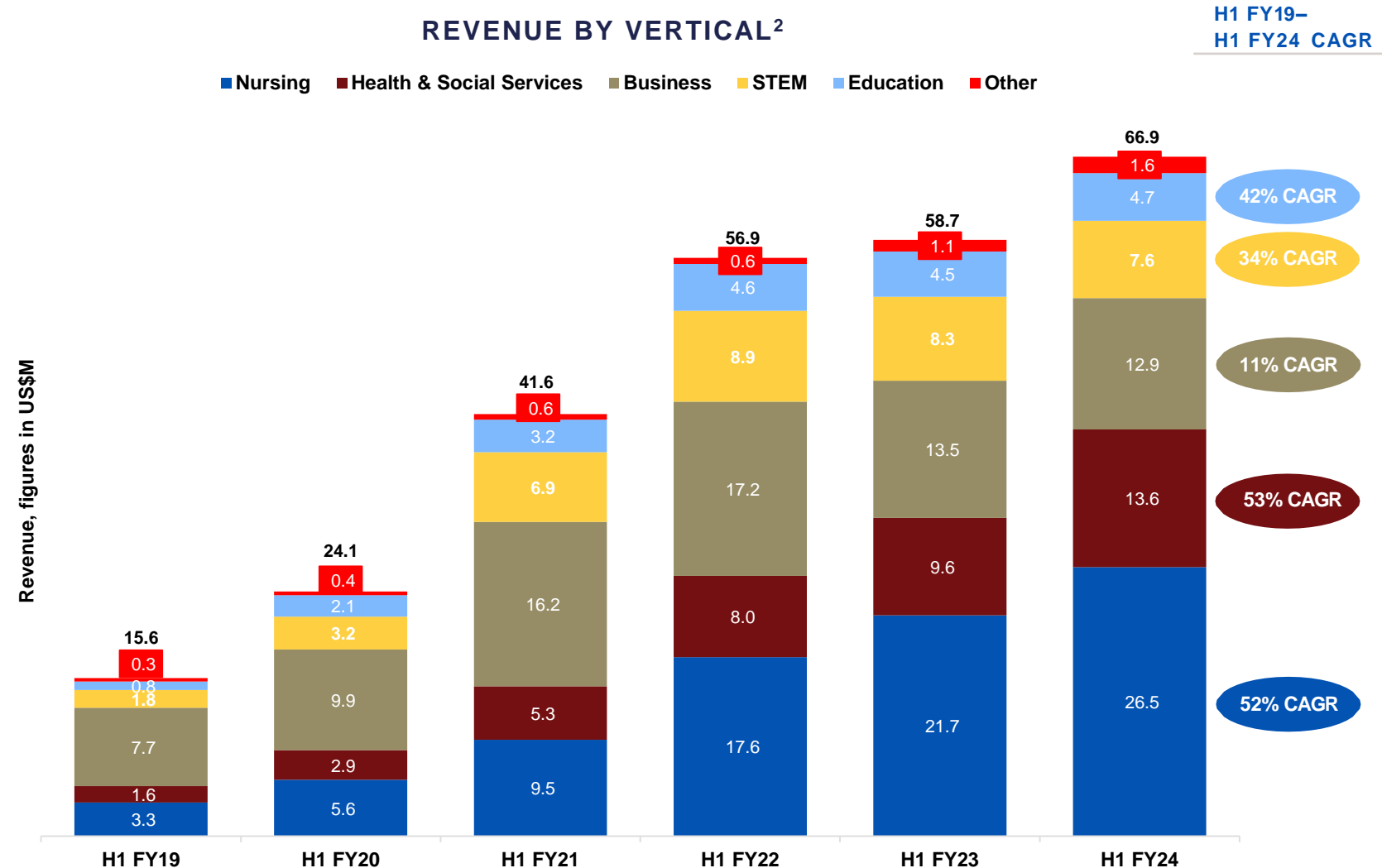
(1) America & Europe region includes the United States, Canada and the United Kingdom. As a percentage of the total America & Europe revenue, Canada and the United Kingdom accounted 6% in H1 FY18, 10% in H1 FY19, 13% in H1 FY20, 14% in H1 FY21, 13% in H1 FY22, 10% in H1 FY23 and 10% in H1 FY24. Asia-Pacific (APAC) region includes Australia, Malaysia and Singapore.

# 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

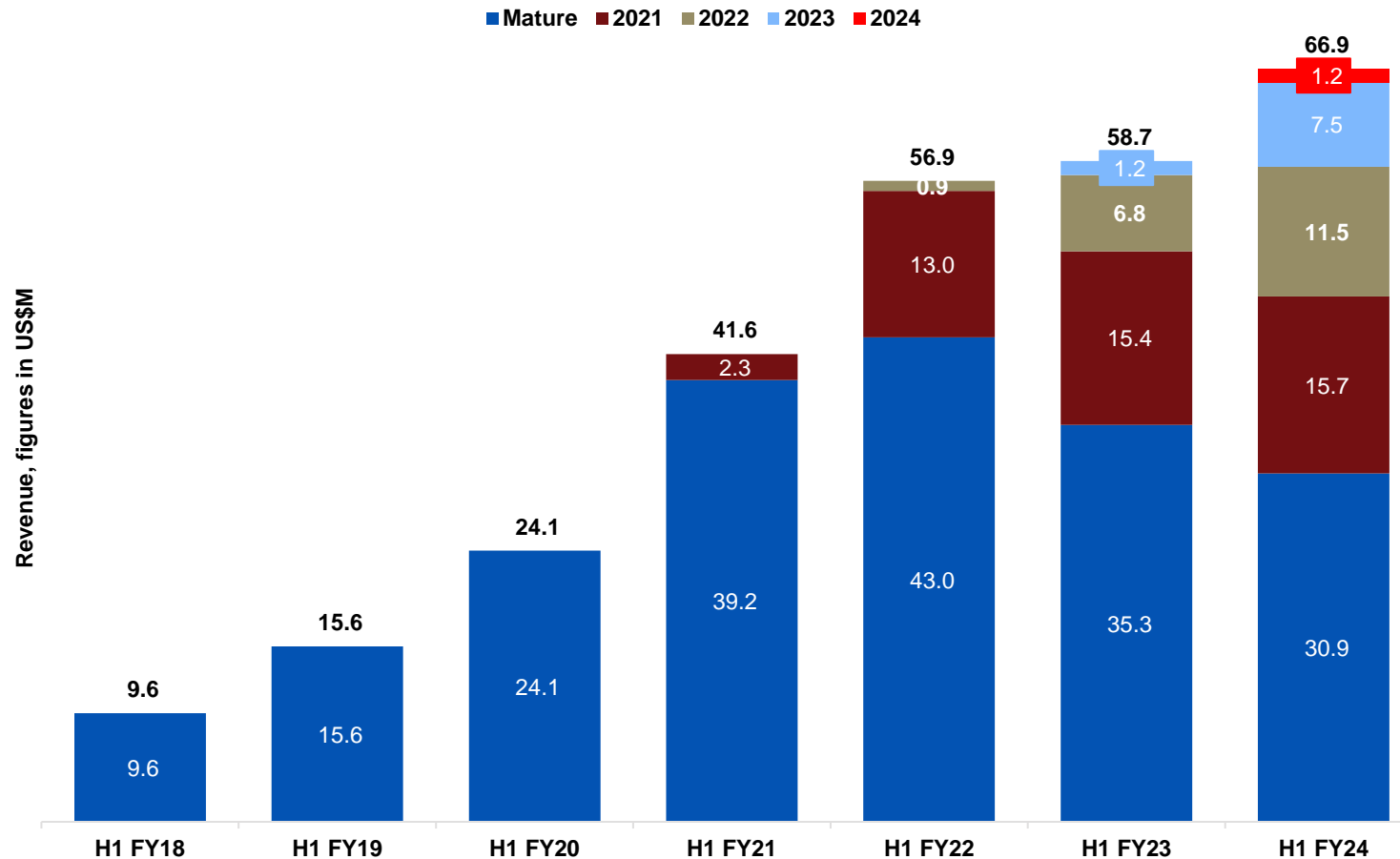
**52%** Healthcare<sup>1</sup> revenue CAGR H1 FY19 – H1 FY24

(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



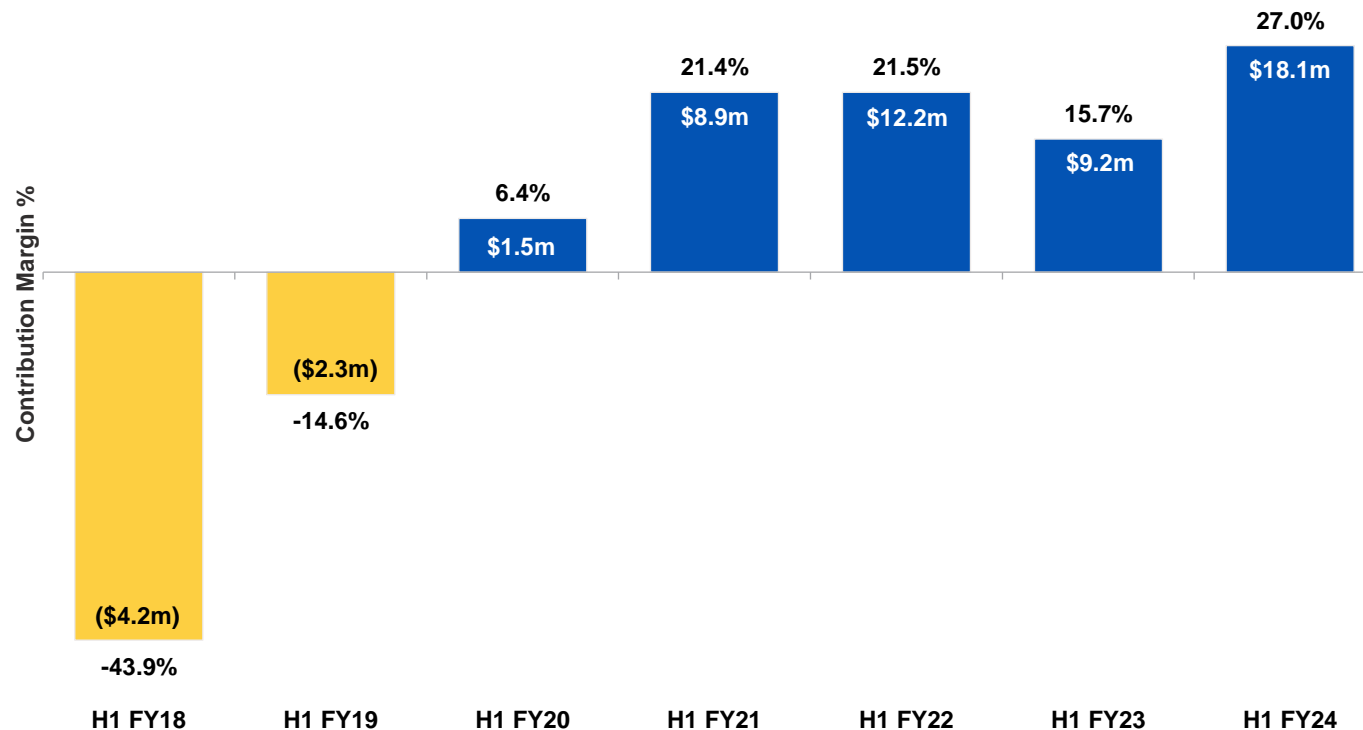
## COMMENTARY

- 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 moderate

(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%



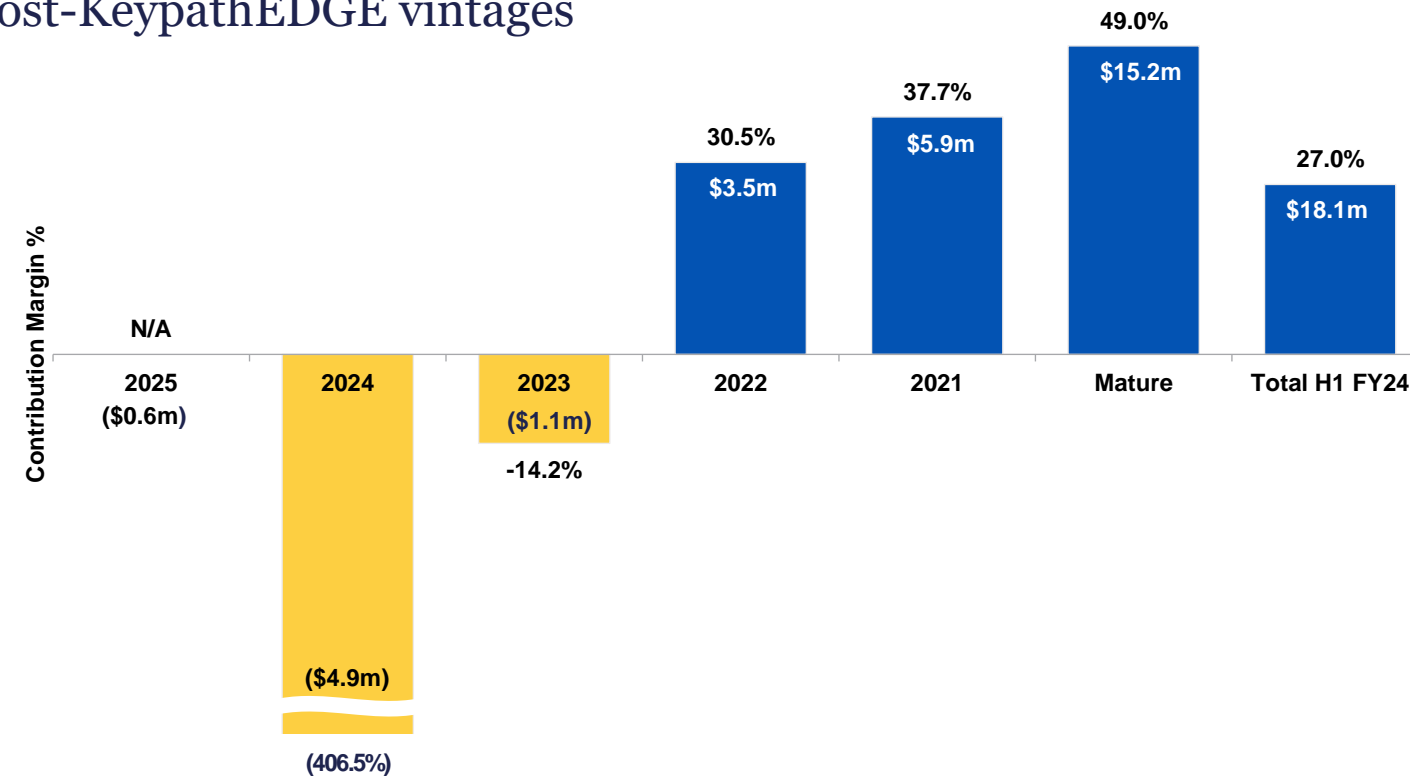
## COMMENTARY

- 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 improved significantly in H1 FY24, reflecting the large recent vintages progressing through our proven unit economic model to maturity, offsetting the large number of programs we have signed recently that are in their deepest investment phase
- 3 Excluding the impact of transitioned programs, the overall contribution margin for first half fiscal 2024 would have been 22.0% versus 27.0%
- 4 **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 FY24 contribution margin by vintage

Mature vintages' contribution margin at 49% proving unit economic model and long-term upward momentum from post-KeypathEDGE vintages



## COMMENTARY

- 1** **Mature vintages prove unit economic model** and evidence profitability of business model even in the face of mature revenue decreases previously noted
- 2** Vintages in "grow" and "launch" stages are progressing through unit economic model as expected
- 3** Excluding the impact of transitioned programs, the mature vintage contribution margin would have been 41.9% in first half fiscal 2024 versus 49.0%
- 4** **Newer vintages reached positive contribution margin faster** than any vintage in the prior history of the Company; still maturing and expected to get to 40% - 60% in accordance with unit economic model

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# FY24 Progress and Outlook

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# Strong foundations and outlook

Competitive position and strategic focus driving revenue growth and improving profitability resulting in raised guidance



	Previous FY24 guidance <sup>1</sup>	Raised FY24 guidance <sup>1</sup>	Longer term expectations
Revenue	FY24: US\$130 million – US\$135 million	FY24: <b>upper end</b> of US\$130 million – US\$135 million	Mid-teens annual revenue growth
Adjusted EBITDA	FY24: US\$(1) million – US\$(3) million	FY24: <b>US\$0 million – US\$2 million</b>	

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

# Q&A

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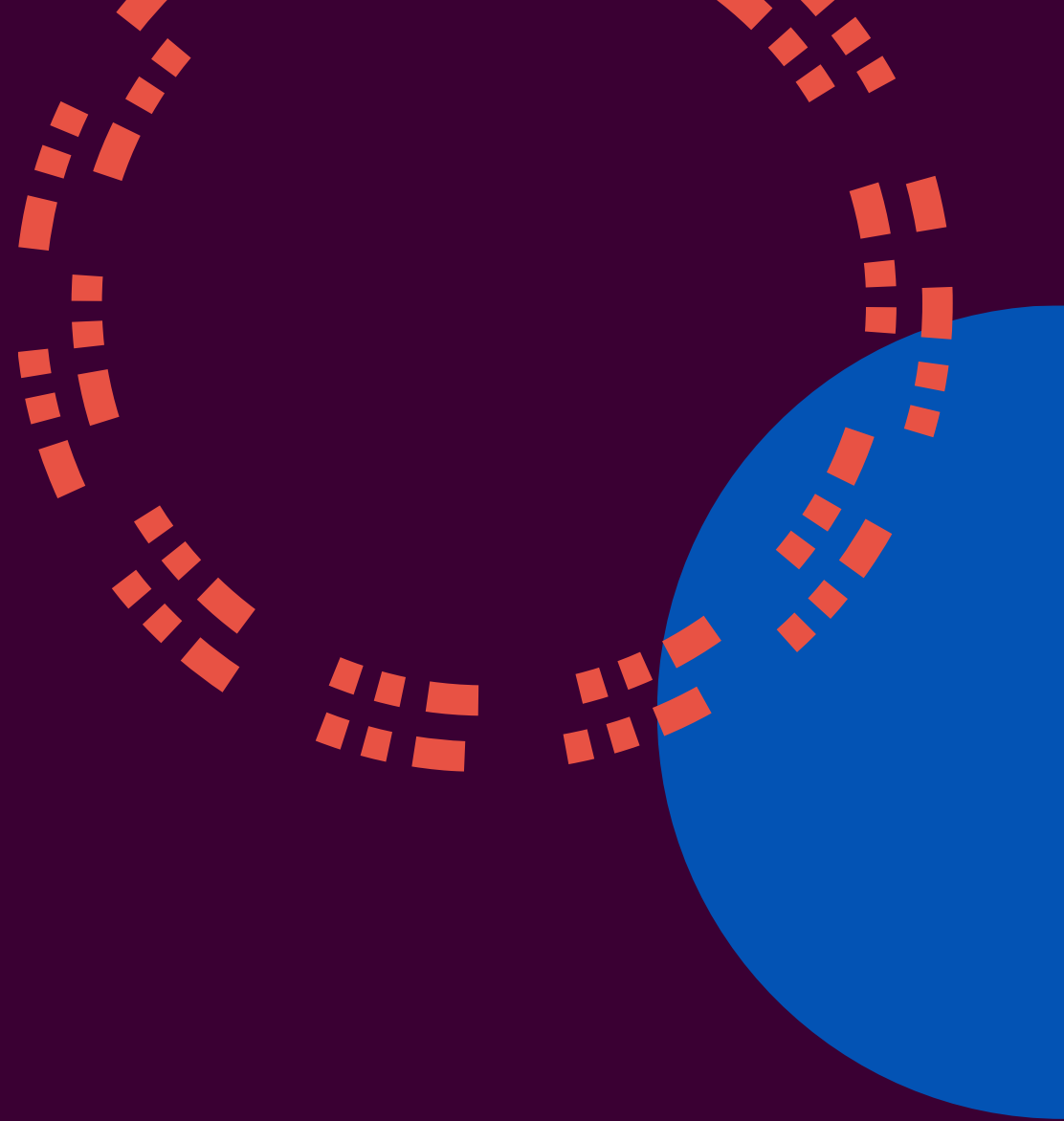




# Appendix



Financial Statements



# Balance sheet statements<sup>1</sup>

US\$m	December 31, 2023	June 30, 2023	Change \$	Change %
Cash and restricted cash	41.7	46.8	(5.1)	(10.9%)
Accounts receivable and other current assets	7.1	13.2	(6.1)	(45.9%)
Accounts payable and other current liabilities	(19.3)	(27.8)	8.5	(30.5%)
<b>Net Working Capital</b>	<b>29.6</b>	<b>32.2</b>	<b>(2.7)</b>	<b>(8.3%)</b>
Property and equipment, net	0.9	1.0	(0.1)	(14.8%)
Goodwill	8.8	8.8	(0.0)	(0.0%)
Intangible assets, net	8.4	7.6	0.8	10.4%
Other non-current assets	3.8	4.9	(1.2)	(23.8%)
Other non-current liabilities	(0.4)	(0.5)	0.1	(21.7%)
<b>Net Assets</b>	<b>50.9</b>	<b>54.1</b>	<b>(3.1)</b>	<b>(5.8%)</b>
Common stock	2.1	2.1	0.0	0.3%
Additional paid-in capital	258.9	257.6	1.4	0.5%
Accumulated losses	(210.1)	(205.6)	(4.5)	2.2%
<b>Total Equity</b>	<b>50.9</b>	<b>54.1</b>	<b>(3.1)</b>	<b>(5.8%)</b>

## COMMENTARY

- **Strong cash position US\$41.7 million (no debt)** as of December 31, 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** have decreased as a result of strong collections during H1 FY24
- **Accounts payable and other current liabilities** have decreased as a result of timing of payroll and vendor payments
- **Other non-current assets** decreased due to lower contract acquisition costs and deferred tax assets

(1) June 30, 2023 Balance Sheet and H1 FY23 results revised; please see H1 FY24 Appendix 4D for further detail.

# Income statements<sup>1</sup>

US\$m	H1 FY24	H1 FY23	Change \$	Change %
<b>Revenue</b>	<b>66.9</b>	<b>58.7</b>	<b>8.2</b>	<b>14.0%</b>
Salaries and wages	(34.5)	(34.7)	0.2	(0.7%)
Direct marketing	(22.3)	(22.6)	0.2	(1.1%)
General and administrative (G&A)	(7.6)	(8.0)	0.4	(5.0%)
Depreciation and amortization	(2.7)	(2.7)	0.0	(1.3%)
Stock-based compensation	(1.4)	(1.9)	0.5	(24.6%)
SEC registration costs	(1.8)	-	(1.8)	-%
Legacy Long-Term Incentive Plan Cash Awards	-	(1.8)	1.8	(100.0%)
<b>Operating Loss</b>	<b>(3.4)</b>	<b>(13.1)</b>	<b>9.7</b>	<b>(73.9%)</b>
Other expense, net	(0.2)	(0.2)	(0.0)	6.9%
<b>Loss before income taxes</b>	<b>(3.6)</b>	<b>(13.3)</b>	<b>9.6</b>	<b>(72.8%)</b>
Income tax expense	(1.3)	(0.3)	(1.0)	382.3%
<b>Net loss</b>	<b>(4.9)</b>	<b>(13.5)</b>	<b>8.7</b>	<b>(64.0%)</b>
Revenue growth %	14.0%	3.1%	10.9%	1091 bps
Salaries and wages % of revenue	51.6%	59.2%	(7.6%)	(761 bps)
Direct marketing % of revenue	33.4%	38.4%	(5.1%)	(508 bps)
G&A % of revenue	11.4%	13.7%	(2.3%)	(228 bps)

## COMMENTARY

- Strong **revenue** performance +15% (constant currency) is underpinned by course enrollment growth, student retention and the launch of new programs in key disciplines
- **Salaries and wages** expenses flat demonstrating continued operating leverage
- **Direct marketing** costs flat due to efficiencies in spend associated with a maturing portfolio, spend rationalization for existing programs and reductions from exited programs
- **G&A** costs decreased driven by efficiencies and cost management
- **Other (expense) income** primarily includes foreign currency transaction losses
- **Income tax** primarily related to estimated current income tax liability for our Australian operations, withholding taxes, minimum state income tax payments and book to tax temporary differences

(1) H1 FY23 results revised; please see H1 FY24 Appendix 4D for further detail.

# Contribution margin in detail<sup>1</sup>

US\$m	H1 FY24	H1 FY23	Change \$	Change %
<b>Revenue</b>	<b>66.9</b>	<b>58.7</b>	<b>8.2</b>	<b>14.0%</b>
Direct salaries and wages	(25.2)	(25.3)	0.1	(0.6%)
Direct marketing	(22.3)	(22.6)	0.2	(1.1%)
G&A expenses allocated to direct departments	(1.3)	(1.6)	0.2	(13.9%)
<b>Contribution margin</b>	<b>18.1</b>	<b>9.2</b>	<b>8.8</b>	<b>95.5%</b>
Corporate costs and other	(15.8)	(16.0)	0.3	(1.6%)
<b>Adjusted EBITDA</b>	<b>2.3</b>	<b>(6.8)</b>	<b>9.1</b>	<b>(133.4%)</b>
Direct salaries and wages %	37.6%	43.2%	(5.5%)	(552 bps)
Direct marketing %	33.4%	38.4%	(5.1%)	(508 bps)
G&A expenses allocated to direct departments %	2.0%	2.7%	(0.7%)	(65 bps)
Contribution margin %	27.0%	15.7%	11.3%	1125 bps
Corporate costs and other%	23.6%	27.3%	(3.7%)	(374 bps)
Adjusted EBITDA %	3.4%	(11.6%)	15.0%	1500 bps

## COMMENTARY

- **Contribution margin:**
  - is revenue less direct costs, which consists of salaries and wages and general and administrative 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 FY24 **contribution margin** of US\$18.1 million, or 27.0%
- **Corporate costs** are roughly flat period-over-period

(1) H1 FY23 results revised; please see H1 FY24 Appendix 4D for further detail.



# Adjusted EBITDA<sup>2</sup>

US\$m	H1 FY24	H1 FY23	Change \$	Change %
Loss before income taxes	(3.6)	(13.3)	9.6	(72.8%)
<i>Adjusted to exclude the following:</i>				
Depreciation and amortization	2.7	2.7	(0.0)	(1.3%)
Stock-based compensation (one-time) <sup>1</sup>	0.2	1.0	(0.8)	(83.6%)
Stock-based compensation (ongoing)	1.3	0.9	0.4	38.7%
Legacy Long-Term Incentive Plan Cash Awards	-	1.8	(1.8)	(100.0%)
SEC registration costs	1.8	-	1.8	-%
<b>Adjusted EBITDA</b>	<b>2.3</b>	<b>(6.8)</b>	<b>9.1</b>	<b>(133.4%)</b>
Adjusted EBITDA % of revenue	3.4%	(11.6%)	15.0%	1500 bps

## COMMENTARY

- **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 earnings before interest, tax, depreciation and amortization less certain non-recurring items as well as stock-based compensation and Legacy Long-Term Incentive Plan Cash Award
- H1 FY24 Adjusted EBITDA of **US\$2.3 million**, an improvement of \$9.1 million compared to H1 FY23

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

(2) H1 FY23 results revised; please see H1 FY24 Appendix 4D for further detail.

# Cash flow statements<sup>1</sup>

US\$m	H1 FY24	H1 FY23	Change \$	Change %
<b>Adjusted EBITDA</b>	<b>2.3</b>	<b>(6.8)</b>	<b>9.1</b>	<b>(133.4%)</b>
<i>Non-cash items:</i>				
Deferred income taxes	0.8	0.2	0.7	336.6%
Change in net working capital	(5.1)	3.6	(8.8)	(241.1%)
Income taxes paid	(0.2)	(0.1)	(0.1)	122.9%
<b>Cash flow from operating activities</b>	<b>(2.2)</b>	<b>(3.1)</b>	<b>0.9</b>	<b>(27.6%)</b>
Additions of amortizable intangible assets	(2.7)	(2.1)	(0.6)	30.2%
Purchases of property and equipment	(0.2)	(0.5)	0.3	(66.7%)
<b>Cash flow from investing activities</b>	<b>(2.9)</b>	<b>(2.6)</b>	<b>(0.3)</b>	<b>12.5%</b>
Payments of taxes from withheld shares	(0.1)	(1.4)	1.3	(96.4%)
Employee stock repurchases	-	(0.5)	0.5	(100.0%)
<b>Cash flow from financing activities</b>	<b>(0.1)</b>	<b>(1.9)</b>	<b>1.9</b>	<b>-%</b>
Effect of exchange rate changes	0.1	(0.1)	0.2	(181.4%)
<b>Net cash flows</b>	<b>(5.1)</b>	<b>(7.7)</b>	<b>2.6</b>	<b>(33.4%)</b>
Cash and restricted cash at beginning of period	46.8	59.2	(12.3)	(20.9%)
<b>Cash and restricted cash at end of period</b>	<b>41.7</b>	<b>51.5</b>	<b>(9.8)</b>	<b>(19.0%)</b>

## COMMENTARY

- As a result of our disciplined focus on cash management, our cash burn was **US\$5.1 million in H1 FY24** after adjusting for the US\$1.0 million cash impact of the US\$1.8 million in SEC registration costs in H1 FY24, the H1 FY24 net cash outflow of US\$4.1 million is in-line with the net cash outflow in H1 FY23 of US\$3.6 million, after adjusting for the US\$2.0 million one-time cash settlement of long-term incentive plan cash awards and US\$2.1 million related to a net-share settlement of stock-based awards and one-time employee stock repurchases in H1 FY23
- For H1 FY24, cash flow used in operating activities was US\$2.2 million compared to US\$3.1 million in H1 FY23; reflecting the timing of collections and payments, employee costs and direct marketing required to procure, develop and manage new programs ahead of their launch
- For H1 FY24, net cash used in investing activities was US\$2.9 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 FY24, net cash used in financing activities was insignificant, representing the amount of cash outflow to satisfy employees' income tax withholding obligations as part of a net-share settlement of stock-based awards

(1) H1 FY23 results revised; please see H1 FY24 Appendix 4D for further detail.

# Contacts

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## **Investor Relations**

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