

ASX Announcement | 20th April 2021
Quarterly Activities Report & Appendix 4C

OpenLearning delivers record cash receipts and strong growth in Q1 FY21

Record quarterly cash receipts and strong growth delivered across all key metrics in Q1 FY21 – key highlights (all financial amounts are in AUD unless otherwise stated):

- 85% YoY increase in quarterly cash receipts from customers to \$1.33 million (+80% QoQ)
- 70% YoY increase in platform revenue to \$412k (+28% QoQ)
- 35% YoY increase in annualised recurring revenue (ARR)¹ to \$1.423 million (+6% QoQ)
- 103% YoY increase in Platform SaaS customers to 177 (+6% QoQ)
- 2.83 million registered users, with a quarterly increase of 100k (+4% QoQ)
- 4.66 million total enrolments, with a quarterly increase of 253k (+6% QoQ)
- UNSW Transition Program Online successfully launched, with the first intake having commenced on 22nd March 2021, and cash receipts received from students of \$511k in Q1 FY21
- Strong cash position of circa \$7.4 million at 31st March 2021, with the majority of investment required for current growth initiatives already being incurred

Sydney, Australia, 20th April 2021: Global lifelong learning platform **OpenLearning Limited** ('OpenLearning' or 'the Company') (ASX: OLL) is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 March 2021 (Q1 FY21), along with the following financial and operational update.

Record cash receipts as new revenue streams come online

OpenLearning achieved record quarterly cash receipts from customers of \$1.33 million in Q1 FY21, an increase of 85% YoY and 80% QoQ. Growth was driven by strong Platform SaaS sales and renewals, accounting for \$480,248 in receipts, and payments from students for the March intake of the UNSW Transition Program Online (TPO) of \$510,720, out of which the Company will pay UNSW Global a license fee in Q2 FY21.

Operating cash outflow in Q1 FY21 improved significantly from the prior quarter, declining 46% to \$977k, in spite of continued investments in revenue share projects, including TPO, OpenCredits Investment Fund/Open Universities Australia and BEST Network. While the Company expects to continue investing in these partnerships in FY21, the majority of the initial costs for the TPO have already been incurred.

In addition to Platform SaaS and Partnerships, cash receipts from sales of courses through OpenLearning's Marketplace were \$313,776 and receipts from the Learning Services division were \$25,746 in Q1 FY21. Operating cash receipts from customers and operating outflows are expected to fluctuate on a quarterly basis during FY21 as the result of the new Platform Partnerships division producing revenue and costs aligned to program intakes throughout the year.

¹ Annualised recurring SaaS revenue, calculated by utilising the generally accepted industry standard, which involves multiplying the monthly accrued SaaS revenue in the month at the end of the quarter by 12 (months). The ARR calculation does not take into account the future expiry of the term of any contract under which SaaS revenue is generated or any customer lost during the relevant month.

OpenLearning Group CEO & Managing Director Adam Brimo said: “This past quarter saw OpenLearning achieve a step change in its business with some significant financial and operational milestones including record quarterly cash receipts, the successful setup and commencement of the UNSW Transition Program Online, the rollout of a self-service SaaS model for institutions, refresh of the BEST Network and early traction for OpenCredits. These initiatives provide a strong foundation for future growth and I’m particularly encouraged by the size of the first intake of the TPO and initial feedback from students. I would like to thank our team, who have worked very hard deliver these outstanding results, and our partners for their continued support to get these initiatives off the ground.”

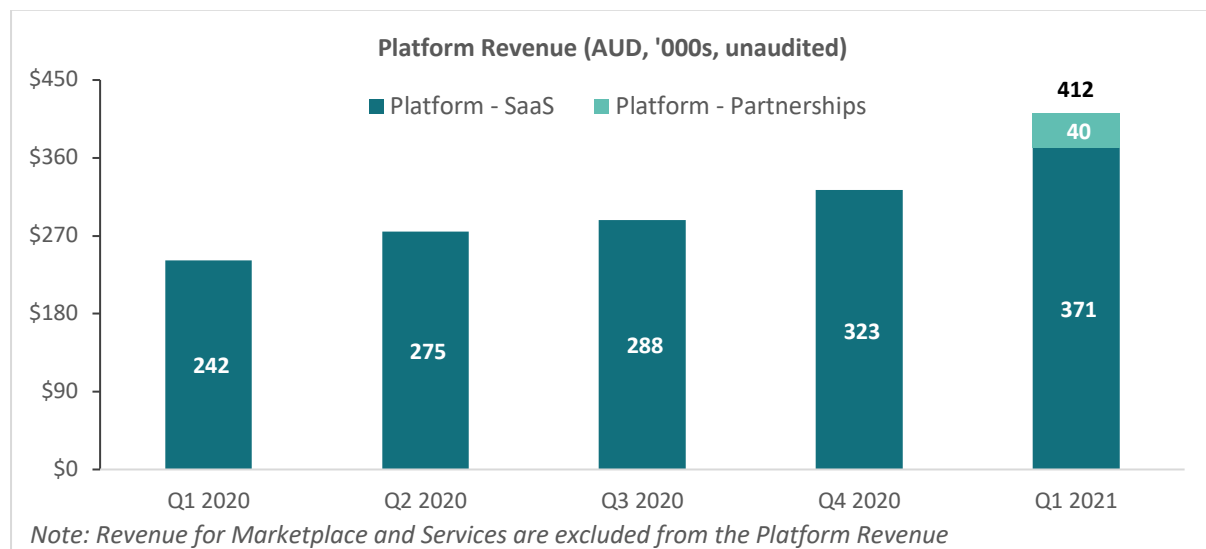
Accelerating growth in platform revenue

The Company’s strategy for FY21 is to realise the value of the OpenLearning Platform and its capabilities through two core revenue models:

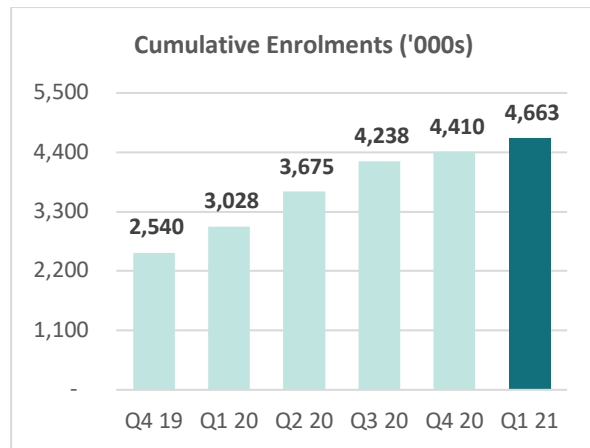
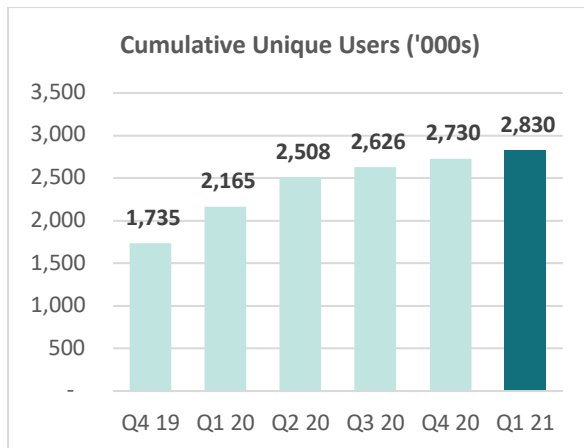
- 1) **Platform - SaaS:** Comprises recurring revenue from education providers that pay to access and utilise the OpenLearning platform and its associated products, including the BEST Network.
- 2) **Platform - Partnerships:** Comprises significant courses and qualifications that are delivered in partnership with top institutions for a large accessible market on a revenue share basis. This includes the TPO, which welcomed its first cohort of students on 22nd March 2021.

To provide more clarity on the Company’s progress on monetising its platform, unaudited platform revenue will now be included in quarterly activity reports.

In Q1 2021, the Company generated \$411,978 platform revenue, an increase of 70% YoY, which includes SaaS revenue of \$371,484, an increase of 54% from Q1 FY20, and Partnerships revenue of \$40,494, which only includes the accrued revenue from the TPO for 8 days in Q1 FY21, with the majority of the remaining revenue from the first intake to be recognised in Q2 FY21.

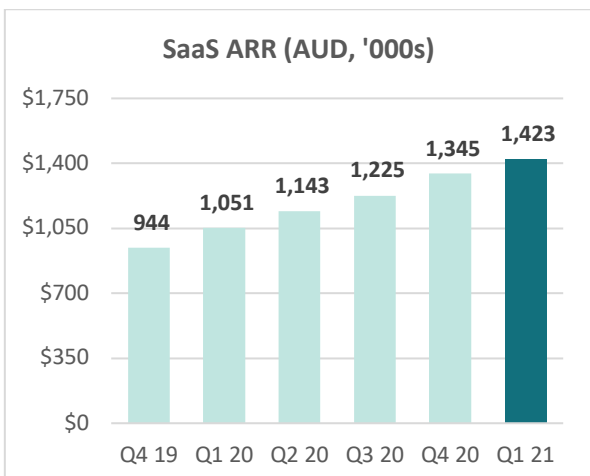
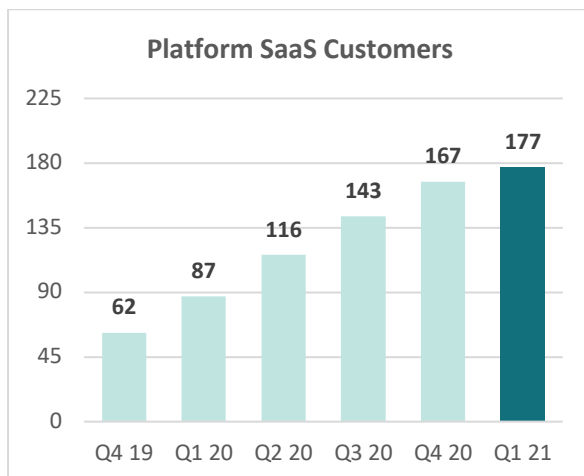


As of 31st March 2021, OpenLearning had over 4.66 million enrolments from over 2.8 million registered learners, making it one of the region’s largest lifelong learning platforms. The Company began implementing a usage-based SaaS model in 2019, and while the platform has seen continued growth in enrolments and learners, it is focused on growing revenue rather than maximising the number of learners.



Platform – SaaS

OpenLearning’s ARR grew to \$1.423 million in Q1 FY21, an increase of 35% YoY. Platform SaaS clients continued to rise, growing 103% YoY to 177 (with ARR in excess of \$500/year). The Company’s ARR includes SaaS revenue from the OpenLearning platform and the BEST Network, which also operates on a subscription model and began generating revenue in the quarter.



The Company has continued to invest in improving the features, functionality and scalability of the OpenLearning Platform. In Q1 FY21, OpenLearning expanded its self-service SaaS model and website (<https://solutions.openlearning.com/pricing>) to enable education providers with less than 4,000 learners to subscribe, pay and onboard themselves with support from the Company’s customer success team.

Platform – Partnerships

OpenLearning reached a significant milestone in Q1 FY21 with the successful commencement of the first intake of the TPO on 22nd March 2021. International students who are accepted into the TPO pay an indicative fee of \$15,960 to the Company, out of which the Company pays a license fee to UNSW Global.

The Company received \$510,720 in payments from students and accrued \$40,494 of revenue in Q1 FY21 with the remainder of the revenue to be accrued over the duration of the four-month program. Setup costs related to the TPO are approximately \$450k to end Q1 FY21, of which \$286,047 has been capitalised.

The TPO is designed to be highly scalable and implements an innovative new delivery model that relies on activity-based learning, personalised coaching, portfolio-based continuous assessment and high stakes interviews by leveraging technology led engagement and authentication pioneered by the OpenLearning platform. The Company believes that this approach is likely to deliver improved learning outcomes, higher student satisfaction and better retention rates.

For the past two quarters, the Company worked closely with UNSW Global's academic and marketing teams to redesign the courses and build out its team in preparation for the first intake. UNSW Global is responsible for marketing, curriculum, quality assurance and certification while OpenLearning is responsible for program delivery, including admissions, student support, teaching, learning design and assessment.

The TPO will have a further two intakes this year in August and September to align with high school calendars and enable prospective international students to complete the program ahead of the first semester of 2022. While the TPO will take time to ramp up, face-to-face programs of this duration have historically seen more than two times as much demand in the second half of the year.

Continued growth in Malaysia, expansion into Indonesia

OpenLearning is seeing increased adoption of its platform in Malaysia with a number of local universities and education providers subscribing during Q1 FY21. While COVID-19 has negatively impacted a number of Malaysian higher education providers, it appears to have spurred demand for online short courses and micro-credentials as more working professionals look to up-skill and companies aim to retrain staff. To capitalise on these developments, OpenLearning is promoting its OpenCreds framework for Malaysia and targeting corporate training providers in addition to higher education institutions.

Over the past two years, the Company, in partnership with two Indonesian universities has tested its platform, technology and approach for fit with the local market. That list has now grown organically to eight local universities utilising the OpenLearning platform. In Q2 FY21, the Company intends to establish marketing and sales efforts in Indonesia with the aim of signing up local universities and colleges to its platform on a usage-based SaaS model. There are over 3,000 higher education institutions and while the market is still in the early stages of development and is cost conscious, it represents a significant long term growth opportunity for OpenLearning.

BEST Network relaunched and began generating revenue

In Q4 FY20 OpenLearning signed an agreement with UNSW and The University of Queensland (UQ) to be the technology and operating partner of the Biomedical Education Skills and Training (BEST) Network, which operates Slice, an innovative cloud application and curated collection of over 21,000 medical images. In addition to UNSW and UQ, five other Australian universities and five international universities, including University of Massachusetts Medical School and Kings College London are members of the BEST Network.

During Q1 FY21, OpenLearning streamlined the BEST Network's systems, redeveloped components of the Slice application so that it could utilise Amazon Web Services, redesigned its public-facing website (<https://www.best.edu.au/>) and implemented a new membership model with tiered usage-based pricing.

Slice functions as a kind of 'Google Maps of biomedical images' with the features to display and annotate 'virtual microscopy' images to enable faculty at the world's top universities to provide their students with images of human, animal and microbial tissues, both in health and disease. OpenLearning sees significant

opportunities to expand membership of the BEST Network to universities in Asia, Europe and the U.S. and establish relationships with medical faculties around the world.

OpenCreds and Australian micro-credential markets continue to evolve

The Company has continued to promote OpenCreds, the first cross-sector micro-credentialing framework for lifelong learning that is aligned to the Australian and Malaysian qualifications frameworks. OpenCreds has the potential to add significant value to OpenLearning by:

- Increasing Platform SaaS customers by providing another key selling point for education providers to choose OpenLearning;
- Generating new revenue from a revenue share on courses from the OpenCreds Investment Fund and the Open Universities Australia (OUA) Open Microcredential Development Grant; and
- Increasing awareness of OpenLearning as a leading and innovative lifelong learning platform.

There are currently 24 OpenCreds available on OpenLearning with prices ranging from under \$100 to \$650 per learner with the duration of those courses ranging from 2.5 hours to 25 hours of learning. As a result of the agreements signed by OpenLearning and OUA in 2020, a number of OpenCreds are being promoted through OUA's higher education marketplace (<https://www.open.edu.au/online-short-courses>).

Partnership with Accredible

The Company has partnered with Accredible to significantly upgrade the OpenLearning platform's digital credentialing functionality and support OpenCreds thereby ensuring that it provides a market-leading, all-in-one solution for delivering short courses and micro-credentials.

Accredible is the world's most comprehensive digital badge and certificate platform, and it will enable OpenCreds, as well as bespoke digital credentials issued through OpenLearning, to be stored on the blockchain, shared through social media platforms, linked to skills outcomes and job market insights.

The new digital credentials functionality will be either bundled in the usage-based SaaS pricing of the OpenLearning platform or as an add-on for an additional usage-based SaaS fee.

Spiro Pappas transitions from executive to non-executive director

Spiro Pappas will resume his role as a non-executive director of OpenLearning, effective immediately, after stepping down from his role as a Senior Advisor to the Company. During his time as a Senior Advisor, Spiro worked closely with OpenLearning's leadership team to form relationships with key industry players that resulted in new business, strategic partnerships, and increased awareness of the Company. Spiro has decided to return to a non-executive role after working with the Company on a number of key initiatives.

Ends.

Authorised by:

Adam Brimo

Group CEO & Managing Director

Stay up to date with OpenLearning news as it happens:

Visit the Investor section of the OpenLearning website at: <https://solutions.openlearning.com/investor-home/>. There you can download the Company's Prospectus and see recent ASX Announcements and press coverage.

In addition to signing up for OpenLearning news directly from the Company, we also encourage shareholders to register to receive electronic communications from our share registry, Automic. To sign up for e-communications from Automic, please visit <https://www.automicgroup.com.au/>.

Thanks for your ongoing support. We look forward to sharing OpenLearning news with you.

For further information, please contact:

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About OpenLearning

OpenLearning Limited is a software as a service company that provides a scalable online learning platform to education providers and a global marketplace of world-class courses for learners of all levels.

OpenLearning's platform enables the delivery of project-based, social learning to encourage interaction among users and foster a community of collaborative learners. The Company's unique service provides a complete learning environment for all types of online education - from short courses through to micro-credentials and online degrees.

With more than 2.8 million learners worldwide across over thousands of courses provided by 177 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

To learn more, please visit: <https://solutions.openlearning.com/>

Annexure

Use of funds

In accordance with ASX Listing Rule 4.7C, the Company provides the following information:

The March 2021 quarter is a period which is covered by the Use of Funds Statement as outlined in the Company's Replacement Prospectus dated 12 November 2019.

A summary of expenditure during the quarter and to date since listing is set out below.

Use of Proceeds under Prospectus	Funds allocated under Prospectus	Funds expended in Q1 FY21	Funds expended between admission and 31 March 2021
Enhancing Course Quality/Design Services ²	\$771,569	(\$215,467)	(\$363,457)
Customer Onboarding/Support ³	\$492,767	(\$25,986)	(\$284,826)
Marketing and expansion of sales network ⁴	\$3,951,397	(\$673,839)	(\$2,908,343)
R&D ⁵	\$1,276,377	(\$96,880)	(\$615,055)
Expenses associated with the IPO ⁶	\$665,976	\$0	(\$628,859)
Working Capital ⁷	\$2,104,447	(\$915,645)	(\$4,999,568)
Total	\$9,262,533	(\$1,927,817)	(\$9,800,108)
Add: Receipts from customers between admission and 31 Mar 2021		\$1,330,491	\$5,025,437
Less: Product manufacturing and operating costs as disclosed in Appendix 4C ⁸		(\$367,178)	(1,858,093)
Less: Other costs (including course providers) as disclosed in Appendix 4C		(\$217,198)	(1,155,597)
Net funds expended between admission and 31 March 2021		(\$1,181,702)	(\$7,788,361)

During Q1 FY21 the following payments were made to related parties and their associates as disclosed in Item 6 of the Appendix 4C.

Salaries, bonus and fees paid to Directors	Amount
Fees to Kevin Barry as Non-Executive Director and Chairman	\$15,352
Fees to David Buckingham as Non-Executive Director	\$10,952
Fees to Beverley Oliver as Non-Executive Director	\$10,952
Fees and salary to Spiro Pappas as Executive Director and Senior Advisor	\$38,820
Fees to Maya Hari (non-resident) as Non-Executive Director	\$14,075
Salary and bonus to Adam Brimo as Executive Director, Managing Director and Group CEO	\$72,913
Total	\$163,064

² Costs associated with the Transition Program Online, Open Microcredential Development Grant and OpenCredits Investment Fund.

³ Costs associated with improving customer onboarding and support and related systems/processes.

⁴ Increasing headcount of the sales, marketing and partnerships teams, sales automation and technical work to support lead generation.

⁵ Continued improvements in the OpenLearning platform above and beyond 'business-as-usual' software development work, which the Company does not consider R&D and is captured under Working Capital.

⁶ All costs attributable to the IPO.

⁷ Includes general costs associated with the management and operation of the business including administration expenses, ongoing software development, management salaries, directors' fees, rent and other associated costs as a result of new projects that required increased investment in software development, project management and overheads.

⁸ Includes expenditure directly related to generating revenue and in line with the costs disclosed in Appendix 4C, including staff costs for Learning Services division, revenue share to course providers in the Marketplace division; web hosting and support costs for the Platform.

Appendix 4C

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

Name of entity

OPENLEARNING LIMITED

ABN

18 635 890 390

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,330	1,330
1.2 Payments for		
(a) research and development	(97)	(97)
(b) product manufacturing and operating costs	(367)	(367)
(c) advertising and marketing	(99)	(99)
(d) leased assets	(8)	(8)
(e) staff costs	(1,224)	(1,224)
(f) administration and corporate costs	(351)	(351)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	39	39
1.8 Other (see note 6)	(201)	(201)
1.9 Net cash from / (used in) operating activities	(977)	(977)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(7)
(d) investments	-	-
(e) intellectual property	(7)	(7)
(f) other non-current assets (see note 7)	(215)	(215)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(229)	(229)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,595	8,595
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(977)	(977)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(229)	(229)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	7,388	7,388

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,259	1,458
5.2	Call deposits	6,100	7,100
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	29	37
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,388	8,595

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
163
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1: This sum of \$163,000 consists of salaries and bonus paid to executive directors and fees paid to non-executive directors plus related super contributions.

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	-	-
	-	-
	-	-
	-	-

7.5 Unused financing facilities available at quarter end

-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not Applicable.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(977)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,388
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	7,388
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not Applicable.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not Applicable.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not Applicable.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 April 2021.....

Authorised by: Justyn Stedwell - Company Secretary.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
6. Included in item 1.8 'Other' are payments to education providers of \$217,000 for the current quarter.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payments to recipients of the OpenCreds Investment Fund and staff to build the Transition Program Online and OpenCreds courses. These payments are capitalised in the balance sheet pending completion of the courses and amounted to \$215,000 for the current quarter.