



**Keypath Education International, Inc.**  
**ARBN: 649 711 026**  
**ASX code: KED**  
**[www.keypathedu.com](http://www.keypathedu.com)**

## **ASX Announcement**

**July 27, 2023**

# **Q4 2023 (June 30, 2023) Activity Report and Appendix 4C**

[Keypath Education International, Inc.](#) (Keypath or the Company) (ASX: KED) today released its Quarterly Activity Report and Appendix 4C – Quarterly Cash Flow Report for the quarter ended June 30, 2023 (Q4 FY23). The Appendix 4C is prepared in US dollars (the Company's functional and presentation currency) under US GAAP and is unaudited. Similarly, any financial measures presented in the Quarterly Activity Report are unaudited.

## **Highlights of Q4 FY23 and FY23**

- **Revenue growth aligned with FY23 full-year guidance:**
  - Q4 FY23 revenue of US\$32.4 million, 6.0% higher than Q4 FY22 (9.6% higher on a constant currency basis)
  - FY23 revenue of US\$124.2 million, 4.9% higher than FY22 (9.1% higher on a constant currency basis); at guidance exchange rates<sup>1</sup> FY23 revenue was US\$126.2 million
  - Q4 FY23 revenue within our Healthcare segment of US\$18.3 million was 20.3% higher than Q4 FY22, while FY23 revenue within our Healthcare segment of US\$68.0 million was 21.6% higher than FY22
- **Significant partner and program additions:**
  - Three new partners and eight new programs added in Q4 FY23; two of the eight programs were in the Healthcare vertical (in FY23, 23 of the 34 new programs signed were in the Healthcare vertical) and seven of the eight programs added in the quarter were continuing our expansion in Australia and Malaysia
- **Adjusted EBITDA within FY23 full-year guidance:**
  - Adjusted EBITDA (including adjustments for one-time restructuring and US Securities and Exchange Commission ("SEC") registration costs<sup>2</sup>) was US\$(9.4) million; when adjusted using guidance exchange rates, adjusted EBITDA was within FY23 guidance at US\$(8.4) million
  - Continue to target adjusted EBITDA profitability from H2 FY24
- **Strong cash position:**
  - US\$46.8 million (no debt) as of June 30, 2023, reflecting flat year-over-year cash burn of US\$8.1 million 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

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<sup>1</sup> 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.

<sup>2</sup> Please see below in this announcement for details.

- employee net-share settlements of stock-based awards and employee stock repurchases
  - Confident organic growth fully funded to cash flow breakeven
- **Keypath will provide details of its FY23 results on Monday, August 28, 2023 including outlining our strategy and an update on outlook**

Keypath's Founder and CEO, Steve Fireng, said "We are proud to have achieved our FY23 revenue and adjusted EBITDA guidance in a challenging operating environment which gives us confidence in our ability to continue to drive revenue growth into the future and achieve breakeven adjusted EBITDA from H2 FY24.

We continued to move our investment from our mature vintages to newer vintages and programs where we see the strongest demand, and, as expected, contribution margin and adjusted EBITDA have been impacted by this. However, this has been offset by our recent larger vintages progressing through our proven unit economic model driving improvements in profitability this quarter. We are pleased with the progress and outcomes within our Healthcare and Social Services programs as we continue to build out a global Healthcare platform. These investments, along with the continued expansion in APAC, will provide long-term sustainable growth for Keypath. We have also seen continued growth in APAC with the signing of two new partners in the quarter building on our track record of market leadership and innovation in the region.

Underlining our confidence in the future, we have already signed 48 programs from our future vintages (39 of which are from the FY24 vintage, seven from the FY25 vintage and two from the FY26 vintage). Of the 48 programs, 37 are in Healthcare. Keypath is well positioned across the globe to expand its technology and services to continue to help universities provide quality access to education in a digital environment including by continuing to grow our programs across partners and regions."

### Key Financial Metrics (Unaudited)

US\$M (reported)	Q4 FY23	Q4 FY22	Change	Change (%)	FY23	FY22	Change	Change (%)
Revenue	32.4	30.6	1.8	6.0%	124.2	118.4	5.8	4.9%
Contribution margin <sup>3</sup>	6.4	4.0	2.3	58.4%	23.1	22.0	1.1	5.2%
Contribution margin %	19.6%	13.1%	6.5%	649 bps	18.6%	18.6%	0.1%	5 bps
Adjusted EBITDA <sup>4</sup>	(2.0)	(5.2)	3.3	(62.3%)	(9.4)	(10.5)	1.1	(10.9%)

<sup>3</sup> Contribution margin is revenue less direct costs, which consists of salaries and wages, direct marketing and general & administrative expenses attributable to direct departments. Contribution margin is not a US GAAP based measure.

<sup>4</sup> Adjusted EBITDA is earnings before interest, tax, depreciation, amortization, stock-based compensation, restructuring and SEC registration costs. Adjusted EBITDA is not a US GAAP based measure. Note that reported EBITDA for FY23 was US(\$13.8) million as compared to US(\$20.6) million in FY22. FY23 adjustments to reported EBITDA include US\$1.5 million of one-time stock based compensation, US\$2.7 million of ongoing stock based compensation, \$2.0 million restructuring costs, \$0.3 million SEC Registration costs, partially offset by a \$2.0 million favorable adjustment from the final settlement of the long-term incentive plan cash awards. FY22 adjustments to reported EBITDA include US\$8.1 million of one-time stock based compensation and long term incentive plan cash awards and US\$2.1 million of ongoing stock based compensation.

## Key Operating Metrics

	FY23	FY22	Change	Change %
Partners	46	39	7	17.9%
Active programs <sup>5</sup>	212	178	34	19.1%
Course enrolments – QTR	22,482	22,525	(43)	(0.2)%
Course enrolments - YTD <sup>6</sup>	104,157	101,561	2,596	2.6%

## Revenue growth continues

Q4 FY23 revenue grew 6.0% to US\$32.4 million (9.6% growth on a constant currency basis when adjusted for unfavorable foreign exchange impacts of US\$1.1 million<sup>7</sup>) and FY23 revenue grew 4.9% to US\$124.2 million (9.1% higher on a constant currency basis). FY23 revenue was US\$126.2 million at guidance exchange rates, within our FY23 guidance range. The revenue comparability has been impacted by the expected softening of enrollments in some programs from mature vintages, weighted to the business vertical, which our increased strategic focus on the Healthcare vertical is addressing.

As of June 30, 2023, our current program count is 212, which represents an increase of eight programs from the March 31, 2023 (Q3 FY23) period. The eight programs added in the quarter came from the North American and APAC regions, with two coming from the Healthcare and Social Services verticals.

## Breakeven adjusted EBITDA expected from H2 FY24

Contribution margin for Q4 FY23 increased by 58.4% to US\$6.4 million and for FY23 increased by 5.2% to US\$23.1 million which reflects the recent vintages progressing through our proven unit economic model to maturity, and the large number of programs we have signed recently that are in their deepest investment phase and the FY21-FY24 vintages<sup>8</sup> being very large vintages, in terms of size and investment and expected steady-state revenue.

Adjusted EBITDA was US(\$2.0) million for Q4 FY23 and US(\$9.4) million for FY23 (including adjustments for one-time restructuring and SEC registration costs), within our FY23 guidance range (at US(\$8.4) million on guidance exchange rates) showing improvements in profitability as recent vintages progress through our proven unit economic model and despite investments in the new vintages noted above, and continued investment in our Southeast Asia operation.

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5 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.

6 Year-to-date June 30, 2023 (FY23) include estimates for enrollments pending invoicing. Note that course enrollments are counted in the quarter in which the applicable term began.

7 The comparisons at constant currency rates (foreign exchange) reflect comparative local currency foreign exchange rates at the prior period's average foreign exchange rates. This measure provides information on the change in revenue assuming that foreign currency exchange rates have not changed between the prior period and the current period. Management believes the use of this measure aids in the understanding of changes in revenue without the impact of foreign currency.

8 Vintage year or vintage cohort refers to the fiscal year in which the first student intake occurred for any given program. For example, if a program commences on July 1, 2022, it will be classified as an FY23 vintage. Fiscal year is from July 1 to June 30.

The contribution margin and adjusted EBITDA performance also reflects the softening enrollments in mature vintages flowing through to revenue and therefore contribution margin and adjusted EBITDA, which our increased strategic focus on the Healthcare vertical is addressing.

We are proud to have achieved our FY23 adjusted EBITDA guidance in a challenging operating environment which gives us confidence in our ability to continue to drive revenue growth and increasing profitability and breakeven adjusted EBITDA from H2 FY24.

### **One-time restructuring and SEC registration costs**

To continue to focus our strategy and investment on where we can make the biggest impact with our unique competitive strengths, during Q4 FY23 we reduced our workforce by approximately 50 people and restructured our Canadian, UK and some US operations resulting in one-time restructuring charges of US\$2.0 million, of which US\$0.8 million was non-cash asset impairments. These activities primarily occurred in our UK and Canada businesses, given our strategic focus on Healthcare in the US and growing throughout the APAC region. The restructuring, and increased focus on US Healthcare and APAC expansion, is expected to result in margin accretion over the medium term.

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. 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.

Due to the one-time, non-recurring nature of the above costs, they have been removed from adjusted EBITDA.

We will provide an update on our strategy and investment focus at our FY23 results on Monday, August 28, 2023 (details below).

### **Cash Flows and Position**

As of June 30, 2023, the Company had total cash on hand of US\$46.8 million reflecting US\$10.0 million of net cash inflow in Q4 FY23 and US(\$12.3) million of net cash outflow in FY23. 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, the cash burn of US\$8.1 million was flat year-over-year. The Company remains debt-free and confident we are fully funded to cash flow breakeven for the Company's growth objectives.

Net cash provided by operations in the quarter was US\$11.5 million and in the year was US(\$4.6) million, primarily driven by the strong working capital management and also the seasonality of our cash flows with Q4 a strong cash collection period. For comparison, net cash provided by operations in Q4 FY22 was US\$1.6 million and in FY22 was US(\$1.7) million.

Net cash used in investing activities in the quarter was US\$1.4 million and in the year was US\$5.4 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 comparison, net cash used in investing activities in Q4 FY22 was US\$1.5 million and in FY22 was US\$4.9 million.

Net cash used in financing activities in the year was US\$2.2 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. There were no financing cash flow activities in FY22.

## **FY23 Results and Investor Briefing**

An Investor Briefing webcast commencing at 10.30am (AEST) on Monday, August 28, 2023 will be hosted by:

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

The agenda for the Investor Briefing will be:

- Company overview including strategy
- FY23 results
- Outlook

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

## **Further Information**

### **Investor Contact**

Malcolm McNab  
Director of Investor Relations  
[malcolm.mcnab@keypathedu.com.au](mailto:malcolm.mcnab@keypathedu.com.au)  
+61 3 9081 8945

## **About Keypath**

Founded in 2014, Keypath is a global, market-leading edtech company in the online program management (OPM) market. In collaboration with its university partners, Keypath delivers career-relevant, technology-enabled online higher education programs with the goal of preparing students for the future of work. The suite of services Keypath provides to its university partners includes designing, developing, launching, marketing, and managing online programs. Keypath also undertakes market research and provides student recruitment, support and placement services. The services Keypath provides are underpinned by KeypathEDGE, its integrated technology and data platform. Keypath has approximately 750 employees with operations in Australia, the United States, Canada, the UK, Malaysia and Singapore.

## **Forward Looking Statements**

This announcement 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 announcement. Forward-looking statements should be read in conjunction with, and are qualified by reference to, information in this announcement 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.

### **Restriction on Purchases of CDIs by US Persons**

Keypath is incorporated in the US State of Delaware and none of its securities have been registered under the US Securities Act of 1933 or the laws of any state or other jurisdiction in the United States. Trading of Keypath's CHES Depositary Interests (CDIs) on the Australian Securities Exchange (ASX) is not subject to the registration requirements of the US Securities Act in reliance on Regulation S under the US Securities Act and a related 'no action' letter issued by the US Securities and Exchange Commission to the ASX in 2000. As a result, the CDIs are "restricted securities" (as defined in Rule 144 under the U.S. Securities Act) and may not be sold or otherwise transferred except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. For instance, US persons who are qualified institutional buyers (QIBs, as defined in Rule 144A under the US Securities Act) may purchase CDIs in reliance on the exemption from registration provided by Rule 144A. To enforce the transfer restrictions, the CDIs bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons excluding QIBs. In addition, hedging transactions with regard to the CDIs may only be conducted in compliance with the US Securities Act.

## Appendix 4C

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

**Name of entity**

Keypath Education International, Inc.

**ABN**

649 711 026 (ARBN)

**Quarter ended ("current quarter")**

30 June 2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	45,506	140,549
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(841)	(2,842)
(c) advertising and marketing (Direct Marketing)	(12,093)	(50,211)
(d) leased assets (Facilities/Office copiers)	(233)	(1,428)
(e) staff costs (excluding staff costs included in 2.1(e) below)	(17,064)	(77,780)
(f) administration and corporate costs	(3,727)	(12,439)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	1
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(84)	(474)
1.7 Government grants and tax incentives		
1.8 Other – costs of the Offer and other transaction costs expensed		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>11,464</b>	<b>(4,624)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(88)	(718)
(d) investments		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
	(e) intellectual property (mainly capitalized employee costs directly involved in program development)	(1,325)	(4,649)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(1,413)</b>	<b>(5,367)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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 - payments of taxes from withheld shares and repurchase of stock	(27)	(2,154)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(27)</b>	<b>(2,154)</b>



Appendix 4C

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
<b>4.</b>	<b>Net increase / (decrease) in cash and restricted cash for the period</b>		
4.1	Cash and restricted cash at beginning of period	36,848	59,179
4.2	Net cash from / (used in) operating activities (item 1.9 above)	11,464	(4,624)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,413)	(5,367)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(27)	(2,154)
4.5	Effect of movement in exchange rates on cash held	(32)	(194)
<b>4.6</b>	<b>Cash and restricted cash at end of period</b>	<b>46,840</b>	<b>46,840</b>

<b>5.</b>	<b>Reconciliation of cash and restricted cash</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	46,840	36,848
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Restricted Cash)		
<b>5.5</b>	<b>Cash and restricted cash at end of quarter (should equal item 4.6 above)</b>	<b>46,840</b>	<b>36,848</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	99
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: Related party costs paid in the quarter relate to independent board director fees.</i>		

**Appendix 4C**

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

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		N/A
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	11,464
8.2	Cash and cash equivalents at quarter end (item 4.6)	46,840
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	46,840
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

## Compliance statement

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

Date: July 27, 2023

Authorized by: By the Board  
(Name of body or officer authorizing release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorized for release to the market by your board of directors, you can insert here: "By the board". If it has been authorized for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorized for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorized for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.