

ASX Announcement | 31 January 2024
Quarterly Activities Report & Appendix 4C

AI tools drive growth in SaaS revenue. Average customer value continues to climb and new acquisition in progress.

Key Highlights:

1. **Platform SaaS annual recurring revenue (ARR) increases 11% YoY** to \$1.903 million as at the end of Q4 FY23.
2. **Average revenue per customer increases 19% YoY** to \$8,347 per annum in Q4 FY23
3. Adoption of OpenLearning's AI Assistant is growing with over 60% of customers now utilising the features; additional high impact AI features have been rolled out in January 2024.
4. In Q4 FY23, cash receipts from customers amounted to \$0.750 million, reflecting a 4% increase. This growth occurred despite a decrease in enrolments from program delivery and the strategic decision by the Company to discontinue offering learning design services.
5. Improved operating efficiencies drove cost savings and saw **net operating cash outflows decrease by 34%** from the previous corresponding period (PCP) to \$0.756 million in Q4 FY23.
6. Signed an agreement to acquire three leading Australian higher education marketplaces, expanding OpenLearning's student acquisition capabilities for education providers.

Sydney, Australia, 31 January 2024: OpenLearning Limited, the AI powered SaaS platform for lifelong learning ('OpenLearning' or 'the Company') (ASX: OLL) is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 December 2023 (Q4 FY23), along with the following financial and operational update.

Strong Platform SaaS ARR Growth

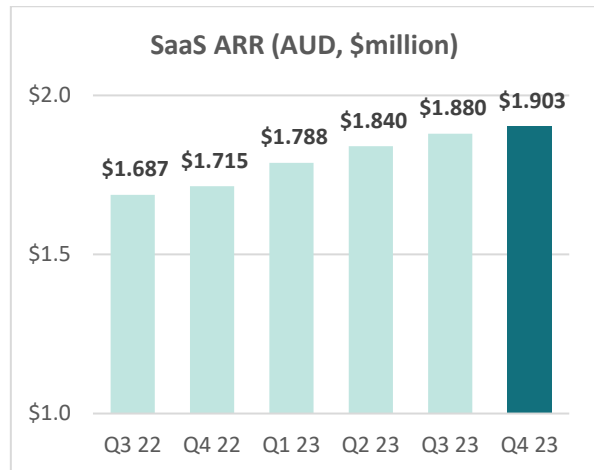
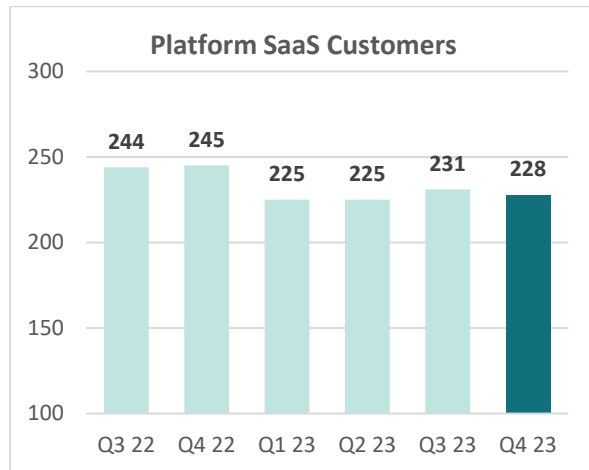
The OpenLearning platform enables education providers to manage all aspects of online learning, harnessing the power of Generative AI to streamline course design, content authoring and education delivery for short courses, micro-credentials and online degrees.

The Company's platform SaaS ARR experienced strong YoY growth, expanding by 11% YoY, to reach \$1.903 million in annual recurring revenue (ARR).

The platform boasts a strong customer case with 228 active B2B customers.

Average Customer Value Increases

The Company experienced a substantial 19% YoY growth in ARR per customer, reaching an impressive \$8,347. This growth can be primarily attributed to increased usage of AI tools and other new features from existing customers. The AI Assistant significantly minimises the time and resources required to author content and build courses.



Successful Launch of New AI Features

At the end of December 2023, the Company launched its most significant AI-feature, a ground-breaking AI-powered course builder that combines existing AI functionality with new capabilities to generate an entire course using AI and based on input from education providers.

The AI Course Builder is expected to save significant time and resources for education providers during course development. It offers a step-by-step AI wizard that creates course objectives, learning outcomes, course structure, modules and content, all tailored based on the input provided by educators.

The AI Course Builder is the latest addition to the Company's AI Assistant, which comprises three distinct features: image generation, content generation that generates 14 types of content, and learning activity creation that produces 17 types of activities. These tools are automatically applied to the topic and information provided by the educator by using OpenLearning's proprietary prompt layer on top of GPT-4.

By leveraging OpenLearning's unique approach to active learning and social constructivism, these AI-driven tools generate course content and learning activities aligned with OpenLearning's educational philosophy. The embedded generative AI also provides tailored suggestions to educators during the course design process, helping them create more engaging and effective learning experiences.

Over 60% of OpenLearning's customer base have actively engaged with the AI Assistant. The incorporation of Generative AI is anticipated to enhance OpenLearning's value proposition, fostering increased utilisation among existing subscribers and attracting subscriptions from new education providers, driving higher SaaS platform subscription revenue.

Agreement to Acquire Higher Education Marketplaces

Post quarter end, the Company signed a binding business and asset sale agreement to acquire three leading Australian higher education marketplaces, expanding the student acquisition capabilities it offers to customers. [ASX Announcement 2nd Jan 2024]

Annually, the marketplaces attract over 800,000 users and list over 15,000 courses and degrees from 70 institutions. The websites for the marketplaces are:

- PostGradAustralia.com.au
- TheUniGuide.com.au

- StudyNewZealand.nz

The marketplaces are profitable, generating revenue from listing fees paid by higher education providers to promote their institutions and courses. The marketplace's customers include Australian universities, private higher education colleges and registered training organisations, providing clear cross-selling opportunities.

The Company believes this acquisition will strengthen OpenLearning's value proposition to education providers and complement the existing platform and marketplace by providing an additional channel to promote courses delivered by education providers.

Expansion Into India in Partnership with ECA

Since the launch of OpenLearning Bharat, the Company has engaged in extensive collaboration with ECA to enrich its Indian marketplace. This collaboration has resulted in the inclusion of over 200 courses from global education providers, and it has played a pivotal role in supporting sales initiatives across India. While the Company foresees a steady expansion of its business in India, early indicators are promising and new customer partnership conversations are ongoing.

Net Cash Outflows Decline

Net operating cash outflows improved by 34% to \$0.756 million in Q4 FY23, versus \$1.151 million in Q4 FY22. This was a result of the Company's cost optimisation exercise over the past year. In January 2024, the Company implemented a further cost reduction exercise that is expected to result in further cost savings from Q2 FY24.

In Q4 FY23, customer cash receipts amounted to \$0.750 million, a 4% increase over the previous year. This growth can be attributed to elevated SaaS and marketplace cash receipts, despite a decline in enrolments from the program delivery segment and the Company's strategic move to discontinue learning design services. Notably, platform SaaS cash receipts surpassed the prior period, driven by the expansion of average SaaS revenue per customer and the renewal of annual SaaS contracts. The growth in Marketplace cash receipts is a result of increased sales of courses from customers utilising OpenLearning's payment gateway.

Material cash receipts from customers by segment for the quarter were:

- Platform SaaS - \$520k (up 3% PCP)
- Marketplace - \$229k (up 194% PCP)

The Company's total available funding, including cash on hand as of 31 December 2023 was \$1.103 million.

OpenLearning Group CEO & Managing Director Adam Brimo said: "We're excited by the positive reception of the AI Assistant by OpenLearning's customers and the growing interest from potential customers in our SaaS platform. Our SaaS ARR continues to grow, and we have successfully onboarded new customers to our platform, and continued working closely with ECA to expand into India. We are looking forward to completing the acquisition of the marketplaces, which we believe will enhance our platform's value proposition, diversify our product mix and provide exciting cross-selling opportunities.

We're thrilled to have launched our new ground-breaking AI-powered Course Builder that brings together many of our existing AI features and adds a new step-by-step AI wizard to enable educators to build an entire course with content and activities. The initial response to this launch by new and prospective customers has been highly positive."

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/> and follow the latest news here:

<https://investors.openlearning.com/> 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.

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About OpenLearning

OpenLearning is an Artificial Intelligence (AI) powered SaaS platform for lifelong learning.

The platform enables education providers to manage all aspects of online learning, harnessing the power of Generative AI to streamline course design, content authoring and education delivery for short courses, micro-credentials and online degrees.

OpenLearning is a trusted partner to more than 220 leading education providers, who have delivered tens of thousands of courses to over 3 million learners through its platform.

With a strong position in the Australian and Malaysian higher education sectors, and a growing presence in Indonesia and India, OpenLearning is revolutionising the way education is accessed and delivered globally.

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

Annexure

During Q4 FY23 the following payments were made to related parties and their associates as disclosed in Item 6 of the Appendix 4C.

Salaries and fees paid to Directors	Amount
Fees to Spiro Pappas as Non-Executive Director and Chairman	\$10,807
Fees to John Merakovsky as Non-Executive Director*	\$6,504
Salary to Adam Brimo as Executive Director, Managing Director and Group CEO	\$47,302
Total	\$64,613

*Mr John Merakovsky resigned as a Non-Executive Director of the Company on 5 December 2023.

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 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	750	3,161
1.2 Payments for		
(a) research and development	(11)	(52)
(b) product manufacturing and operating costs	(398)	(1,637)
(c) advertising and marketing	(44)	(151)
(d) leased assets	(1)	(4)
(e) staff costs	(721)	(2,975)
(f) administration and corporate costs	(189)	(1,100)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	6
1.5 Interest and other costs of finance paid	-	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	37	37
1.8 Other (see note 6)	(179)	(586)
1.9 Net cash from / (used in) operating activities	(756)	(3,308)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(11)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets (see note 7)	(203)	(773)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(203)	(784)

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	800	3,000
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	800	3,000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,264	2,205
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(756)	(3,308)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(203)	(784)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	800	3,000
4.5	Effect of movement in exchange rates on cash held	(2)	(10)
4.6	Cash and cash equivalents at end of period	1,103	1,103

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	1,086	1,262
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (balances with online payment providers)	17	2
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,103	1,264

**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
65
-

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 \$65,000 consists of salaries paid to an executive director and fees paid to non-executive directors plus related super contributions.

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
3,000	3,000
-	-
-	-
-	-

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)	(756)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,103
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,103
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.46

- 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?

The Company does not expect to have the same level of net operating cash flows because it is conducting a further cost reduction exercise as detailed in its Q4 FY23 quarterly that it expects to result in lower net operating cash outflows.

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?

The Company is considering its options for raising further capital, however, at this stage, it has not yet made a decision to raise further funds. If it is required to raise further funds, the Company is confident that such efforts would be successful as a result of the progress the Company has made in consistently growing its SaaS revenue, reducing its cost-base over the past 12 months and released new product features`.

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

Yes. The Company is implementing a further cost reduction exercise while ensuring that its core business continues to meet its objectives.

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: 31 January 2024

Authorised by: The Board of Directors
(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 mainly payments to education providers of \$150,000 for the current quarter and \$598,000 for the year-to-day period.
7. Included in item 2.1(f) 'Payments to acquire other non-current assets' are payroll costs for platform development. These payments are capitalised in the balance sheet pending completion of the intangible assets and amounted to \$203,000 for the current quarter and \$773,000 for the year-to-day period.