

## Online education tailwinds in its favour

OpenLearning Limited is a Sydney-based, software-as-a-service (SaaS) company that provides a scalable online learning platform and learning design services to education providers as well as a global marketplace of world-class micro-credentials and online degrees for learners. Started in Sydney in 2012, the company expanded to South East Asia in 2015 where it established an office in Kuala Lumpur and has developed a leading platform for online higher education in the region. The company listed on the ASX in December 2019 after raising \$8m at \$0.20/share to derive a market capitalisation of \$27.9m. Up until listing, the company had raised \$16.5m privately since incorporation. OpenLearning moved to a SaaS business model in 2017 and phased out its freemium model in March 2019. Since then the company has demonstrated rapid growth in paying customers and annualised recurring revenue, albeit off a small base. At June 30, ARR was \$1.143m an increase of 71% year on year and 9% quarter on quarter. The company ended H1 FY20 with \$5.9m in net cash.

### Business Model

OpenLearning targets higher education providers from the individual educator, to corporate, to institutions and enterprises. It charges the individual educator, usually an online trainer, teacher or lecturer, \$600 a year, to deliver their program to up to 250 learners. Corporate trainers pay \$2,400 a year for access to deliver up to 500 learners. For institutions, defined as vocational colleges or private higher education providers, the annual fee is \$9,900 and allows for 1,000 learners. Enterprise encompasses universities, large corporates and government for which OpenLearning provides a tailored pricing plan. The company also engages in revenue share with course creators. OpenLearning already has 116 SaaS clients globally, including nine of Australia's 43 universities as well as Open Universities Australia.

### Recent company commentary

OpenLearning reported Q2 CY20 cash receipts of \$0.945m, an increase of 31% on Q1 CY20. Revenue for H1 CY20 was \$1.0m, up 27.8% on the pcp while the net loss for the period was \$2.2m, compared with \$2.3m in H1 CY19. Annualised recurring revenue increased 71% year on year to \$1.143m while platform clients jumped 157% y-o-y to 116. The company has recorded a net increase of 29 clients since the end of Q1 CY20. OpenLearning also noted it was benefiting from increasing demand for short-courses as a result of the COVID-19 pandemic and that this was driving new institutions to the platform. While Australia and Malaysia remain the company's largest markets, it has seen strong growth in Indonesia where it had onboarded a number of new university clients as well as India, the US and UK where it had seen increased demand for online up-skilling. OpenLearning recently introduced OpenCreds, Australia's first cross-sector micro-credentialing framework, which it hopes will become the standard and increase adoption of its platform.

### Peers are largely unlisted companies

On the current share price of \$0.26/share, OpenLearning is trading on an EV/CY19 revenue of 14.2x. Listed peers in the tertiary education sector are difficult to find with the much larger IDP Education offering the closest comparative. OpenLearning's main competitors are FutureLearn which is 50% owned by SEEK (ASX:SEK) and Coursera (a private company which recently raised US\$130m at \$2.5bn valuation).

#### Historical earnings and ratios

Year end	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales <sup>^</sup> (x)
12/16a	1.29	0.86	(2.35)	(2.18)	n.a	n.a
12/17a	1.17	0.79	(3.98)	(3.92)	n.a	n.a
12/18a	1.76	1.23	(4.51)	(4.37)	n.a	n.a
12/19a	1.60	1.14	(4.56)	(7.72)	(5.53)	4.01

Source: Company data <sup>^</sup>based on CY19 closing share price of \$0.16

## Software & services

4 September 2020

### Share details

ASX Code	OLL
Share price (3-Sep)	\$0.35
Market Capitalisation	\$41.0M
Shares on issue	141.3M
Net cash at 30/06/2020	\$5.9M
Free float	56.8%

### Share performance (12 months)



### Upside Case

- COVID-19 has created additional demand for online education
- Scalable business model
- Opportunity to expand its micro-course offering

### Downside Case

- Fees are a small % of course enrolment fees, need a lot of B2B customers to grow revenues
- Traditional institutions slow to move
- High cost of acquisition for B2B customers

### Catalysts/upcoming events

Demonstrated growth in revenue and ARR together with delivery of positive cashflows  
CY20 results, February 2021

### Comparable companies (Aust/NZ)

IDP Education (ASX:IEL)

### Top 5 shareholders

Magna Intelligent Sdn Bhd	7.49%
Clive Mayhew	5.87%
Adam Brimo (MD/CEO)	4.53%
National Nominees Limited	3.71%
Richard Buckland	3.60%

### Company contacts

Adam Brimo (MD/CEO) +61 2 8294 9686  
investors@openlearning.com

### RaaS Advisory contacts

Finola Burke +61 414 354 712  
finola.burke@raasgroup.com



# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 26<sup>th</sup> November 2018**

### About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

**What Financial Services are we authorised to provide?** RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

### Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

### Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

### How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

### Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

### Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

### Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

#### DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2020 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.