

OpenLearning Ltd

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 benefitting 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 [^] (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 [^]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	7.90%
Prestariang Capital Sdn Bhd	6.88%
Clive Mayhew	5.93%
Regal Funds Management	4.72%
Adam Brimo (MD/CEO)	4.68%

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FINANCIAL SERVICES GUIDE

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