



Keypath Education International, Inc.
ARBN: 649 711 026
ASX code: KED
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ASX Announcement

January 30, 2024

Q2 FY24 (December 31, 2023) Activity Report and Appendix 4C

Keypath delivers strong growth and profitability in H1 FY24

[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 December 31, 2023 (Q2 FY24). 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 Q2 FY24 and H1 FY24

- **Strong revenue growth continues in Q2 FY24 and H1 FY24**
 - Q2 FY24 revenue of US\$31.4 million, 14.9% higher than Q2 FY23 (15.2% higher on a constant currency basis)
 - H1 FY24 revenue of US\$66.9 million, 14.0% higher than H1 FY23 (15.2% higher on a constant currency basis)
 - Q2 FY24 revenue within Healthcare¹ of US\$19.3 million was 27.7% higher than Q2 FY23, while H1 FY24 revenue within Healthcare segment of US\$40.0 million was 27.8% higher than H1 FY23
- **Continued innovation and growth in new products**
 - Continued expansion in Healthcare programs including Nursing, Speech Pathology, and Social Work
- **Contribution margin and adjusted EBITDA improved significantly as vintages with improved growth, unit economics and return profiles work through our proven unit economic model**
 - Q2 FY24 contribution margin of US\$7.5 million, US\$4.4 million higher than Q2 FY23 while Q2 FY24 adjusted EBITDA of US\$0.0 million, US\$3.3 million higher than Q2 FY23
 - H1 FY24 contribution margin of US\$18.1 million, US\$8.7 million higher than H1 FY23 while H1 FY24 adjusted EBITDA of US\$2.3 million, US\$8.9 million higher than H1 FY23

¹ Healthcare includes Nursing, Health & Social Services verticals.

- **Strong cash position**
 - US\$41.7 million (no debt) as of December 31, 2023
 - Organic growth fully funded through to cash flow breakeven
- **We are planning on releasing our H1 FY24 results on February 27, 2024 with an Investor Briefing webcast to be held at 10.30am (AEDT) on that day where will provide an update on current trading and FY24 outlook**

Keypath’s Founder and CEO, Steve Fireng, said, “We are pleased with our progress in FY24 with strong revenue and adjusted EBITDA growth in H1 FY24. As illustrated by our over 27% Healthcare revenue growth year over year, the progress we are making in our strategic focus on Healthcare in the US, and the APAC region, is providing us with confidence in driving revenue growth and continued profitability improvements in the coming periods.

We have driven significant improvement in contribution margin and adjusted EBITDA as our recent larger vintages progress through our proven unit economic model, despite our most recent vintages being the largest in our history and in their deepest investment phase. We are pleased with the progress and outcomes within Healthcare 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 and profitable growth for Keypath.

Further underlining our confidence in the future, we continue to expect future vintages will achieve US\$25 million - US\$35 million in revenue at maturity. Keypath is well-positioned to expand its technology and services to continue assisting universities in providing quality access to education in a digital environment, including by continuing to grow our programs across partners and regions.”

Key Financial Metrics²

US\$M	Q2 FY24	Q2 FY23	Change \$	Change %	H1 FY24	H1 FY23	Change \$	Change %
Revenue	31.4	27.3	4.1	14.9%	66.9	58.7	8.2	14.0%
Contribution margin ³	7.5	3.2	4.4	137.7%	18.1	9.3	8.7	93.8%
Contribution margin %	23.9%	11.6%	12.4%	1237 bps	27.0%	15.9%	11.1%	1113 bps
Adjusted EBITDA ⁴	0.0	(3.3)	3.3	(100.8%)	2.3	(6.7)	8.9	(134.1%)

Key Operating Metrics

	Q2 FY24	Q2 FY23	Change	Change %
Course enrollments - QTR	11,721	11,247	474	4.2%
Course enrollments - YTD ⁵	47,746	45,759	1,987	4.3%

² Financial information in this presentation including, totals and percentages, may be subject to rounding.

³ 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.

⁴ Adjusted EBITDA is earnings before interest, tax, depreciation and amortization less certain non-recurring items as well as stock-based compensation expense (“SBC”) and Legacy Long-Term Incentive Plan Cash Award (“LTIP”). Adjusted EBITDA is not a US GAAP based measure. Note that reported EBITDA for H1 FY24 was US(\$0.9) million as compared to US(\$6.6) million in H1 FY23. H1 FY24 adjustments to reported EBITDA included US\$0.2 million of one-time SBC, US\$1.3 million of ongoing SBC and US\$1.8 million SEC Registration costs. H1 FY23 adjustments to reported EBITDA included US\$1.0 million of one-time SBC, US\$0.9 million of ongoing SBC, offset by a US\$2.0 million favorable adjustment from the final settlement of the LTIP.

⁵ Year-to-date December 31, 2023 (H1 FY24) include estimates for enrollments pending invoicing. Note that course enrollments are counted in the quarter in which the applicable term began.

Revenue growth momentum continues

Keypath has continued to deliver strong revenue growth with Q2 FY24 revenue growing 14.9% to US\$31.4 million (15.2% growth on a constant currency basis when adjusted for unfavorable foreign exchange impacts of US\$0.1 million⁶) and H1 FY24 revenue growing 14.0% to US\$66.9 million (15.2% growth on a constant currency basis when adjusted for unfavorable foreign exchange impacts of US\$0.7 million).

We have continued to see strong demand for programs in the North American region in Healthcare and more broadly in APAC. Our pipeline of new programs continues to be strong, underpinning our confidence in the longer-term growth prospects of the Company.

Contribution margin and adjusted EBITDA improved significantly as vintages progress through our proven unit economic model despite investment in large new vintages

Contribution margin for Q2 FY24 increased by US\$4.4 million to US\$7.5 million and for H1 FY24 increased by US\$8.7 million to US\$18.1 million reflecting the large recent vintages progressing through our proven unit economic model to maturity, offsetting the large number of programs we have signed recently that are in their deepest investment phase and the FY21-FY25 vintages⁷ being very large vintages, in terms of size and investment and expected steady-state revenue of US\$25 million – US\$35 million.

Adjusted EBITDA for Q2 FY24 increased by US\$3.1 million to US\$0.0 million and for H1 FY24 increased by US\$8.9 million to US\$2.3 million, reflecting our continued growth, strategic focus, and cost efficiency and leverage we are driving. This was further enhanced by our investment efficiency with improved period-on-period investment of US\$6.3 million in H1 FY24 (compared to US\$7.3 million in H1 FY23) in incremental costs associated with the large, new vintages noted above.

Cash Flows and Position

As of December 31, 2023, the Company had total cash on hand of US\$41.7 million, reflecting US\$8.8 million of net cash inflow in Q2 FY24 and US\$5.1 million of net cash outflow in H1 FY24. After adjusting for the US\$1.0 million cash impact of the US\$1.8 million expense in SEC registration costs in H1 FY24, the H1 FY24 net cash outflow of US\$4.1 million is in-line with the net cash outflow in H1 FY23 of US\$3.6 million, after adjusting for the US\$2.0 million one-time cash settlement of long-term incentive plan cash awards and US\$2.1 million related to a net-share settlement of stock-based awards and one-time employee stock repurchases in H1 FY23. 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\$9.7 million and in the half-year was US(\$2.2) million, primarily driven by the seasonality of our cash flows and strong working capital management.

⁶ 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.

⁷ 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, 2023, it will be classified as an FY24 vintage. Fiscal year is from July 1 to June 30.

Net cash used in investing activities in the quarter was US\$1.5 million and in the half-year was US\$2.9 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.

Net cash used in financing activities was insignificant in Q2 FY24.

H1 FY24 Results and Investor Briefing

An Investor Briefing webcast held at 10.30am (AEDT) on February 27, 2024 hosted by:

- Steve Fireng, Global CEO and Managing Director
- Peter Vlerick, CFO
- Ryan O'Hare, CEO, Australia & Asia-Pacific

The agenda for the Investor Briefing will be:

- Company overview
- H1 FY24 results
- Outlook

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

Further Information

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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 over 700 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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	42,665	69,836
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,101)	(1,973)
(c) advertising and marketing (Direct Marketing)	(12,044)	(24,931)
(d) leased assets (Facilities/Office copiers)	(248)	(461)
(e) staff costs (excluding staff costs included in 2.1(e) below)	(16,100)	(38,466)
(f) administration and corporate costs	(3,247)	(6,007)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(211)	(234)
1.7 Government grants and tax incentives		
1.8 Other – costs of the Offer and other transaction costs expensed		
1.9 Net cash from / (used in) operating activities	9,714	(2,236)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		

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 (6 months) \$US'000
(c) property, plant and equipment	(76)	(157)
(d) investments		
(e) intellectual property (mainly capitalized employee costs directly involved in program development)	(1,449)	(2,741)
(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 Net cash from / (used in) investing activities	(1,525)	(2,898)

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 - payments of taxes from withheld shares	(1)	(50)
3.10 Net cash from / (used in) financing activities	(1)	(50)

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 (6 months) \$US'000
4.	Net increase / (decrease) in cash and restricted cash for the period		
4.1	Cash and restricted cash at beginning of period	32,923	46,840
4.2	Net cash from / (used in) operating activities (item 1.9 above)	9,714	(2,236)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,525)	(2,898)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	(50)
4.5	Effect of movement in exchange rates on cash held	624	79
4.6	Cash and restricted cash at end of period	41,735	41,735

5.	Reconciliation of cash and restricted cash 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	41,735	32,923
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Restricted Cash)		
5.5	Cash and restricted cash at end of quarter (should equal item 4.6 above)	41,735	32,923

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	196
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: Related party costs paid in the quarter relate to independent board director fees.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities <i>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.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		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.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	9,714
8.2 Cash and cash equivalents at quarter end (item 4.6)	41,735
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	41,735
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	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: January 30, 2024

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.