

ASX Release

27 October 2020



ReadCloud announces key acquisition to drive growth and further expand presence in the VET market

The Directors of ReadCloud Limited (“ReadCloud” or “the Company”; ASX: RCL, RCLO) are pleased to announce the acquisition of PKY Media Pty Ltd, trading as College of Sound and Music Production (“COSAMP”).

The acquisition expands ReadCloud’s product offering and market presence in the Vocational Education and Training (“VET”) in schools market, a key strategic focus for ReadCloud together with in-school education eLearning software solutions, including eBooks.

COSAMP is the market leader in VET courses for the music industry, which is a top-10 vertical in the VET-in-Schools sector. Headquartered in Melbourne, the business provides nationally accredited VET programs for the music industry to 184 secondary schools throughout Australia, including Certificate II and Certificate III in Music Industry and Diploma of Music Industry qualifications. As a leading Registered Training Organisation (“RTO”), COSAMP provides the proprietary course materials and accreditation that enables schools to offer these courses under COSAMP’s RTO licence. The business generated sales revenue of \$0.84 million in FY20 and delivered EBITDA of \$0.22 million.

The acquisition will take ReadCloud to over 500 school customers (+40%) and presents a significant cross-selling opportunity to both deliver VET music industry courses to ReadCloud’s existing 350+ school customers and introduce COSAMP’s 184 school customers to ReadCloud’s broader 43 course VET offering as well as its full-curriculum digital education platform.

The two vendors (and founders) of COSAMP and the other 4 employees will join the ReadCloud team to continue to grow the combined business.

The acquisition consideration for up to \$1.45 million will be satisfied via a combination of cash and RCL shares comprising:

- \$1,050,000 cash on completion from existing RCL funds;
- up to \$250,000, to be satisfied by the issue of shares in ReadCloud, to be issued at a minimum issue price of \$0.38 per share, on a sliding scale based on COSAMP achieving defined revenue targets for FY21; and
- up to \$150,000, to be satisfied by the issue of shares in ReadCloud, to be issued at a minimum issue price of \$0.38 per share, on a sliding scale based on COSAMP achieving defined revenue targets for FY22.



All RCL shares issued as consideration for the acquisition will be subject to voluntary escrow, with 50% escrowed for 12 months from the date of issue and 50% escrowed for 24 months from the date of issue.

The total acquisition cost represents between 4.7 times and 6.5 times FY20 EBITDA depending on the achievement of performance hurdles. ReadCloud has a track record of successfully acquiring and growing businesses, having grown the AIET VET business (acquired in November 2018) from revenue of \$0.95 million in FY18 to \$2.3 million in FY20 (up 140% in 2 years).

The agreement is subject to the satisfaction of customary conditions for completion, which are expected to be satisfied in the coming week.

Further information on the COSAMP acquisition is contained in the accompanying presentation.

- Ends -

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About ReadCloud Limited

ReadCloud is the leading provider of eLearning software solutions, including eBooks, to Schools and the Vocational Education and Training (VET) sector in Australia. ReadCloud's proprietary eBook platform delivers digital content to students and teachers with extensive functionality, including the ability to make commentary in, and import third party content into eBooks.

Students and teachers can share notes, questions, videos and weblinks directly inside the eBooks turning the eBook into a place for discussion, collaboration and social learning, substantially improving learning outcomes.

ReadCloud sources content for its solutions from multiple publishers, delivering the full Australian school curriculum in digital form in all States, on one platform. In the Vocational Education and Training (VET) sector, ReadCloud provides over 40 digital VET courses and auspicing services to schools across Australia.

ReadCloud services over 500 secondary schools customers with over 112,000 users on its platforms.

This announcement is authorised for release to the market by the Board of Directors of ReadCloud Limited.

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