

ASX RELEASE | Schrole Group Limited (ASX:SCL)

Q4 FY20 Cash Flow and Summary of Activities

Q4 FY20 Highlights:

- Q4 FY20 finished with a strong cash position of \$5.1 million on the back of positive net cash from operating activities of \$125,000 for the quarter
- Annual Recurring Revenue (ARR), calculated as the current value of active annual software licences, increased to US\$3.2 million compared to US\$3.1 million as at 30 September 2020
- Advantage revenue (unaudited) for the full year increased by 12% to \$4.4 million compared to FY19
- Continued strong engagement on ISS-Schrole Advantage platform, supported by record iFair attendance during Q4 FY20, contributed to increased Advantage Premier school sales
- Revised ISS-Schrole Advantage agreement delivered increased revenue share for Schrole
- Major redevelopment of the Schrole HR platform progressing well, with first stage of internal user acceptance testing (UAT) underway and relaunch on track for mid-2021

29 January 2021: Schrole Group (ASX: SCL) ('Schrole' or the 'Company'), an Australian education technology company, is pleased to provide an update on its activities for the quarter ended 31 December 2020. On 2 December 2020, Schrole announced a positive trading update for Q4 FY20 to date highlighting an acceleration in recruitment activity during October and November. Pleasingly the increased activity continued during the remainder of December.

Schrole Group Managing Director, Mr Rob Graham said: *"It was pleasing to see the increased recruitment activity during October and November continue during December, despite the ongoing economic disruption, travel restrictions, school closures and transition to online and blended learning.*

"Achieving another quarter of positive net cash from operating activities during such a period of uncertainty demonstrates Schrole's resilience, and reflects improved engagement, an increase in average contract value as well as increased share of the distributions of Advantage sales due to the revised ISS-Schrole agreement. Furthermore, actions taken throughout the year such as reducing operating expenses, deferring non-essential expenditure, optimising cash management, as well as COVID-funding from the government, all combined to underpin the improved operating cash position.

"During the quarter, we made further progress on our planned integration with Faria and following the successful launch of the Single-Sign-On, we undertook several targeted offers for Faria schools.

"Schrole continues to focus on its long-term strategy to provide integrated HR solutions to schools for recruitment, background checking, onboarding, professional development and securing casual staff. As part of this strategy, significant development work continues on the platform with first stage release on track to be completed in mid-2021," he said.

Review of Operations

Annual Recurring Revenue (ARR), calculated as the current value of active annual software licences, increased to US\$3.2 million compared to US\$3.1 million as at 30 September 2020. Full year revenues improved by 7% to \$6.05m compared to FY19 driven by increased revenues for ISS-Schrole Advantage more than offsetting the reduced revenues in Schrole Develop due to the impact of COVID-19 on training schedules. Total Advantage revenues increased by 12% for FY20.

Cash receipts from customers of \$1.6 million in Q4 FY20 supported a surplus in net cash from operating activities of \$125,000 and a surplus in net cash of \$369,000 in H2 FY20. During the quarter, the Company received government funding including JobKeeper and Cashflow Boost totalling \$63,000.

Full year invoiced sales declined by 9% to \$5.37 million compared to FY2019 representing the impact of COVID-19 on sales including continued economic disruption, travel restrictions and school closures globally as many schools transitioned to online and blended learning.

As a significant proportion of the company's business is based on a subscription model, both invoiced sales and revenue (AASB15) are reported each quarter.

Strong Balance Sheet

The improved net cash position from operating activities continued during Q4 FY20, which was particularly pleasing, and supported a quarter end cash balance in excess of \$5.1 million. The company continues to benefit from a strong emphasis on cost control and increased focus on collections.

Faria

Technical work continues with the Faria team to provide auto provisioning of Schrole Connect school accounts for Managebac school users, along with the development of integration guides. The full integration between Managebac and Schrole along with continued cooperation between the Faria and Schrole sales teams is expected to be in place from July 2021.

ISS Agreement Termination

On 8 July 2020, Schrole announced that it had agreed to terminate its agreement with International Schools Services, Inc ('ISS') for sales of ISS-Schrole Advantage Platform ('Advantage') with a transition agreement in place until the termination from July 2022.

As a result of the revised agreement, Schrole's share of distributions from Advantage sales was higher during Q4 FY20. Part of the improvement in net cashflow from operating activities was attributable to the change in arrangement with ISS which resulted in Schrole earning a greater share of revenue.

Development

Schrole's development team is continuing to work on a major new software release which is on track for first stage release in mid-2021. The new software represents a significant strategic opportunity with a well-defined transition to a comprehensive HR platform that will ultimately integrate

functionality from Schrole's current suite of SaaS applications with a newly developed functionality for staff onboarding and management.

The first stage of the new software to be developed is an enhanced recruitment platform which is currently in internal UAT. The Company has recently employed a Product Owner to act as the interface between the business and its clients as well as the development team to ensure development targets are met.

Appendix 4C

The attached Appendix 4C provides details of the cashflows for the quarter ended 31 December 2020.

During the quarter the following payments were made to related parties of the entity and their associates as disclosed in item 6.1 of the Appendix 4C, comprising:-

- Payments to HWL Ebsworth, a related party of director Shaun Hardcastle, for legal fees on arms-length terms totalling \$4,469 (inc GST);
- Payments to Ventnor Capital, a related party of chairman Stuart Carmichael, for company secretarial services on arms-length terms totalling \$9,972 (inc GST);
- Non-executive Director and Chairman fees totalling \$33,992; and
- Salary payments to Robert Graham totalling \$81,072.

Activities in the major business units are set out below

ISS-Schrole Advantage



Total revenue for ISS-Schrole Advantage in Q4 FY20 increased by 5% to \$1.1m compared to Q3 FY20. There was record attendance at the three iFairs held in Q4 FY20 which underpinned increased sales in Premier subscriptions. Several new sales included previously lapsed subscriptions reflecting increased recruitment activity during the period.

Sales to high-end prestigious school frequently attracts increased candidate numbers and during the quarter, we were delighted to sign up the following schools:

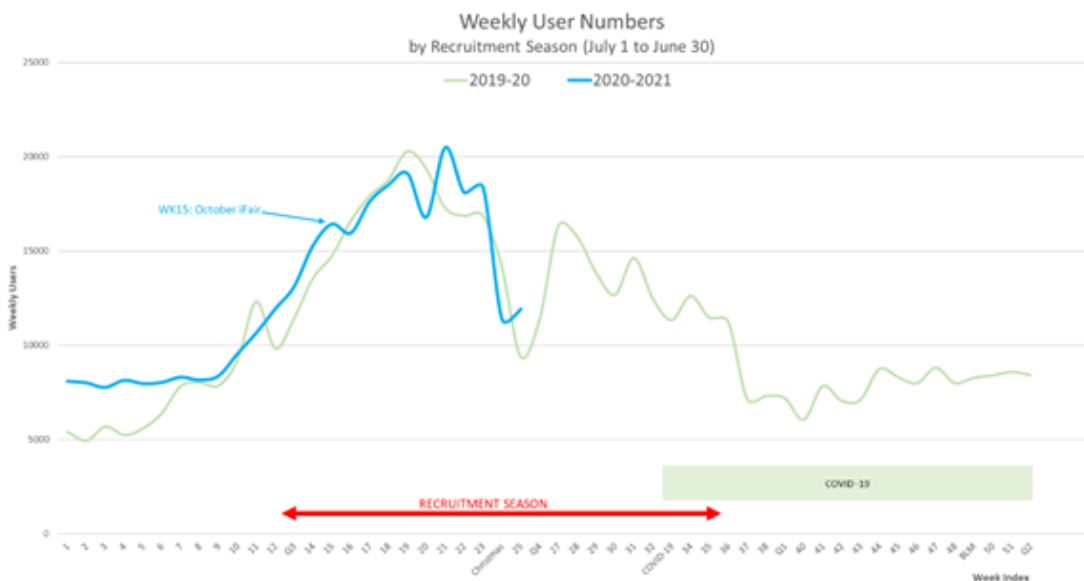
- American International School Budapest
- Hong Kong International School
- Vienna International School
- United World College South East Asia

Candidates

During Q4 FY20, 2,920 Premium candidates signed up to the Advantage platform, and in FY20, there was a 5% increase in total premium candidates to 6,510 compared to 6,218 for FY19.

User numbers were 11% higher during the second half (July 1 to December 31) compared to the prior year. The increase in user numbers reflects the increased level of engagement of the on-site community.

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iFair activity

During Q4 FY20, there was a notable increase in engagement with significant increases in registrations for iFairs compared to Q4 FY19. For example, November iFair registrations exceeded 1,400 candidates and 140 schools, representing a 49% increase in candidate registrations and a 115% increase in schools, compared to the corresponding fair in November 2019.

Month	Schools represented	Candidates represented
October 2020	102	1162
November 2020	140	1405
December 2020	132	1385
January 2021	119	1164

There are three further iFairs planned in Q1 and Q2 2021.

Schrole Verify



Schrole Verify (background screening solution), which was launched in September 2019, has received a positive response from both schools and candidates, however expected growth trajectories have been affected by both COVID 19 market conditions and the overall new Schrole software development strategy. Pre-employment screening volumes have improved in Q4 2020, and the sales and account management team will focus on school sales for Q1 and Q2 2021.

Schrole Develop (formerly ETAS)



Schrole Develop is the consulting and training division, providing internationally recognised qualifications in training, leadership and management to major multinational mining companies and government agencies in Western Australia and international schools. Sales during the quarter increased by 21% compared to Q4 FY19 to \$343,000. There already exists a strong pipeline of initial bookings for 2021, with Rio Tinto booking a minimum of 64 'On the Job Training Courses' (OJT) for 2021. This represents a significant increase in initial bookings compared to the same time in 2020.

Schrole Cover

Schrole Cover continues to enjoy strong renewal rates amongst both the education and health sectors. Full year invoiced sales increased by 29% to \$274,000, compared to FY 2019.



Unless otherwise stated all values are in Australian dollars.

-Ends-

This announcement was approved for release by the Board of Directors.

About Schrole

Schrole delivers innovative, technology-based solutions for the education sector. The company has four revenue generating business units:

- **ISS-Schrole Advantage** for the international school market – an online Software-as-a-Service platform that enables international schools to streamline teacher recruitment and candidate management activities;
- **Schrole Verify** – a new global standard for background screening in the international schools sector;
- **Schrole Cover** – a cloud-based software platform that engages your preferred relief staff at the touch of a button; and
- **Schrole Develop** – providing accredited training solutions customised to the contexts in which our clients operate.

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