

ASX Release

30 April 2021



Quarterly Activities Report & Appendix 4C

Financial Highlights

- \$4.3 million cash receipts from customers for 9 months to 31 March (up 15% on the prior March quarter year to date of \$3.7 million)
- \$3.1 million cash receipts from customers in the March quarter (up 7% on the prior year March quarter of \$2.9 million)
- \$0.4 million positive net cash flow from operations in the March quarter (in line with prior year March quarter)
- Unaudited consolidated Revenue to 28 April 2021 of \$7.3 million (up 4% on the prior comparable period), with additional invoicing still to occur for Direct Schools, Resellers and VET-in-Schools
- Strong cash balance of \$7.5 million as of 31 March 2021

Operating Highlights

- Direct full-curriculum user numbers have increased to 56,000 (up 22% on April 2020)
- VET-in-schools user numbers have increased to 12,000 (up 50% on April 2020)
- ReadCloud now has over 113,000 users on its platform across 500+ schools and educational institutions (including VET)
- ReadCloud has signed a 3-year reseller agreement with Lighthouse Books, the leading bookseller in the South Australian school market
- The impact of COVID-19 has heightened awareness of the benefits of remote learning solutions and ReadCloud is seeing a strong pipeline for school year 2022

ReadCloud Limited (“ReadCloud” or “the Company”) (ASX: RCL) is the leading provider of digital eLearning solutions to secondary schools and the Vocational Education and Training (“VET”) sector in Australia. The Directors of ReadCloud are pleased to provide a quarterly update and cash flow statement for the March 2021 quarter.



Operational update

The 2020 school year was heavily impacted by the pandemic and resultant lockdowns, with schools having little time to review new technologies and the Company's marketing activities severely hindered. Despite this, Direct full-curriculum school user numbers are now over 56,000 as at the end of April (up 22% over April 2020), a strong performance in a difficult COVID year.

The impact of the COVID-19 pandemic has seen an increased focus by schools from the start of 2021 on tools that can support a remote learning environment. On the back of the ReadCloud platforms' ideal suitability for facilitating remote learning, the Company is seeing a marked increase in sales activity and this is reflected in an especially strong sales pipeline for school year 2022.

As previously reported, ReadCloud's largest Reseller reduced their business levels in 2020 due to a significant internal restructure, implementation of new systems and processes following a merger of two large national companies. Further dialogue has indicated the Reseller decided to reduce the scope of its offering for the 2021 school year with a view to improving customer retention and satisfaction. As a result, customer satisfaction has been substantially improved in the 2021 school year, albeit on a lower number of schools. The Reseller is confident they can return to previous volumes given their improved processes and service delivery.

Further investment in the Reseller channel during the quarter has resulted in ReadCloud signing a 3-year reseller agreement with Lighthouse Books, the leading bookseller to schools in the South Australian school market. Lighthouse Books has already signed up their first school (1,000 secondary students) for utilising ReadCloud in the 2022 school year.

The enrolment process for ReadCloud's VET-in-schools business commenced during the March quarter, with around 12,000 students enrolled in VET e-learning courses as at the end of April (up 50% compared to the end of April 2020).

ReadCloud now has over 500 school customers and educational institutions with over 113,000 users on its platform split by sales channel as follows:

Channel	April 2020	April 2021	% Change
Direct full-curriculum schools	46,000	56,000	21.7%
Reseller schools	56,000	45,000	-19.6%
VET-in-schools	8,000	12,000	+50.0%
Total Users	110,000	113,000	+2.7%

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Platform Update

The Company continues to invest in the ReadCloud platform to improve user experience and remove pain points for our customers. In addition to customer-centric enhancements, the Company has also successfully rolled out a new sales quoting and ordering system for Direct full-curriculum customer schools that greatly enhances the scalability of this business (more schools can be on-boarded with the same customer support team). The VET-in-schools platform has also been further advanced with more features and an improved onboarding process will be implemented for 2022.

Outlook

Management is driving a number of initiatives aligned to the strategic plan to accelerate growth in the full-curriculum and VET-in-schools markets. The building of a stronger position in the full-curriculum schools market through a combination of increased investment in direct selling and marketing and recruitment in the Reseller channel is underway.

Further investment in the VET-in-schools segment is ongoing. This includes driving internal operational efficiencies, enhancing delivery processes and cross selling as well as the development and continuous improvement of course material content. Management remains confident and responsive to the VET-in-schools market given the margin improvement and growth opportunities currently being presented.

Additional acquisitions to support ReadCloud's VET-in-schools business will be pursued.

Management believes the Company is well placed for strong growth leading into the selling season for the 2022 school year given the increased interest and focus on digital education solutions and the increase in ReadCloud investment to exploit these opportunities.

Finance Update

Key highlights from the accompanying Appendix 4C Cash Flow Statement:

- \$3.1 million cash receipts from customers in the March quarter (an increase of 7% on the prior year March quarter), bringing total cash receipts from customers for the 9 months to 31 March 2021 to \$4.3 million (an increase of 15% over the prior comparable period);
- \$0.4 million net cash flow from operations in the March quarter (in line with the prior comparable period);
- As at 31 March ReadCloud had consolidated trade receivables of \$0.87 million and a further \$1.5 million has been invoiced to customers in April to date;

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- Unaudited consolidated revenue to 28 April 2021 is \$7.3 million with additional invoicing to Direct school customers, Resellers and VET school customers still to occur;
- Cost of sales (payments to publishers) for the March quarter was \$1.3 million (consistent with March 2020 quarter) relating to eBook sales during the December and March quarters; and
- Staff costs for the March quarter were \$952,000, up \$0.14 million on the December 2020 quarter mostly reflecting a full quarter of ownership of the College of Sound and Music Production VET-in-schools business that was acquired in late October 2020. Staff costs for the March 2021 quarter include payments to related parties of \$0.16 million (Directors' remuneration for the March 2021 quarter).

The Company has a strong balance sheet with a cash balance of \$7.5 million as at 31 March 2021 and no debt.

The Company's Appendix 4C Cash Flow Statement accompanies this report.

-Ends-

CONTACTS:

Investors & Media:

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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 currently has over 110,000 users on its platform.

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

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Appendix 4C

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

Name of entity

ReadCloud Ltd

ABN

44 136 815 891

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,129	4,309
1.2	Payments for		
	(a) research and development	(157)	(483)
	(b) product manufacturing and operating costs	(1,285)	(1,768)
	(c) advertising and marketing	(49)	(110)
	(d) leased assets	(59)	(165)
	(e) staff costs	(950)	(2,468)
	(f) administration and corporate costs	(238)	(684)
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	-	-
1.7	Government grants and tax incentives	-	508
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	391	(861)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	(1,033)
	(c) property, plant and equipment	(4)	(13)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(4)	(1,046)

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	75	6,044
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(22)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	75	6,022

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,040	3,388
4.2	Net cash from / (used in) operating activities (item 1.9 above)	391	(861)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(1,046)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	75	6,022
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,503	7,503

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,503	7,040
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,503	7,040

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

161

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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.

N/A

8. Estimated cash available for future operating activities**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)	391
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,503
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	7,503
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A as positive cashflow for quarter

- 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: N/A

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: N/A

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: N/A

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.

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: 30 April 2021

Authorised by: The Board
(Name of body or officer authorising 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 authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised 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.