

ASX Release

30 July 2021



Quarterly Activities Report & Appendix 4C

Financial Highlights

- 17% increase in cash receipts from customers for the June quarter (\$2.5m compared to the prior year June quarter of \$2.1 million)
- 16% increase in annual cash receipts from customers for FY21 (\$6.8m) over FY20
- \$7.51 million unaudited consolidated revenue for FY21 (FY20 \$7.46 million) despite a \$1.0 million reduction in Reseller revenue compared to FY20
- Current annualised run rate of \$9.0 million pro-forma revenue for FY21 (assuming COSAMP and Ripponlea Institute were owned for all of FY21)
- Strong cash balance of \$6.3 million at 30 June 2021

Operating Highlights

- ReadCloud is now the second largest private operator in the VET-in-Schools market in Australia by number of students and the largest by number of VET qualifications offered
- Successful acquisition and integration of Ripponlea Institute, the national market leader in Vocational Education and Training ("VET")-in-Schools courses for Applied Languages
- 21% increase in Direct full-curriculum user numbers to 57,000 (compared to June 2020)
- 56% increase in VET-in-Schools user numbers to 14,000 (compared to June 2020)
- Increased investment in direct selling and marketing activities has resulted in a stronger opportunity pipeline
- ReadCloud now has over 116,000 users on its platform with over 550 schools and educational institutions customers
- Further enhancement of the market leading ReadCloud software platform

Outlook Highlights

- With the substantial cross selling opportunities available in VET-in-Schools, organic and new Direct School projected growth and the main Reseller resetting its sales efforts, the Directors expect revenue to continue to grow strongly for FY22.

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

Operational update

Quarter 4 is typically focused on further developing course materials, compliance, onboarding processes and the ReadCloud software platform leading into the quarter 1 and 2 selling and onboarding period.

Strong progress has been made across these areas to better allow ReadCloud to scale operations as part of accelerating the growth of the business.

During this period ReadCloud has been focused on investing in marketing and business development to accelerate growth in FY22 and beyond with the implementation of a new outbound phone/online video sales force that is building a healthy sales pipeline for the 2022 school season.

Further development of the Company’s proprietary eReader platform continues to provide ReadCloud with a strong competitive advantage in regard to the platforms’ feature set, ease of use and efficient onboarding of schools and students. Key differentiators will be leveraged by the direct sales team during the upcoming selling season as well as to equip existing and new Resellers with a strong digital offering.

Direct School user numbers are now over 57,000 (up 21% on FY20) which management is pleased with given the impact of COVID-19 in school year 2020.

Additionally, ReadCloud completed the acquisition of Ripponlea Institute Pty Ltd (“Ripponlea Institute”) on 8 June 2021. Ripponlea Institute is a Registered Training Organisation (“RTO”) and the national market leader in VET-in-Schools courses for Applied Languages, a key vertical in the VET sector. It provides programs to 70 secondary schools throughout Australia. It also offers the Certificate IV in Training and Assessment (“TAE”), a required qualification for all teachers of VET across the entire sector, which is currently being promoted to all of ReadCloud’s VET customers.

With the acquisition of Ripponlea Institute, the ReadCloud group is now the second largest private operator in the VET-in-Schools market in Australia by number of students and the largest by number of VET qualifications offered.

The enrolment process for ReadCloud’s VET-in-Schools business was completed in the June quarter, with over 14,000 students (including 2,000 students using Ripponlea Institute) now enrolled in over 55 different VET courses (up 56% on FY20). For clarity, the FY21 consolidated revenue does not include revenue from Ripponlea Institute as the acquisition was completed in June 2021.

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An extensive national marketing campaign is underway for cross-selling through the existing school customer base as well as promoting the ReadCloud VET services to new schools by offering the widest range of VET qualifications to schools in Australia.

ReadCloud is also increasing marketing efforts to capitalise on Ripponlea Institute's offering of the Certificate IV in Training and Assessment, a qualification that is required by all VET teachers. This is expected to drive additional new business in FY22.

As previously reported, ReadCloud's largest Reseller significantly reduced their business levels in 2020, largely accounting for a 20% fall in platform users for this sales channel versus FY20 and a \$1 million reduction in revenue. This was due to the Reseller undergoing a merger and a restructuring process leading to a new management team being put in place. ReadCloud has invested in working more closely with this Reseller in order to assist in rebuilding their schools business through extensive training of sales staff and joint marketing efforts.

ReadCloud continues discussions with a number of school booksellers about becoming a ReadCloud Reseller. The ReadCloud platform provides traditional booksellers with a platform for digital delivery of the full-curriculum that they don't currently offer. This has generated strong interest and a pipeline of opportunities, with numerous trials under way in advance of the 2022 school year selling season.

ReadCloud now has over 550 school and educational institution customers with over 116,000 users on its platform split by sales channel as follows:

Channel	June 2020	June 2021	% Change
Direct full-curriculum schools	47,000	57,000	+21.3%
Reseller schools	56,000	45,000	-19.6%
VET-in-Schools	9,000	14,000	+55.6%

Outlook

ReadCloud is confident that the strategy to accelerate growth through the investment in organic marketing and business development combined with targeted acquisitions will result in strong revenue growth in FY22 underpinned by the following:

VET-in-Schools

- Of ReadCloud's 400+ VET-in-Schools customers, 85% of those schools use only one of ReadCloud's VET providers (AIET, COSAMP or Ripponlea). This represents a substantial cross-selling opportunity over the coming years as schools in general prefer to deal with fewer RTOs to simplify the compliance process requirements and gain familiarity with only one software platform.

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- Management expects to see early positive results from the cross-selling of the three ReadCloud owned RTOs in FY22.

Direct Schools

- The outbound sales strategy is being well received as schools are receptive to finding solutions to the issues and learnings of the COVID year. Given COVID learnings to date, this additional sales strategy, supported by dedicated sales staff actively managing numerous opportunities across each key market, has yielded a comprehensive pipeline that is actively being worked on for the 2022 school selling season.

Resellers

- Following discussions with ReadCloud's main Reseller, management is confident the loss of revenue of FY21 has been halted and that a re-setting of sales approach and services offering should see the Reseller return to growing revenue. With the recruitment of new resellers, further growth in FY22 is anticipated in this segment.

Following the acquisition of Ripponlea Institute, ReadCloud's annualised revenue run-rate at the end of FY21 stands at \$9.0 million (assuming COSAMP and Ripponlea Institute were owned for all of FY21).

Finance Update

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

- 17% increase in cash receipts from customers for the June quarter (to \$2.5 million, on the prior year June quarter of \$2.1 million), with a higher trade receivables balance at 30 June 2021 versus the prior year (\$0.5 million versus \$0.2 million);
- 16% increase in total cash receipts from customers for FY21 (to \$6.8m on FY20);
- Cost of sales (payments to publishers) for the June quarter was \$1.1 million relating to eBook sales during the March and June quarters; and
- Staff costs for the June quarter were \$1.0 million, up \$0.1 million on the March 2021 quarter, mainly reflecting additional payroll costs associated with outbound sales staff and the Ripponlea Institute acquisition. Staff costs for the June 2021 quarter include payments to related parties of \$0.19 million (Directors' remuneration for the June 2021 quarter).

ReadCloud has recorded unaudited consolidated revenue for FY21 of \$7.51 million (FY20 \$7.46 million) despite reduced Reseller revenue (which is the lowest margin revenue channel) of \$1.0 million compared to FY20. Subject to audit confirmation, underlying EBITDA for H2 FY21 (after adding back the effect of certain non-operating and/or non-cash items) is expected to be positive.



The Company has a strong balance sheet with a cash balance of \$6.3 million as at 30 June 2021 and \$0.5 million of debt (acquired as part of the Ripponlea Institute acquisition).

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

-Ends-

CONTACTS:

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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 55 digital VET courses and auspicing services to schools across Australia.

ReadCloud currently has over 116,000 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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,479	6,788
1.2 Payments for		
(a) research and development	(167)	(650)
(b) product manufacturing and operating costs	(1,123)	(2,891)
(c) advertising and marketing	(75)	(185)
(d) leased assets	(56)	(221)
(e) staff costs	(1,043)	(3,511)
(f) administration and corporate costs	(180)	(864)
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	(165)	(1,026)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	(1,011)	(2,044)
(c) property, plant and equipment	(32)	(45)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(1,043)	(2,089)

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		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	-	6,022

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,503	3,388
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(165)	(1,026)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,043)	(2,089)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,022
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6,295	6,295

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	6,295	7,503
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)	6,295	7,503

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	194
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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 <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 \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	500	461
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	500	461
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	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	165
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,295
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,295
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	38
<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: 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	
<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: 30 July 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.