

## ASX Release

29 January 2021



# Quarterly Activities Report & Appendix 4C

## Highlights

- 61% increase in cash receipts from customers in the December quarter (over the prior year December quarter) to \$923,000, bringing total cash receipts from customers for 1H21 to \$1.18 million (an increase of 46% over 1H20)
  - New school wins in both the School Curriculum and Vocational Education and Training segments take total school customers to over 530 as at 28 January 2021 compared to 350 as at 29 January 2020, with new schools still being signed for the 2021 year
  - Successful integration of the College of Sound and Music Production acquisition completed during the December quarter, with synergies in the form of platform integration and cross-selling opportunities already being realised
- \$7.04 million cash at the end of the quarter and zero debt following the \$5.5 million received from the exercise of ASX-listed and unlisted options during the quarter.

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 December 2020 quarter.

## Operational update

In the December 2020 quarter ReadCloud achieved strong conversion of its 2021 sales pipeline across key segments. As of 28 January 2021, over 530 school customers will be using the ReadCloud platform for digital delivery of full-curriculum and VET learning resources in 2021 (subject to final confirmation from the Reseller network as to their 2021 schools) compared to 350 school customers at the same time last year.

ReadCloud had continued success in signing up new full-curriculum school customers during the December quarter, with new full-curriculum school customers for the 2021 school year now totalling 22 across Queensland, Victoria, Tasmania and Western Australia. The sales cycle for the 2021 school year is ongoing, with additional new school customers expected to be signed in the current quarter. Four existing full-curriculum customer schools that have moved to a single publisher model for their eBook requirements have not renewed their ReadCloud agreements for 2021.



The on-boarding process for direct full-curriculum schools for the 2021 school year commenced in December 2020 and has been streamlined by new on-boarding processes that ReadCloud has built into its back-end platform. Most of ReadCloud's direct full-curriculum customers placed their eBook orders prior to Christmas. However, a number of schools (in particular the new schools for 2021 that were signed up late in 2020) were still finalising their timetables and eBook orders in late December, with orders not placed until January 2020. Schools delaying some learning resource purchasing decisions until Term 1 in order to assess the potential impacts of COVID-19 and whether to go down a blended print-digital resource model or a pure digital only option has also been a factor. As a result of the above, total user numbers and eBook sales for 2021 in the direct full-curriculum business will not be known until the conclusion of the on-boarding season in the current quarter.

ReadCloud's two new Reseller partners for 2021 continued sales momentum into the December quarter with new school customers in WA and Victoria signed up for delivery of the full curriculum in 2021. Due to one of ReadCloud's Reseller partners adopting a new ordering system, a significant proportion of Reseller school eBook orders (particularly from some larger schools) were unable to be processed until January 2021. As a result, revenue from Reseller sales is expected to be more skewed to the second half of the financial year than in prior years.

During the December quarter ReadCloud's VET business also built on the sales momentum from the prior quarter, with 29 new school customers committing to delivering Australian Institute of Education and Training ("AIET") VET courses in 2021. Contracts are in place with the majority of these new schools, with contracts expected to be finalised with the remainder in the coming weeks. In addition, AIET has recontracted the majority of its 2020 school customers and is expecting to recontract with the majority of the remainder as students return to class for Term 1 and select their VET courses for 2021.

Final school and user numbers for the VET segment will be known in the current quarter once schools have confirmed which VET qualifications they wish to offer in 2021.

During the December quarter ReadCloud completed the acquisition of College of Sound and Music Production ("COSAMP"), the leading Registered Training Organisation for VET courses in the music industry. Integration of COSAMP into the ReadCloud group has gone well and the digitisation of COSAMP's course resources to enable digital delivery should be completed in the March 2021 quarter.

The COSAMP acquisition expands ReadCloud's product offering and market presence in the VET in schools market, a key strategic focus. Importantly, the acquisition provides a significant cross-selling opportunity both to deliver proprietary VET music industry courses to ReadCloud's existing school customers and to deliver ReadCloud's broader offering of 43 VET courses and ReadCloud's full digital education platform to COSAMP's school customers. This opportunity is already being capitalised on, with three new school customers contracted to date to deliver COSAMP VET courses in 2021 as a direct result of referrals from AIET. Marketing initiatives launched in early 2021 are expected to drive further cross-sales in the coming months.

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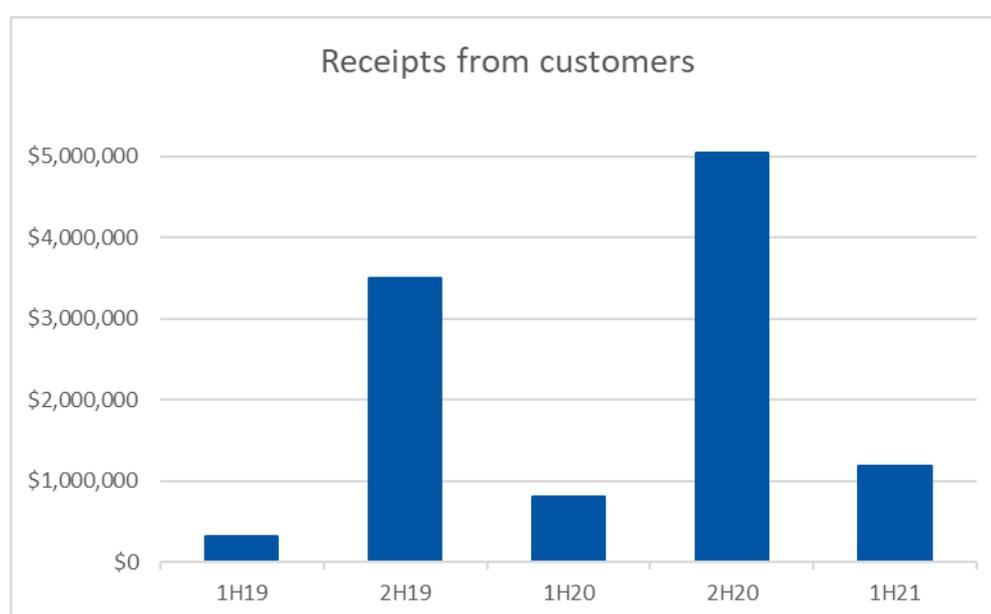


## Finance Update

ReadCloud's cash flow is highly seasonal in line with the school year cycle. The majority of the Company's cash receipts from customers are received in the second half of each financial year.

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

- 61% increase in cash receipts from customers in the December quarter (on the prior year December quarter) to \$923,000, bringing total cash receipts from customers for 1H21 to \$1.18 million (an increase of 46% over 1H20)



- As has occurred in prior years, many of ReadCloud's direct full-curriculum customers were still finalising their timetables and eBook orders in late December, which has delayed invoicing of these schools until the current quarter;
- In addition, ReadCloud invoices the majority of its Reseller revenue, including its share of margins on eBook sales to Reseller school customers, in the third (current) quarter of the financial year. As noted above, Reseller revenue is expected to be more skewed to the second half than in prior years;
- Cost of sales (payments to publishers) for the December quarter was \$335,000, relating to sales during the September and December quarters;
- Staff costs for the December quarter were \$810,000 (versus \$708,000 for the September quarter), with the increase reflecting two months of employment costs for the COSAMP business that was acquired in late October 2020. Staff costs for the December quarter include payments to related parties of \$154,000 (Directors' remuneration for the quarter);
- ReadCloud received its FY20 Research and Development tax incentive refund (\$390,000) in full in the December quarter;



- Administration costs for the December quarter (\$281,000 versus \$152,000 for the prior quarter) include transaction costs of \$126,000 associated with the COSAMP acquisition; and
- ReadCloud received \$5.5 million from the exercise of ASX-listed and unlisted options during the December quarter.

The Company had a cash balance of \$7.04 million as at 31 December 2020. As noted above, ReadCloud's cash flows are highly seasonal, with the majority of cash receipts from customers for the year to be received in the final two quarters of FY21.

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 services over 530 secondary school customers located throughout Australia on its platforms.

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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 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	923	1,180
1.2 Payments for		
(a) research and development	(168)	(339)
(b) product manufacturing and operating costs	(335)	(483)
(c) advertising and marketing	(37)	(61)
(d) leased assets	(56)	(106)
(e) staff costs	(810)	(1,518)
(f) administration and corporate costs	(281)	(433)
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	433	508
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(331)</b>	<b>(1,252)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1,033)	(1,033)
(c) property, plant and equipment	(4)	(9)
(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 (6 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,037)</b>	<b>(1,042)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	5,517	5,969
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)	(22)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,495</b>	<b>5,947</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,914	3,388
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(331)	(1,252)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,037)	(1,042)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,495	5,947
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,040</b>	<b>7,040</b>

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	7,040	2,914
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,040</b>	<b>2,914</b>

**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**

154

-

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

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

**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
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

**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)	(331)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,040
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	7,040
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	21.3

- 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: 29 January 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.