

Internal use only



readcloud

ReadCloud Limited

FY22 Result

29 November 2022





READCLOUD IS A MARKET LEADER IN DIGITAL CONTENT DELIVERY FOR EDUCATION IN AUSTRALIA

We deliver eBooks Solutions to schools, VET-in-Schools and post-secondary training and assessments digitally



ReadCloud is a highly scalable SaaS platform and is integrated from publisher to student



Our product provides sophisticated collaborative learning tools and is well placed for both in-school and remote learning settings



ReadCloud platform is now used by over 600 schools and educational institutions



Acquisition of Southern Solutions to take ReadCloud into the broader VET market which has an audience of 3.9 million students annually



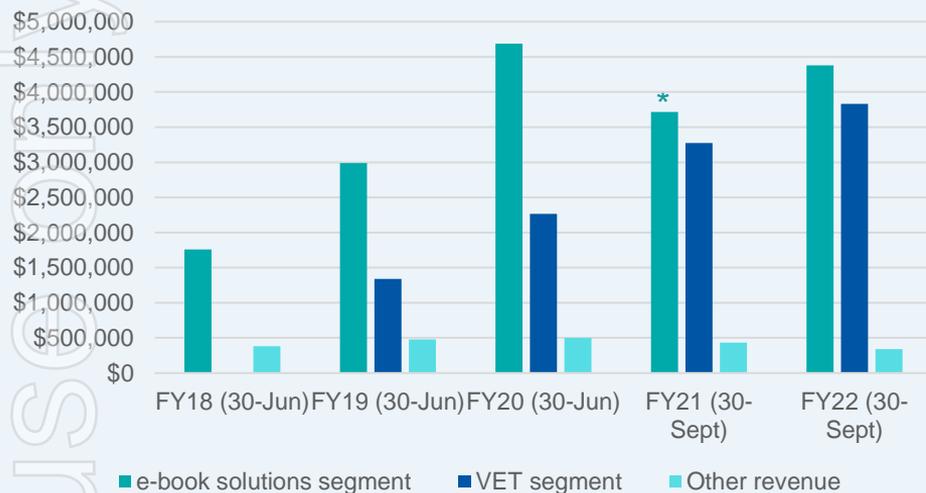
VET-In-School user numbers of 15,000
(+25% increase YoY)



eBooks Solutions user numbers of 70,000
(+23% increase YoY)

FY22 FINANCIAL HIGHLIGHTS

REVENUE BY SEGMENT



* Lower rate of user growth due to loss of Reseller school users associated with one Reseller in FY21 (this Reseller has returned to growth in FY22)



17.5% increase in consolidated sales and fee revenue to \$8.21 million (FY21: \$6.99 million)



17.8% and 17.1% increases in eBook Solutions segment and VET segment sales and fee revenue, respectively



Record cash receipts from customers of \$7.88 million (versus \$7.20 million for FY21)



Cash balance at 30 September 2022 \$2.47 million and no debt

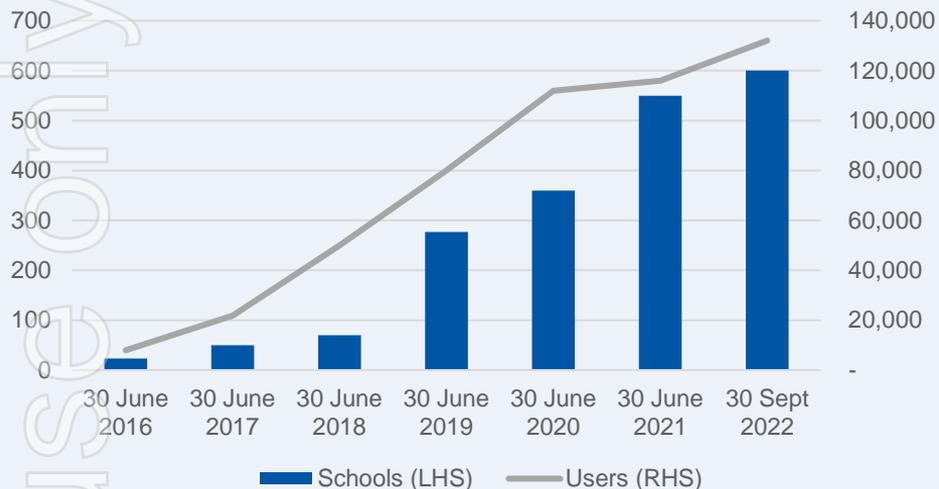


Recently (November 2022) acquired Southern Solutions generated \$2 million of revenue in FY22

OPERATIONAL HIGHLIGHTS



School & user growth



School and user growth driven by organic growth (new school customers and additional sales to existing customers) and acquisition of Ripponlea Institute



Execution of first overseas eBook Solutions deal with leading London-based international online school King's InterHigh



Agreement to acquire Southern Solutions Training Services, a leading provider of training for certificates in Early Childhood Education & Care



Recommitment rate for 2023 across the three VET-In-Schools businesses sitting substantially higher than at this point in prior years

ACQUISITION OF SOUTHERN SOLUTIONS



ReadCloud acquired Southern Solutions for up to \$3.15m on a two year earn-out. In FY22, Southern Solutions generated sales revenue of \$2.0 million and delivered EBIT of \$0.36 million



This takes ReadCloud into the broader VET market, which has a target audience of 3.9 million students annually



Entering an industry with state government funding and skills shortages – childcare sector estimated to be in need of an additional 16,000 educators



ARPU for VET-In-Schools is between \$250-300, whereas ARPU for a course such as Diploma in Early Childhood Education and Care is in excess of \$8,000 per student



Positive supply/demand trends in the childcare sector



Favourable government funding initiatives, which should continue to support growth in demand

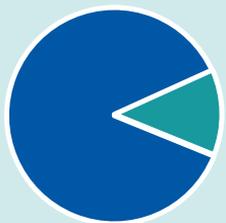


Staff shortages continue to impact the conversion of rising demand

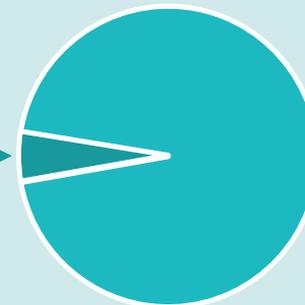
READCLOUD'S MARKET OPPORTUNITY



1.7 million students in 2,816 secondary schools in Australia²



241,000 students in VET-in-school courses¹



3.9 million students enrolled in VET courses with 3,519 training providers in Australia

Continued Investment

ReadCloud eBook solutions

- The full-curriculum eBooks (maths, English, science etc.)
- We estimate a market size in Australia of \$170 million (conservative estimate of \$100 per student p.a. for learning resources)
- Continue to pursue overseas expansion after signing King's InterHigh

Increased Investment

ReadCloud Vocational Education & Training-in-schools

- 241,000 school students took VET courses in 2020¹, implying nearly 1 in 2 senior students in years 11 and 12 study VET courses
- With VET in secondary school courses costing approximately \$250-300 per course per annum, ReadCloud estimates it is a \$60-75 million industry

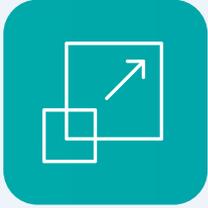
New Investment

Broader VET market

- Acquiring Southern Solutions launches ReadCloud into a large market with skills shortages
- Government funding in this area averages in excess of \$8,000 per student and the total funding in VET is \$7.5 billion
- The ReadCloud SaaS Platform is designed to support the Broader VET market

1. National Centre for Vocational Education Research – VET in Schools 2020 report (up from 60,000 students in 1996)

2. Australian Curriculum, Assessment & Reporting Authority



VET-in-Schools platform provides an **excellent opportunity to scale the offering** to this market without having to substantially increase the number of staff



28% of the three ReadCloud RTO's collective school customers have signed up to use more than one of the three RTOs in FY23, up from 21% in FY22 and 15% in FY21



Platform has been **successfully offered** to a number of schools who are RTO's themselves, and management believes this trend will continue



Southern Solutions acquisition provides an entry to state-funded training in a skills shortage area

There is currently a high level State and Federal Government support and funding for skills-based training to address labour market shortages

KING'S INTERHIGH AGREEMENT



First overseas eBooks Solutions deal



Four-year agreement to become the exclusive provider of eBooks to the parents of around 4,000 students



Provides an additional revenue channel primarily for FY23 and onwards



King's InterHigh is part of the Inspired Group, which provides education to over 55,000 students worldwide



TRADING UPDATE & OUTLOOK



New school signings for 2023, combined with a strong sales pipeline, gives management confidence momentum will continue going into the key Term 4 selling / closing season



The launch of the ReadCloud VET Group in FY22 and hiring a new dedicated VET sales team has seen a recommitment rate, and new signings for 2023 across the three VET businesses, sitting substantially higher than at this point in prior years



28% of the three ReadCloud RTO's collective schools' customers have signed up to use more than one of the RTOs in FY23, up from 21% in FY22 and 15% in FY21. Management expects this positive trend to continue



The acquisition of Southern Solutions post FY22 year-end provides a significant growth opportunity for the Company, in a market that is adjacent to ReadCloud's core business and in an industry with skills shortages and high national government funding and focus



Integration of the Southern Solutions business into the ReadCloud Group is tracking as planned



CORPORATE SNAPSHOT



ASX Code: RCL

Share Price (25 November 2022)	\$0.12
Market capitalisation (@ 0.12 cents)	\$14.6m
Shares on issue	121.6m
Options on issue (unlisted)	4.1m
Current cash (30 September 2022)	\$2.5m

Board & Management

Cristiano Nicolli	Non-Executive Chairman
Paul Collins	Non-Executive Director
Guy Mendelson	Non-Executive Director
Lars Lindstrom	Executive Director (CEO)
Darren Hunter	Executive Director (CIO)
Luke Murphy	Chief Financial Officer
Melanie Leydin	Company Secretary

Substantial Shareholders

Thorney Group*	10.2%
Microequities	7.7%
Lars Lindstrom	7.1%
Hunmar Holdings/Darren Hunter*	5.8%
West Elk Partners LP	5.6%
Top 20	68.9%
Total Board and management shareholdings*	19.8%

*Includes indirect holdings

Readcloud 12-Month Price & Volume



Additional information



FY22 FINANCIALS



Underlying EBITDA

(\$'000)	FY22	FY21	YOY
Sales and fee revenue	8,212	6,988	+17.5%
Less publisher & bookseller fees	(3,334)	(2,904)	+14.8%
Margin after publisher & bookseller fees	4,878	4,084	+19.4%
Add: Other revenue	337	430	-21.6%
Less operating expenses:			
Advertising and marketing	(329)	(183)	+79.8%
Employment expenses	(4,357)	(3,790)	+15.0%
Legal & compliance	(76)	(85)	+10.6%
Professional services expenses	(506)	(475)	+6.5%
Telephone, internet & data hosting	(109)	(97)	+12.4%
Travel expenses	(140)	(97)	+44.3%
Other expenses	(519)	(555)	-6.5%
Finance costs	(7)	(17)	-58.8%
Total operating expenses	(6,043)	(4,634)	+30.4%
Add: Net interest expense / (revenue)	5	16	-68.8%
Underlying EBITDA*	(823)	(769)	-7.0%

- Underlying EBITDA = EBITDA adjusted for Interest, Tax, Depreciation and Amortisation, Share-based payments, transaction costs incurred on the COSAMP and Ripponlea Institute acquisitions and one-off ASX fees
- 17.5% sales and fee revenue growth driven by organic growth in both operating segments and acquisitive growth (Ripponlea Institute)
- Increase in margin after publisher and bookseller fees > increase in sales and fee revenue reflects increased use of ReadCloud VET-Group owned course materials
- Increased advertising & marketing spend in FY22 mainly attributable to national marketing launch of the ReadCloud VET Group
- Increase in employment expenses reflects full year of ownership of the Ripponlea Institute business in FY22 and investment in additional sales and marketing and operational staff in both the VET and full-curriculum segments in anticipation of future growth

FY22 FINANCIALS

Balance Sheet

\$'000	Note	30-Sep-22	30-Sept-21
Cash and cash equivalents		2,467	4,471
Trade and other receivables	1	898	787
Prepayments		106	126
Total current assets		3,471	5,384
Non-current deposits		36	40
Property, plant & equipment		177	240
Intangibles	2	8,015	8,109
Right-of-use assets		332	258
Total non-current assets		8,560	8,647
Total assets		12,031	14,032
Trade and other payables	3	799	651
Other current liabilities	4	244	606
Employee entitlements (Current & NC)		517	422
Contingent consideration (Current & NC)	5	75	1,000
Lease Liabilities (Current & NC)		382	286
Total liabilities		2,018	2,965
Net assets		10,013	11,066

Notes

1. Includes FY22 R&D tax incentive receivable (\$0.42 million) expected to be received in the current quarter
2. Intangibles include capitalised software development (\$2.17 m), goodwill (\$5.4m) and other intangibles acquired as part of the AIET, COSAMP and Ripponlea Institute acquisitions
3. Includes trade creditors of \$0.48 million mainly relating to amounts owing to third-party publishers
4. Represents contract liabilities (unearned revenue - \$0.29 million) and company tax refunds receivable in respect of COSAMP and Ripponlea Institute (\$0.05 million)
5. \$0.55 million in RCL shares (at \$0.38 per share) issued as deferred consideration to the vendors of COSAMP and Ripponlea Institute during FY22. Balance at FY22 year-end represents remaining deferred consideration owing to the vendors of COSAMP payable in RCL shares at \$0.38 per share (these shares will be escrowed)

