



27 April 2018

ASX Announcement

Quarterly Update

ReadCloud Limited (ASX: RCL, RCLO) has had a successful back to school season both with existing and with new schools. Operating systems, on-boarding processes and professional training sessions for teachers have all run well according to schedule.

User numbers

The Company has generated the strongest sales pipeline in its history leading into the school year 2019. The Directors have been pleased to note a significant increase in inbound enquiries from new schools as the ReadCloud platform is becoming better known in key school communities.

As of 24 April 2018, ReadCloud has 50,207 contracted users in 70 schools on its platform which is a 130% increase over the 21,800 users that ReadCloud had 12 months ago. Reseller users represent 71% of the total user numbers and Direct users represent 29% (12 months ago the split was 88% and 12%).

The Company has experienced strong growth in the Queensland secondary school sector in particular and are now servicing numerous secondary schools in Brisbane, Cairns and rural Queensland. This is a direct result of ReadCloud's strategy in its direct sales business which focuses on Book Hire schools who have historically found eBook pricing to be too high to incentivise them to convert to a digital curriculum. The ReadCloud platform, combined with a very competitively priced eBook curriculum, has opened up a large opportunity for ReadCloud to expand its direct sales platform in states who have predominantly Book Hire schools (QLD, NSW, SA, WA).

The company will shortly be issuing Class A Performance Rights Tranche 1 as described in the Prospectus, as the company has achieved in excess of 45,000 users.

Expansion of Sales & Development Teams

Since listing on the ASX on 7 February 2018, the Company has identified several attractive hiring opportunities in Sales & Marketing and Software Development & Support.

This has led to a number of key hires in Q3 FY18 that have more than doubled the number of FTE to 14 employees, since lodging the Prospectus in December 2017. ReadCloud now has five dedicated sales staff who have significantly expanded the Company's direct sales capabilities.

Platform Development

ReadCloud continues to work on developing its platform. Deeper integration with school LMS systems and seamless access to a growing list of content providers are key



developments. Several new features for our Apps are well underway and will be released in time for the start of school year 2019. ReadCloud has also seen the largest take up in schools to date of the ReadCloud Content Server ("RCS") which allows schools to download eBooks from inside their intranet with the content still being encrypted, and the ReadCloud Integrator ("RCI") which provides automatic syncing of the school's timetabling software with the ReadCloud clouds (virtual classrooms).

Cash flow from operations

Cash flow from customers of \$670k was as expected during Q3 FY18 with a number of direct schools having payment terms set for 1 April 2018.

Net cash flow from operations excluding Research & Development for the quarter was \$187k and year to date it is \$52k.

Outlook for FY18

As noted above, the strategy to increase employee numbers to capitalise on the strong sales pipeline and increasing demand from schools will result in bringing forward expenses compared to budgets made when the Prospectus was lodged in December 2017. The Directors therefore estimate that the company will not meet the Performance Rights target of achieving an EBITDA in FY18 of over \$500,000.

The Directors believe this investment will benefit the long-term value of ReadCloud as the extra resources will enable the Company to benefit from the accelerating rate of schools converting to digital curricula for school year 2019.

Based on the strong growth in schools and user numbers in school year 2018, the Directors estimate that the company is well on track to exceed \$2 million revenue in FY18, which will deliver more than 300% growth compared to revenue of \$608,000 in FY17.

Lars Lindstrom
CEO
April 2018

Further information can be found at: www.readcloud.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ReadCloud Ltd

ABN

44 136 815 891

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (March 18) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	670	819
1.2 Payments for		
(a) research and development	(182)	(481)
(b) cost of sales	(14)	(95)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(72)	(148)
(f) administration and corporate costs	(382)	(510)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (R&D)	-	228
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	22	(184)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(13)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (March 18) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(7)	(13)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,000	6,196
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(467)	(467)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(352)	(399)
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	5,181	5,330

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	191	254
4.2	Net cash from / (used in) operating activities (item 1.9 above)	22	(184)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,181	5,330

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (March 18) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,387	5,387

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	887	191
5.2	Call deposits	4,500	-
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)	5,387	191

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

70

-

Directors' remuneration, administration fees and consulting fees for the March 2018 Quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

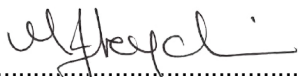
8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	171
9.2 Cost of sales	649
9.3 Advertising and marketing	36
9.4 Leased assets	-
9.5 Staff costs	181
9.6 Administration and corporate costs	256
9.7 Other	-
9.8 Total estimated cash outflows	1,293

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions \$A'000	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal (cash)	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here: 
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(Company Secretary)

Date: 27 April 2018

Print name: Melanie Leydin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.