Investor Presentation

Thorney Technologies Ltd AGM

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Investment Overview

- ReadCloud is the leading digital education solution for Australian schools, delivering clear educational benefits and saving schools and students money

- Large market opportunity in Australia with an immediate target market of 2,700 secondary schools with 1.6 million students

- Growing rapidly with over 50,000 users in over 70 schools as at 30 June 2018 (up from 21,800 users in 50 schools as at 30 June 2017), with the opportunity to rapidly increase market share

- In FY18, the maiden full-year financial result as an ASX-listed Company, the highlights include:
  - 155% increase in total revenue to $2.1 million (including a 189% increase in sales revenue);
  - Underlying EBITDA of $(147,055) (after adding back share-based payments and initial public offering costs that were expensed);
  - Substantial increase in contracted users and schools on the ReadCloud platform;
  - Increase in the proportion of total users represented by direct (higher margin) school contracts (29% versus 12% in FY17);
  - Expansion of the Company's direct sales team for FY19 in order to grow market share; and
  - Strong funding position following an over-subscribed initial public offering that raised $5.5 million after costs.

- Strategically positioned with 7 Channel (distribution) Partners

- Acquisition of AIET provides a strategic entry into the Vocational Education in schools sector and adds over 90 school customer relationships

- Highly scalable platform is leveraged to improving operating margins as user numbers increase

- Experienced and motivated team with a clear growth strategy

ReadCloud Overview

readcloud

ASX Code: RCL, RCLO	
Share Price (19 November 2018)	$0.30
Market capitalisation (@ 30 cents)	$26.3m
Listing Price (February 2018)	$0.20
Shares on issue (listed)	43.9m
Escrowed shares	43.6m
Options on issue	21.6m
Performance Rights	7.5m
Current cash (30 September 2018)	$3.7m
Turnover (month rolling)	$203,000

Substantial Shareholders	
Amity Agency Pty Ltd	16.4%
Thorney Group*	11.5%
Lars Lindstrom	9.8%
Hunmar Holdings/Darren Hunter*	8.0%
Pollaers Family Trust	5.9%
Joshua Fisher	5.6%
Kimberley Marshall	5.5%
Top 20	76.3%
Total Board Shareholdings*	20.6%

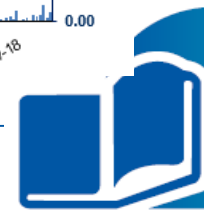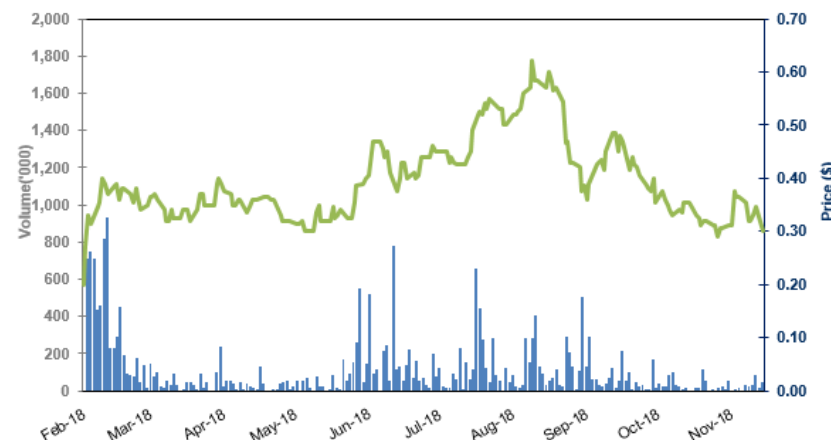*Includes indirect holdings

Directors	
Paul Collins	Non-Executive Chairman
Lars Lindstrom	Chief Executive Officer
Darren Hunter	Chief Information Officer
Guy Mendelson	Non-Executive Director
Luke Murphy	Chief Financial Officer

Share Price Performance and Volume

ReadCloud Is The Complete Digital Solution

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The ReadCloud platform is the complete solution for eLearning and management of all Digital Content.

Students

Schools/Teachers

Publishers

readcloud

Channel Partners

Fully integrated platform delivering a complete solution for schools, students, publishers and intermediaries

Australian developed, all IP owned 100%

ReadCloud Benefits

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Students

- Australian Curriculum in one App
- Integrates digital content from multiple publishers
- Cross Platform
- Operates on all hardware/operating systems
- Social collaboration and annotations
- Social learning – share notes, videos & ideas
- Single Login to all content
- Offline reading – notes and annotations are automatically synchronised

Schools & Teachers

- Automatically creates and synchronises students and classes
- Automated provisioning of resources – detects new students and class movements
- Curate own content – teachers can upload their own content
- Rich analytical data on student usage and progress
- Management console reporting

Publishers

- Solves online delivery problem for publishers
- Efficient delivery of DRM encrypted content
- Updates are imported automatically
- 175,000+ eBooks from the world's leading publishers
- All logins centralised with one password
- Integrates content from traditional and non-traditional publishers

Channel Partners

- Provides a comprehensive eLearning platform
- Utilises Channel Partners' regional strengths
- Real-time ordering
- White label available
- Access to a broad range of content
- Content management
- Management console for client support
- Automated onboarding services and utilities

Market Opportunity

- Australia

  - 3.8 million students in over 10,000 primary and secondary schools

  - ReadCloud's immediate target market is 2,700 secondary schools with 1,600,000 students

  - Of these target schools, 63% expect to move to 100% digital learning by 2020 (ORC Int. 2017)

- ReadCloud's Market Position (FY18)

  - Rapid early traction with over 50,000 users in 70 secondary schools on the platform, with the opportunity to rapidly increase market share in the 1.6 million secondary student target market

  - 7,500+ primary schools in Australia provide a longer term growth opportunity

  - ReadCloud is accelerating direct sales to schools and benefits from its Channel Partners established school relationships

  - Strategic entry into the Vocational Education sector in Secondary Schools for 2019

ReadCloud Has Acquired AIET

Agreement to acquire 100% of Australian Institute of Education and Training (AIET) for up to $2.95 million

① AIET Overview

- ▸ Leading Registered Training Organisation ("RTO") with a presence in over 90 Australian secondary schools. Headquartered in Melbourne with school customers in Victoria, SA and WA
- ▸ AIET provides Vocational Education and Training ("VET") courses and accreditation that enables schools to offer VET courses under AIET's RTO licence. AIET creates and delivers proprietary course content for 34 VET courses including Certificate II, Certificate III and diploma courses
- ▸ AIET approached ReadCloud after an extensive search to find technology to protect its Intellectual Property, reduce printing costs and enhance its course delivery
- ▸ Achieved over 60% revenue growth in FY18 (to over $950k) with further growth expected in FY19

② Compelling Strategic Rationale

- ▸ Provides a complimentary (and proprietary) product which is sold into the same secondary school market which RCL focusses on and provides significant cross-selling opportunities
- ▸ Acquisition more than doubles the number of ReadCloud's (FY18) school customer relationships
- ▸ AIET and its customers will benefit from ReadCloud's digital delivery platform as AIET will have substantial printing/handling cost savings and VET digital courses will contain videos
- ▸ AIET's Chief Executive Officer Nic Mardling (the vendor) will head up ReadCloud's VET business

③ Acquisition Snapshot

- ▸ Acquisition will be funded by shares and existing cash, with consideration based on performance
- ▸ Maximum acquisition cost is up to 5.35 million ReadCloud shares and up to $810,000 in cash with the assumption of $50,000 in liabilities
- ▸ Total acquisition cost is < 4.5 times FY19 EBIT, assuming Revenue and EBIT performance targets are met for FY19
- ▸ The acquisition will be earnings accretive in FY19

Overview of AIET and VET

- AIET was established as a Registered Training Organisation ("**RTO**") in 2003 and is one of the largest RTO's in Victoria in the Secondary School market

- The business specialises in providing nationally accredited Vocational Education and Training ("**VET**") to secondary schools throughout Australia. AIET does not employ teachers or own classrooms. It provides the compliance oversight, sells the course material and provides an online assessment.

- AIET enters into partnering arrangements with secondary schools ("auspicing"), as schools cannot deliver VET programs unless they are an RTO themselves

- AIET oversees the compliance and delivery of programs (including assessments) and provides training manuals and workbooks which it has developed in-house over a number of years

- AIET currently provides its programs to over 90 schools and 4,000+ students with schools in Victoria, South Australia and Western Australia

- There are currently 34 courses in its curricula including Certificate II, Certificate III and Diploma courses in subjects such as Hospitality, Business, Dance, Sport and Recreation, IT, Early Childhood Education, Engineering, Kitchen Operations, Building and Construction etc.

- AIET derives 100% of its revenue from schools, with no direct government funding

- VET, as delivered to secondary school students, is a key component of the Australian government's strategy to increase student retention and improve year 12 or equivalent completion rates, by providing options for all students. It also addresses skill shortages across all sectors.

- There were 242,000 school students taking VET courses in 2017, implying that nearly 1 in 2 senior students in years 11 and 12 are studying VET courses

Transaction Rationale

Provides a complimentary (and proprietary) product and relationships with 90+ additional schools

Entry to the VET in Schools Sector	▪ Provides immediate entry into the growing Vocational Education Training in schools sector ▪ Expands ReadCloud's product offering ▪ AIET offers courses in 34 subjects
Direct access to new School relationships	▪ Access to AIET's existing relationships with over 90 schools across Australia ▪ AIET more than doubles ReadCloud's (FY18) school relationships
Digital delivery benefits	▪ Digital delivery of AIET's course materials (currently paper-based) via the ReadCloud platform will protect AIET's IP, reduce printing & postage costs and improve user experience ▪ VET courses are significantly enhanced by video content, which can be embedded within course materials via the ReadCloud digital platform
Significant cross-selling potential	▪ Ability to cross-sell AIET VET courses to ReadCloud customer schools ▪ AIET provides a point of entry to introduce the ReadCloud digital platform to its schools
Value accretive transaction	▪ AIET achieved over 60% revenue growth in FY18 and was profitable ▪ Immediate cost savings through digital delivery of AIET's courses and from shared services ▪ The acquisition will be earnings accretive in FY19

ReadCloud Business Update

Direct Sales

- All existing direct customer school contracts are rolling into the 2019 school year

- Although still in the selling season for 2019, several new large direct schools have signed-up for 2019

- Curriculum changes for 2019 occurring in some States has delayed school purchasing decisions (publishers are still finalising content)

- This will provide an opportunity to sell right up to the Christmas break

Channel Partners – OfficeMax

- OfficeMax (ReadCloud's largest Reseller) has been successful in re-signing its existing schools and has already signed several new schools for 2019

- OfficeMax recently won a tender to be one of two on the purchasing panel for The Catholic Archdiocese of Sydney (responsible for educating over 63,000 students in 149 schools)

- Of these schools, 38 are secondary schools that will have to choose between OfficeMax/ReadCloud and a competitor for the 2020 school year

ReadCloud Business Update (cont'd)

New Channel Partners

- New reseller agreements with a further 3 school stationery / book suppliers (bringing the total number of resellers to 7), including:

  – Adelaide Direct Stationers – servicing 200+ schools in South Australia

  – Bennetts Office Supplies – relationships with 40+ schools in New South Wales; and

  – Blue Ink Education – currently services approximately 30 schools in the ACT

New Distribution Agreement

- Direct distribution agreement with Oxford University Press ("OUP"), enabling ReadCloud to sell OUP digital textbooks to schools directly (previously could only be sold via ReadCloud's Resellers)

Technology Platform

- Significant enhancements to the ReadCloud technology platform, including:

  – common code base across all Native Applications (Windows, OSX, iOS, Android and ChromeBooks), enabling huge efficiencies in deploying new features

  – introduction of dyslexic fonts, text to speech and a drawing module

  – new content curation and management features enabling users to upload and organize their own content (including teacher notes, PDFs and videos)

  – automated syncing of school timetable changes

  – seamless integration with school Learning Management Systems

Outlook

- ReadCloud continues to see a record direct sales pipeline, with several new large direct schools signed up for 2019

- School purchasing decisions have been delayed by curriculum changes for 2019, which has extended the selling season (decisions on a number of tenders submitted are imminent)

- The Company expects significant revenue growth from its existing direct school customers as a result of both expansion of year levels using the ReadCloud platform and additional eBook sales

- Sales via ReadCloud's Resellers are also expected to increase significantly for FY19

- A further update will be provided at the Company's AGM on 29 November

Key Investment Highlights

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