

**ASX Release**

31 October 2019



## Quarterly Activities Report & Appendix 4C

### Highlights

- Ongoing growth in contracted revenues positions ReadCloud for strong growth going into the 2020 school year
- The ReadCloud platform is now used by well over 300 schools and educational institutions
- Consolidated sales for the Q1 FY20 \$0.44 million (seasonally the slowest quarter for the Company) compared to \$0.02 million for the Q1 FY19
- Strategic distribution agreement commenced with publisher of Vocational Training and Education materials publisher Training Resource Solutions
- Completion of a well-supported placement of new shares to institutional and sophisticated investors raising \$2 million before costs, with a closing cash balance of \$3.4m
- Ongoing conversion of strong sales pipeline into customers

The Directors of ReadCloud Limited (“ReadCloud” or “the Company”; ASX: RCL, RCL0), a leading provider of software solutions, including eBooks, to Schools and the Vocational Education and Training sector in Australia, are pleased to provide a quarterly update and cash flow statement for the September 2019 quarter.

ReadCloud has continued to record strong growth in contracted revenues, with substantial growth in the business both from new and existing customers. These recurring revenues will be recognised as services are delivered in coming quarters. Despite the latest quarter being the weakest in the school year cycle for revenue and cash receipts, the Company is pleased to record revenues in the September quarter of \$0.44 million, up from \$0.02m year on year.

The Board and management are confident in the outlook for the 2020 school year.

### Sales Update

The selling season for the 2020 school year has commenced strongly, and ReadCloud is pleased to advise that its platform is now being used in well over 300 schools and educational institutions including school curriculum and Vocational Education and Training (“VET”) products. ReadCloud has signed up new school and other educational institution customers across all of ReadCloud’s four sales channels, being Direct full-curriculum sales, full-curriculum Resellers, VET sales in schools and the broader VET



market. Management is confident that further new customers will be secured over the next two months as schools continue to make their purchasing decisions for 2020 into November and early December.

ReadCloud's direct full-curriculum business has continued its substantial growth, particularly in Queensland, with take-up by new schools on multi-year deals including some very large State schools (with over 1,000 students each and one school with over 2,000 students).

ReadCloud's VET subsidiary Australian Institute of Education and Training ("AIET") has also continued its substantial growth in Victoria and Western Australia, with several new schools signed up during the quarter and a number of existing VET school customers commencing additional VET qualifications during the quarter. AIET has also achieved strong cross-selling results, successfully selling VET courses and auspicing services into existing ReadCloud schools in Queensland and Western Australia.

Management is also pleased to announce that ReadCloud has entered into a Strategic Distribution Agreement with Training Resource Solutions ("TRS") which will enable TRS to offer its VET training materials to its customers in a protected digital format using the ReadCloud platform. TRS originated over a decade ago and publishes VET training and assessment materials to over 200 Registered Training Organisations and TAFEs in Australia and overseas.

Following the decision in March 2019 by a competitor LearningField to exit the school market, ReadCloud's sales staff have also been working with ReadCloud's Resellers in securing new business. Notable wins include two prestigious Grammar schools in Melbourne that will be using the ReadCloud platform via ReadCloud's Resellers in school year 2020.

In addition, the Company continues to see significant growth in revenue from its existing direct school customers as a result of both increased user numbers (due to schools expanding their use of the ReadCloud digital platform to additional year levels for 2020) and from additional eBook sales.

The Company looks forward to providing a more comprehensive sales update at the Company's Annual General Meeting on 27 November 2019.

## **Platform Update**

ReadCloud has now completed the development of the first phase of ReadCloud's new Media Overlay feature which enables publishers to embed videos, audio podcasts, rich text editing and images into its eBooks. This Media Overlay capability has broad application in the Vocational Education and Training market and has assisted in attracting new publishers in the sector to the ReadCloud platform. The Media Overlay feature is also available for Teachers and Trainers to enhance students' learning experience whether in VET education or full Curriculum schools.



ReadCloud's distribution partner Australian Training Products ("ATP") continues to educate its client base about the ReadCloud platform and is planning for larger scale roll-outs in 2020. ATP is a leading workplace learning and vocational training provider, delivering high quality VET resources. The integration of the ReadCloud platform with ATP's bookstore is on schedule for completion for the 2020 school year, and ATP will look to relaunch their bookstore in early 2020 in advance of the peak VET course enrolment period.

## Finance Update

In early August the Company completed a placement of 5.56 million new shares to institutional and sophisticated investors at \$0.36 per share that raised \$2 million before costs. The capital raised will support additional marketing and system development for ReadCloud's continued expansion in the VET sector.

The Company notes that its results are highly seasonal in line with the school year cycle, with the 2nd and 3rd quarters in each financial year being the strongest for sales and cash receipts. However, a number of ReadCloud's existing full curriculum schools in Queensland have placed orders early for year 12 content for delivery in Term 4 2019 and as such ReadCloud has invoiced direct customer schools \$0.3 million in the September 2019 quarter. The September 2018 quarter had minimal revenue in comparison and direct customer eBook sales for FY19 included minimal content for year 12.

In addition, AIET had sales of \$0.14 million for the quarter, comprising new VET qualifications commenced in Term 4 2019 by both existing and new VET school customers. ReadCloud did not own the AIET business in the September 2018 quarter.

Receipts from customers for the September quarter amounted to \$0.23 million. As at 30 September 2019 a further \$0.30 million was owed by customers.

ReadCloud lodged its FY2019 tax return in September 2019 and expects to receive a R&D tax refund of circa \$0.39 million in the current quarter.

The Company held total cash as at 30 September 2019 of \$3.4 million.

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

-Ends-

## CONTACTS:

### Investors & Media:

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## About ReadCloud Limited

ReadCloud is a leading provider of software solutions, including eBooks, to Schools and the Vocational Education and Training sector in Australia. ReadCloud's proprietary eBook reader 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 so that together with its Reseller Channel Partners, ReadCloud is able to deliver the Australian school curriculum in digital form in all States, on one platform.

ReadCloud also provides digital Vocational Education and Training (VET) course materials and services to schools through its subsidiary Australian Institute of Education and Training (AIET), which offers over 40 VET courses and Auspicing services to schools across Australia.

+Rule 4.7B

## 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")**

30 September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (September 2019) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	234	234
1.2 Payments for		
(a) research and development	(189)	(189)
(b) cost of sales	(69)	(69)
(c) advertising and marketing	(88)	(88)
(d) leased assets	-	-
(e) staff costs	(782)	(782)
(f) administration and corporate costs	(244)	(244)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (R&D)	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,136)</b>	<b>(1,136)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(23)	(23)
(b) businesses (see item 10)	(360)	(360)
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (September 2019) \$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	<b>Net cash from / (used in) investing activities</b>	<b>(383)</b>	<b>(383)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	2,000	2,000
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	(150)	(150)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>1,850</b>	<b>1,850</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 quarter/year to date	3,068	3,068
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,136)	(1,136)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(383)	(383)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,850	1,850

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (September 2019) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>3,399</b>	<b>3,399</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	3,399	3,399
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,399</b>	<b>3,399</b>

**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
163
-

Directors' remuneration for the September 2019 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. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	175
9.2 Cost of sales	300
9.3 Advertising and marketing	55
9.4 Leased assets	-
9.5 Staff costs	680
9.6 Administration and corporate costs	200
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	1,410

\* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions \$A'000	Disposals
10.1 Name of entity Australian Institute of Education & Training Pty Ltd and Australian Institute of Education & Training Unit Trust	-	-
10.2 Place of incorporation or registration Melbourne, Australia	-	-
10.3 Consideration for acquisition or disposal (cash)	757	-
10.4 Total net assets	66	-
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:  .....  
(Company Secretary)

Date 31 October 2019

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.