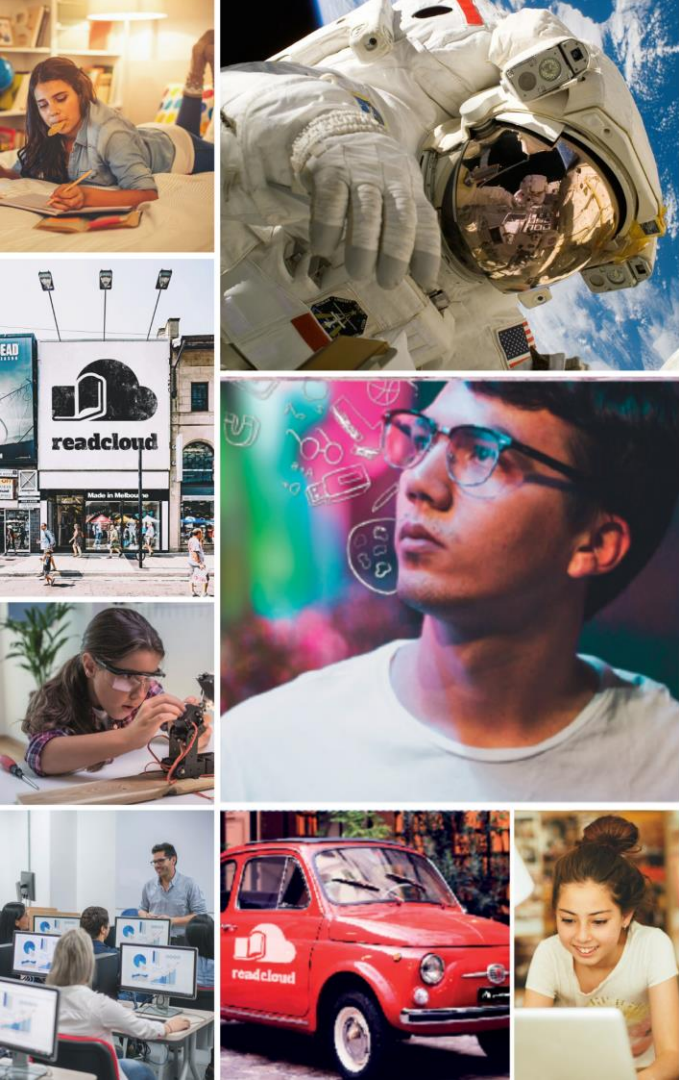




Annual General Meeting

ReadCloud Limited ASX: RCL, RCLO

27 November 2019



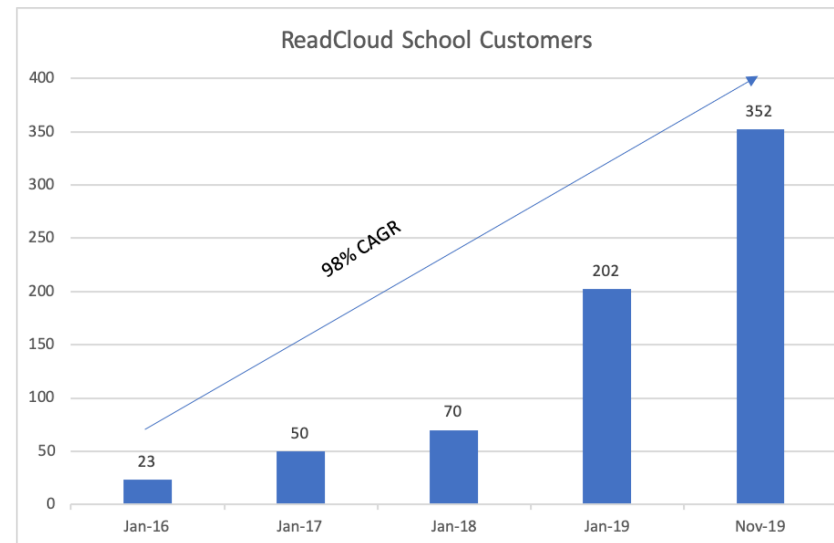


Sales Update



Sales Update – FY20

- ReadCloud now has 350+ school customers for year 2020 including schools using ReadCloud for Vocational Education and Training (“VET”) courses (representing 98% CAGR since FY16)
- This represents a 13% market share of the total number of secondary schools in Australia (2,700)
- Based on current contracts signed with Direct Schools, ReadCloud has now more than doubled user numbers to 36,000+ compared to 17,000+ Direct School users as of November 2018
- Based on current contracts with VET In School customers, management estimate that user numbers will more than double for 2020 compared to November 2018
- Total ReadCloud platform user numbers are now in excess of 96,000 compared to 54,000 in November 2018



Note: As the cross selling has begun, some schools are both Direct or Reseller and VET In Schools customers. The total number of customers using the ReadCloud platform is 373. However, the unique school number is 352.

Note:

- ASIC Regulatory Guide 170: Prospective Financial Information states that there must be ‘reasonable grounds’ for announcing prospective financial information.
- ReadCloud’s school contracts commits schools to use ReadCloud and purchase eBooks. However, the final eBook volumes are not stated in the contract as they will not be finalised until December 2019 or January 2020. ReadCloud also has limited visibility into the eBooks volumes being sold through its Resellers. As such, management is not in a position to provide financial guidance at this point in time.

Sales Update – School Users

- Direct sales efforts for the 2020 school year have focused on targeting larger schools and going deeper and wider in existing schools
- Whilst the selling season for the 2020 school year continues, this strategy has already proven successful with ReadCloud winning the largest High School in Queensland with over 3,000 students and several other large High Schools ranging from 1,000 to 2,500 students
- As a result, Direct School user numbers have more than doubled in only 12 months
- VET In Schools has also had a very successful selling season with user numbers for the 2020 school year expected to more than double

Users			
Channel	Nov-18	Nov-19	% increase
1. Direct Schools	17,000	36,000	112%
2. Resellers	33,000	50,000*	52%
3. VET In Schools	4,000	10,000*	150%
Total Users	54,000	96,000*	78%

* The Reseller and VET In Schools User numbers above are based on management estimates and known contracted schools. However, actual user numbers will not be known until eBooks have been ordered for the 2020 school year, and for VET schools not until student enrolments occur in February 2020

Recent Wins



Wins across all four Channels of the business since the end of FY19.

Direct Schools

- A number of new Direct whole-of-school 3-year contracts signed, including the largest High School in Queensland with over 3,000 students and several other schools with between 1,000 and 2,500 secondary students (versus average school enrolments in Australia of 700)
- Already receiving eBook orders for Year 12 transition for 2020 from several Direct Schools that were onboarded late in FY19

VET in Schools

- VET In School students are expected to more than double from 4,000 users to 10,000 users compared to 12 months ago
- Organic growth has also been achieved as a result of existing VET In School customers commencing additional VET qualifications during the current quarter

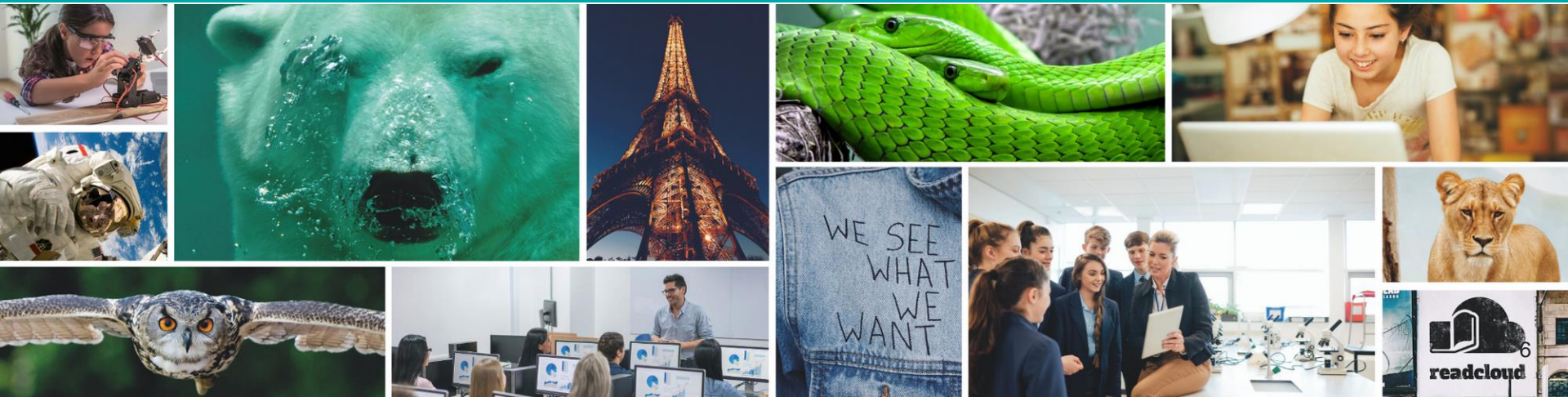
Resellers

- Following the exit from the school market of a competitor, 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

Broader VET

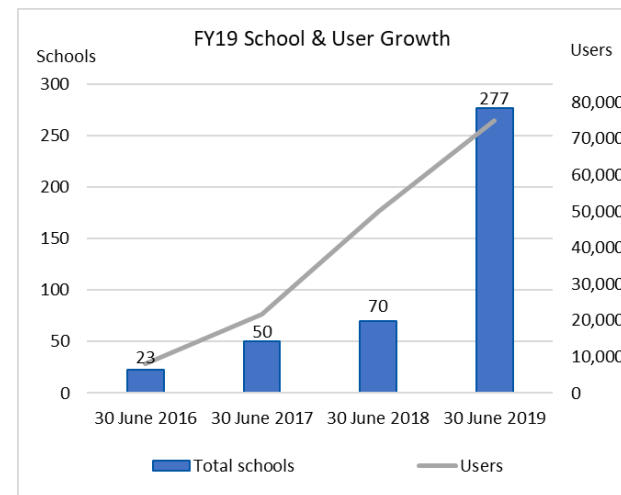
- Distribution partner Australian Training Products continues to add new schools/institutions to the ReadCloud platform and are expecting to see increasing uptake of its digital ReadCloud-based resources in 2020
- Recently signed Strategic Distribution Agreement with Training Resource Solutions ("TRS")
 - 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

FY19 Highlights



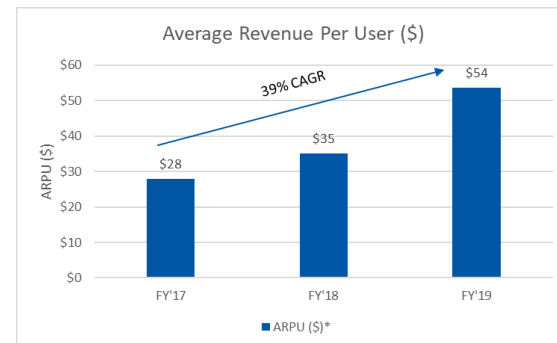
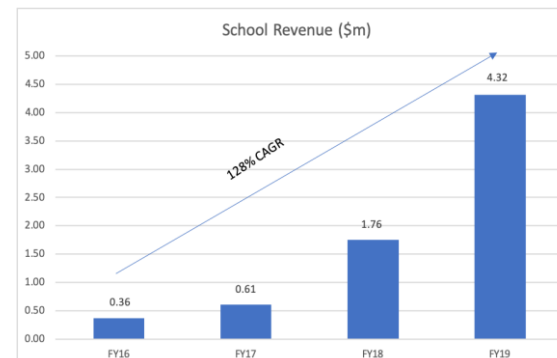
FY19 Operational Highlights

- At the conclusion of FY19:
 - 277 School customers on the ReadCloud platform (↑ 296% over FY18).
 - 80,000 ReadCloud users (↑ 60% over FY18).
- ReadCloud entered the VET in schools sector in November 2018 with the acquisition of Australian Institute of Education and Training (“AIET”):
 - acquired for \$0.76 million cash and \$1.94 million in escrowed shares issued at \$0.40 per share (4.8 x FY19 EBIT).
- Strategic benefits identified at time of acquisition have been achieved:
 - digitisation of AIET’s student resources and delivery via the ReadCloud platform has resulted in IP protection and significant cost savings.
 - cross-selling of ReadCloud’s VET course offering to ReadCloud full-curriculum schools and vice-versa.
- The acquisition has opened up an exciting opportunity to expand into the broader (non-school) VET sector via partnerships with educational content publishers looking for a secure a digital delivery solution:
 - exclusive 3-year Strategic Distribution Agreement with Australian Training Products (“ATP”), a leading provider of training resources to over 1,000 Registered Training Organisations (RTOs) in Australia and internationally.
 - distribution agreements also in place with leading publishers of early childhood education, commercial cookery and beauty services resources.



FY19 Financial Highlights

- FY19 Total revenue of \$4.8 million (↑ 125% over FY18).
- Record school revenue of \$4.3 million (↑ 145% over FY18), driven by:
 - expanded use of the ReadCloud platform within existing direct schools (26% organic revenue growth from direct schools that were customers in FY18);
 - 70% overall revenue growth from curriculum schools (direct school customers and reseller schools); and
 - \$1.3 million revenue from VET schools (1 November 2018 to 30 June 2019).
- Since 2016 ReadCloud has grown school revenue at a CAGR of 128%.
- Average Revenue Per User (“ARPU”) for FY19 was \$54
 - ↑ 52% on FY18
 - CAGR of 39% over the last 3 financial years.
- Positive underlying EBITDA for the second half of the FY19 and overall underlying EBITDA loss for the full-year of \$(421,960).
- Strong cash position of \$3.0 million at the end of the financial year.



FY19 Financials – Underlying EBITDA

	FY19	FY18
Sales and fee revenue	\$4,316,479	\$1,756,527
Other revenue	\$492,089	\$378,545
Total revenue	\$4,808,568	\$2,135,072
Less operating expenses:		
Advertising and marketing	(\$112,711)	(\$36,272)
Employment expenses	(\$1,889,309)	(\$474,568)
General & administrative expenses	(\$371,872)	(\$230,001)
Printing and stationery	(\$79,834)	(\$12,287)
Professional services expenses	(\$217,082)	(\$103,578)
Publisher and bookseller fees expense	(\$2,329,507)	(\$1,290,463)
Travel expenses	(\$192,917)	(\$98,485)
Less: Net interest revenue	(\$37,296)	(\$36,473)
Underlying EBITDA*	(\$421,960)	(\$147,055)

- 125% revenue growth.
- Publisher and bookseller fees for FY19 grew in line with increased eBook sales:
 - gross margins on eBook sales to curriculum schools (direct and reseller) improved slightly on prior year.
- Increase in employment costs over FY18 due to:
 - full year of costs for sales and operational staff employed late in FY18; and
 - acquisition of AIET.
- As at end of FY19 the group had 20 full-time equivalent staff (ReadCloud and AIET) – 7 sales staff, 5 operations staff, 5 software developers and 3 executives.
- Positive Underlying EBITDA for the second half of FY19.

FY19 Financials – Balance Sheet

	Note	30-Jun-19	30-Jun-18
Cash and cash equivalents	1	3,067,599	4,593,330
Trade and other receivables	2	470,165	548,940
Prepayments		75,119	33,871
Total current assets		3,612,883	5,176,141
Property, plant & equipment		59,756	44,045
Intangibles	3	4,296,301	1,689,877
Total non-current assets		4,356,057	1,733,922
Total assets		7,968,940	6,910,063
Trade and other payables	4	508,712	615,123
Other current liabilities		272,144	154,747
Contingent consideration	5	1800000	-
Total current liabilities		2,580,856	769,870
Non-current liabilities		55,734	133,785
Total liabilities		2,636,590	903,655
Net assets		5,332,350	6,006,408

1. Strong cash position at year-end.
2. Includes FY19 R&D tax refund (\$0.4 million) received in the December 2019 quarter.
3. Comprises capitalised software development (\$2.0 million), goodwill (\$2.2 million) and other intangibles acquired as part of the AIET acquisition.
4. Main components include trade creditors (\$0.2 million) and statutory liabilities (\$0.3 million including PAYG withholdings, superannuation and payroll tax).
5. Deferred consideration payable to the vendor of AIET, paid in the September 2019 quarter in cash (\$0.36 million) and escrowed shares issued at \$0.40 each (\$1.44 million).

FY19 Financials – Cash Flows

	30-Jun-19	30-Jun-18
Receipts from customers	4,538,336	1,771,460
Payments to suppliers	(5,363,134)	(2,261,435)
R&D tax incentive refund	351,725	228,295
Interest income	37,534	40,140
Net cash used in operating activities	(435,539)	(221,540)
Payment for purchase of business	(396,893)	-
Payments for PP&E	(10,513)	(47,564)
Software development	(682,786)	(683,115)
Net cash used in investing activities	(1,090,192)	(730,679)
Net cash from financing activities	-	5,291,318
Net (decrease) in cash	-1,525,731	4,339,099
Cash at the beginning of year	4,593,330	254,231
Cash at end of year	3,067,599	4,593,330

- FY19 Underlying EBITDA closely approximated net cash used in operating activities.
- Positive cash flow from operating activities in the second half.
- ReadCloud's cash position bolstered subsequent to FY19 year-end by:
 - completion of a placement of new shares to institutional investors that raised \$2.0 million before costs; and
 - receipt of the FY19 R&D tax refund (\$0.4 million).

Technology Platform



- **Major enhancements to the ReadCloud technology platform ready for the 2020 school year, ensuring it continues to be the leading digital solution for schools:**
 - extra development resource employed since FY19 year-end
 - media overlay development phase 1 deployed
 - video, audio, images and Rich HTML text can now be overlaid inside education resources
 - adopted by both Publishers and Teachers and Students
 - Text-to-speech - available in Curriculum, VET and Novels
 - free hand drawing over education resources
 - Apple Pen and Surface Touch extensions
- **All of the above are available within the ReadCloud Social Annotation framework, which enables both private and shared environments.**

Growth Strategy



Growth Strategy



Direct Schools

- Expanded use of platform in existing schools across additional year levels
- Win more new schools - capitalise on pipeline for 2020 school year
- Leverage relationships
 - Queensland Secondary Principals Association
 - Australian Secondary Principals Association

VET in Schools

- Win more new schools
- Cross-selling ReadCloud platform for full curriculum content delivery into VET school customers
- Cross-selling the VET course offering to ReadCloud full curriculum schools
- Assembling best of breed library from a wide range of VET course publishers

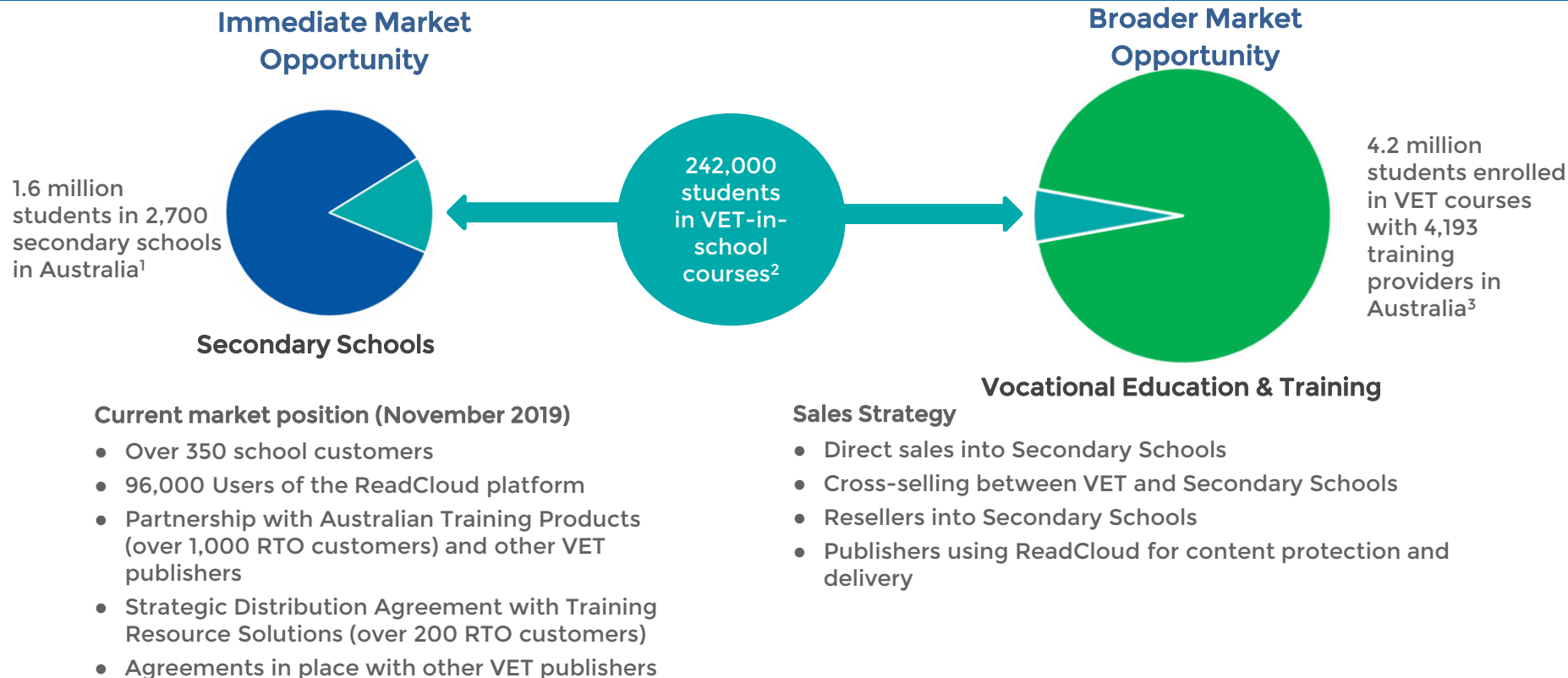
Resellers

- Win more reseller arrangements with booksellers
- Leverage their local relationships with schools and enable these booksellers to have a digital offering
- Leverage 3 new resellers signed late in the sales season for 2019

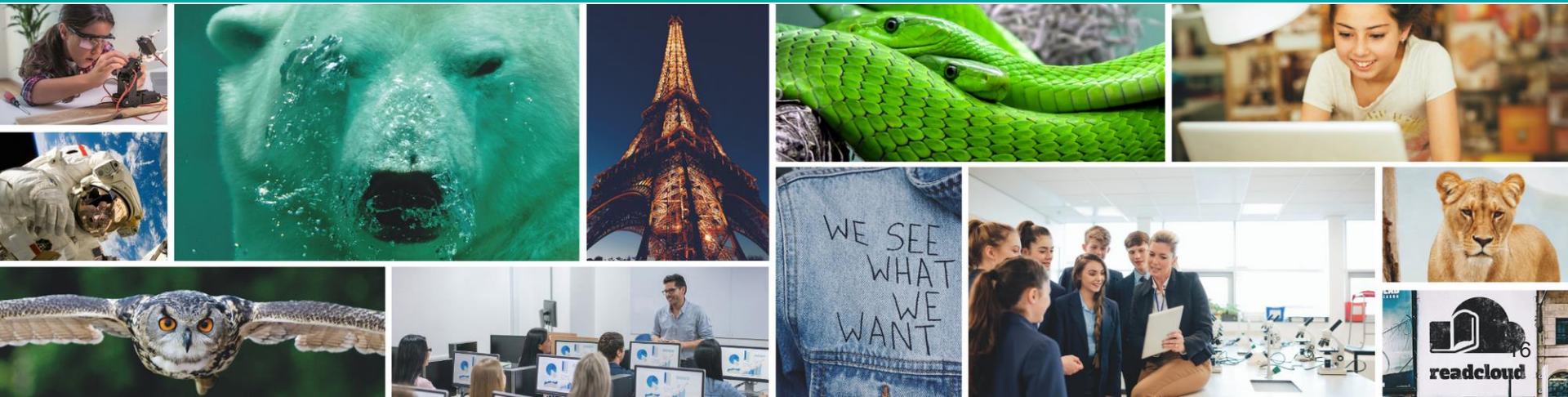
Broader VET

- Increase partnerships with educational content publishers looking for a secure digital delivery solution
- Expanded usage of ReadCloud platform by Australian Training Products and TRS
- Distribution agreements also in place with leading publishers of early childhood education, commercial cookery and beauty services resources

Market Opportunity

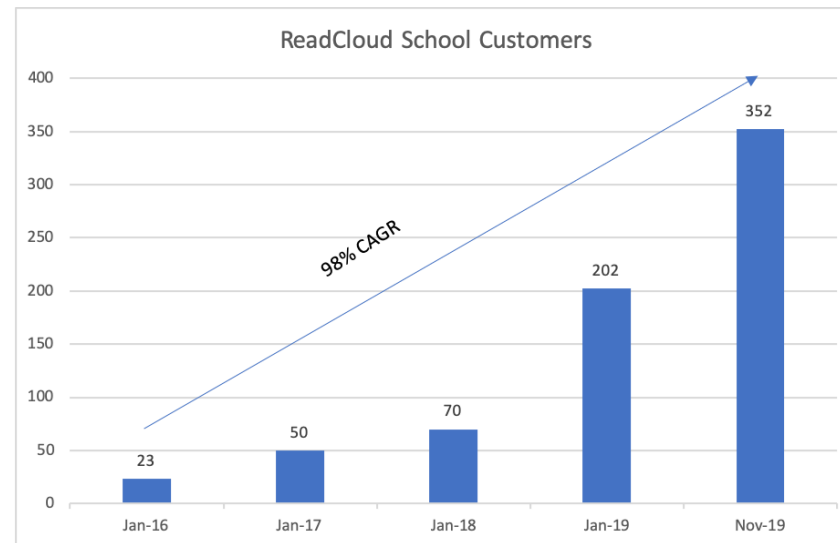


Key Investment Highlights



Key Investment Highlights

- ReadCloud is the leading eReading platform for Australian schools delivering clear educational benefits
- Large market opportunity in Australia with 2,700 secondary schools educating 1.6 million students
- Growing rapidly (98% CAGR since FY16) being in over 350 schools now having a market share of only 13%
- Direct school users have more than doubled to 36,000+ as at November 2019 compared to November 2018. VET In School user numbers for 2020 are also expected to double
- Highly scalable software platform is leveraged to improving operating margins as user numbers increase
- Well funded with a 30/Sep/19 closing cash balance of \$3.4 million and having reported breakeven EBITDA for 2H19



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