

ASX Release

30 April 2020



Quarterly Activities Report & Appendix 4C

Financial Highlights

- \$0.4 million net cash flow from operations in the March quarter
- Cash receipts from customers in the March quarter of \$2.9 million (up 88% on the prior year March quarter)
- Total cash receipts from customers for year to date of \$3.7 million (up 100% on the prior comparable period)
- Unaudited consolidated revenue to 27 April 2020 \$7.0 million (up 51% on prior comparative period) with additional invoicing still to occur

Operating Highlights

- Despite the majority of schools having already arranged books or ebooks for the 2020 year prior to the impact of COVID-19, the move by schools to remote learning has heightened awareness of the benefits of e-learning
- ReadCloud now has over 110,000 users on its platform (up 37.5% from the end of FY19) across 350+ schools and educational institutions
- 5 new Direct schools have signed up to the platform for delivery of the full school curriculum in Term 2
- A number of approaches have been received from potential new Resellers as a result of their school customers seeking remote learning solutions

ReadCloud Limited (“ReadCloud” or “the Company”) (ASX: RCL, RCLO) is the leading provider of digital eLearning solutions to secondary schools and the Vocational Education and Training (“VET”) sector in Australia. The Directors of ReadCloud are pleased to provide a quarterly update and cash flow statement for the March 2020 quarter.

Operational update

The on-boarding process for direct full-curriculum customers for the 2020 school year commenced in December 2019 and was completed successfully in the March quarter prior to the current COVID-19 pandemic. The on-boarding process ran smoothly and revenue from large new school customers signed in late 2019 has exceeded expectations.



Whilst the selling season for the 2021 school year wouldn't ordinarily commence until the September quarter, ReadCloud has recently signed up five new full-curriculum schools with over 4,000 students (combined) for the remainder of the 2020 school year and for 2021. The move by schools to a remote learning for Term 2 in response to the COVID-19 virus and the ReadCloud platform as a remote learning solution were key factors in these signings. These new direct full-curriculum school customers are not expected to have a material impact on sales for the current financial year as the schools had already purchased the majority of their eBooks for 2020. Rather, they provide a headstart on budgeted revenue growth for FY21.

In addition to recent new school wins, during the March quarter ReadCloud received a number of approaches from potential new Resellers as a result of their school customers seeking remote learning solutions that these companies are not currently able to provide. Discussions with a number of these parties have continued in the current quarter.

In response to the COVID-19 pandemic, in late March 2020 ReadCloud published a white paper entitled "A Pathway Towards Home Schooling" in conjunction with the Australian Secondary Principals Association. The white paper identifies and addresses the various factors that schools should consider in order to effectively establish, run and maintain remote learning, and can be found on the Company's website www.readcloud.com.

The enrolment process for ReadCloud's VET business (Australian Institute of Education and Training) commenced during the March quarter, with over 6,000 students enrolled in VET e-learning courses as at the end of March. Student enrolments have continued into April as course selections are finalised, with final numbers expected to come in at over 8,000 enrolled students. Given the Company's strict attention to compliance, several schools signed up in late 2019 have not been offered services due to the trainers not having an adequate level of qualifications for the courses offered.

ReadCloud now has over 350 school customers and educational institutions with over 110,000 users on its platform (up 37.5% from the end of FY19) split by sales channel as follows:

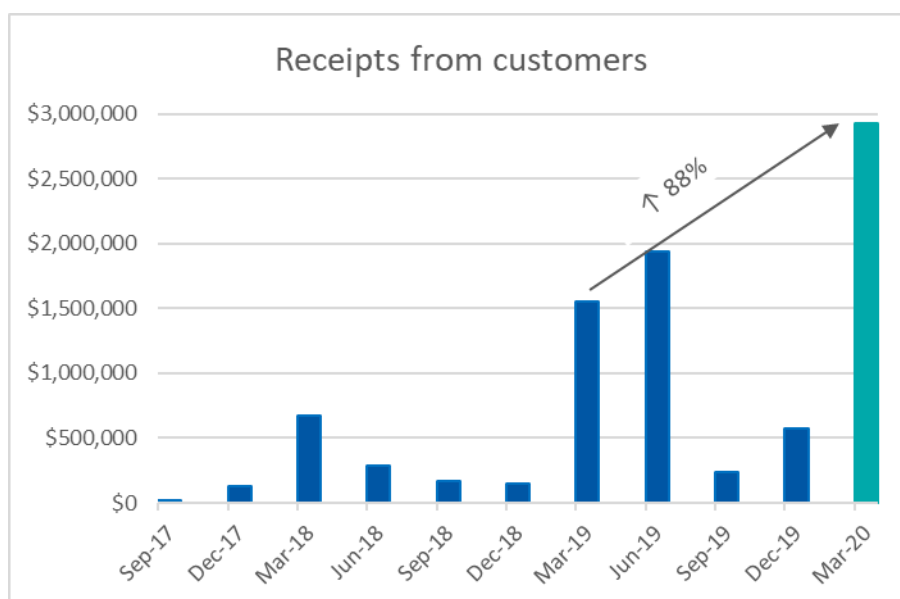
Channel	Nov 2018	June 2019	April 2020
Direct full-curriculum schools	17,000	26,000	46,000
Reseller schools	33,000	48,000	56,000
VET-in-schools	4,000	6,000	8,000+
Total Users	54,000	80,000	110,000

Management believes the Company is well placed for strong growth leading into the selling season for the 2021 school year given the headstart provided by recent new school wins, the increased focus on digital education solutions in general and increased interest in our solution in particular.

Finance Update

Key points from the accompanying Appendix 4C Cash Flow Statement:

- Cash receipts from customers in the March quarter of \$2.9 million (an increase of 88% on the prior year March quarter), bringing total cash receipts from customers for the 9 months 31 March 2020 to \$3.7 million (an increase of 100% over the prior comparable period);



- As at 31 March ReadCloud had consolidated trade receivables of \$1.1 million and a further \$0.8 million has been invoiced to customers in April (27 April month-to-date);
- Unaudited consolidated revenue to 27 April 2020 is \$7.0 million with additional invoicing to direct school customers, resellers and VET school customers still to occur;
- Cost of sales (payments to publishers) for the March quarter was \$1.3 million, relating to eBook sales during the December and March quarters; and
- Staff costs for the March quarter were \$762,000, including payments to related parties of \$0.14 million (Directors' remuneration for the March 2020 quarter).

The Company has a strong balance sheet with a cash balance of \$3.2 million as at 31 March 2020 and no debt.

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

-Ends-



CONTACTS:

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About ReadCloud Limited

ReadCloud is the leading provider of eLearning software solutions, including eBooks, to Schools and the Vocational Education and Training (VET) sector in Australia. ReadCloud's proprietary eBook platform 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, delivering the full Australian school curriculum in digital form in all States, on one platform. In the Vocational Education and Training (VET) sector, ReadCloud provides over 40 digital VET courses and auspicing services to schools across Australia.

ReadCloud currently has over 110,000 users on its platform.

This announcement is authorised for release to the market by the Board of Directors of ReadCloud Limited.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ReadCloud Ltd

ABN

44 136 815 891

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,924	3,733
1.2 Payments for		
(a) research and development	(173)	(535)
(b) product manufacturing and operating costs	(1,346)	(1,693)
(c) advertising and marketing	(84)	(276)
(d) leased assets	-	-
(e) staff costs	(762)	(2,268)
(f) administration and corporate costs	(182)	(652)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	393
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	378	(1,295)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	(360)
(b) businesses	-	-
(c) property, plant and equipment	(42)	(87)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(42)	(447)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(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	Net cash from / (used in) financing activities	-	1,850

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,840	3,068
4.2	Net cash from / (used in) operating activities (item 1.9 above)	378	(1,295)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42)	(447)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,850
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,176	3,176

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	3,176	2,840
5.2	Call deposits	-	-
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)	3,176	2,840

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

141

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

N/A

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

378

8.2 Cash and cash equivalents at quarter end (Item 4.6)

3,176

8.3 Unused finance facilities available at quarter end (Item 7.5)

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8.4 Total available funding (Item 8.2 + Item 8.3)

3,176

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

N/A as positive cashflow for quarter

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

Date: 30 April 2020

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.