



ReadCloud Limited

Australia's Leading eReading Solution

Investor Presentation

10 June 2020

ASX : RCL, RCLO





The leading SaaS eReading solution for Australian secondary schools and the Vocational Education and Training (VET) sector

Delivers the full curriculum seamlessly and securely

- integrated from Publisher to Student
- sophisticated social and collaborative learning tools that substantially improve learning outcomes
- ideally suited to in-school, remote and WFH settings



350+ Schools

↑ 29%*



112,000 Students and Teachers

↑ 40%*

Highly scalable, cloud-based SaaS platform

Large market opportunity

- 2,775 secondary schools with 1.6 million students
- 4,100 VET training providers with 4.2 million students



\$7.3 m
Revenue YTD

↑ 52%*



\$65
Ave Revenue Per User

↑ 20%*

* May 2020 vs FY19

Corporate snapshot

ASX Code: RCL, RCLO

| | |
|--------------------------------------|-----------|
| Share Price (5 June 2020) | \$0.285 |
| Market capitalisation (@ 28.5 cents) | \$27. 9m |
| Shares on issue (listed) | 97.9m |
| Options on issue (listed) | 16.7m |
| Options on issue (unlisted) | 5.1m |
| Current cash (31 March 2020) | \$3.2m |
| Turnover (month rolling) | \$319,985 |

Board & Management

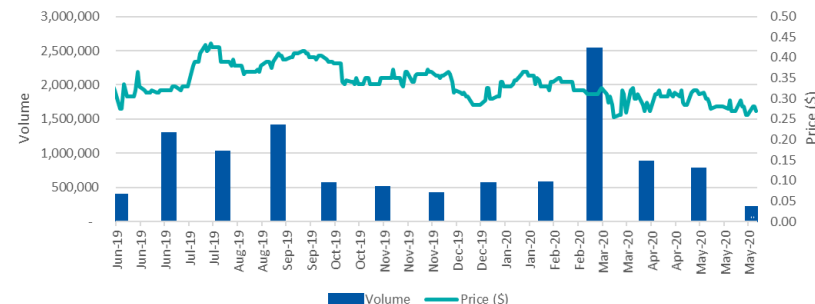
| | |
|----------------|---------------------------|
| Paul Collins | Non-Executive Chairman |
| Lars Lindstrom | Chief Executive Officer |
| Darren Hunter | Chief Information Officer |
| Guy Mendelson | Non-Executive Director |
| Luke Murphy | Chief Financial Officer |
| Melanie Leydin | Company Secretary |

Substantial Shareholders

| | |
|--|--------------|
| Amity Agency Pty Ltd | 13.9% |
| Thorney Group* | 10.7% |
| Lars Lindstrom | 8.7% |
| Hunmar Holdings/Darren Hunter* | 7.2% |
| Pollaers Family Trust | 5.3% |
| Joshua Fisher | 5.1% |
| Top 20 | 77.6% |
| Total Board and management shareholdings* | 23.5% |

*Includes indirect holdings

Share price performance and volume

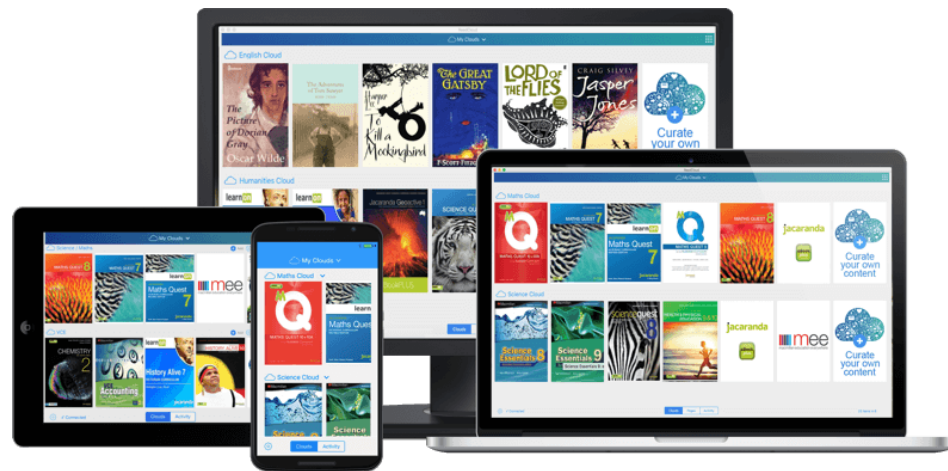


ReadCloud delivers the entire curriculum digitally



One application delivers a school's complete eBook and digital resource requirements

- Over 200,000 eBooks from the world's leading publishers
- Operates on all major hardware / operating systems and is accessible from any device online and off-line
- Teachers and students are organised into virtual classrooms (clouds) with tailored content provisioning
- The platform integrates with school timetabling systems, enabling automated provisioning of resources to new students by class
- Students and teachers can share notes, questions, videos and ideas within the application in real time
- Teachers can curate their own content for further contextualisation
- Sophisticated student analytics such as how long users are spending on each page in an eBook or words they are looking up in the dictionary



**Cross-platform delivery of all digital content in one app
(download on up to six devices)**

Secondary Schools

- Australia has an estimated 3.95 million students in over 9,500 primary and secondary schools
- The immediate target market is 1.6 million students in 2,775 secondary schools¹
- ReadCloud's key target is 'Book hire' schools (*circa 75% of schools*), where schools purchase books and ebooks:
 - typically used over 4 years and with parents levied by the school in each year
 - Book hire schools dominate in QLD, NSW (outside inner-Sydney), SA and WA (outside inner-Perth) and are positively biased towards digital rather than print
- ReadCloud also targets 'Book list' schools (*circa 25% of schools*), by providing ReadCloud's eBook platform via Reseller agreements with traditional booksellers:
 - in Book list schools, parents purchase textbooks and other resources each year at the direction of the school
 - mostly Victorian schools, inner-city Sydney and inner-city Perth schools
- Primary schools provide a longer-term growth opportunity

VET-in-School

- 242,000 secondary students undertake Vocational Education and Training (VET) courses within the school system²
- ReadCloud operates a Registered Training Organisation (RTO) that:
 - oversees the delivery of VET courses by schools to ensure compliance with national standards; and
 - supplies the course materials to schools, including teacher guides, student eBooks, student assessments and marking guides

Broader VET Market

- ReadCloud is in the early stages of expanding via digital distribution agreements with leading VET course publishers, delivering course materials to VET students in Universities, TAFEs and Registered Training Organisations (RTOs)
- 4.2 million students enrol in VET courses with 4,193 training providers in Australia³

The Australian school digital landscape

Key players targeting the Australian secondary school market

- **ReadCloud**
 - ReadCloud sells eBooks to schools from its library of 200,000+ eBooks under distribution agreements with over 50 textbook and novel publishers including the largest global publishers
 - ReadCloud's encryption platform ensures protection of the publishers' eBook IP and provides secure delivery to the end users through its App
- **Traditional school booksellers**
 - Typically operate in local regions selling print textbooks and novels
 - Of the two national booksellers, WINC (formerly OfficeMax & Staples) is using ReadCloud exclusively to provide an eBook platform for its customer schools under a long term reseller agreement
- **Educational technology providers**
 - There are numerous Learning Management Systems ('LMS') which solve for online teacher/student communication and setting of homework
 - ReadCloud's platform integrates with all major LMS providers so that publisher's content can be launched securely from inside the LMS
 - There are also several non-traditional providers of video, audio and interactive content (typically focused on one discipline e.g. spelling, maths or science)
- **Global software corporations** (Google, Microsoft, Apple)
 - Supply schools with email, document creating/editing, online storage of student created content and video conference solutions software.
 - They are not suppliers of textbooks tailored to the Australian curriculum



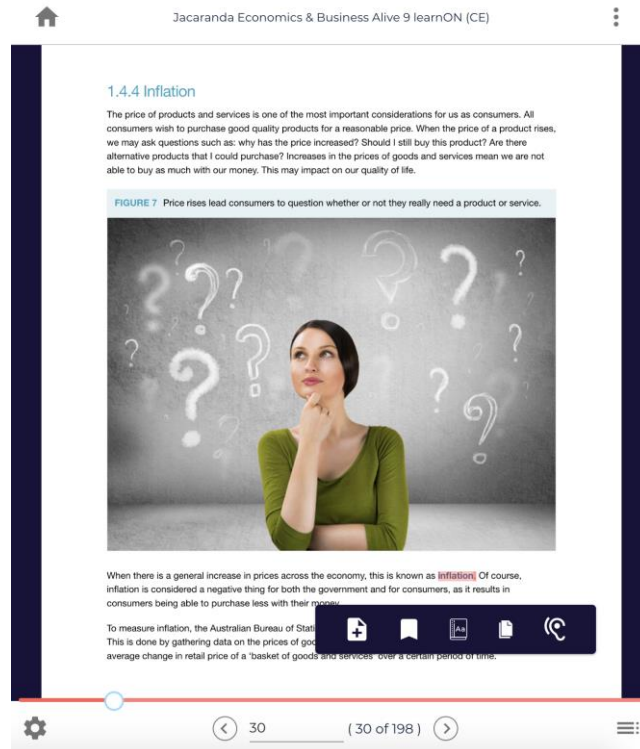
Business model – Direct Schools

Direct distribution - ReadCloud sales team

- Key targets are book hire schools (circa 75% of secondary schools in Australia)
- Schools typically enter into 2-3 year contracts and contracts typically cover 2-4 year-levels in the first year with roll-out to additional year levels in subsequent years
- ReadCloud has averaged 23% organic revenue growth from existing school customers through increased use of eBooks and growth in the use of eLearning across additional year levels as the transformation to digital progresses
- Schools pay an annual SaaS fee per student at the start of the school year
- ReadCloud also earns a margin from selling the publisher's eBooks
 - Schools purchase eBooks from the ReadCloud eBookstore (over 200,000 eBooks) with the cost funded by government or recouped from parents
- As the leading eBook platform, ReadCloud benefits from strong current industry partnerships:
 - Australian Secondary Principals Association
 - Queensland Secondary Principals Association

Secondary school market


- In Australia, there are 2,775 secondary schools with around 1.6m students
- Each student/parent typically spends between \$150-700 on curriculum materials per year depending on student year levels (higher spend in the more senior school years)



1.4.4 Inflation

The price of products and services is one of the most important considerations for us as consumers. All consumers wish to purchase good quality products for a reasonable price. When the price of a product rises, we may ask questions such as: why has the price increased? Should I still buy this product? Are there alternative products that I could purchase? Increases in the prices of goods and services mean we are not able to buy as much with our money. This may impact on our quality of life.

FIGURE 7 Price rises lead consumers to question whether or not they really need a product or service.



When there is a general increase in prices across the economy, this is known as **inflation**. Of course, inflation is considered a negative thing for both the government and for consumers, as it results in consumers being able to purchase less with their money.

To measure inflation, the Australian Bureau of Statistics... This is done by gathering data on the prices of goods and services... average change in retail price of a 'basket of goods and services' over a certain period of time.

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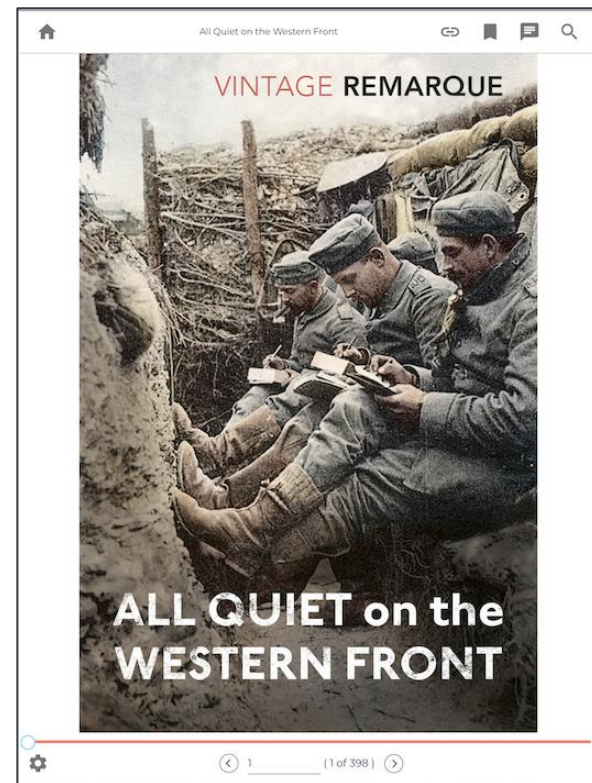
Business model – Resellers

Reseller partners – School curriculum booksellers

- ReadCloud is the exclusive eReading platform for a range of Resellers that provide booklist services to secondary schools
- The Resellers are traditional booksellers who utilise the ReadCloud platform to provide an online store for the purchase of eBooks integrated with the school and the ReadCloud eReader platform
- Resellers pay ReadCloud a software licence fee per student and a share of the margin on eBook sales
- WINC (formerly OfficeMax & Staples) is ReadCloud's largest reseller

Reseller market

- All states in Australia have local school booksellers who service a cluster of schools
- Partnering with a local school bookseller who doesn't have access to an eReading platform enables ReadCloud to sell its products to schools who already have a trusted relationship with a local supplier of stationery and textbooks
- With only two national booksellers (one of which is a ReadCloud reseller), ReadCloud has successfully partnered with seven resellers in four states and is actively pursuing further partnerships



Business model – VET in Schools

ReadCloud's offering

- Key targets are secondary schools offering Vocational & Educational Training ("VET") courses to students in Years 10/11/12 who aren't planning on going to university
- ReadCloud's VET-in-schools business is a Registered Training Organisation ("RTO") that:
 - provides over 40 nationally accredited VET courses including Cert. II, Cert. III and Diploma courses
 - oversees delivery of VET courses by schools in accordance with national standards; and
 - supplies course materials to schools, including teacher guides, student eBooks, online student assessments and marking guides
- ReadCloud charges school customers an annual auspicing fee per VET qualification (\$2,500) delivered by that school plus an annual student fee per enrolled student (\$195)

VET-in-schools market

- 242,000 secondary school students per year undertake VET qualifications in addition to or as an alternative to the full school curriculum
- VET-in-school courses are delivered by:
 - Bricks and mortar training colleges like TAFE;
 - Schools that are an RTO themselves (who will still purchase course materials); and
 - Schools that are auspiced through an external RTO such as ReadCloud. The RTO oversees the compliance and delivery of VET courses by the school and provides the training manuals, workbooks and student assessment materials
- ReadCloud is the second largest provider in the VET-in-schools sector with around 8,000 students with the largest private provider having an estimated 15,000 secondary students

QUALIFICATIONS

AUTOMOTIVE INDUSTRY

AUR20716 Certificate II in Automotive Vocational Preparation

BUSINESS

BSB20115 Certificate II in Business

BSB30115 Certificate III in Business

22480VIC Certificate II in Small Business (Operations/Innovation)

COMMUNITY SERVICES

CHC22015 Certificate II in Community Services

CHC32015 Certificate III in Community Services

CHC30113 Certificate III in Early Childhood Education and Care

CONSTRUCTION

CPC10111 Certificate I in Construction

CPC20211 Certificate II in Construction Pathways

22338VIC Certificate II in Building and Construction Pre-apprenticeship

CREATIVE INDUSTRIES

CUA20215 Certificate II in Creative Industries

- DESIGN / MUSIC CREATION / LIVE THEATER

- CUA20715 Certificate II in Visual Arts

- CAD / PHOTOGRAPHY / FINE ARTS

- CUA31115 Certificate III in Visual Arts

- PHOTO IMAGING

- CUA31015 Certificate III in Screen and Media

- CREATIVE & DIGITAL MEDIA / FILM & TV

DANCE

CUA20113 Certificate II in Dance

CUA30113 Certificate III in Dance

ENGINEERING

22470VIC Certificate II in Engineering Studies

MEM20413 Certificate II in Engineering Pathways

FOUNDATION SKILLS

22280VIC Certificate I in Employment Pathways

FSK10219 Certificate I in Skills for Vocational Pathways

FSK20119 Certificate II in Skills for Work and Vocational Pathways

FURNITURE MAKING

MSF20516 Certificate II in Furniture Making Pathways

HAIR & BEAUTY

SHB20116 Certificate II in Retail Cosmetics

SHB20216 Certificate II in Salon Assistant

SHB30115 Certificate III in Beauty Services

HORTICULTURE

AHC20416 Certificate II in Horticulture

HOSPITALITY & TOURISM

SIT20116 Certificate II in Tourism

SIT20316 Certificate II in Hospitality

SIT20416 Certificate II in Kitchen Operations

SIT30516 Certificate III in Events

INFORMATION TECHNOLOGY

ICT20115 Certificate II in Information, Digital Media and Technology

ICT30118 Certificate III in Information, Digital Media and Technology

LABORATORY OPERATIONS

MSL20118 Certificate II in Sampling and Measurement

RECREATION INDUSTRIES

SIS20115 Certificate II in Sport and Recreation

SIS20419 Certificate II in Outdoor Recreation

SIS20319 Certificate II in Sport Coaching

SIS30115 Certificate III in Sport and Recreation



Australian Institute of Education and Training (AIET)
RTO TIOID No: 121314

517 Victoria Street, Brunswick West, VIC 3055,
ABN 74 884 427 288 is a subsidiary company of
ReadCloud Limited (ASX Listed)
284 Bay Street, Brighton VIC 3186, ABN 44 136 815 815

e: info@aiet.edu.au p: 1800 896 696

Business model – Broader VET

VET in Universities, TAFEs & RTOs

- ReadCloud's key targets are publishers delivering course materials to VET students in Universities, TAFEs and RTOs
- ReadCloud provides these publishers with eBook encryption and a digital distribution and eReading platform
- The end-customers are VET course students who purchase eBooks from the publisher's online store, which is integrated with ReadCloud
- ReadCloud receives (from the publisher) a software licence fee per student and a small share of the eBook price and seeing promising early stage adoption of this solution
- ReadCloud is the exclusive eBook encryption, distribution and reading platform for Australian Training Products, a leading provider of VET resources to over 1,000 RTOs in Australia and overseas
- Distribution agreements are also in place with a number of other publishers in the broader VET market

The Broader VET market

- 4.2 million students enrolled in VET courses with 4,193 training providers in Australia, including private training providers, community education providers, schools, enterprise providers, TAFE's and universities
- Course materials used / developed by training providers are traditionally paper-based, leading to cost inefficiency and issues with copyright protection and piracy
- The ReadCloud platform provides efficient digital delivery, secure encryption and copyright protection



Growth strategy

Direct Schools

- Expanded use of platform in existing schools across additional year levels
- New schools - capitalise on pipeline, which is growing
- Leverage relationships
 - Australian Secondary Principals Association
 - Queensland Secondary Principals Association

VET in Schools

- Expand into 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
- Margin expansion from development of in-house (proprietary) VET course materials

School Reseller partners

- Expand the cost effective sales channel for the sale of the ReadCloud eLearning platform into schools that still use physical books
- Add new reseller agreements with additional booksellers
 - leverage their local relationships with schools
 - enables these booksellers to have an eLearning offering

Broader VET

- New partnerships with educational content publishers looking for a secure digital delivery solution
- Leverage distribution agreement with Australian Training Products
 - Leading provider of VET resources to over 1,000 RTOs
- Integration with additional VET platforms

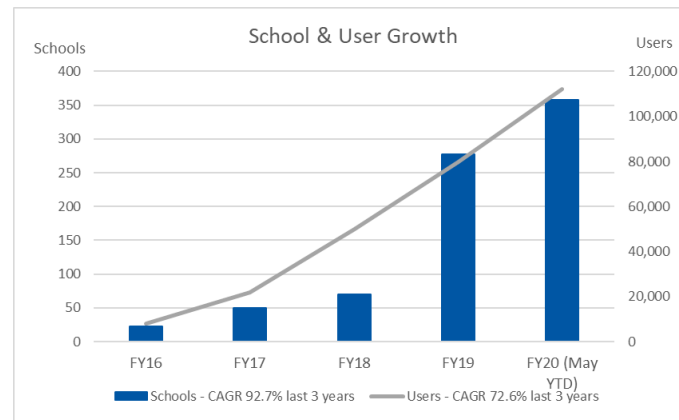
Strong ongoing growth

- Over 350 school customers (13% of the Australian secondary school market)
- Over 112,000 users of the ReadCloud platform (teachers & students)
- Strong growth in current financial year across both the full curriculum and VET-in-schools businesses

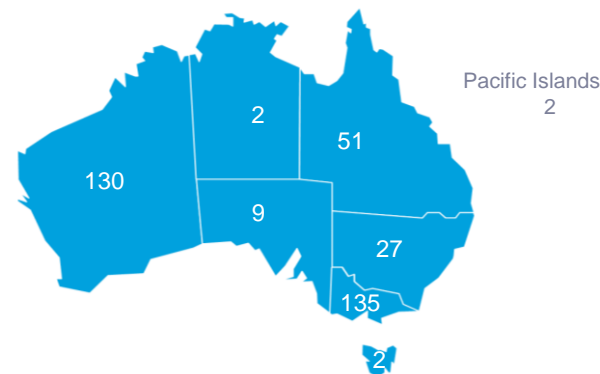
| ReadCloud platform users* | June 2019 | May 2020 | Change |
|--------------------------------|---------------|----------------|-------------|
| Direct full-curriculum schools | 26,000 | 47,000 | +81% |
| Reseller schools | 48,000 | 56,000 | +17% |
| VET-in-schools | 6,000 | 9,000 | +50% |
| Total Users | 80,000 | 112,000 | +40% |

* Teachers & students

- Partnerships with a number of VET course publishers including:
 - Australian Training Products (over 1,000 RTO customers)
 - Training Resource Solutions (over 200 RTO customers)

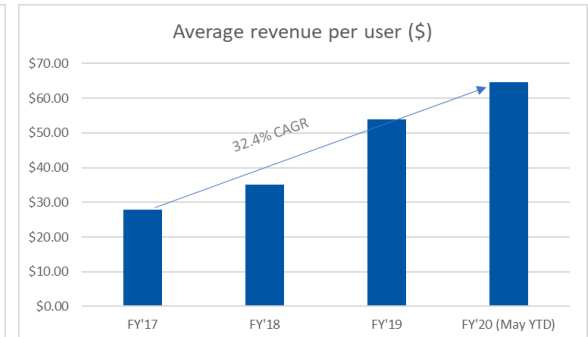
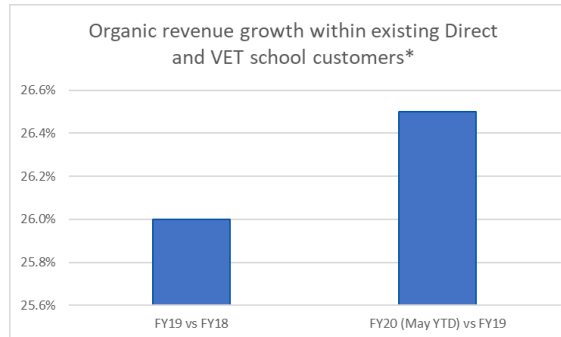
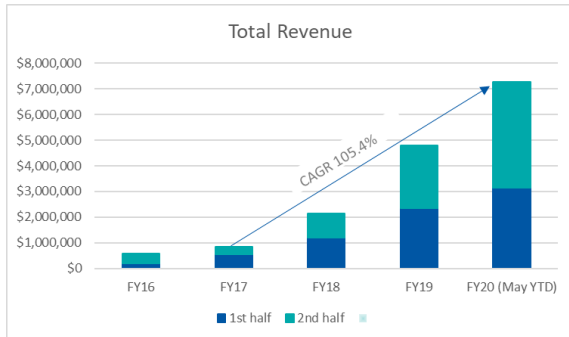


School customers



Financial performance

- Compound annual revenue growth of 105.4% p.a. over last 3 financial years, driven by:
 - school and user growth, with minimal customer churn
 - growth of Average Revenue per User (ARPU)
- ARPU has grown at a compound annual growth rate of 32.4% over the last 3 financial years, driven by:
 - entry via acquisition into the VET-in-schools business in November 2018 with strong subsequent growth at higher ARPU
 - expansion of usage of the ReadCloud platform across additional year-levels in full-curriculum schools (new school contracts are often structured such that access to the platform is provided free of charge for 1 or more year levels in the first contract year)
 - an increasing proportion of direct school customers
- Apart from the cost of eBooks sold to schools (on which ReadCloud makes a margin) ReadCloud's cost base is largely fixed (85% of non publisher / bookseller costs are fixed). As such, profitability is highly leveraged to growth in user numbers
- Team and systems now in place to drive significant growth



* FY20 also included a price increase for the VET in schools business

Outlook



- COVID-19 update
 - The pandemic has had no negative impact on ReadCloud's operations as staff can work effectively from home
 - 7 new Direct Schools have been signed up over the last two months via video conferencing, with no in-person sales contact
 - The pandemic has raised awareness of the ReadCloud platform's ability to cater for Home Schooling. ReadCloud has produced a White Paper in conjunction with the Australian Secondary Principals Association that provides recommendations to how schools should approach the technical challenges around Home Schooling in particular addressing the problem of some students not having access or poor access to the internet at home. The White Paper has been circulated widely across Australia and can be found at <https://readcloud.com/>
- The pandemic is not likely to have a significant impact on ReadCloud FY20 results as schools had already purchased their books for this year, however, it provides another element of momentum into the selling season for 2021 as all schools have a heightened awareness of the need to have an effective Home Schooling capability
- In the second half of calendar year 2019, ReadCloud signed the three largest secondary schools in Brisbane which has already shown a flow-on effect from new schools in QLD boosting the 2021 Direct school pipeline
- ReadCloud has signed a Reseller agreement with a Victorian school book supplier and in advanced discussions with two more Resellers in other states
- Broader VET publishers continue to resell the ReadCloud platform into new institutions such as Swinburne University and a number of overseas RTOs
- YTD (to May 2020) revenue is now at \$7.3 million (52% growth over FY19) with Direct schools revenue growing 84%, VET in Schools growing 65% and revenue from Resellers growing 14%
- Management expects strong growth to continue in FY21

Key investment highlights

- ReadCloud is the leading digital education solution for Australian schools, delivering clear educational benefits and saving schools and parents 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 112,000 users in over 350 schools as at May 2020 (CAGR 72.6% and 92.7% respectively over last 3 years)
- Increasing Average Revenue per User from \$28 for FY17 to \$65 for FY20 (CAGR 32.4% over last 3 years)
- Strategically well positioned with direct and reseller sales channels working well and partnerships with an increasing number of educational content publishers seeking a digital delivery solution
- Highly scalable platform is leveraged to improving operating margins as user numbers increase, leveraging fixed platform costs
- 52% revenue growth FY20 YTD (to May 2020 versus FY19) to \$7.3 million, with a strong ongoing growth outlook
- Positive EBITDA expected in H2 FY20 with a significant reduction in full year EBITDA loss despite substantial investment in platform and system development to support ReadCloud's continued expansion in the VET sector
- Experienced and motivated management team (combined equity ownership of 23.5%) with a clear growth strategy

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ReadCloud Limited

284 Bay Street
Brighton VIC 3186

Lars Lindstrom | CEO

lars@readcloud.com

