

## ASX Release

31 January 2022



# Quarterly Activities Report & Appendix 4C

## Highlights

- Strong retention and recommitment of existing schools across the three sales channels (VET-in-Schools, Direct Curriculum and Reseller) for the 2022 school year
- New school wins across all three sales channels
- Most successful on-boarding season for both VET-In-Schools and the full-curriculum segment to date, further validating the investment in our core platform and IP
- Well advanced for a major brand and marketing launch for the VET segment to drive late 2022 and 2023 VET growth
- 21% increase in cash receipts from customers in the December quarter (over the prior year December quarter) to \$1.12 million
- \$4.08 million cash at 31 December 2021 (the low point in the Company's cash cycle), positioning the Company well for growth.

ReadCloud Limited ("ReadCloud" or "the Company") (ASX: RCL) 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 December 2021 quarter.

## Operational update

Management is pleased to report that school customer retention across all three sales channels has been very high for the 2022 school year.

We have had continued success in signing up new school customers across key segments in the December quarter, with new school customers also still being signed up in January 2022. We view this as a positive result, however, total school and user numbers for 2022 for the full-curriculum business will not be known with full certainty until the conclusion of the on-boarding season in the current quarter (and for the VET segment – post the 31 March enrolment deadline).

This is in line with the Board's decision to change the Financial Year end from 30 June to 30 September, to allow for the increased operational activity ReadCloud is experiencing in January and February to be processed and provide improved reporting metrics on school and student numbers in the Half Year results ending March 2022.



Operationally, ReadCloud is currently going through the most successful on-boarding season for the full-curriculum segment to date, capitalising on investments made in the core platform systems and processes in the last 12 months.

ReadCloud has made significant investments during 2021 to move vital technical infrastructure for its three wholly owned Registered Training Organisations on to one platform to further improve the end-user experience whilst ensuring the highest level of compliance.

We have already received positive feedback from customers coming on board the new ReadCloud VET Hub system.

Significant planning and investment in building the VET brand through a joint selling and marketing approach across the Group's three RTOs is providing confidence in our ability to win new customers and increase the cross selling of our courses. This will provide a potential growth opportunity for the backend of the year and especially into 2023.

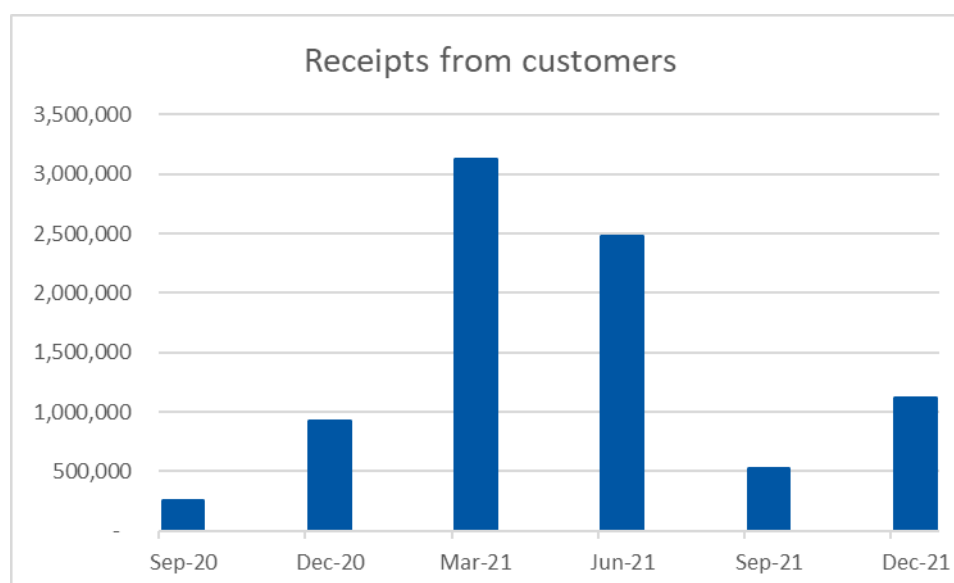
New markets continue to be explored through distribution style business models leveraging off the core SaaS platform proving so effective in the current onboarding season/process.

## Finance Update

ReadCloud's cash flow is highly seasonal in line with the school year cycle. The majority of the Company's cash receipts from customers are received in the quarters ending March and June.

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

- 21% increase in cash receipts from customers in the December quarter (on the prior year December quarter) to \$1.12 million





- As in prior years, the vast majority of cash receipts from customers are expected to occur in the March and June quarters;
- \$0.29 million December quarter net cash outflow from operating activities (compared to a \$0.33 million net cash outflow for the prior December quarter);
- Cost of sales for the December quarter was \$229,000, mainly relating to full-curriculum eBook sales during the December quarter;
- Staff costs for the December quarter were \$1.09 million (in line with the September quarter);
- Payments to related parties (item 6.1 of the attached Appendix 4C) consisted of remuneration paid to directors during the quarter;
- Administration costs for the December quarter were \$156,000 versus an average of \$209,000 for the three quarters immediately prior to this period, reflecting continued tight management of overheads; and
- ReadCloud received its FY21 Research and Development tax incentive refund (\$396,000) in full in the December quarter.

ReadCloud had a cash balance of \$4.08 million as at 31 December 2021 (December typically being the low point in the Company's cash cycle) and zero debt, positioning the Company well for growth. As noted above, ReadCloud's cash flows are highly seasonal, with the majority of cash receipts from customers for the year to be received in the March and June quarters each year.

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

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

-Ends-

#### **CONTACTS:**

##### **Investors & Media:**

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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 60 digital VET courses and auspicing services to schools across Australia.

## 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 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,117	1,117
1.2 Payments for		
(a) research and development	(134)	(134)
(b) product manufacturing and operating costs	(229)	(229)
(c) advertising and marketing	(75)	(75)
(d) leased assets	(48)	(48)
(e) staff costs	(1,092)	(1,092)
(f) administration and corporate costs	(156)	(156)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(70)	(70)
1.7 Government grants and tax incentives	396	396
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(291)</b>	<b>(291)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(6)	(6)
(d) investments		
(e) intellectual property	(97)	(97)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(103)</b>	<b>(103)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
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)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</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 period	4,469	4,469
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(291)	(291)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(103)	(103)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>4,075</b>	<b>4,075</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	4,075	4,469
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>4,075</b>	<b>4,469</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	156
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>	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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(291)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,075
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,075
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	14.00
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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		
8.6.2	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		
8.6.3	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		
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		



## 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: 31 January 2022

Authorised by: 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.