



ReadCloud Limited

CEO's Presentation to
Annual General Meeting

7 February 2022



OVERVIEW

READCLOUD IS A MARKET LEADER IN DIGITAL CONTENT DELIVERY TO SCHOOLS IN AUSTRALIA

We deliver the school curriculum and VET-in-Schools content and assessments digitally

- ReadCloud is a highly scalable SaaS platform and is integrated from publisher to student
- Our product provides sophisticated collaborative learning tools and is well placed for both in-school and remote learning settings

We operate in a large and growing market

- 2,775 secondary schools with 1.6 million students
- 236,000 students yearly doing VET-in-Schools



OVERVIEW



FY21 Finances (year end September 2021)

- \$7.4m Revenue
- \$4.5m Cash Balance



550 Schools

- 53% increase over FY20

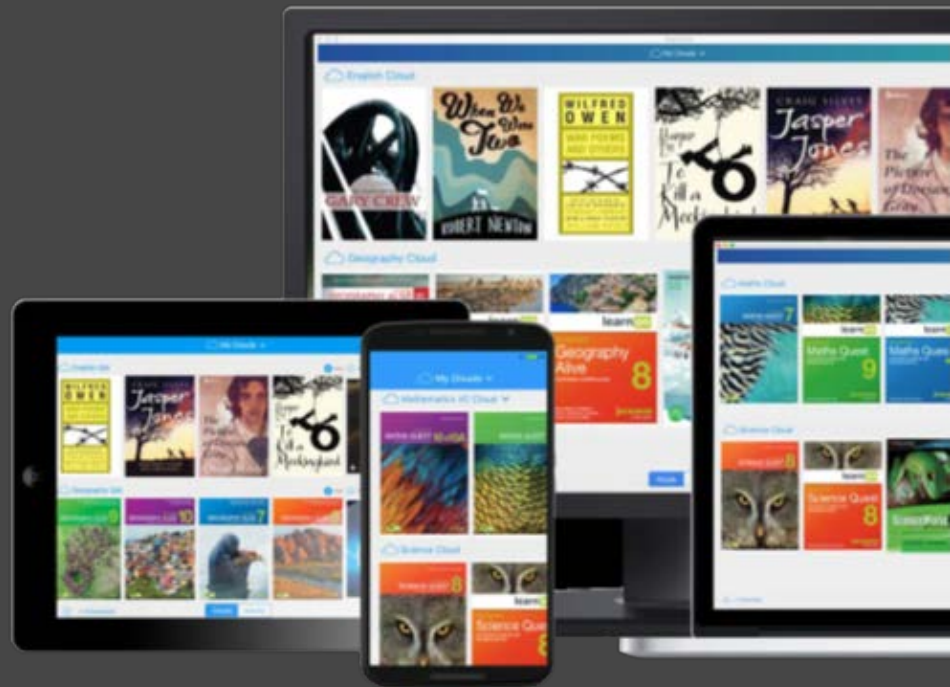


116,000 Students and Teachers

- 56% increase in VET-in-School
- 21% increase in Direct Curriculum



\$63 Average Revenue Per User





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Update on the ReadCloud Platform

SaaS PLATFORM EXPANSION

ReadCloud VET Group



Teacher
Approval



Student
Enrolment



eBook
Courses



Online
Assessments

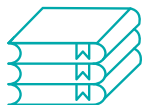


Teacher
Marking



Certificate
Issue

ReadCloud Curriculum and Resellers



Publishers
eContent



Encryption
of eBooks



Integration to Publisher Portals, Reseller
eCommerce and School Timetables



Cross platform
eReading Apps



Social
Annotations

Continued investment in the ReadCloud platform further strengthens our competitive advantage

SaaS PLATFORM EXPANSION (CONT'D)

ReadCloud VET Group Platform

In November 2021, ReadCloud went live with its newly developed VET-In-Schools platform which offers an end-to-end digital process from

- VET Teachers online uploading their CV and credentials for approval
- Teachers inviting students to enroll being approved, students enrolling, students receiving the
- Students gaining access to their course materials as eBooks in the ReadCloud eReader
- Students being able to complete assessments online in the ReadCloud Hub
- Teachers being able to mark the assessments online to complete the course and issue a Certificate

All of the above steps are underpinned by ReadCloud technology

The new VET-in-Schools platform provides an excellent opportunity to scale the offering to this market without having to substantially increase the number of staff

ReadCloud Curriculum and Resellers

- In October 2021, ReadCloud went live with a new quoting, onboarding and invoicing system for Direct Curriculum customers. This has greatly enhanced the scalability of this business where more schools can be on-boarded with the same customer support team
- During FY21, ReadCloud continued to invest in the Company's proprietary eReader platform to improve user experience, remove pain points for our customers and maintain a strong competitive advantage in regard to the platforms' feature and function sets





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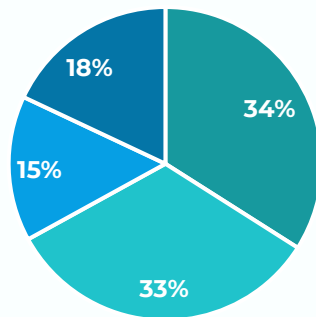
Launching the ReadCloud VET Group

The ReadCloud VET Group is now the largest Private operator of VET-in-Schools in Australia by scope of courses offered

1 Two acquisitions added to AIET	<ul style="list-style-type: none">• In FY21, ReadCloud acquired two VET-in-Schools RTOs, COSAMP and Ripponlea Institute• COSAMP is the number one supplier in the Music Industry vertical in VET-in-Schools and added 184 school customers• Ripponlea Institute is the number one supplier in the Applied Languages vertical in VET-in-Schools and added 70 school customers• Combined with AIET, the ReadCloud VET Group services over 400 school customers and offer over 60 qualifications
2 Platforms integration and operational synergies	<ul style="list-style-type: none">• There is a strong sense of excitement in anticipation of a nationwide launch of the ReadCloud VET Group planned for early 2022• By bringing many of the systems used by the three RTOs together and integrating the ReadCloud eReader for the delivery of VET course materials, efficiencies are already being extracted• The previous owners of the three RTO's ReadCloud has acquired have integrated well and are all senior members of the ReadCloud VET Group. They remain highly motivated (and have large RCL shareholdings from the sale of their businesses) and are fully behind the Company's strategy to accelerate growth
3 Cross selling and accelerating growth	<ul style="list-style-type: none">• The cross selling of each RTO's services to the customers of the other RTOs presents a large growth opportunity• Of the three ReadCloud RTO's collective schools, 85% of those school customers use only one of ReadCloud's VET providers (AIET, COSAMP or Ripponlea) in 2021• Cross selling has already happened this selling season and management expects the number of school customers using more than one of ReadCloud's RTOs for 2022 will be substantially higher

TRENDS IN THE VET-IN-SCHOOLS MARKET

225,295 VET-IN-SCHOOLS STUDENTS



■ School RTOs ■ Private RTOs ■ Tafe ■ Unis & Other

ReadCloud is well placed to capitalise on the shift towards Private RTOs

5-YEAR TREND (2016-2020)

School RTOs	↓	12%
Private RTOs	↑	30%
TAFE	↓	20%
Unis & Other	↓	21%

Feedback from ReadCloud school customers

Schools prefer to deal with fewer RTOs as it reduces the administrative compliance burden

ReadCloud has already cross-sold its course offering for 2022 to a number of existing school customers of the three RTOs in the ReadCloud VET Group

Schools who are RTOs themselves are often finding it difficult to keep up with the regulatory changes and compliance demands

ReadCloud has already sold its Platform, eBooks and Assessments to a number of school customers that are RTOs themselves

Recent data release from the National Centre of Vocational Training Research ("NCVER") which shows an increase in VET-In-Schools Enrolments of 30% for Private RTOs and a decline in all other categories over the last five years

Source: NCVER 2020



Outlook – Accelerating Growth

OUTLOOK - ACCELERATING GROWTH



Leveraging the ReadCloud platform

- The newly developed VET-in-Schools platform provides an excellent opportunity to scale the offering to this market without having to substantially increase the number of staff
- The platform has been successfully offered to a number of schools who are RTO's themselves and management believes this trend will continue
- Platform automation for the Direct Curriculum customers also provides improved scalability for quoting to and onboarding new schools with fewer staff



High retention rates, strong new business growth and cross selling

- ReadCloud is seeing high retention rates at this stage with re-registration of existing schools still on-going during December/January 2022. Management is expecting to see a very small level of churn across the business
- ReadCloud continue to see strong new business sales growth across all channels
- A substantial cross selling opportunity exists over the coming years to deliver a wider range of courses to existing school customers who, in general, prefer to deal with fewer RTOs to reduce the administrative compliance burden



International interest

- Global Victoria selected ReadCloud for participation in a number of Virtual Trade Expo across South East Asia and the UK
- The learnings so far suggest that there may be a gap in certain overseas market for ReadCloud's Platform and in particular the ability to encrypt and protect publishers' eBooks
- As such, ReadCloud is making an investment in exploring and quantifying a number of overseas markets

OUTLOOK - ACCELERATING GROWTH (CONT'D)



Direct Curriculum Customers

- Continued organic growth in existing schools choosing to expand user numbers across year levels and increase the eBooks penetration rate
- Continued cross selling of VET into Direct Curriculum Customers
- Given COVID learnings to date, the outbound sales strategy implemented this year supported by dedicated sales staff actively managing numerous opportunities across each key market, has yielded a strong conversion of schools for the 2022 school year



Resellers Curriculum Customers

- ReadCloud continues to partner with Resellers who offer a one-stop-shop solution to schools wanting a combination of eBooks and physical books/stationary and have recently signed up two new Resellers who both have large school customer bases
- This provides a strong pathway to market for FY22 and beyond



M&A

- ReadCloud will continue to access further consolidation opportunities as management has a strong track record of successfully acquiring and growing businesses substantially

Management estimate ReadCloud will have well over 600 school customers for 2022

December 2021 Quarterly 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



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Appendix

FY21 FINANCIALS

Underlying EBITDA

	Year ended		Variance (%)
	30 Sept 2021 (proforma)	30 June 2021 (audited)	
(\$)			
Sales and fee revenue	6,988,396	7,172,072	-2.6%
Less publisher & bookseller fees	(2,904,162)	(3,050,995)	-4.8%
Margin after publisher & bookseller fees	4,084,234	4,121,077	-0.9%
Add: Other revenue	429,677	515,304	-16.6%
Less operating expenses:			
Advertising and marketing	(183,618)	(114,172)	60.8%
Employment expenses	(3,789,844)	(3,373,377)	12.3%
Legal & compliance	(85,288)	(87,033)	-2.0%
Professional services expenses	(474,920)	(391,871)	21.2%
Telephone, internet & data hosting	(96,609)	(90,364)	6.9%
Travel expenses	(96,642)	(92,059)	5.0%
Other expenses	(554,816)	(470,527)	17.9%
Finance costs	(17,537)	(14,257)	23.0%
Total operating expenses	(5,299,274)	(4,633,660)	14.4%
Add: Net interest expense / (revenue)	16,354	12,833	27.4%
Underlying EBITDA*	(769,009)	15,553	N/A

* EBITDA adjusted for Interest, Tax, Depreciation and Amortisation, Share-based payments, transaction costs incurred on the COSAMP and Ripponlea Institute acquisitions and one-off ASX fees.

- Change of financial year-end from 30 June to 30 September:
 - a 30 June year-end that straddles two business cycles (school years) presented challenges in communicating operational and financial performance to investors
 - the change to 30 September for full year reporting and 31 March for half year results more closely aligns with the school year and will improve the clarity of the Company's results
- Slight decline in Sales and fee revenue between the 2 periods due to timing:
 - majority of "Year 12 headstart" eBook sales booked in October 2021 versus September 2020; partially offset by
 - higher revenue contribution in the year to 30 September 2021 from the VET segment
- Operating costs for the year ended 30 September 2021 include:
 - 11 months of costs for the COSAMP business (acquired October 2020); and
 - 4 months of costs for the Ripponlea Institute business (acquired June 2021).
 - In total \$0.73 million of increased costs without obtaining the the full revenue from COSAMP or any of the revenue from Ripponlea
- Operating costs for the year ended 30 June 2021 include:
 - 8 months of costs for the COSAMP business; and
 - 1 month of costs for the Ripponlea Institute business

FY21 FINANCIALS

Balance Sheet

	\$	Note	30-Sept-21	30-Jun-21
Cash and cash equivalents		1	4,471,184	6,295,556
Trade and other receivables			787,073	887,705
Prepayments			126,089	59,927
Total current assets			5,384,346	7,243,188
Non-current deposits			40,563	40,563
Property, plant & equipment			239,868	267,675
Intangibles		2	8,108,809	8,038,723
Right-of-use assets			258,019	300,603
Total non-current assets			8,647,259	8,647,564
Total assets			14,031,605	15,890,752
Trade and other payables			651,107	627,330
Borrowings		1	-	462,837
Other current liabilities		3	605,851	412,020
Employee entitlements (Current & NC)			422,317	330,050
Contingent consideration (Current & NC)		4	1,000,000	1,000,000
Lease Liabilities (Current & NC)			286,006	328,045
Total liabilities			2,965,281	3,160,282
Net assets			11,066,324	12,730,470

Notes

1. The vast majority of the Company's cash receipts from customers are received in the March and June quarters each year. Also – a bank loan assumed with the Ripponlea Institute acquisition was repaid in full in July 2021
2. Intangibles include capitalised software development (\$2.26m), goodwill (\$5.40m) and other intangibles acquired as part of the AIET, COSAMP and Ripponlea Institute acquisitions
3. Includes contract liabilities (unearned revenue - \$0.52 million) and company tax payable in respect of COSAMP and Ripponlea Institute
4. Deferred consideration payable in ReadCloud shares to the vendors of COSAMP and Ripponlea Institute upon achievement of FY21 and FY22 revenue performance hurdles (any shares to be issued will be at greater of \$0.38 and 30-day VWAP and these shares will be escrowed). The Company issued 1.45m shares at \$0.38 each to the vendors of COSAMP and Ripponlea Institute on 1 October 2021 in respect of the achievement of FY21 revenue hurdles.

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