



**readcloud**

# **ReadCloud Limited**

Company Presentation

13 July 2022



**readcloud**

## **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



# KING'S INTERHIGH AGREEMENT



First overseas eBooks Solutions deal



Four-year agreement to become the exclusive provider of eBooks to the parents of around 4,000 students



Provides an additional revenue channel



King's InterHigh is part of the Inspired Group, which provides education to over 55,000 students worldwide



# READCLOUD ADDRESSES A LARGE AND GROWING MARKET



2,816 secondary schools with  
1.76 million students



Secondary education market  
is consistently growing



ReadCloud also operates in the  
VET-in-schools market, which is provided  
to year 11 and 12 students

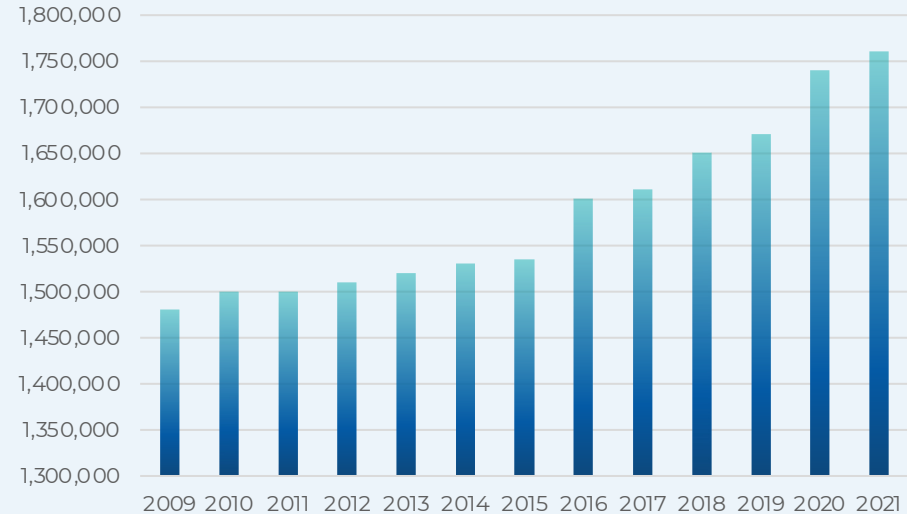


ReadCloud has a strong foundation  
in the market to leverage



Sector well supported by State  
and Federal Governments

**TOTAL AUSTRALIAN SECONDARY STUDENTS\***



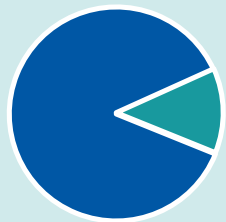
\* Source: Australian Curriculum, Assessment & Reporting Authority



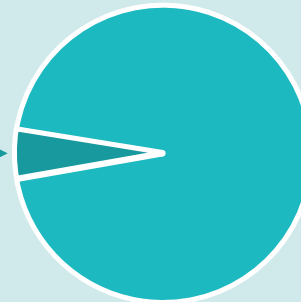
# READCLOUD'S MARKET OPPORTUNITY



1.7 million students in  
2,816 secondary  
schools in Australia<sup>2</sup>



241,000  
students in  
VET-in-school  
courses<sup>1</sup>



3.9 million students  
enrolled in VET  
courses with 3,519  
training providers in  
Australia

## ADDRESSED BY

### ReadCloud eBook solutions

- The full-curriculum eBooks (maths, english, science etc.)
- We estimate a market size of \$170 million (conservative estimate \$100 per student p.a. for learning resources)

### ReadCloud Vocational Education & Training-in-schools

- 241,000 school students took VET courses in 2020<sup>1</sup>, implying nearly 1 in 2 senior students in years 11 and 12 study VET courses
- With VET in secondary school courses costing approximately \$250-300 per course per annum, ReadCloud estimates it is a \$60-75 million industry

### Broader VET market

- Digital distribution agreements with leading VET course publishers delivering course materials to VET students in Universities, TAFEs and Registered Training Organisations (RTOs)
- The ReadCloud SaaS Platform is designed to support the Broader VET market

1. National Centre for Vocational Education Research – VET in Schools 2020 report (up from 60,000 students in 1996)

2. Australian Curriculum, Assessment & Reporting Authority

# OUR PROPRIETARY SAAS PLATFORM SERVES KEY MARKETS



## ReadCloud eBook Solutions



Publishers  
eContent



Encryption  
of eBooks



Integration to Publisher Portals, Reseller  
eCommerce and School Timetables



Cross platform  
eReading Apps



Social  
Annotations

## ReadCloud Vocational Education & Training



Teacher  
Approval



Student  
Enrolment



eBook  
Courses



Online  
Assessments



Teacher  
Marking



Certificate  
Issue

Continued investment in the ReadCloud platform further strengthens our competitive advantage

# EBOOK SOLUTIONS



Digital delivery of full Australian curriculum to secondary schools in all States on one platform



Over 200,000 eBooks from the world's leading publishers



Two sales channels covering the entire secondary schools market:

- direct customer relationships
- distribution via Reseller agreements with traditional booksellers



sophisticated collaborative learning tools



reading analytics



seamless integration with publisher interactive content



literacy and accessibility tools



integration with school timetabling systems, enabling automated provisioning of learning resources

## KEY FEATURES OF EBOOK SOLUTIONS OFFERING





**Continued organic growth** in existing schools choosing to expand user numbers across year levels and increase the eBooks penetration rate



Leveraging outbound sales strategy that **yielded a strong conversion of schools for 2022** school year



**New Reseller partnerships** with traditional booksellers seeking a digital delivery platform to complement their existing physical book / stationery offering



**Uplift in school interest in digital education** platforms post COVID lockdowns indicative of the secondary textbook market getting closer to tipping point towards eBooks



# VOCATIONAL EDUCATION & TRAINING- IN-SCHOOLS (“VET-IN-SCHOOLS”)



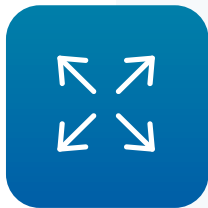
**ReadCloud VET Group is the largest private operator of VET-in-schools by scope of courses offered**

- 3 Registered Training Organisations, each with strong brand and reputation
- collectively deliver more than 60 qualifications
- Private operators have grown 30% over the last five years



**Positive market dynamics**

- schools prefer to deal with fewer RTOs as it reduces systems and processes that teachers and students need to become familiar with
- schools that are RTOs in their own right are struggling with compliance burden and lacking consistent systems and processes



**ReadCloud has made significant investment in scalable systems:**

- compliance monitoring
- new learning management system
- VET course resources better suited to unique requirements of delivery to secondary school

# OUR BRANDS



Established in 2009, COSAMP (RTO 41549) has continued to build a strong reputation across the sector as a specialist Creative Industries RTO. COSAMP offers 17 qualifications across these industry areas:

- Music
- Sound Production
- Visual Arts
- Dance
- Creative Industries
- Screen and Media



Established in 2003, AIET (RTO 121314) is our Trades, Outdoors and Service Industries RTO and offers 25 qualifications across these industry areas:

- Horticulture
- Building and Construction
- Plumbing and Electrotechnology
- Automotive
- Engineering
- Furniture Pathways
- Hair and Beauty
- Laboratory Operations
- Sport, Fitness and Recreation
- Tourism, Hospitality Cookery and Events



Established in 2002 Ripponlea Institute (RTO 21230) specialises in Community, Work and Business, including Applied Languages. Ripponlea Institute offers 15 qualifications across these industry areas:

- Business and Workplace Skills
- Community Services and Volunteering
- Language
- IT and Digital media
- Fashion
- TAE40116 Certificate IV in Training & Assessment

# VET-IN-SCHOOLS GROWTH STRATEGY



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



**Just 21%** of the three ReadCloud RTO's collective schools' customers have used more than one of the RTOs in FY22, up from 15% in FY21, and this is expected to increase in the coming years



Platform has been **successfully offered** to a number of schools who are RTO's themselves, and management believes this trend will continue



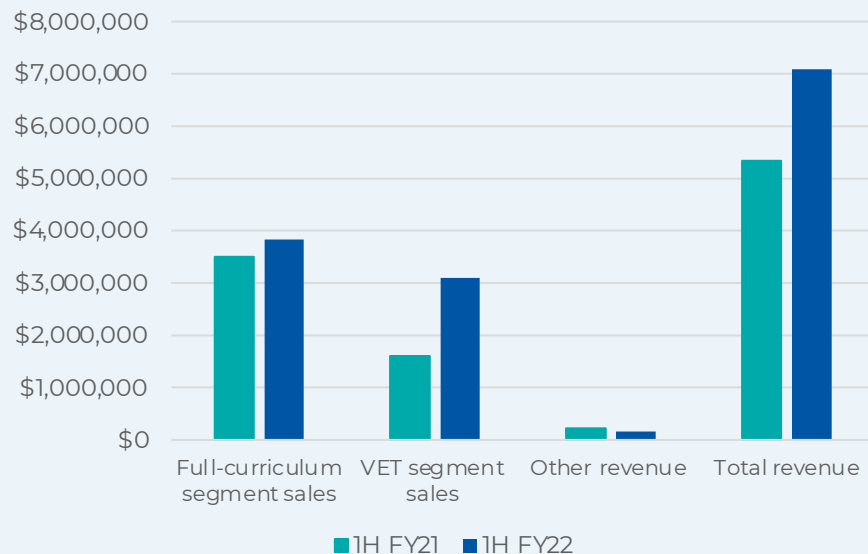
**Increasing State and Federal Government support and funding** for skills-based training to address labour market shortages

Market will continue to expand

ReadCloud continues to assess opportunities to add qualifications to the scope of its RTO licences based on market demand

# FIRST-HALF FY22 HIGHLIGHTS

REVENUE BY SEGMENT



\* Revenue is heavily skewed to 1H with change in financial year end from 30 June to 30 September: 1H FY22 EBITDA and statutory profit not indicative of likely FY22 result



Consolidated revenue and other income of \$7.08 million (up 33% pcj)



VET segment revenue of \$3.10 million (up 89% on pcj)



Full-curriculum segment revenue of \$3.99 million (up 8% on pcj)



\$1.35 million 1H FY22 underlying EBITDA\*

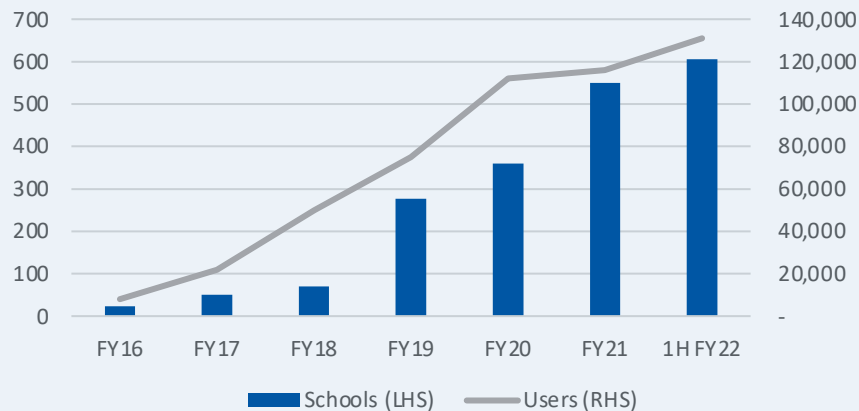


Strong cash balance of \$5.4 million on 31 March 2022 (and no debt), positioning the Company well for growth

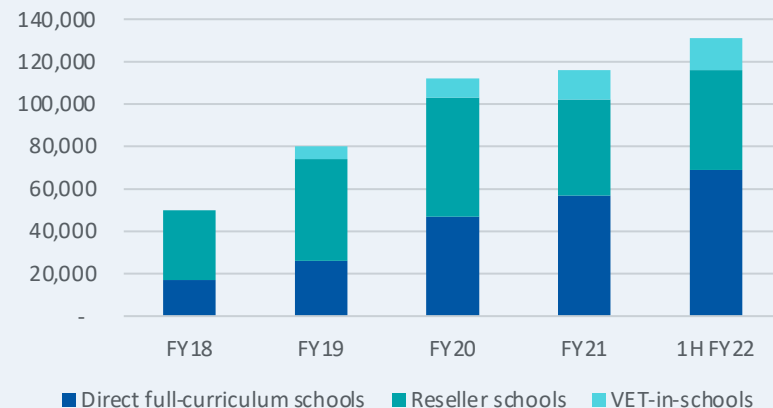
# FIRST-HALF FY22 HIGHLIGHTS



## SCHOOL & USER GROWTH



## PLATFORM USERS BY SALES CHANNEL



Strong retention of existing school customers and new school wins for the 2022 school year

Strong growth in ReadCloud SaaS platform user numbers

ReadCloud platform now used by more than 600 schools and educational institutions

Direct full-curriculum ReadCloud platform user numbers of 69,000, up 23% yoy

VET-In-School user numbers of 15,000, up 25% yoy

# OUTLOOK



**Strong retention of customers** provides platform for future growth



ReadCloud's **investment in platform, compliance and support systems** can be scaled and leveraged into new opportunities in this market



**COVID rear-view mirror** – getting closer to tipping point towards eBooks replacing print



Major **brand and marketing launch** aimed at cross-selling for the VET-in-schools segment to drive growth late 2022 and 2023



Actively assessing **M&A opportunities**



Early stages of **delivering publisher content in overseas markets** via the ReadCloud platform, with additional plans to expand



**Management is confident** of increasing revenue growth and achieving a positive EBITDA and a positive operating cashflow for FY23





# CORPORATE SNAPSHOT



## ASX Code: RCL

Share Price (11 July 2022)	\$0.19
Market capitalisation (@ 0.19 cents)	\$22.8m
Shares on issue	119.8m
Options on issue (unlisted)	1.0m
Current cash (31 March 2022)	\$5.4m

## Board & Management

Cristiano Nicolli	Non-Executive Chairman
Paul Collins	Non-Executive Director
Guy Mendelson	Non-Executive Director
Lars Lindstrom	Executive Director (CEO)
Darren Hunter	Executive Director (CIO)
Luke Murphy	Chief Financial Officer
Melanie Leydin	Company Secretary

## Substantial Shareholders

Thorney Group*	10.9%
Lars Lindstrom	7.2%
Microequities	6.2%
Hunmar Holdings/Darren Hunter*	6.0%
West Elk Partners LP	5.8%
Top 20	70.9%
<b>Total Board and management shareholdings*</b>	<b>21.5%</b>

\*Includes indirect holdings

Readcloud 12-Month Price & Volume





**Additional  
information**

# 1H FY22 FINANCIALS



## UNDERLYING EBITDA

	Half-Year ended		
(\$'000)	31 Mar 2022	31 Mar 2021	Variance (%)
Sales and fee revenue	6,925	5,108	35.6%
Less publisher & bookseller fees	(2,935)	(2,453)	19.7%
<b>Margin after publisher &amp; bookseller fees</b>	<b>3,990</b>	<b>2,655</b>	<b>50.3%</b>
Add: Other revenue	159	227	-30.0%
<b>Less operating expenses:</b>			
Advertising and marketing	(163)	(62)	162.9%
Employment expenses	(1,990)	(1,716)	16.0%
Legal & compliance	(36)	(54)	-33.3%
Professional services expenses	(289)	(198)	46.0%
Telephone, internet & data hosting	(53)	(47)	12.8%
Travel expenses	(29)	(60)	-51.7%
Other expenses	(240)	(301)	-20.3%
Finance costs	(4)	(7)	-42.9%
<b>Total operating expenses</b>	<b>(2,804)</b>	<b>(2,445)</b>	<b>14.7%</b>
Add: Net interest expense / (revenue)	4	6	-33.3%
<b>Underlying EBITDA*</b>	<b>1,350</b>	<b>444</b>	<b>204.0%</b>

- 1H FY22 Underlying EBITDA reflects:
  - sales & fee revenue ↑ 35.6% mainly driven by revenue growth for the VET segment
  - margins on 1H FY22 eBook sales for the full-curriculum segment (to which publisher & bookseller fees mainly relate) broadly in line with prior periods
  - increased investment in advertising and marketing for both key operating segments
  - employment expenses ↑ 16.0% attributable to Ripponlea Institute acquisition (completed late June 2021) and additional sales and marketing staff
  - professional services expenses ↑ 46.0% attributable to Ripponlea Institute acquisition and increased use of recording studio engineers by PKY Media's Salt Studio's recording studio business
  - other expenses ↓ 20.3%, with the main components including payroll tax, software licences, insurance and occupancy expenses
- Revenue is heavily skewed to 1H with change in financial year end from 30 June to 30 September
- 1H FY22 Underlying EBITDA and statutory profit not indicative of likely FY22 full-year result

\* EBITDA adjusted for Interest, Tax, Depreciation and Amortisation, Share-based payments and transaction costs incurred in connection with business acquisitions

# 1H FY22 FINANCIALS



## BALANCE SHEET

	\$ '000	Note	31-Mar-22	30 Sep-21
Cash and cash equivalents		1	5,444	4,471
Trade and other receivables			2,154	787
Prepayments			94	126
<b>Total current assets</b>			<b>7,693</b>	<b>5,384</b>
Non-current deposits			36	40
Property, plant & equipment			202	240
Intangibles		2	8,112	8,109
Right-of-use assets			171	258
<b>Total non-current assets</b>			<b>8,521</b>	<b>8,647</b>
<b>Total assets</b>			<b>16,214</b>	<b>14,032</b>
Trade and other payables			2,531	651
Other current liabilities			143	606
Employee entitlements (Current & NC)			444	422
Contingent consideration (Current & NC)		3	75	1,000
Lease Liabilities (Current & NC)			198	286
<b>Total liabilities</b>			<b>3,391</b>	<b>2,965</b>
<b>Net assets</b>			<b>12,823</b>	<b>11,066</b>

## Notes

1. The vast majority of the Company's cash receipts from customers are received in the March and June quarters each year.
2. Intangibles include capitalised software development (\$2.22m), goodwill (\$5.40m) and other intangibles acquired as part of the AIET, COSAMP and Ripponlea Institute acquisitions
3. 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.