

ASX Release

28 July 2022



## Quarterly Activities Report & Appendix 4C

### Highlights

- \$2.35m cash receipts from customers for the June quarter (\$2.48 for prior comparable period)
- \$7.07m total cash receipts from customers for the FY22 year-to-date (9 months), up \$0.54m on prior comparable period (\$6.53m)
- Execution of first overseas eBook Solutions deal with leading London-based international online school King's InterHigh
- Second international eBook Solutions deal signed with leading Scottish independent educational publisher Bright Red Publishing
- Successful major national marketing launch of ReadCloud VET Group during the quarter, which has produced a stronger sales pipeline for the 2023 school year compared to the same time last year
- Management is confident of increasing revenue growth and achieving positive EBITDA and positive operating cashflow for FY23

ReadCloud Limited ("ReadCloud" or "the Company") (ASX: RCL) is the leading provider of digital eLearning solutions to secondary schools and the VET-in-Schools sector in Australia. The Directors of ReadCloud are pleased to provide a quarterly update and cash flow statement for the June 2022 quarter.

### Operational update

During the June quarter, the Company finalised negotiations with leading London-based international online school King's InterHigh for the provision of eBooks to the parents of over 4,000 students. Based in London, King's InterHigh is a British international online school with students based in countries around the world. Pursuant to a 4-year Software Licence Agreement (announced to ASX on 11 July 2022), ReadCloud will be the exclusive provider of eBooks to the parents students aged 7 to 18.

The agreement marks an important milestone for ReadCloud, being the first time that the ReadCloud platform will be used to deliver publisher's eBooks in an overseas market. The quantum of revenues from this agreement will be dependent on the level of take-up of eBooks by the parents of King's InterHigh students, which will not be known until September 2022.



As part of securing the agreement with King's InterHigh, ReadCloud has also signed additional eBook distribution agreements with international publishers in order to cover the range of eBooks required by King's InterHigh as widely as possible.

ReadCloud recently negotiated a second international eBook Solutions deal; this time with leading Scottish independent educational publisher Bright Red Publishing. Based in Edinburgh, Scotland, Bright Red Publishing is a leading independent publishing company that develops study guides and course books for secondary, further and vocational education in Scotland. Pursuant to this agreement, ReadCloud will provide Bright Red Publishing with the ability to securely deliver its educational content in a digital form to its school customers via the ReadCloud platform in return for a share of the revenue from the sale.

The quantum of revenue from this agreement will depend on the rate of digital adoption by Bright Red Publishing's customer base (at present Bright Red Publishing only distributes its content in print format). ReadCloud expects that it will be a gradual move towards digital content distribution which will enable the publisher to realise significant distribution cost savings over the coming years.

The June quarter also saw the successful national marketing launch of the ReadCloud VET Group. With the largest scope of VET qualifications offered in the Australian VET-in-schools market, the key objective of the campaign has been to generate cross-selling opportunities between the three Registered Training Organisations (most schools prefer to deal with fewer providers as it reduces the systems and processes that teachers and students are required to be familiar with). The campaign has encompassed the production of new marketing collateral, standardisation of pricing structures, EDM campaigns, state-based launch events and presentations at EduTech conferences.

More broadly, the Company has also been focused on:

- refining the shared-services layer of operations (including cross-skilling of staff and refinement of operational processes across both key segments) to facilitate greater scalability of the business;
- quoting for the Year 12 "Headstart" sales period for the eBook Solutions segment (where Direct school customers purchase Year 12 textbooks including eBooks in Term 3/4 for current Year 11 students); and
- investing in marketing and business development ahead of the key selling season for the 2023 school year.

## Outlook

The ReadCloud VET Group marketing launch has produced promising results to date, with a marked increase in interest from schools wanting to consolidate providers and the pipeline for the next school year is stronger than the same time last year.



The eBooks Solutions segment has already signed up a number of schools for 2023 and continues to add new schools to its pipeline going into the traditional conversion period of Terms 3 and 4. The segment has also started taking orders for Year-12 early Headstart.

The two recent overseas deals won by ReadCloud, and the additional eBook distribution agreements secured with international publishers, provides a potential for ReadCloud to offer eBooks Solutions to international schools and publishers in other overseas markets.

The Company continues to actively assess M&A opportunities to further drive growth and to utilise its solid balance sheet.

## Platform update

Further development of ReadCloud's proprietary SAAS platform during the June quarter continues to provide ReadCloud with a strong competitive advantage. During the quarter, further improvements were made to the ReadCloud VET Group's learning management system ("LMS") based on the largely positive feedback received from Australian Institute of Education and Training customers on-boarded onto the new LMS for the current school year.

These improvements will see an even smoother transition of COSAMP and Ripponlea Institute customers onto the new LMS at the end of this year in readiness for the 2023 school year.

The Company has continued to invest in refining VET courses and adding new qualifications to scope to accommodate customer requirements.

An upgrade to the Company's parent facing eBookstore has been implemented in anticipation of the start of the British school year, to service the parents of King's InterHigh, and work is underway to upload and encrypt content from the new international publishers.

## Finance Update

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

- \$2.35m Cash receipts from customers for the June quarter (\$2.48m for prior comparable period);
- \$7.06m total cash receipts from customers for the FY22 year-to-date (9 months), up \$0.54m on prior comparable period, with additional revenue (and cash receipts) from both Year 12 Headstart sales and the King's InterHigh deal expected mainly in the current quarter;
- Payments to publishers for the June quarter were \$2.24 million, after the majority of publisher payments relating to March quarter eBook sales were delayed;
- Staff costs for the June quarter were \$1.16 million, in line with the March 2022 quarter (\$1.13 million); and
- Payments to related parties (item 6.1 of the attached Appendix 4C) consisted of remuneration paid to Directors during the quarter.



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

-Ends-

**CONTACTS:**

**Investors & Media:**

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**About ReadCloud Limited**

ReadCloud is the leading provider of eLearning software solutions, including eBooks, to over 600 Schools and in 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.

ReadCloud currently has over 131,000 users on its platform.

## 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")**

30 June 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		2,352	7,067
1.2 Payments for			
(a) research and development		(137)	(404)
(b) product manufacturing and operating costs		(2,241)	(3,010)
(c) advertising and marketing		(154)	(360)
(d) leased assets		(48)	(148)
(e) staff costs		(1,156)	(3,374)
(f) administration and corporate costs		(183)	(524)
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)
1.7 Government grants and tax incentives		-	396
1.8 Other (provide details if material)			
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(1,567)</b>	<b>(427)</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		(22)	(36)
(d) investments			
(e) intellectual property		(47)	(201)
(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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(69)</b>	<b>(237)</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>-</b>	<b>-</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	5,441	4,469
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,567)	(427)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(69)	(237)

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)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,805</b>	<b>3,805</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	3,805	5,441
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>3,805</b>	<b>5,441</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	164
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)	(1,567)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,805
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,805
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.4
<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: 28 July 2022

Authorised by: By the Board

## 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.