

ASX Release

28 October 2022



Quarterly Activities Report & Appendix 4C

Operational Highlights

- Acquisition of Southern Solutions Training Services provides a significant growth opportunity in a market that is adjacent to ReadCloud's current business
- Launch of the King's InterHigh eBook store, providing seamless integration with the ReadCloud eReader platform
- Launch of the ReadCloud VET Group in the June quarter and an earlier renewal process this year has seen a recommitment rate for 2023 across the three VET businesses sitting substantially higher than at this point in prior years
- New school signings for 2023 in both the eBook Solutions and VET segments, combined with a strong sales pipeline, gives management confidence momentum will continue going into the key Term 4 selling / closing season

Financial Highlights

- \$7.64 million cash receipts from customers for FY22, up \$0.59 million (8%) on the prior comparable period and a full-year record
- \$8.52 million unaudited consolidated revenue for FY22, up \$1.10 million (15%) on the prior comparable period, driven by a combination of organic and acquisitive growth

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 September 2022 quarter.

Operational update

As announced to the ASX on 14 October, ReadCloud has entered into a Share Purchase Agreement to acquire 100% of Southern Solutions Training Services Pty Ltd ("Southern Solutions"), a leading national provider of training for certificates in Early Childhood Education & Care. The acquisition provides a significant growth opportunity for the Company in a market that is adjacent to ReadCloud's core business and in an industry with skills shortages and high national government funding and focus.

Established in 2014, Southern Solutions is a Registered Training Organisation (RTO) that



has developed strong partnerships with industry and earned a reputation as a provider of innovative, quality and service focused training. The integration of the ReadCloud platform into Southern Solutions' training delivery is expected to deliver efficiencies and better scaling opportunities.

In FY22, Southern Solutions generated sales revenue of \$2.0 million and delivered EBIT of \$0.36 million. The acquisition consideration is up to \$3.15 million for 100% of the issued shares in Southern Solutions, with \$1.35 million to be paid up front (\$975,000 cash and \$375,000 in ReadCloud shares at 20 cents) and deferred payments of up to \$1.8 million that are contingent on FY23 and FY24 EBIT performance (to be paid with 75% cash and 25% in ReadCloud shares issued at the higher of 20 cents or the share price at the time the earn-out targets are met).

The acquisition will be funded through ReadCloud's existing cash reserves. The total acquisition cost represents between 3.6x and 4.5x times FY24 EBIT depending on achievement of performance hurdles.

The Share Purchase Agreement is subject to the satisfaction of customary conditions for completion, which is expected to occur in the coming week.

ReadCloud launched an eBook store for London-based international online school King's InterHigh in the quarter. The eBook store enables the parents of students aged 7 to 18 located in countries around the world to purchase eBooks for the King's InterHigh school curriculum, with seamless delivery of multi-publisher content and access to collaborative learning tools via integration with the ReadCloud eReader platform.

To date over 1,400 accounts have been created in the eBook store. Some revenue slippage into the current (FY23) financial year has occurred as a result of the delayed supply of some publisher eBook content.

Meanwhile, further investment was made in the VET-in-Schools segment in the quarter, particularly in relation to the new learning management system ("LMS") that was deployed for Australian Institute of Education and Training VET-in-Schools customers at the start of the 2022 school year. The new LMS provides end-to-end delivery to our VET-in-Schools customers with seamless integration with the ReadCloud eReader platform for the digital delivery of VET course materials to students and teachers.

Further enhancements have been made to the LMS platform in preparation for the planned migration of COSAMP and Ripponlea Institute customers onto the new LMS in the current quarter in readiness for the 2023 school year, which is expected to provide significant benefits and synergies.

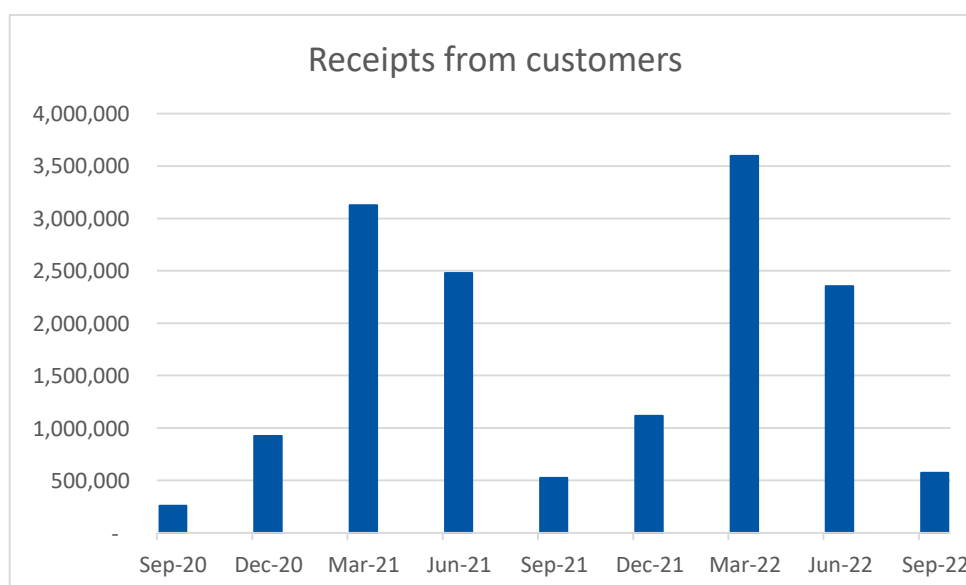
The other main operational focus in the September quarter has been customer renewals and the sales pipeline for 2023.

The launch of the ReadCloud VET Group in the June quarter, a dedicated VET sales team, and a new (simpler) renewal process this year has seen a recommitment rate for 2023 across the three VET businesses sitting substantially higher than at this point in prior years.

New school signings for 2023 in both the eBook Solutions and VET segments, combined with a strong sales pipeline, gives management confidence momentum will continue going into the key Term 4 selling / closing season.

Finance Update

As noted in previous quarterly reports, the Company's results are highly seasonal in line with the school year, with the March and June quarters in each year being the strongest for sales and cash receipts and the September quarter being the lowest for sales and cash receipts.



In this context, key highlights from the accompanying Appendix 4C Cash Flow Statement include:

- \$7.64 million cash receipts from customers for FY22, up \$0.59 million (8%) on the prior comparable period and a full-year record;
- Cash receipts from customers for the September quarter were in line with the prior comparable quarter (\$0.57 million versus \$0.52 million for September 2021). Some invoicing of auspicing fees for COSAMP has been deferred to the December 2022 quarter (invoiced earlier last year) to align the customer invoicing cycles for the three RTOs comprising the ReadCloud VET Group;
- Cost of sales for the September quarter was \$0.17 million (in line with the prior comparable quarter) mainly relating to full-curriculum eBook sales during the June and September quarters and third-party VET course publisher payments in connection with mid-year VET course enrolments;



- Staff costs for the September quarter were \$1.19 million versus \$1.07 million for the September 2021 quarter, with the increase reflecting investment in a dedicated ReadCloud VET Group sales team and operational resources; and
- Payments to related parties (item 6.1 of the attached Appendix 4C) consisted of remuneration paid to directors during the quarter.

As at 30 September 2022 the Company had cash reserves of \$2.46 million and no debt, with cash receipts from Year-12 “headstart” eBook sales invoiced late in the September quarter, invoicing of 2023 School auspicing fees of up to \$1 million and receipt of the Company’s FY21 R&D tax refund of \$0.42 million all expected in the current (December) quarter. Whilst settlement of the Southern Solutions acquisition will require a cash payment on completion of \$975,000, the expected cash generated from the combined operations of the existing ReadCloud Group and Southern Solutions will see the Company funded through to the positive cash flow generating March and June quarters.

For FY22, ReadCloud has recorded unaudited consolidated revenue of \$8.52 million, up \$1.10 million (15%) on the prior comparable period. This growth has been driven by a combination of:

- organic growth in the eBook Solutions segment (up \$0.60 million on the prior comparable period). eBook sales are up for both Direct and Reseller school customers; and
- growth of VET segment revenue (up \$0.50 million on the prior comparable period), largely associated with the Ripponlea Institute acquisition that was completed in June 2021.

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 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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	574	7,641
1.2 Payments for		
(a) research and development	(138)	(542)
(b) product manufacturing and operating costs	(173)	(3,184)
(c) advertising and marketing	(117)	(476)
(d) leased assets	(70)	(219)
(e) staff costs	(1,191)	(4,564)
(f) administration and corporate costs	(208)	(732)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
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)		
1.9 Net cash from / (used in) operating activities	(1,322)	(1,748)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(6)	(41)
(d) investments		
(e) intellectual property	(15)	(215)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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)		
2.6	Net cash from / (used in) investing activities	(21)	(256)

3.	Cash flows from financing activities		
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)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,807	4,469
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,322)	(1,749)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(21)	(256)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	Cash and cash equivalents at end of period	2,464	2,464

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	2,464	3,807
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,464	3,807

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	194
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>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,322)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,464
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,464
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.9
<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: Yes. The September quarter is traditionally a lower quarter for the group's operating cash inflows, so the Company expects operating net cash usage to decrease in forthcoming quarters. As at 30 September 2022 the Company had cash reserves of \$2.46 million and no debt, with cash receipts from Year-12 "headstart" eBook sales invoiced late in the September quarter, invoicing of 2023 School auspicing fees of up to \$1 million and receipt of the Company's FY21 R&D tax refund of \$0.42 million all expected in the current (December) quarter. Whilst settlement of the Southern Solutions acquisition will require a cash payment on completion of \$975,000, the expected cash generated from the combined operations of the existing ReadCloud Group and Southern Solutions will see the Company funded through to the positive cash flow generating March and June quarters.		
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: No, as operating cash flows are expected to continue to fund operations.		

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: Yes. As at 30 September 2022 the Company had cash reserves of \$2.46 million and no debt, with cash receipts from Year-12 “headstart” eBook sales invoiced late in the September quarter, invoicing of 2023 School auspicing fees of up to \$1 million and receipt of the Company’s FY21 R&D tax refund of \$0.42 million all expected in the current (December) quarter. Whilst settlement of the Southern Solutions acquisition will require a cash payment on completion of \$975,000, the expected cash generated from the combined operations of the existing ReadCloud Group and Southern Solutions will see the Company funded through to the positive cash flow generating March and June quarters.

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.

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 October 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.