

29 November 2022



## FY22 Full-year results announcement

Financial highlights for FY22 include:

- 17.5% increase in consolidated sales and fee revenue to \$8.21 million (FY21: \$6.99 million)
- 17.1% increase in VET segment sales and fee revenue to \$3.83 million (FY21: \$3.27 million)
- 17.8% increase in eBook Solutions segment sales and fee revenue to \$4.38 million (FY21: \$3.72 million)
- 15.2% increase in total consolidated revenue and other income to \$8.55 million (FY21: \$7.42 million)
- Record cash receipts from customers in FY22 of \$7.88 million versus \$7.20 million for FY21
- Cash balance at 30 September 2022 \$2.47 million and no debt

Operational highlights for FY22 include:

- 25% year-on-year increase in Vocational Education and Training in Schools (“VET in schools” or “VET”) user numbers to 15,000 users, driven by organic growth, cross-selling, and the acquisition of Ripponlea Institute
- 22.8% year-on-year increase in Direct eBook Solutions ReadCloud platform user numbers to 70,000 users
- Strong retention of existing school customers for the 2022 school year across three sales channels, being VET in schools, Direct eBook Solutions and Reseller eBook Solutions
- Execution of first overseas eBook Solutions deal with leading London-based international online school King’s InterHigh
- Completion of Southern Solutions Training Services acquisition post FY22 year-end, opening up a large new growth opportunity

ReadCloud Limited (“ReadCloud” or “the Company”; ASX: RCL) is a leading provider of digital eLearning solutions to secondary schools and the VET sector in Australia. The Directors of ReadCloud are pleased to release the Group’s full-year results (comprising the consolidated results of the Company and its controlled entities) for the year ended 30 September 2022.

Management is pleased with progress against the strategic growth plan, with strong ReadCloud platform user and revenue increases achieved for the year. As at 30 September 2022, ReadCloud had over 600 school and educational institution customers with over 132,000 users on its platform.



As noted in previous Company announcements, ReadCloud has changed financial year-end from 30 June to 30 September in order to more closely align its financial reporting and business cycles. The accompanying financial report is the first full-year report in the new reporting cycle (with comparatives being for the 12 months ended 30 September 2021).

## **Operational update**

### *Vocational Education & Training segment*

The VET in schools segment achieved a 25% year-on-year increase in ReadCloud platform users to 15,000 users for FY22 (after excluding 2,000 Ripponlea Institute users in FY21, from which there was no revenue contribution due to the acquisition occurring late in FY21). This was driven by an increase in new school customers for the 2022 school year, organic growth (more existing school customers taking additional VET programs) and the acquisition of Ripponlea Institute.

These strong results support the significant investment made in the VET in schools segment in FY22 to set the path for continued growth, including:

- the standardisation of operational systems of processes across the three Registered Training Organisations (“RTOs”) comprising the ReadCloud VET Group (Australian Institute of Education & Training, PKY Media trading as COSAMP, and Ripponlea Institute);
- the hiring of a dedicated ReadCloud VET Group sales team;
- a national marketing launch of the ReadCloud VET Group;
- the development of a 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; and
- the upgrading (in terms of quality and breadth) of a large proportion of the VET course resources used by the three VET in schools businesses.

The combination of the focused sales effort, and the investments made, places the VET business in a strong position for continued accelerated growth in coming years.

### *Full-curriculum segment (eBook solutions)*

ReadCloud achieved a 22.8% increase in Direct eBook Solutions ReadCloud platform user numbers to 70,000 users for the 2022 school year, driven by:

- increased user numbers in existing school customers;
- new school wins; and
- strong customer retention.

This combination of achievements helped deliver 20% sales and fee revenue growth from Direct eBook Solutions customer schools for FY22.

ReadCloud’s Reseller eBook Solutions partners provided a strong improvement for the 2022 school year with an increase of 10% in sales and fee revenue.

The school and student on-boarding season at the start of the 2022 school year was the most successful on-boarding season in the Company’s history (in terms of accuracy and timeliness), with positive feedback received from both eBook Solutions school customers and third-party publishers alike. Continued investment in systems and processes underpinning the ReadCloud platform throughout FY22 will place ReadCloud in an even better position going into the on-boarding season for the 2023 school year.



The other major development for the eBook Solutions segment in FY22 was the execution of ReadCloud's first overseas eBook Solutions deal with leading London-based international online school King's InterHigh for the provision of eBooks to the parents of over 4,000 students. 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 King's InterHigh eBook store was built and launched in the September 2022 quarter with seamless delivery of multi-publisher content and access to collaborative learning tools via integration with the ReadCloud eReader platform.

To date nearly 1,500 accounts have been created in the King's InterHigh eBook store, with some revenue slippage into the current financial year occurring as a result of the delayed supply of some publisher eBook content.

### ***Financial result***

The Group recorded an Underlying EBITDA\* loss for FY22 of \$822,834 (FY21 Underlying EBITDA loss \$769,010) and a FY22 consolidated statutory loss after tax of \$1.64 million (loss of \$1.99 million in the prior corresponding period). Underlying EBITDA is reconciled to the statutory loss as detailed below. This reconciliation adds back the effect of certain non-operating and non-recurring items which would not ordinarily relate to the Group's underlying performance.

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Sales & fee revenue	8,212,033	6,988,396
Other revenue	337,116	429,677
<b>Total revenue</b>	<b>8,549,150</b>	<b>7,418,073</b>
Less operating expenses:		
Advertising and marketing	(329,265)	(183,618)
Employment expenses	(4,357,211)	(3,789,844)
Legal & compliance	(75,553)	(85,288)
Professional services expenses	(506,431)	(474,920)
Publisher and bookseller fees expense	(3,333,605)	(2,904,162)
Telephone, internet & data hosting	(108,532)	(96,609)
Travel expenses	(140,240)	(96,642)
Other expenses	(519,296)	(554,815)
Less interest revenue	(1,850)	(1,184)
<b>Underlying EBITDA*</b>	<b>(822,834)</b>	<b>(769,010)</b>
Add: Fair value movement of contingent consideration	375,000	-
Less: Depreciation and amortisation	(1,127,373)	(987,465)
Share based payments	(41,235)	(50,849)
Transaction costs incurred on business acquisition (expensed) and one-off ASX fees	-	(144,830)
Net interest (expense) / revenue	(5,041)	(16,354)
Income tax expense / (benefit)	(23,391)	(21,122)
<b>Reported (statutory) net loss after tax</b>	<b>(1,644,874)</b>	<b>(1,989,630)</b>

\* EBITDA and underlying EBITDA are non-statutory financial measures which are not prescribed by Australian Accounting Standards (AAS). They represent the profit under AAS adjusted for Interest, Tax, Depreciation and Amortisation and certain other specified items. The Directors consider that EBITDA and underlying EBITDA reflect core earnings of the entity consistent with internal reporting.

The FY22 consolidated statutory result reflects:

- 17.8% growth of sales & fee revenue for the eBook Solutions segment to \$4.38 million (FY21: \$3.72 million), driven by both new Direct eBook Solutions customer schools signed up for the 2022 school year (\$0.48 million) and increased Reseller channel revenue;
- 17.1% growth of sales & fee revenue for the VET segment to \$3.83 million (FY21: \$3.27 million), driven by a full year's contribution from Ripponlea Institute and new school wins for the 2022 school year across all three ReadCloud VET Group RTOs;
- average sales and fee revenue per ReadCloud platform user for FY22 of \$62 (FY21: \$61);
- a 22.5% increase in gross profit for the VET segment (sales and fee revenue less direct costs mainly comprising publisher fees) to \$3.52 million (FY21: \$2.87 million), reflecting



increased usage of ReadCloud VET Group-owned course materials for the delivery of VET programs to schools in FY22;

- an 8.5% increase in gross profit for the eBook Solutions segment (sales and fee revenue less publisher and bookseller fees) to \$1.23 million (FY21: \$1.13 million);
- increased advertising & marketing spend in FY22 mainly attributable to national marketing launch of the ReadCloud VET Group; and
- increased employment expenses after a full year of ownership of the Ripponlea Institute business in FY22 and investment in additional sales and marketing and operational staff in both the VET and full-curriculum segments in anticipation of future growth

### **Outlook**

The launch of the ReadCloud VET Group late in FY22 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. Pleasingly, there has been a marked increase in interest from VET in schools customers wanting to consolidate providers. As at the date of this announcement, 28% of the individual schools that have committed delivering ReadCloud VET Group programs in 2023 will be using more than one of the Company's RTOs (compared to 21% for FY22).

New school signings for 2023 in both the eBook Solutions and VET segments, combined with a strong sales pipeline, gives management confidence that strong revenue growth will be achieved from the eBook Solutions and VET in schools segments in FY23.

The acquisition of leading national provider of training for certificates in early childhood education & care Southern Solutions Training Services Pty Ltd ("Southern Solutions") post FY22-end, 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.

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. Pleasingly, the integration of the Southern Solutions business into the ReadCloud Group is tracking as expected.

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## **CONTACTS:**

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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 132,000 users on its platform.

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