

ASX Release

31 July 2023



## Quarterly Activities Report & Appendix 4C

### Highlights

- \$3.14m cash receipts from customers for the June quarter up 34% on pcip (\$2.35m)
- \$8.92m total cash receipts from customers for the FY23 year-to-date (9 months), up 26% on pcip
- Board renewal progressing and new CEO in place
- Integration of 5 businesses (ReadCloud eBooks, AIET, COSAMP, Ripponlea Institute, Southern Solutions) beginning to deliver synergies

ReadCloud Limited (“ReadCloud” or “the Company”) (ASX: RCL) is a leading provider of digital eLearning solutions to secondary schools and the Vocational Education and Training (“VET”) sector in Australia. The Directors of ReadCloud are pleased to provide a quarterly update and cash flow statement for the June 2023 quarter.

### Operational update

During the June quarter the Company has focused on:

- realignment of resources to customer facing activities and business development following a year of operational consolidation
- investing in marketing and business development ahead of the key selling season for the 2024 school year
- promoting the Year 12 “Headstart” sales period for the eBook Solutions segment (where school customers purchase Year 12 textbooks for current Year 11 students)
- establishing a new product “Get VET Ready” to improve client onboarding and generate revenue from VET-in-Schools during August-November
- delivering efficiencies in the delivery of industry training by increasing the ratio of students to trainers
- securing access to publications to meet potential demand for servicing International Schools
- refining operational processes and shared-services to facilitate greater scalability of the business

## Leadership

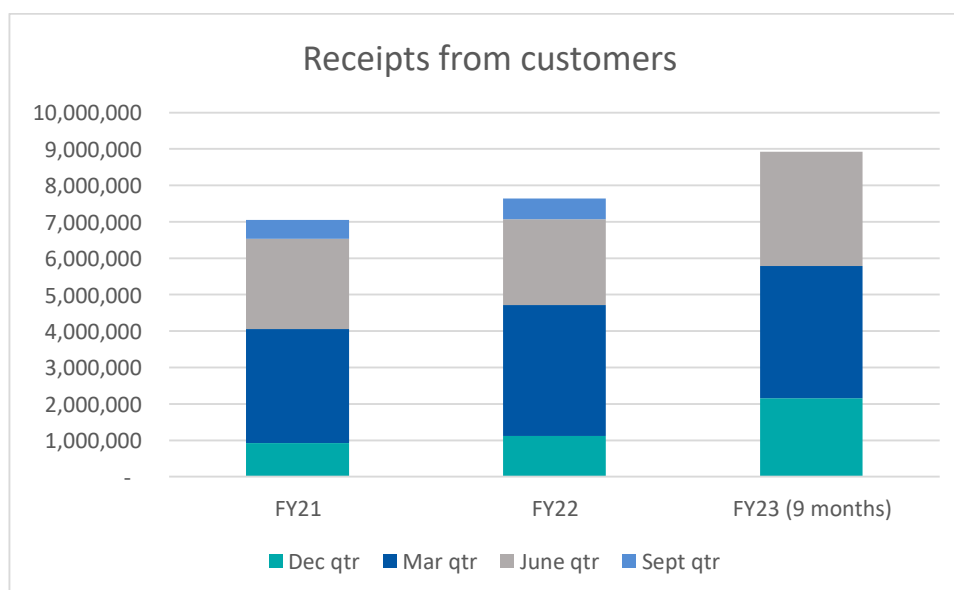
On 8 May 2023 announced the appointment of Mr Andrew Skelton as the Company's new Chief Executive Officer. Andrew has more than 20 years of leadership experience, most recently as Chief Executive Officer of A2B Australia Ltd (ASX A2B) and a track record of growing businesses by delivering significant transformation programs, executing growth strategies in highly competitive industries, and navigating market, technological and regulatory changes. Andrew commenced with ReadCloud on 15 May 2023.

Mr Guy Mendelson retired from the Board of the Company with effect from 30 June 2023. Guy's retirement is the next step in a Board succession plan that commenced with the appointment of Mr Jonathan Isaacs in February 2023.

## Finance Update

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

- \$3.14m cash receipts from customers for the June quarter up 34% on pcg (\$2.35m)
- \$8.92m total cash receipts from customers for FY23 year-to-date (9 months), up \$1.86m or 26% on pcg and up \$1.28 million on the FY22 full-year receipts from customers, with additional revenue (and cash receipts) expected in the current quarter



- The June quarter included the majority of publisher payments relating to eBook sales for FY23, resulting in higher than average payments for product manufacturing and operating activities
- Payment of staff costs were up on the prior quarter predominantly due to increased trainer costs associated with increased delivery of industry training by Southern Solutions Training Services during the quarter. The benefit of cost savings from selected staff departures during the June quarter will flow into the next quarter and FY24 year



- Marketing costs for the June quarter were down on prior quarters reflecting the internalisation of the Company's marketing function, with less reliance on external consultants and a resultant increase in staff costs
- Payments of administrative and corporate costs totalled \$210k for the quarter, up \$39k on the prior quarter attributable to half-year audit fees
- Payments to related parties (item 6.1 of the attached Appendix 4C) consisted of remuneration paid to Directors during the quarter.

As noted in prior Company announcements, ReadCloud's cash flows are seasonal, with most cash receipts from customers received in the March and June quarters each year. The Company had \$1.19 million of cash at the end of the June quarter and zero debt.

## Capital Raising

On 27 July ReadCloud announced a fully-underwritten non-renounceable entitlement offer to eligible shareholders to raise \$1.46 million before costs of the issue. Funds raised will be used primarily to drive the company's growth agenda in preparation for the beginning of the 2024 Australian school year.

The entitlement issue is fully underwritten by Cannacord Genuity (Australia) Limited, with sub-underwriting support provided by ReadCloud's directors and senior management. Details of the entitlement issue are available on the Company's website ([www.readcloud.com](http://www.readcloud.com)) and the Prospectus for the rights issue is scheduled for dispatch to eligible shareholders on 7 August 2023.

## Outlook

- On course for positive EBITDA and Operating Cashflow in FY24
- Stable fixed cost base with cost efficiencies embedded for FY24
- Unique digital first platform for delivering eBooks and digital curriculum facilitating the Company's growth strategy
- Breakthrough international growth of eBooks business set to gain traction in 2024
- Strengthening brand awareness of ReadCloudVET (launched in 2022), largest choice of qualifications in the market, and use of eBooks technology position ReadCloudVET to become the market leader in student enrolments
- Strong operating leverage in VET-in-schools means organic growth will deliver significant uplift in ROI of the 3 VET-in-Schools businesses (acquired in FY19/21/21)
- New industry partnerships in high demand areas of childcare and supply chain can accelerate growth and ROI of the Industry Training business acquired in FY23
- Industry Training funding arrangements secured in NSW, VIC, ACT, SA and QLD (in partnership with QLD TAFE)



- Benefits of scale from standardised processes, technology and pricing ready for capture in 2024

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

#### **CONTACTS:**

##### **Investors & Media:**

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#### **About ReadCloud Limited**

ReadCloud is a leading provider of eLearning technology and industry-based training supporting schools and educational institutions.

ReadCloud's eReader platform creates an engaging and collaborative learning environment with access to dynamic, interactive content from leading publishers. Teachers and students benefit from social annotations, media-rich embedding options, cross-platform compatibility, and an engaging text-to-speech feature available in 120 languages.

ReadCloudVET enables the delivery of 49 qualifications to 13,000 learners across three specialist Registered Training Organisations (RTOs) in Vocational Education and Training Delivered to Secondary School Students.

ReadCloud's connection to industry and career pathways extends to Southern Solutions Training Services, an RTO with 14 qualifications on scope and specialising in flexible and blended training models including delivery in a genuine workplace environment for qualifications in Early Childhood Education and Care, Business, Aged Care, Hospitality, Logistics and Real Estate.

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

## 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 2023

<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	3,142	8,923
1.2 Payments for		
(a) research and development	(142)	(413)
(b) product manufacturing and operating costs	(2,320)	(3,688)
(c) advertising and marketing	(51)	(221)
(d) leased assets	(23)	(116)
(e) staff costs	(1,555)	(4,538)
(f) administration and corporate costs	(210)	(688)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refund	-	21
1.7 Government grants and tax incentives	-	424
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,154)</b>	<b>(283)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(732)
(c) property, plant and equipment	(10)	(19)
(d) investments	-	-
(e) intellectual property	-	-
(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>(10)</b>	<b>(751)</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	(120)	(240)
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>(120)</b>	<b>(240)</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	2,478	2,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,154)	(283)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(751)

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)	(120)	(240)
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,193</b>	<b>1,193</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	1,193	2,478
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>1,193</b>	<b>2,478</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	171
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. 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)	(1,154)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,193
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,193
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	
	<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?	
	No – the June quarter included the majority of publisher payments relating to FY23 year-to-date full-curriculum eBook sales (accounting for \$1.96 million of \$2.32 million of Product manufacturing and operating costs for the quarter). September 2022 quarter publisher payments were less than \$0.2 million, with a similar level expected for the September 2023 quarter	
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?	
	On 28 July 2023 the Company announced a fully-underwritten renounceable rights issue to raise \$1.46 million before costs. The entitlement issue is fully underwritten by Cannacord Genuity (Australia) Limited, with sub-underwriting support provided by ReadCloud's directors and senior management.	



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?

Yes. ReadCloud's cash flows are seasonal, with most cash receipts from customers received in the March and June quarters each year. Existing cash reserves, combined with funds raised from the recently announced fully-underwritten rights issue, are expected to see the Company adequately funded in support of its stated objectives of positive FY24 operating cash flow and positive FY24 EBITDA

*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: 31 July 2023

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## 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.