

ASX Release

31 October 2023



Quarterly Activities Report & Appendix 4C

Financial Highlights

- \$10.55 million cash receipts from customers for FY23, up \$2.91 million (38%) on the prior comparable period and a full-year record
- Completion of capital raising in August that raised \$1.35 million
- \$1.72 million cash reserves at 30 September 2023 and no debt

Operational Highlights

- eBook Solutions sales to 3 new international school customers
- Uplift in sales to London-based international school King's InterHigh
- New school signings for 2024 in both the eBook Solutions and VET segments, combined with a strong sales pipeline, gives management confidence momentum will continue during the key Term 4 selling season
- 227 Students commenced courses with Southern Solutions Training Services in the September quarter, tracking well ahead of target (135) with momentum continuing

ReadCloud Limited ("ReadCloud" or "the Company") (ASX: RCL) is a leading provider of 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 September 2023 quarter.

Operational update

During the September quarter ReadCloud sold eBooks and software to three new international school customers located in Singapore, Ukraine and the Democratic Republic of Congo. The latter 2 schools were referred to ReadCloud by our foundation customer, London-based international online school King's InterHigh. King's InterHigh is part of the Inspired Education Group, a group of over 100 world-leading premium schools operating across 24 countries. An additional school located in Vienna, Austria, is currently trialling the ReadCloud platform for the delivery of digital curriculum to its students.



The quarter also saw a significant uplift in eBook sales to King's InterHigh for the 2023/24 school year, driven by an earlier launch of the King's InterHigh eBook store that enables parents of students aged 7 to 18 to purchase eBooks for the King's InterHigh school curriculum. ReadCloud is working closely with King's InterHigh to further develop the eBook store to drive additional growth in the international market.

The focus for the VET in schools business in the quarter has been customer renewals and conversion of the sales pipeline for 2024. Increased market awareness of the ReadCloudVET brand has seen a pleasing recommitment rate for delivery of VET courses in 2024, with November historically a significant month for sales and schools continuing to be added through to February.

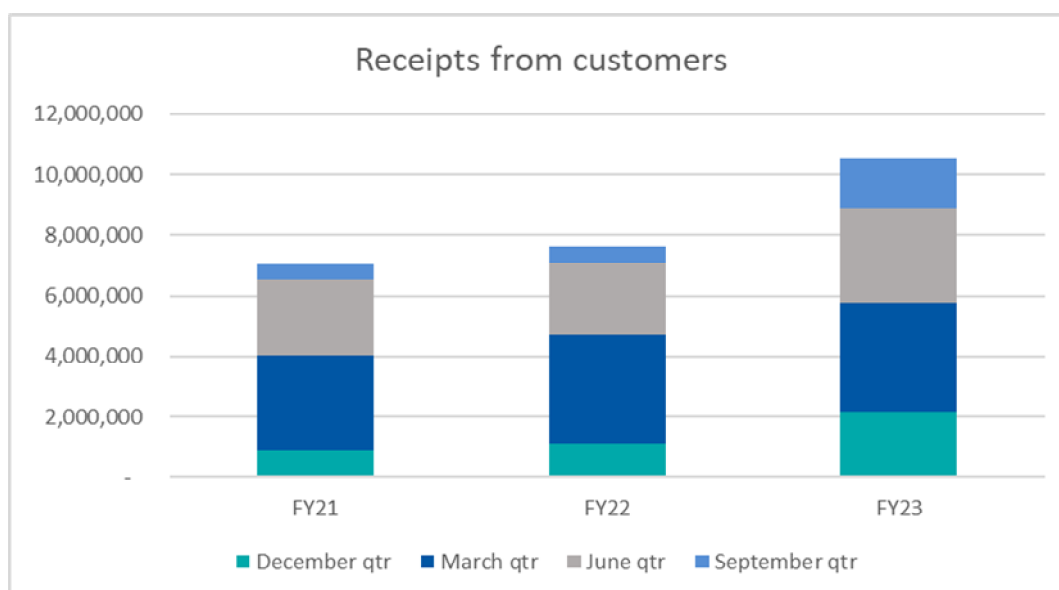
New school signings for 2024 in both the eBook Solutions and VET segments, combined with a strong sales pipeline, gives management confidence momentum will continue during the remainder of the key Term 4 selling period.

The focus for Southern Solutions Training Services ("Southern Solutions") in the September quarter has been on additional student enrolments and progression of students through VET courses to funding milestones. Southern Solutions achieved 227 student commencements in VET courses in the quarter, tracking well ahead of target for the business (135), with momentum continuing in the current quarter. During the quarter Southern Solutions successfully renewed its South Australian Government funding contract until 2028, enabling it to offer State subsidised industry training to South Australian trainees.

With a new leadership structure in place, the Company is focused on controlling costs and driving revenue growth through better market alignment and accountability. ReadCloud remains committed to delivering a positive Underlying EBITDA result in FY24 along with a positive operating cash flow outcome.

Finance Update

The Company's results are highly seasonal, 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 (growth in Southern Solutions and additional sales to international schools will partially counter this cyclical).



Key highlights from the accompanying Appendix 4C Cash Flow Statement include:

- \$10.55 million cash receipts from customers for FY23, up \$2.91 million (38%) on the prior comparable period and a full-year record. Growth has been driven by the acquisition of Southern Solutions (\$1.89 million) and increased cash receipts from eBook Solutions (up \$0.54 million) and VET in schools customers (up \$0.48 million);
- \$1.63 million cash receipts from customers for the September quarter, up \$1.06 million (84%) on the prior comparable quarter. Southern Solutions accounted for \$0.6 million of this growth, with the balance coming from eBook Solutions and VET in schools;
- Product manufacturing and operating costs for the September quarter were \$0.35 million (versus \$0.14 million in the prior comparable quarter) mainly relating to costs of training delivery for the Southern Solutions and VET in schools (TAE qualification) businesses as well as publisher payments relating to full-curriculum eBook sales made during the June and September quarters;
- Staff costs for the September quarter were \$1.71 million versus \$1.19 million for the September 2022 quarter, with the increase largely reflecting employment costs for the Southern Solutions business (acquired in November 2022, \$0.32 million) and employee separation costs of \$0.05 million. Restructuring has resulted in a lower headcount moving forward;
- A fully-underwritten non-renounceable rights issue in August 2023 raised \$1.35 million (net of costs). Funds raised will enable acceleration of planned sales and business development activities. The Directors, senior management and institutional investors participated in the capital raising in a sub-underwriting capacity; 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 2023 ReadCloud had cash reserves of \$1.72 million and no debt, placing the Company in a strong cash position leading into the March and June quarters when the majority of the revenue is received from schools. In the December quarter the Company expects to receive cash from year 12 “headstart” eBook sales of \$0.50 million, invoicing of 2024 school auspicing fees of \$0.77 million and its FY23 R&D tax refund (\$0.32 million).

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

-Ends-

CONTACTS:

Investors & Media:

Luke Murphy, Chief Financial Officer
+61 409 933 924



About ReadCloud Limited

ReadCloud is a leading provider of eLearning software solutions and industry-based training, supporting over 600 schools and educational institutions.

ReadCloud's eReader platform creates an engaging and collaborative learning environment with seamless access to dynamic, interactive digital 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 50 qualifications to 15,000 learners across three specialist Registered Training Organisations (RTOs) in Vocational Education and Training Delivered to Secondary School Students.

ReadCloud's strong connection to industry and career pathways extends to Southern Solutions Training Services, an RTO 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 was authorised for release 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 September 2023

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	1,631	10,554
1.2 Payments for		
(a) research and development	(134)	(547)
(b) product manufacturing and operating costs	(345)	(4,033)
(c) advertising and marketing	(50)	(271)
(d) leased assets	(34)	(150)
(e) staff costs	(1,712)	(6,250)
(f) administration and corporate costs	(181)	(869)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	18
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)		
1.9 Net cash from / (used in) operating activities	(820)	(1,103)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(732)
(c) property, plant and equipment	(4)	(23)
(d) investments	-	-
(e) intellectual property	-	-
(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	(4)	(755)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,462	1,462
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	(112)	(112)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	-	(240)
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	1,350	1,110

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,193	2,467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(820)	(1,103)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(755)

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)	1,350	1,110
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,719	1,719

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	1,719	1,193
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)	1,719	1,193

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	159
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)	(821)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,719
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,719
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.1
<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?	
	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?	
	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?	
	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: 31 October 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.