



ReadCloud Limited

Technology, Training and Content solutions for
school and industry

CEO Presentation

Annual General Meeting

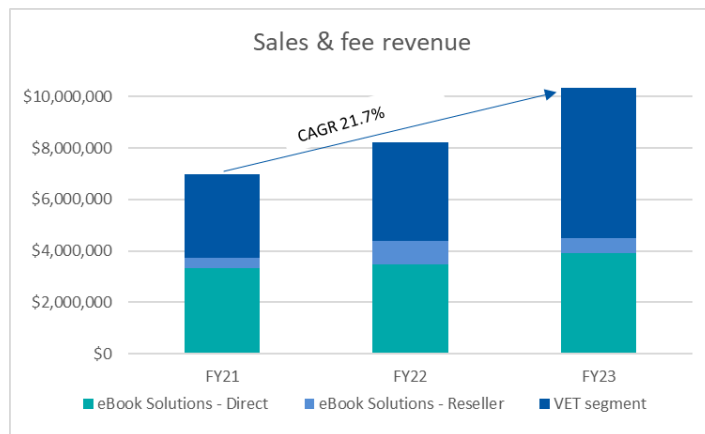
23 February 2024



Getting into gear

	FY23	1QFY24	YTD (Jan 2024) progress
Consolidated revenue	Up 25% to \$10.7m	Up 19% on pcp	Up 14% on pcp
Operating costs	Up 17% to \$7.0m	8% reduction on pcp	11% reduction on pcp
Cash	\$1.7m	\$1.2m	Current cash \$2.1m*

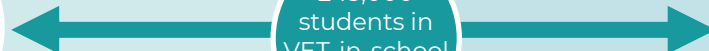
* As at 21 February 2024



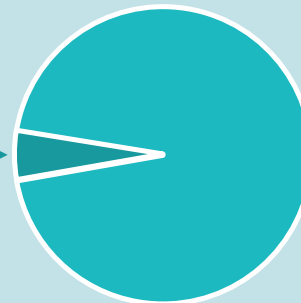
1.7 million students in
2,861 secondary
schools in Australia²



243,000
students in
VET-in-school
courses¹



3.9 million students
enrolled in VET
courses with 3,519
training providers in
Australia



1. National Centre for Vocational Education Research – VET in Schools 2022 report (up from 60,000 students in 1996)

2. Australian Curriculum, Assessment & Reporting Authority

ReadCloud eBook solutions

- A leading eBook solution for schools that replaces physical textbooks
- Over 200,000 eBooks sourced from the world's leading textbook publishers and delivered via a proprietary eLearning platform
- Well-established presence in the Australian market
- Establishing a presence in the international schools market, for which ReadCloud's solution is particularly relevant

ReadCloud Vocational Education & Training-in-schools

- Provides vocational training for secondary school students
- 49 VET qualifications delivered to 13,000 students in 337 secondary schools nationally in 2023
- Delivers proprietary technology, curriculum and systems that simplify tasks for teachers and VET Coordinators so they can focus on ensuring their students get the best learning experience available

Industry training

- Delivery of vocational education and training for high priority industries with national skills shortages, including the childcare, aged care and supply chain sectors
- Multi-state funding contracts in place enabling the provision of government subsidised training to industry
- Partnerships with national childcare operators delivering a strong student pipeline

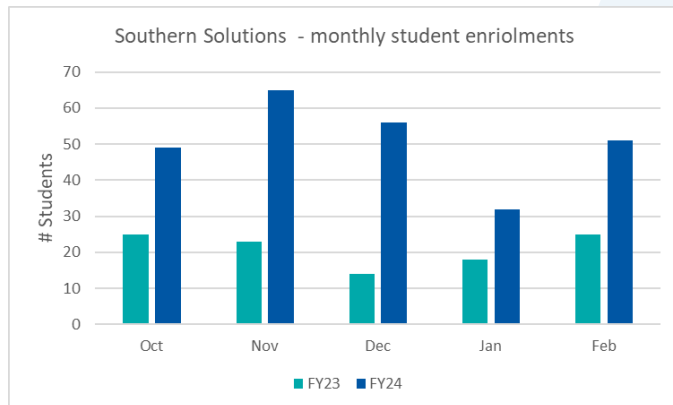
- ✔ FY23 Revenue growth of 2.6%
 - encouraging transition to higher margin direct sales channel (12.6% growth in FY23)
- ✔ Improved retention of Australian schools in FY 24 expected to be 84%, compared to FY23 of 69%
- ✔ The addition of ReadCloud to the Queensland Education Department preferred supplier panel can contribute to growth
- ✔ Early wins are establishing a presence in the international market – 4 schools contracted, 2 schools in pilot
 - International schools market comprising over 12,000 schools is a key focus for growth initiatives (for context there are 2,861 secondary schools in Australia)
 - ReadCloud's eBook Solutions offering has high utility in this market



- ✔ Management layers removed enabling greater focus on student and teacher stakeholders
- ✔ Strong performing gross margin business (at 90% in FY23)
 - delivery of digital VET course materials to students and teachers via the proprietary ReadCloud platform
 - investment in proprietary learner materials and assessment tools beginning to pay off
- ✔ Strengthening connections with industry demonstrating potential to differentiate ReadCloudVET from competitors
- ✔ Pricing growth set to resume in FY25
- ✔ New single semester Pathway Programs deliver capability to expand market to include year 10 students and smooth revenue seasonality in FY25 and beyond



- ✓ Enrolment Target of 45 new students each month (excluding January) consistently exceeded
 - 253 enrolments FYTD up 241% on pcp and 41% ahead of February 2024 target of 180
- ✓ Margins improving with focus on training efficiencies. FY24 gross margin tracking at 54% compared to FY23 51%
- ✓ Industry partnerships and commitment to personal care industry (**childcare** and **aged care**) are generating positive momentum and supporting business expansion
- ✓ Increased government funding secured in NSW and Victoria



- ✔ Focus on delivering breakthrough positive underlying EBITDA in FY24
- ✔ On track for positive operating cashflow in FY24
- ✔ Driving the execution of organic growth initiatives in eBook Solutions, VET-in-schools and industry training
- ✔ Disciplined cost control
- ✔ Near term growth from:
 - servicing international schools with eBooks
 - consolidating a leadership position in core VET qualifications for schools
 - initiating additional training partnerships in the personal care industry



Additional Information

Investment Highlights

- ✔ On course for positive EBITDA and positive Operating Cashflow in FY24
- ✔ Stable fixed cost base with cost efficiencies embedded for FY24 to offset impact of inflation
- ✔ Strong operating leverage in VET-in-schools and Industry Training
- ✔ 60 VET qualifications on scope across 4 Registered Training Organisations
- ✔ International growth of eBooks business set to gain traction in 2024
- ✔ Strengthening brand awareness of ReadCloudVET (launched in 2022) beginning to drive school referrals
- ✔ 49 VET qualifications delivered to 13,000 students in 337 schools in Australia (2023)
- ✔ New industry partnerships in high demand areas of childcare and supply chain now on foot
- ✔ Industry Training funding arrangements secured for NSW, VIC, ACT, SA and QLD (in partnership with QLD TAFE)
- ✔ Benefit of scale from standardised processes, technology and pricing ready for capture in 2024

Corporate Snapshot

ASX Code: RCL

Share Price (21 February 2024)	\$0.049
Market capitalisation (@ 4.9 cents)	\$7.2m
Shares on issue	146.2m
Options on issue (unlisted)	16.1m
Share rights on issue	1.4m
Current cash (21 February 2024)	\$2.1m

Board & Management

Cristiano Nicolli	Non-Executive Chairman
Paul Collins	Non-Executive Director
Jonathan Isaacs	Non-Executive Director
Lars Lindstrom	Executive Director (Founder)
Darren Hunter	Executive Director (CIO)
Andrew Skelton	Chief Executive Officer
Luke Murphy	Chief Financial Officer & Co Sec

Substantial Shareholders

Thorney Group*	11.4%
Microequities Asset Management	9.1%
Lars Lindstrom	6.4%
Hunmar Holdings/Darren Hunter*	5.1%
Top 20	65.5%
Board and management shareholdings*	25.5%

*Includes indirect holdings



FY23 Financials

Underlying EBITDA

\$'000	FY23	FY22	YOY
Sales and fee revenue	10,349	8,212	+26.0%
Less publisher & bookseller fees	(3,619)	(3,334)	+8.5%
Less trainer costs	(877)	(85)	+931.8%
Margin after publisher & bookseller fees and trainer costs	5,853	4,794	+22.1%
Add: Other revenue	356	337	+5.6%
Less operating expenses:			
Advertising and marketing	(99)	(329)	-69.9%
Computer software	(154)	(159)	-3.1%
Employment expenses	(5,678)	(4,480)	+26.7%
Legal & compliance	(98)	(76)	+28.9%
Office expenses	(80)	(125)	-36.0%
Professional services expenses	(382)	(422)	-9.5%
Telephone, internet & data hosting	(123)	(108)	+13.9%
Travel expenses	(172)	(140)	+22.9%
Other expenses	(191)	(112)	+70.5%
Less interest revenue	(17)	(2)	+750.0%
Underlying EBITDA*	(786)	(823)	-4.5%

- Underlying EBITDA = earnings adjusted for Interest, Tax, Depreciation and Amortisation, Share-based payments, transaction costs incurred on the Southern Solutions Training Services acquisition and restructuring costs
- 26.0% sales and fee revenue growth driven by organic growth in the eBook Solutions and VET-in-schools businesses and acquisitive growth (Southern Solutions Training Services)
- % Margin after publisher and bookseller fees and trainer costs broadly consistent with pcp. Some margin erosion on eBook Solutions revenue offset by a higher contribution from VET segment (which has stronger margins)
- Reduction in Advertising & marketing spend due to marketing function being brought in-house, with associated cost included in Employment costs
- Increase in employment expenses predominantly attributable to the Southern Solutions acquisition (\$0.99 million) as well as investment in additional operational staff in both the VET and eBook Solutions segments in anticipation of future growth. Savings from restructuring to be reflected in future periods

FY23 Financials



Balance Sheet

\$'000	Note	30-Sept-23	30-Sep-22
Cash and cash equivalents		1,709	2,467
Trade and other receivables	1	1,154	945
Prepayments		112	106
Total current assets		2,975	3,518
Non-current deposits		36	36
Property, plant & equipment		51	176
Intangibles	2	10,830	8,015
Right-of-use assets		189	332
Total non-current assets		11,106	8,560
Total assets		14,081	12,078
Trade and other payables	3	1,001	799
Other current liabilities		869	291
Employee entitlements (Current & NC)		527	518
Contingent consideration (Current & NC)	4	1,763	75
Lease Liabilities (Current & NC)		223	382
Deferred tax liability		27	-
Total liabilities		4,410	2,065
Net assets		9,671	10,013

Notes

1. Includes trade receivables of \$0.81 million and FY23 R&D tax incentive receivable of \$0.33 million (received in February 2024)
2. Intangibles includes capitalised software development (\$2.05m), goodwill (\$8.45m) and other acquired intangibles (\$0.33m)
3. Includes trade creditors and accruals of \$0.69m mainly relating to amounts owing to third-party publishers
4. Deferred consideration payable in cash (75%) and RCL shares (at \$0.20 per share, 25%) in respect of the Southern Solutions Training Services acquisition, contingent on the achievement of FY24 EBIT hurdles

FY23 Financials

Cash flows

\$'000	Note	30-Sept-23	30-Sep-22
Receipts from customers		10,690	7,879
Payments to suppliers		(11,564)	(9,166)
R&D tax incentive refund		424	396
Interest income		17	2
Income tax refund / (paid)		47	(159)
Net cash used in operating activities	1	(386)	(1,049)
Payment for purchase of business (net of cash acquired)	2	(731)	-
Payments for PP&E		(19)	(40)
Software development		(543)	(537)
Purchase of intangible assets		(25)	(175)
Net cash used in investing activities		(1,318)	(753)
Repayment of lease liabilities (including interest)		(160)	(202)
Proceeds from issue of shares (net of transaction costs)	3	1,346	-
Repayment of borrowings	4	(240)	-
Net cash from financing activities		946	(202)
Net (decrease) in cash		(758)	(2,004)
Cash at the beginning of year		2,467	4,471
Cash at end of year		1,709	2,467

Notes

1. Improvement in operating cash flow driven by revenue growth, increased contribution from (higher margin) VET segment and better working capital management
2. Relates to initial cash consideration for the acquisition of Southern Solutions Training Services
3. \$1.46 million (before costs) raised from a fully-underwritten non-renounceable rights issue
4. Repayment of debt assumed as part of the Southern Solutions Training Services acquisition

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