



ASX Release

10 July 2024

Investor Presentation

ReadCloud Limited (ASX: RCL) ("ReadCloud" or "the Company") is pleased to release to the market, a copy of its latest investor presentation.

This announcement was authorised for release by the Board of Directors of ReadCloud Limited.

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About ReadCloud Limited

ReadCloud is a leading provider of eLearning software solutions and industry-based training.

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.



readcloud

ReadCloud Limited

RCL - Education services for school and industry

July 2024

Corporate Snapshot

ASX Code: RCL

Share Price (9 July 2024)	\$0.11
Market capitalisation (@ 11 cents)	\$16.1m
Shares on issue	146.2m
Options on issue (unlisted)	14.4m
Share rights on issue	1.4m
Current cash (31 March 2024)	\$3.1m

Board & Management

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

Substantial Shareholders

Board and management shareholdings*	22.1%
Thorney Group*	11.4%
Microequities Asset Management	9.1%
Lars Lindstrom	6.4%
Hunmar Holdings/Darren Hunter*	5.1%
Top 20	62.5%

*Includes indirect holdings

RCL ASX Chart





A diversified business with 3 verticals entrenched in the education sector with the tailwind of accelerating digitisation to leverage our proprietary technology and proven product suite

ReadCloud provides digital text books for Australian and International schools, Vocational Training for secondary schools in Australia, and Vocational Training for Australian Industry

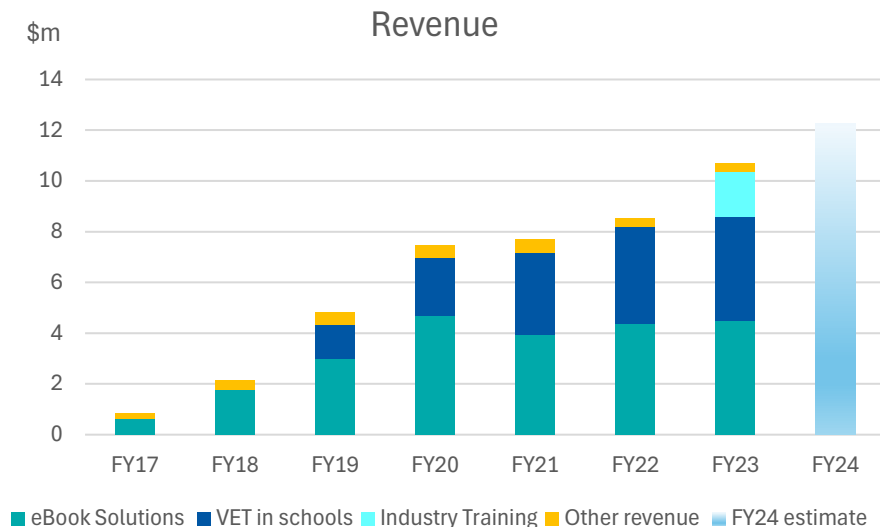
- ✔ **Digital learning platform incorporating access to dynamic and interactive learning materials:**
 - 200,000 schoolbooks from 43 of the world's leading publishers
 - specialist proprietary learning materials and assessments for Vocational Training
- ✔ **Leading private provider of Vocational Education and Training for secondary school students (VET-in-schools) in Australia**
- ✔ **Vocational training delivered to 14,000 students in 339 schools across Australia**
- ✔ **65 Vocational qualifications on scope across 4 Registered Training Organisations**
- ✔ **Emerging leadership in VET-in-industry training for Early Childhood Education & Care**

Recent focus has set the stage for growth



- ✔ The recent Executive and Board renewal program, and the initiatives subsequently implemented, have resulted in a business that is rightsized, debt free, and on target to transition to positive underlying EBITDA and positive operating cashflow
- ✔ Integration of 5 businesses (ReadCloud eBooks, AIET, COSAMP, Ripponlea Institute, Southern Solutions) now complete and delivering synergies
- ✔ Disciplined approach to costs and improved operating efficiencies
- ✔ Restructuring program has brought the business closer to its customers, unlocking market insights and strengthening customer relationships
- ✔ All 3 verticals in eBooks, VET-in-schools and VET-in-industry are now operating strongly, delivering strong gross margins and positioned to grow organically at 15%+ CAGR over the next 3 to 5 years, funded completely organically

Revenue Growth and 1H24 Financial Highlights



- ✓ 13% growth in 1H24 Sales and Fee revenue
- ✓ 53% improvement in 1H24 Operating Cashflow to \$1.74m
- ✓ 4% reduction in 1H24 Operating Expenses to \$3.24m
- ✓ Underlying 1H24 EBITDA up 120% to \$1.04 million*
- ✓ VET-in-schools delivering gross margin >85%
- ✓ Debt free

* Revenue is skewed towards first half. Financial year end is 30 September.

Driving growth with financial discipline

- ✔ Protect and enhance gross margins of 15-23% in eBooks, >85% in VET-in-schools, and 40-60% in Industry Training
- ✔ On track for breakthrough positive underlying EBITDA and operating cashflow in FY24
- ✔ Annual BAU revenue growth target $\geq 15\%$
- ✔ Stable fixed cost base with cost efficiencies embedded following an 11% reduction in Salaries and Wages (excluding Southern Solutions) in 1H24
- ✔ Disciplined cost control as we build scale through organic growth and recurring revenue

- ✔ Traction in **sales of eBooks to international schools**. There are 12,000 international schools. ReadCloud is initially servicing 5 international schools.
- ✔ ReadCloud is pursuing acceptance to the NSW Department of Education preferred supplier panel for Educational Resources (Multimodal Text) via tender, **potentially opening the door to supply NSW Government schools** with eBooks from FY25
- ✔ Consolidation of 3 VET-in-schools brands (AIET, Cosamp, Ripponlea Institute) into a single brand (ReadCloudVET) in FY24 generating an **uplift in the number of VET-in-schools courses delivered to existing customers** from FY25
- ✔ **Delivery of VET-in-schools programs to students in year 10**. ReadCloudVET is introducing Pathway Programs customized for year 10 students commencing in FY25. Until now ReadCloudVET has been limited to year 11 & 12.
- ✔ **Expansion of VET-in-schools into new locations**. Currently ReadCloudVET serves ~14,000 students and is strong in Victoria and Western Australia. >240,000 Australian secondary students study VET each year.
- ✔ Further **strengthening of VET-in-industry Partnerships** in the high demand area of childcare

Positioned for consolidation and growth

- ✔ Tailwinds from ongoing migration to online education (ie away from physical textbooks) and from decentralisation of publisher power as teachers incorporate more engaging content into learning materials
- ✔ Leading position in VET-in-schools support for Australian schools with largest range of available Qualifications (49)
- ✔ Extensive range of proprietary VET curriculum delivers margin upside with scale and a competitive moat
- ✔ Ongoing Government investment in vocational education and training sector to address skills shortages
- ✔ ReadCloud's proprietary eLearning technology platform can be leveraged across each of eBook Solutions, VET-in-schools and VET-in-industry
- ✔ Strong cash balance and no debt
- ✔ Operating leverage being unlocked by sustained revenue growth
- ✔ 3 separate but aligned verticals which are now well-placed for growth with proven products and strong market positions.
- ✔ The current position gives the business optionality over a growth acceleration program, either organically through the reinvestment of improving cashflow, or through acquisition.

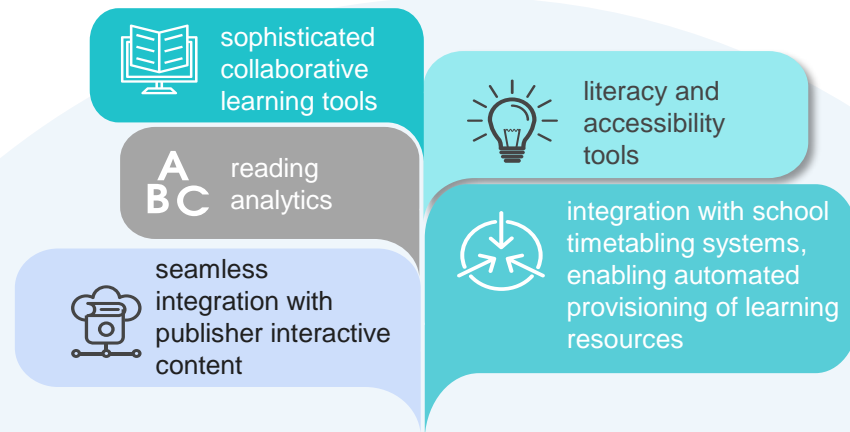


**Additional
Information**

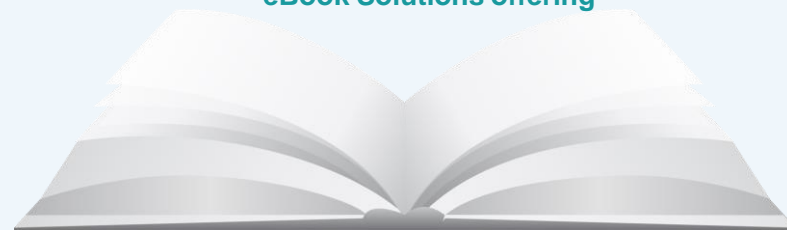
Learning Technology and eBooks

ReadCloud:

- ✔ Provides a leading eBook solution for schools that replaces physical textbooks
- ✔ Sources over 200,000 eBooks from the world's leading education publishers
- ✔ Delivers learning materials on an eLearning platform that encourages teachers and students to engage with the curriculum and collaborate with each other including via social annotations
- ✔ Differentiates from its competitors as a digital first offering



Features of ReadCloud's eBook Solutions offering



"ReadCloud moves teaching into the digital era and brings school books to life by turning them into a place for discussion, collaboration and social learning"

Benefits of ReadCloud's eBook Solution



For Parents

"no more heavy backpacks for students"

"cheaper than conventional textbooks"

"no more lost or forgotten books"

For students

"I can ask the teacher a question privately"

"I can put my headphones on and have the textbook read out to me"

"I don't need to be online to access my books"

For teachers

"everyone is learning from the same version of the book"

"I can customise my lessons with videos, web links and annotations from inside the textbook"

"the dictionary and translation tools are embedded in the learning materials"

For schools

"the eLearning platform and digital materials better support remote, hybrid and blended learning"

"late enrolments or mid-year arriving students can be easily catered for with instant access to curriculum"

"no handling, storage or distribution of physical books"

- ✔ ReadCloud's eBook solution is currently in 67 schools. There are 2,861* secondary schools in Australia. In 2022 ReadCloud signed its first International School. There are more than 12,000 International Schools.
- ✔ ReadCloud earns revenue from a combination of margin on textbooks and licence fees for platform access. The average revenue earned in an Australian School is currently ~\$75,000.

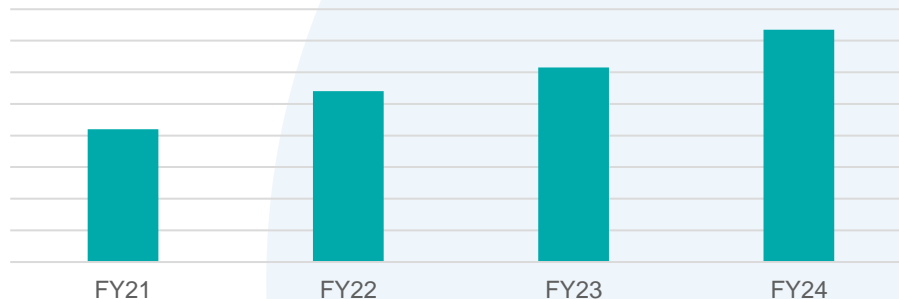
* Australian Curriculum, Assessment & Reporting Authority

- ✔ ReadCloudVET provides vocational training for 14,000 secondary school students in 339 schools nationally
- ✔ 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
- ✔ Schools have 3 options to run a Vocational Education and Training program:
 - become/maintain status as a Registered Training Organisation and curate and add their chosen Qualifications to their scope of registration
 - transport participating students to and from a nearby TAFE for their VET studies
 - partner with a private provider (eg ReadCloud) enabling their teachers to train VET, their students to stay in their school environment, and have access to wide range of Qualifications
- ✔ ReadCloudVET differentiates from its competitors with:
 - proprietary eLearning technologies
 - the widest choice of nationally accredited Qualifications in the market (49)
 - innovative support solutions for schools and teachers

Growth opportunity for VET-in-schools

- ✓ In 2024 ReadCloudVET is delivering Vocational Education & Training to 14,000 secondary school students at 339 schools.
- ✓ ReadCloudVET earns revenue from a fee per qualification (~\$2,500) and a fee per student enrolled (~\$200).
- ✓ Currently ReadCloud is delivering 647 Qualifications with an average of 21 enrolled students.
- ✓ There is minimal incremental cost incurred by delivering an additional Qualification. Only 10 of ReadCloud's qualifications include a module or modules for which a fee is payable to an external publisher.

Growth in Qualifications delivered



"ReadCloudVET provides everything Schools and Teachers need to deliver and assess VET. ReadCloudVET curates expert learning materials and admin support so Teachers can focus on teaching and students can focus on learning the qualification of their choice."

Southern Solutions Training Services:

- ✔ provides targeted training solutions for high priority industries
- ✔ focusses on Early Childhood Education and Care
- ✔ has 17 qualifications on scope, including aged care, supply chain and real estate
- ✔ differentiates from its competitors by being one of few providers holding multi-state funding contracts for providing government subsidised training to industry
- ✔ continues to outperform its peer group in “Training Relevance” and “Drop-out Rates” as evidenced by recent student satisfaction results (survey conducted by National Centre for Vocational Education Research)

Southern Solutions earns revenue when students and trainees enrol in its courses, progress through learning modules, and when individuals complete their training. Currently there are 641 students enrolled with Southern Solutions.

Popular courses include Certificate III and Diploma in Early Childhood Education & Care. Student enrolments in these courses in CY2024 ytd are 199, continuing growth from 236 in CY2022 and 318 in CY2023. The average student fee across both courses in NSW, Vic and SA is \$9,364. Growth in student numbers improves margin as class sizes increase.

1H24 Financials



Underlying EBITDA

\$'000	1H24	1H23 Restated*	YOY
Sales and fee revenue	8,136	7,201	13%
Less publisher & bookseller fees	(3,503)	(3,144)	11%
Less trainer costs	(517)	(372)	39%
Margin after publisher & bookseller fees and trainer costs	4,116	3,686	12%
Add: Other revenue	172	168	2%
Less operating expenses:			
Advertising and marketing	(24)	(71)	-66%
Computer software	(89)	(74)	20%
Employment expenses	(2,612)	(2,657)	-2%
Legal & compliance	(49)	(54)	-9%
Office expenses	(26)	(41)	-37%
Professional services expenses	(209)	(220)	-5%
Telephone, internet & data hosting	(52)	(62)	-16%
Travel expenses	(33)	(106)	-69%
Other expenses	(143)	(87)	64%
Total operating expenses	(3,236)	(3,373)	-4%
Less interest revenue	(12)	(7)	71%
Underlying EBITDA*	1,040	474	119%

1H24 versus 1H23:

- 13% Growth in Sales & fee revenue driven by:
 - Direct eBook Solutions sales & fee revenue ↑ 9%
 - Consistent Reseller eBook Solutions sales & fee revenue
 - VET-in-schools sales & fee revenue ↑ 11%
 - Southern Solutions sales & fee revenue ↑ 42%
- 4% Reduction in Operating expenses, including:
 - an 11.3% reduction in wages and salaries excluding Southern Solutions; offset by
 - an increase in Southern Solutions wages and salaries supporting a 42% uplift in revenue from this business
- 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

* 1HFY23 Restated to reflect a new approach to revenue recognition that accrues some VET-in-schools income more evenly throughout the school year. The majority of revenue from Australian Schools continues to be earned in the first half. (Note 3 in the 1H24 Report has full details)

Reconciliation of Underlying EBITDA to Statutory profit

\$'000	1H24	1H23 Restated	YOY
Underlying EBITDA*	1,040	474	119%
Fair value movement in contingent consideration	1,788	-	N/A
Impairment of goodwill	(1,788)	-	N/A
Net interest revenue / (expense)	(18)	60	-130%
Income tax benefit	-	5	-100%
Depreciation and amortisation	(531)	(584)	-9%
Loss on disposal of fixed assets	-	(96)	N/A
Share based payments	(72)	(53)	36%
Southern Solutions acquisition costs (legal and compliance fees)	-	(43)	-100%
Reported (statutory) net profit / (loss) after tax	420	(238)	277%

- Contingent consideration liability in respect of Southern Solutions acquisition has been remeasured to \$0
- An impairment charge of \$1,787,760 has been taken against the value of goodwill corresponding to Southern Solutions. The performance of Southern Solutions is improving on pcp with revenue up 42% on 1H23. (Note 8 in the 1H24 Report has full details)

1H24 Financials

Balance Sheet

\$'000	Note	31-March-24	30-Sep-23
Cash and cash equivalents		3,100	1,709
Trade and other receivables	1	2,637	1,154
Prepayments		98	112
Total current assets		5,835	2,975
Non-current deposits		36	36
Property, plant & equipment		45	51
Intangibles	2	8,857	10,830
Right-of-use assets		129	189
Total non-current assets		9,067	11,106
Total assets		14,902	14,081
Trade and other payables	3	2,663	1,001
Contract liabilities		1,397	869
Employee entitlements (Current & NC)		493	527
Contingent consideration (Current & NC)	4	0	1,763
Lease Liabilities (Current & NC)		159	223
Deferred tax liability		27	27
Total liabilities		4,739	4,410
Net assets		10,163	9,671

Notes

1. Includes trade receivables of \$1.84m and accrued revenue of \$0.63m
2. Intangibles includes capitalised software development (\$1.98m), goodwill (\$6.66m) and other acquired intangibles (\$0.21m)
3. Includes trade creditors and accruals of \$2.17m mainly relating to amounts owing to third-party publishers
4. Deferred consideration payable in respect of the Southern Solutions Training Services acquisition (remeasured to \$0)

Cash flows

\$'000	31-Mar-24	31-Mar-23	YOY
Receipts from customers	7,167	5,913	21%
Payments to suppliers	(5,784)	(5,258)	10%
R&D tax incentive refund	333	424	-21%
Interest income	12	7	71%
Income tax refund / (paid)	12	47	-74%
Net cash from operating activities	1,739	1,133	53%
Payment for purchase of business (net of cash acquired)	-	(732)	N/A
Payments for PP&E	(8)	(13)	-38%
Software development	(262)	(268)	-2%
Purchase of intangible assets	(10)	(23)	-57%
Net cash used in investing activities	(280)	(1,035)	-73%
Repayment of lease liabilities (including interest)	(69)	(88)	-22%
Net cash used in financing activities	(69)	(88)	-22%
Net increase in cash	1,390	10	13800%
Cash at the beginning of half year	1,709	2,467	N/A
Cash at end of half year	3,100	2,478	25%

- Receipts from customers up 21%
- Improvements in operating cash flow driven by revenue growth, cost reduction, increased contribution from higher margin VET segment and stronger working capital management

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