



## **ASX RELEASE | Schrole Group Limited (ASX: SCL)**

### **MARCH 2021 QUARTERLY ACTIVITIES REPORT RECORD MARCH QUARTER CUSTOMER CASH RECEIPTS PROVIDING BASE FOR GROWTH**

29 April 2021: Schrole Group (ASX: SCL) (“Schrole” or the “Company”), provider of global Software-as-a-Service (SaaS) and training solutions for teachers and educational institutions, is pleased to report March Quarter 2021 results.

#### **Key Highlights**

- Record March Quarter cash receipts of \$920k establishes base for future growth.
- Business positioned for post Covid-19 growth.
- Growing Schrole Community to record high of 176,714 customers and platform users.
- March Quarter 2021 momentum complemented with investment in the business to position the business for growth.
- Growth catalysts include new product launches transitioning Schrole from teacher recruitment software to full HR lifecycle SaaS; growing direct sales team; new marketing into previously closed geographies; co-marketing with strategic partner Faria; and margin expansion opportunities.

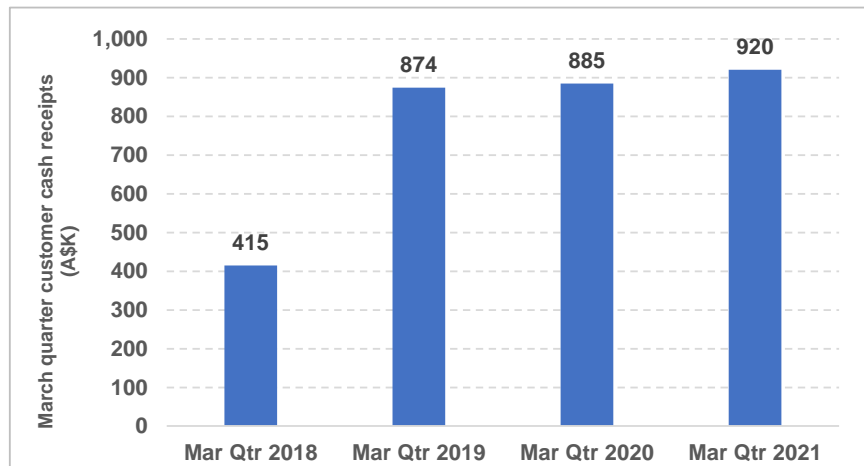
#### **Record March Quarter**

*March Quarter 2021 is Schrole’s highest ever March Quarter of customer cash receipts.*

March Quarter 2021 customer cash receipts of A\$920k is the highest since SCL listed on the Australian Securities Exchange in 2017 (see Chart 1). The 4% growth in March Quarter 2021 compared to the prior corresponding period (PCP) highlights the Company’s ability to perform despite the challenges of Covid-19.



**CHART 1: MARCH QUARTER CUSTOMER CASH RECEIPTS**



**March Quarter establishes base for growth**

Historically, Schrole's business has been highly seasonal, as follows:

- March Quarter cash receipts historically contributed from 10% - 17% of full-year cash receipts.
- Second-half cash receipts historically contributed from 59% - 80% of full year cash receipts.

The company is positioning itself for future growth post the termination of the International School Services (ISS) agreement, the planned integration with Faria, the release of new modules, and the scaling of its sales team. Other March Quarter 2021 highlights include:

- Total invoiced sales for the quarter were \$970,000.
- Significant contribution from multiple upgrades to ISHMC contract (see below).
- 27 new Advantage customers and a total of 359 school clients.

*One growth strategy is to reduce seasonality by increasing cross-sales during the first half of each year.*

Historically, September to December is Schrole's peak sales period, as schools increase recruitment activity.

The Company intends to release new software modules, particularly Schrole Engage and an upgrade to Schrole Verify that enables school integration, which can be sold year around.

This product cross-sell can utilise sales resources throughout the year, reduce historical seasonality and increase annual revenues.



### **Positioned for Covid-19 recovery**

*Schrole is positioned for post Covid-19 growth.*

- Whilst Schrole experienced some Covid-19 disruption, the Company now is positioning itself to scale. CY19 the company earned \$5.7m revenue (AASB15).
- CY20 revenue increased to \$6.1m.
- ARR in Q1 2021 is stable at USD3.2million.

### **Schrole Community**

*Schrole Community, a leading indicator of future revenue, achieves record high of 176,714.*

Schrole Community, which is defined as all customers and platform users, experienced strong growth momentum during the quarter, increasing 5.3% compared to December Quarter 2020 (see Chart 2).

The outlook is for continued Schrole Community growth, given:

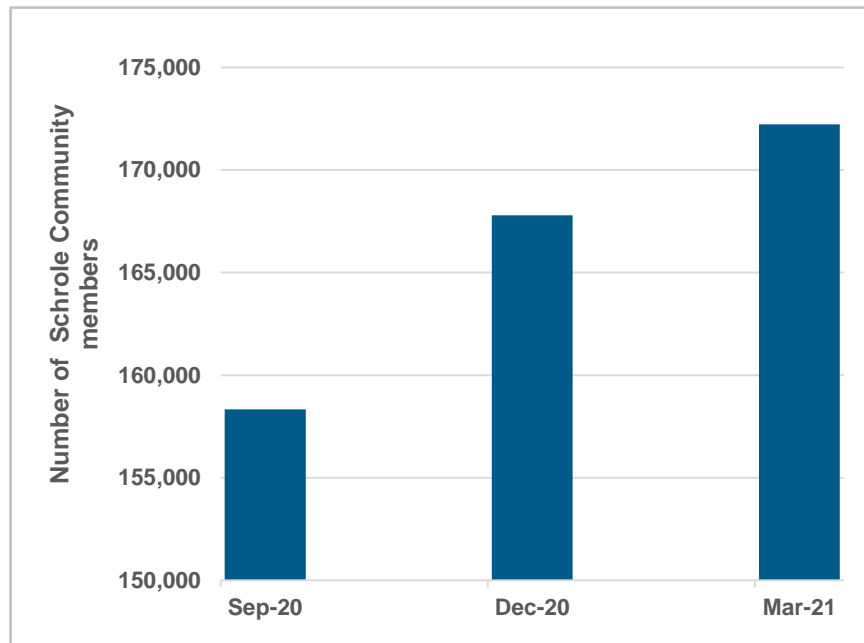
- 21% increase in Advantage website visits over the prior corresponding period.
- 13% increase in Cover website visits over the prior corresponding period.

Schrole Community is a strong leading indicator of future revenue growth potential because a growing Community implies that Schrole can:

- Capture global network effects;
- Drive cross/upsell across the full human resources product suite; and
- Monetise the full human resources life cycle.



**CHART 2: SCHROLE COMMUNITY**



## **Outlook**

*The Company has a strong outlook, with growth momentum and near-term growth catalysts.*

Near-term structural growth catalysts include:

- new product launches transitioning Schrole from teacher recruitment software to full HR lifecycle SaaS;
- growing direct sales team;
- new marketing into previously closed geographies;
- co-marketing with strategic partner Faria; and margin expansion opportunities.

## **New Product Launches**

*Through second half of 2021, multiple product launches will provide significant growth options, with 2 new product launches expected, Schrole Engage and Schrole Events, with upgrades to existing modules.*

Schrole is transitioning from its historical business of only solving teacher recruitment to solving the full HR lifecycle requirements of schools, and then ultimately expanding across a range of industries.

Historically, Schrole has had two SaaS products, Schrole Cover (relief teacher recruitment) and Schrole Connect (permanent teacher recruitment). With only two products and three sales staff, Schrole has grown from \$1.4m revenue at ASX listing in 2017 to \$6m revenue for the 12 months to 31 December 2020.



Schrole is transitioning from its historical SaaS product range, comprising Connect and Cover, to a full global HR SaaS suite, referred to as “Schrole HR”.

Schrole HR will be progressively released from July 2021, integrating Schrole’s current and new product offerings, and comprising Connect, Verify, Engage, Cover, Develop and Events.

**Schrole Connect** (currently sold as ISS-Schrole Advantage) is an online SaaS platform that enables international schools to streamline teacher recruitment and candidate management activities.

Significant enhancements to ISS-Schrole Advantage including:

- Interview scheduling and calendar integration;
- DocuSign integration to enable schools to manage letters of offer and contracts within the system; and
- Customisable email notifications to applicants.

**Schrole Verify** provides background screening in the international schools sector. An upgrade to Schrole Verify will be released which enables school integration.

**Schrole Engage** (first release 2021) provides contract management and onboarding software for schools.

Engage includes the following functionality:

- DocuSign integration with ability to send multiple documents for signing in one envelope;
- Welcome to school pathway including contract management; visa management; welcome message from Principal; onboarding documents/policies and reading checklist;
- Ability for HR user and staff member to manage staff information; and
- Ability for HR to offboard/archive staff member.

**Schrole Cover** is a cloud-based software platform that engages relief staff at the touch of a button.

**Schrole Develop** provides accredited professional development solutions contextualised to client needs.

**Schrole Events**, Regionalised online recruitment events including candidate to school SmartMatching and video interviews, is expected to have version 1.0 released during Q4 2021

This will include the following functionality:

- Enhanced booking and notifications experience;
- Integration into Schrole Connect to avoid the need for for schools and candidates to create new profiles in a separate events app, resulting in significantly enhanced user experience;
- Stage 1 Zoom integration to allow for personalised interview experiences; and
- Calendar scheduling integrations.



## **Growing Direct Sales Team and Marketing into New Geographies**

*The Company intends to market into previously closed geographies.*

From 1 July 2021, Schrole has terminated its partnership with ISS which previously limited the Company's ability to sell directly into Europe and South America. This adds new geographic regions to existing regions of Asia, the Middle East and North Africa (MENA) for Schrole's direct sales team.

Schrole's direct sales team has a strong track record, historically generating ~80% of all sales, with ~20% from partner ISS. The team is currently being expanded and will be onboarded in time for the peak sales period.

*The Company sees a visible pathway to increasing contract value driven by margin expansion and new products.*

From 1 July 2021, the terminated agreement with ISS will result in Schrole retaining 100% of all future new sales revenue. See ASX release, *Investor Presentation*, dated 31 March 2021, for details.

Multiple new product launches during the second half of CY21 enables significant cross/upsell.

Schrole has demonstrated that the Company can generate significant revenue per client, with the International School of Ho Chi Minh City (ISHCMC) contract value increasing from A\$20k to A\$154k (see ASX release, *Expanded contract – Premier international school in Vietnam*, dated 26 March 2021).

This expanded contract provides further validation of:

- Schrole's "land and expand" strategy of introducing clients to the Schrole Community, with potential for significant subsequent up-sell and cross-sell across Schrole's full Software-as-a-Services (SaaS) Human Resources product suite. ISHCMC is now utilising 2 of Schrole's 4 key products; and
- Schrole Develop's strong customer value proposition, with proven online content delivery, contextualised for teachers in international schools.

## **Co-marketing with Faria**

*From 2H2021, Schrole will commence joint marketing with its strategic partner Faria, across Faria's customer base of ~11,000 international schools.*

Faria is one of the world's leading edtech companies, providing 5 SaaS products to ~3,000 international schools and ~7,000 domestic schools in the USA. Founded in 2006 to transition schools from paper onto a curriculum-based learning platform, ManageBac, Faria now counts 4 out of 5 International Baccalaureate World Schools as customers.



## **Appendix 4C**

The attached Appendix 4C provides details of the cashflows for the quarter ended 31 March 2021.

During the quarter, the following payments were made to related parties of the entity and their associates as disclosed in item 6.1 of the Appendix 4C, comprising:

- Payments to HWL Ebsworth, a related party of Director Shaun Hardcastle, for legal fees on arms-length terms totaling \$3,122 (inc GST);
- Payments to Ventnor Capital, a related party of Chairman Stuart Carmichael, for company secretarial services on arms-length terms totaling \$10,549 (inc GST);
- Non-executive Director and Chairman fees totaling \$34,292; and
- Salary and bonus payments to Managing Director Robert Graham totaling \$116,801

### **Managing Director Commentary**

Managing Director Rob Graham said,

“This is the most exciting time to be leading Schrole as we look forward to a number of significant growth opportunities. Since we listed in 2017, we have grown from \$1.4m to \$6m revenue, with only 3 direct sales staff who have been focused on selling Schrole Connect, our core product.

During 2H2021, we will launch our full HR SaaS suite, which provides staff recruitment, checks, management, training, casual hiring and region-specific recruitment events. We are expanding our sales team to drive the sales of this larger product suite.

Our outlook is encouraging because we have proven customer demand and growing revenues, with our existing products, and we will be releasing the full Schrole HR suite of six products with an expanded sales team across new geographies, with integration into the Faria platform supporting the reach to a broader customer base.

Our product range expansion also increases addressable markets from our historical target addressable market of 12,000 international schools, to 180,000 domestic schools globally and then to a wide range of industries.

Whilst the medium-term opportunities are significant, we are pursuing our immediate opportunity to increase revenue from the international schools segment by driving new sales of all Schrole modules, targeting cross-sell to Faria’s clients, and upselling Schrole products to existing clients.

I am proud to lead Schrole as we take these next steps towards our company becoming the world’s leading 2-sided online marketplace for teachers and educational institutions and the world’s leading educational HR SaaS suite.”

\*Schrole’s international sales are in USD. Some values have been converted to AUD at prevailing exchange rates.



This release was authorized by the Company's Board of Directors.

-ENDS-

**For further information, please contact:**

**Company Enquiries**

Rob Graham

Managing Director

Schrole Group Limited

[Investors@schrole.edu.au](mailto:Investors@schrole.edu.au)>

**Investor Enquires**

George Gabriel, CFA

+61 3 8686 9144

[Investors@schrole.edu.au](mailto:Investors@schrole.edu.au)>

**Forward Looking Statements**

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of the Company, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.