

ASX RELEASE | Schrole Group Ltd (ASX: SCL) Half Year Ended 30 June 2021 - Commentary

Highlights

- Improved position for the half year ended 30 June 2021, driven by higher margins and volume recovery
- Strong renewal rates resulting from structural shift to online engagement and expanded SaaS offering
- Growth outlook driven by three-pronged sales and marketing strategy

30 August 2021: Schrole Group Ltd (ASX: SCL) (“Schrole” or the “Company”), is pleased to release this commentary attached to its Interim Financial Report for the half-year ended 30 June 2021.

Results Overview

Schrole Group Ltd reported an improved position for the half year ended 30 June 2021 with the loss of \$706,755 (2020: loss of \$934,677) being a 24% improvement on the previous corresponding period.

This significantly improved bottom-line result was driven by margin expansion and renewal rate recovery, allowing for continued investment in new product development, and expanded direct sales and account management teams, establishing a foundation for future growth.

Renewal Rates

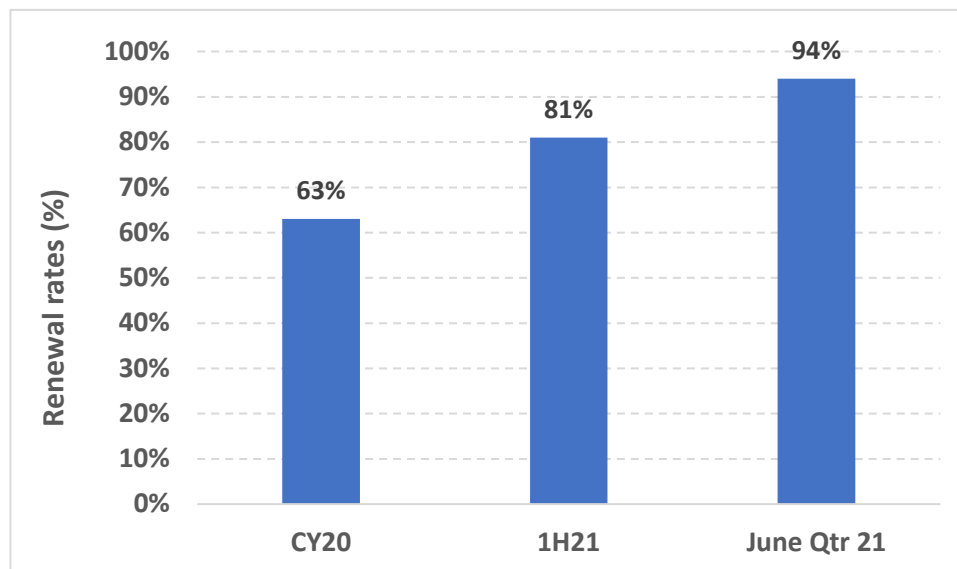
The Company is benefitting from record high renewal rates due to a structural shift to online engagement and expanded SaaS offering

Renewal rates have dramatically improved.

1H21 revenue of ~\$2.7m was approximately 10% lower than 1H20 revenue of ~\$3.0m, as the initial impact of Covid-19 resulted in lower renewal rates in 2020 and consequently reduced subscription revenues over 1H21.

Renewal rates achieved a record high of 94% in June Quarter 2021, as the Company is now benefitting from the global structural shift to online engagement, recovering from the 63% renewal rate during the initial shock of Covid-19 in 2020. Chart 1 illustrates renewal rate trends.

CHART 1: RENEWAL RATES *



***Renewal Rate" refers to the % of Schrole Connect customers who renew their contracts each year. Schrole Connect contracts are generally for a 12 month period and are renewable annually. Approximately 70% of renewals occur in the 2H of calendar year.*

Margin Expansion

Margins are expected to continue increasing through to 30 June 2022, as payments to ISS are reducing and cross sell and upsell continues

In April 2018, Schrole entered into an agreement with International Schools Services, Inc. ("ISS") to provide recruitment services for international schools. At the time, ISS was considered an ideal partner for Schrole due to ISS's position as market leaders in providing educational services to international schools, including teacher recruitment. In July 2020, the agreement was revised allowing Schrole to progress its vision of transitioning to a full global Human Resources Software as a Service ("SaaS") business for teachers and educational organisations globally.

ISS revenue sharing fees have reduced to \$565k in H1 2021, a 41% reduction from \$959k in H1 2020, driving increased gross margins for Schrole.

Further margin improvement is expected through to 30 June 2022, as the ISS agreement unwinds as follows:

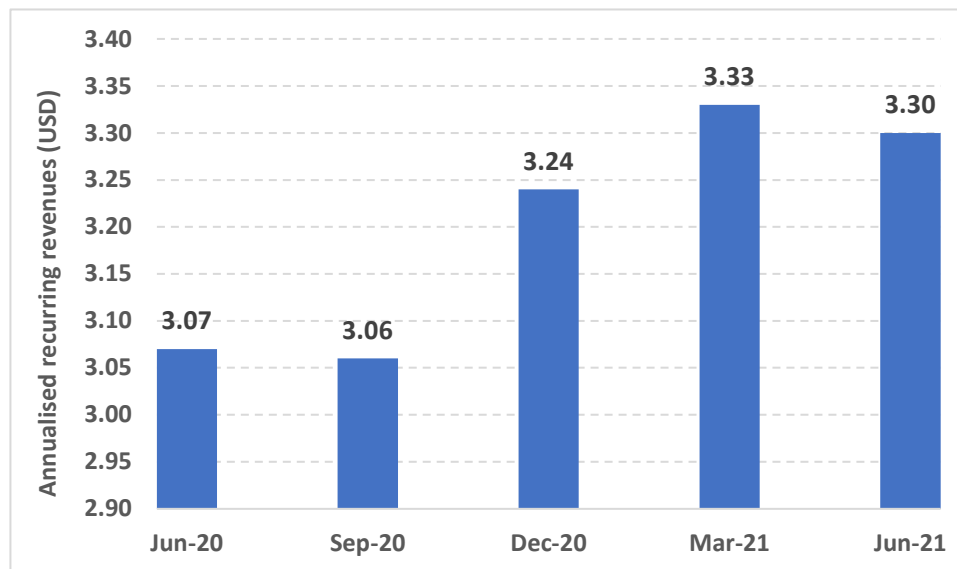
- 12 months to 30 June 2021: 50-50 share new sales and renewals
- 12 months to 30 June 2022: New Schrole sales 100% to Schrole and renewals 50-50 share
- Agreement terminates from 30 June 2022

Additionally, margins are expected to increase as new Schrole HR SaaS offerings generate increased product cross sell and upsell.

Annualised Recurring Revenue (ARR)

The Company is pleased to report ARR of USD3.3m as at 30 June 2021, an increase of 7.8% compared to USD3.1m at 30 June 2020.

CHART 2: ANNUALISED RECURRING REVENUE GROWTH (ARR)



Schrole's objective is to grow SaaS revenue as a proportion of total revenue. Currently, SaaS revenues comprise approximately 75% of total revenue.

Non-SaaS revenue comprises face to face delivery of Schrole's accredited qualifications to its blue-chip enterprise and government clients.

Three-pronged Sales & Marketing Strategy

Schrole is successfully implementing its three-pronged sales and marketing strategy:

- Direct sales
- Cross/upsell
- Faria co-marketing

Direct Sales

Expanded sales team is gaining traction, selling into new, global markets

The sales and account management teams have grown from 4 to 8. The expanded teams are gaining traction, establishing the foundations for future growth.

Previously, Schrole's direct sales team was prohibited from selling into certain global markets due to the terms of the Alliance agreement with ISS. From 1 July 2021, Schrole can sell globally, including directly into Europe and South America for the first time.

Recent successes of the direct sales team include:

- New \$85k contract with a UAE School Group. See ASX release, “*New contract with UAE School Group*”, dated 5 July 2021.
- Expanded \$134.8k contract with a premier International School in Vietnam. See ASX release, “*Expanded contract with Premier International School in Vietnam*”, dated 26 March 2021.

Schrole’s direct sales team has a solid track record. Historically:

- Schrole increased its revenues from \$1.4m in 2017 to \$6m in 2020, with only 2 direct sales staff.
- ~80% of sales were generated by direct sales.
- ~70% of all sales were completed online.

As part of the structural shift to online engagement following Covid-19, all sales are now completed online.

Cross-sell

Tech product expansion of “Schrole HR SaaS” is driving cross/upsell

Cross/upsell is facilitated by the roll-out of the Schrole Human Resources (HR) Software-as-a-Service (SaaS) platform (“Schrole HR”), as evidenced by the upgraded contract with the UAE School Group (see ASX release, *New Contract with UAE School Group*, dated 5 July 2021).

The Company has a visible path to increasing average contract value to \$30k as the full Schrole HR product suite is rolled out, and the number of products per customer increases.

Schrole HR will integrate Schrole’s current and new product offerings, to provide a full suite of six HR SaaS offerings, comprising Schrole Connect, Verify, Engage, Cover, Develop and Events (see “About Schrole”, below).

Commencing 1 July 2021, Schrole is progressively releasing new and upgraded Schrole HR SaaS modules, including:

- **Schrole Connect 3.0** – was released with new functionality and enhanced existing features (see ASX release, “*Schrole Connect 3.0 released*”, dated 15 July 2021).
- **Schrole Events 1.0** – is due for first release in 2H2021 and will provide regionalised online recruitment events including candidate to school SmartMatching and video interviews.
- **Schrole Engage 1.0** - due for first release in 2H2021 and will provide contract management and onboarding software for schools.

Revenue diversification

Significantly, the Company expects to diversify its revenue generation across a full 12-month calendar period, as Engage will allow Schrole to diversify its sales periods.

Historically, the Company’s revenues have been mostly in the second half of the calendar year, with second-half cash receipts contributing between 59% and 80% of full year cash receipts.

Faria growth opportunities

Faria strategic partnership provides significant direct marketing opportunities

Founded in 2006, Faria Education Group is a highly regarded global education group, providing SaaS products to over 10,000 schools and 4 million students in over 155 countries.

Faria's strategic partnership with Schrole is both through its 19.79% ownership of Schrole and via co-marketing of Schrole HR SaaS to Faria's customer base.

Comment

Managing Director, Rob Graham, said,

"I am pleased to report our first half results, with margin expansion and excellent renewal rates as we emerge from Covid-19, with more interest than ever in Schrole HR. The successful release of Connect 3.0 as part of our Schrole HR SaaS suite is already supporting strong renewal rates and expanding our sales pipeline.

We remain focused on growing sales through our three-pronged growth strategy, comprising direct sales, cross/upsell opportunities and Faria co-marketing.

Firstly, enabling our direct sales team to market globally significantly enhances the growth opportunity. I am impressed with the onboarding program and key leading indicators of growth that the new sales team are achieving, and we will continue to invest in our sales team to drive further growth.

Secondly, we expect increased cross sell and upsell, as we launch additional modules in our expanded HR SaaS suite in the second half of this year.

Thirdly, we remain excited by the significant opportunity to co-market with Faria, including increased exposure through single-sign-on and direct access to Schrole's SaaS products through Faria's platform.

With a growing customer pipeline, HR SaaS suite rollout and expanded sales and account management teams, we have increased momentum and an exciting outlook."

About Schrole

Schrole is a global provider of SaaS solutions for teachers and educational organisations.

The Company's mission is to become the world's leading 2-sided online marketplace for teachers and educational organisations.

- **Schrole HR** is being progressively released from 1 July 2021, providing a range of integrated modules to optimise Human Resources processes and provide online professional development for teachers and educational organisations. Schrole HR will integrate Schrole's current and new product offerings, to provide a full suite of 6 Human Resources Software-as-a-Service (SaaS) offerings, comprising Schrole Connect, Verify, Engage, Cover, Develop and Events.
- **Schrole Connect** is an online SaaS platform that enables international schools to streamline teacher recruitment and candidate management activities. Significant enhancements in the recent launch of Connect 3.0 include interview scheduling and calendar integration, DocuSign integration and customisable email management.
- **Schrole Verify** provides background screening in the international schools' sector.
- **Schrole Engage** is due for first release in 2H2021 and will provide contract management and onboarding software for schools.

- **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** is due for first release in 2H2021 and will provide regionalised online recruitment events including candidate to school SmartMatching and video interviews.

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

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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.