

ASX RELEASE | Schrole Group Ltd (ASX: SCL)

June Quarter 2022 - Record Quarterly Results

Highlights

- **53.0% improvement in June Quarter 2022 net operating cashflow** compared to Q2 2021 (prior corresponding period, or "PCP"), best June Quarter result since ASX listing
- **June Quarter 2022 cash receipts of \$1.062m, 14.9% growth** compared to PCP
- **Successful completion of transition from the ISS alliance**
- **Schrole Community** numbers have increased by 3.1% to 345,187 platform users, customers, and referees
- **Well positioned for growth in the traditionally stronger second half of the calendar year**

27 July 2022: Schrole Group (**ASX: SCL**) ("**Schrole**" or the "**Company**"), reports increased cash receipts, a significant improvement in net operating cash flow, and a successful transition out of the ISS alliance positioning the company for growth.

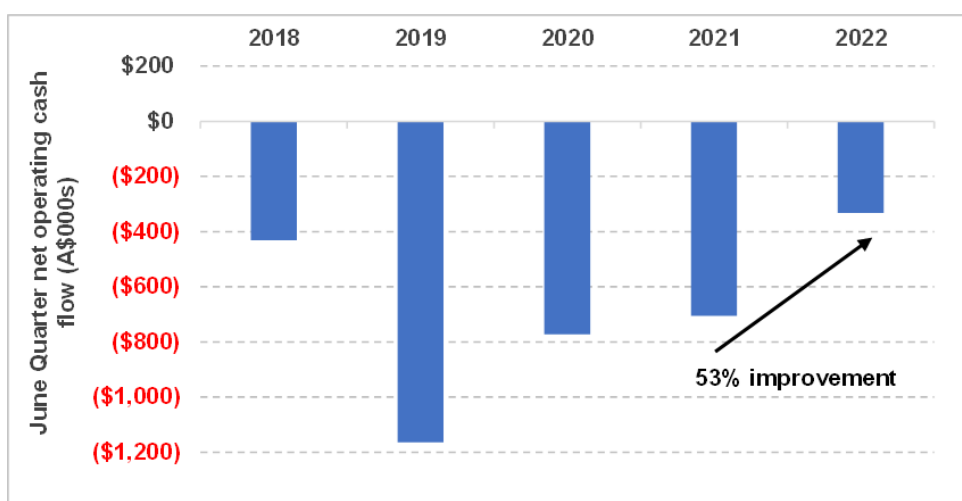
The Company continues to see improvement in key areas across the business with net operating cash flow, gross margins and Schrole Community numbers all increasing.

Following significant historical investments in software product expansion and sales, account management and marketing team growth, the Company is well positioned for continued growth in the second half of the calendar year, as schools turn their focus to recruitment.

Strong net operating cash flow momentum

Schrole is pleased to report its best June Quarter net operating cash outflow since listing on the ASX in Q42017. June Quarter 2022 net operating cash flow improved by -53%, reduced to -\$332,000, compared to -\$706,000 in June 2021.

CHART 1: REDUCING NET OPERATING CASH OUTFLOW



Reduced June Quarter 2022 operating cash outflow is the result of both:

- +14.9% cash receipts growth (vs PCP); and
- -71% reduced cash payments (\$391k) to the former sales distribution partner, ISS.

This is significant as indicates that Schrole has successfully transitioned away from its previous shared sales distribution model with ISS to Schrole's direct sales model. See ASX release, "*Revision of International School Services agreement to allow Schrole to focus on its SaaS business*", dated 8 July 2020.

Improvements in year-to-date cash flow

The Company has made considerable improvements across the half-year to 30 June 2022 compared to PCP. These include a decrease in the net operating cashflow to -\$800,000, which is a \$526,000 improvement on the half year to June 2021. This improvement is supported by:

- Customer receipts of \$2.1 million from January to June 2022 which is 15% better than PCP.
- Payments for product manufacturing and operating costs of \$368,000 from January to June 2022 compared to \$1.2m for the PCP, with the \$800,000 saving attributed to payments no longer being made to ISS.

Schrole's cash balance is \$3.2 million as at 30 June 2022, reflecting the substantial investments that have already been made in Schrole HR SaaS product suite expansion and an expanded sales and account management team.

Schrole is well-positioned for future growth, with investments including:

- Sales team expansion, with \$200k invested in Marketing activities and \$500k in Sales Teams growth.
- Growing the software team, since mid-2020, from 7 (4 locally based and 3 based offshore) to 20 (16 local and 4 offshore).

Schrole's key competitive advantage is its proprietary Schrole HR SaaS suite. The Company's specialized, in-house software team enables Schrole to maintain its competitive advantage, releasing high-quality SaaS products, and proactively anticipating and responding to customer demand.

The operating cashflow outlook is positive, as the Company enters its seasonally stronger selling period of the second half of the calendar year.

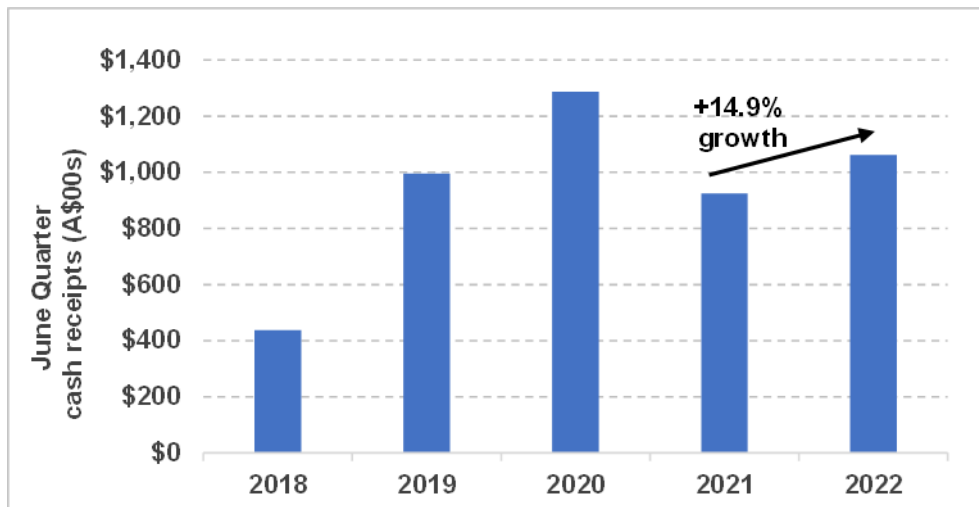
Cash Receipts Growth

Cash receipts increased by +14.9%(vs PCP) in June Quarter 2022 to \$1.062m, the highest quarterly growth rate since June 2020. This growth record demonstrates that the rundown of the International Schools Services (ISS) sales agreement has been well managed by the Company, as Schrole grew cash receipts through its own direct sales force.

This continues the Company's track record of increasing quarterly cash receipts growth rates, with +5.1% growth in December Quarter 2021 (vs PCP), +14.5% growth in March Quarter 2022 (vs PCP) and +14.9% growth in June Quarter 2022.

Schrole's long-term growth remains very strong, with +24.8% compound annual growth rate in June Quarter cash receipts from \$438k in 2018 to \$1,062m in 2022.

CHART 2: INCREASED QUARTERLY CASH RECEIPTS GROWTH



Growth investments gaining traction

Schrole is pleased to report its growth investments are gaining traction in multiple areas, as the company enters its historically strong second half of the year sales period, driving improved cash receipts, operating cashflow, new market traction and expanded sales pipeline.

Recent successes include:

- **Strengthened sales & account management team** who have successfully managed the transition away from the ISS shared sales distribution model to the direct sales model with sales staff added in Thailand and the UAE (from September). See ASX release, “*New Strategic Distribution Partnerships*”, dated 30 June 2022.
- **Eteach reseller agreement.** School customers will be able to advertise directly on the Eteach job board from the Schrole Connect system through a direct API integration enabling access to Eteach’s more than 2 million UK-based teachers and school staff.
- **Increased major group cross-sell such as Dulwich Group**, highlighting the potential across other major groups.

Customer Numbers

Following the release of the full Schrole HR SaaS product suite, Schrole now measures total invoiced customers across all its product modules and the number of products per customer (as opposed to focusing on a single product module).

As at the end of June Quarter 2022, the key customer metrics are:

- 528 invoiced customers
- 1.37 average products per customer
- Contract value exceeding \$10,000.

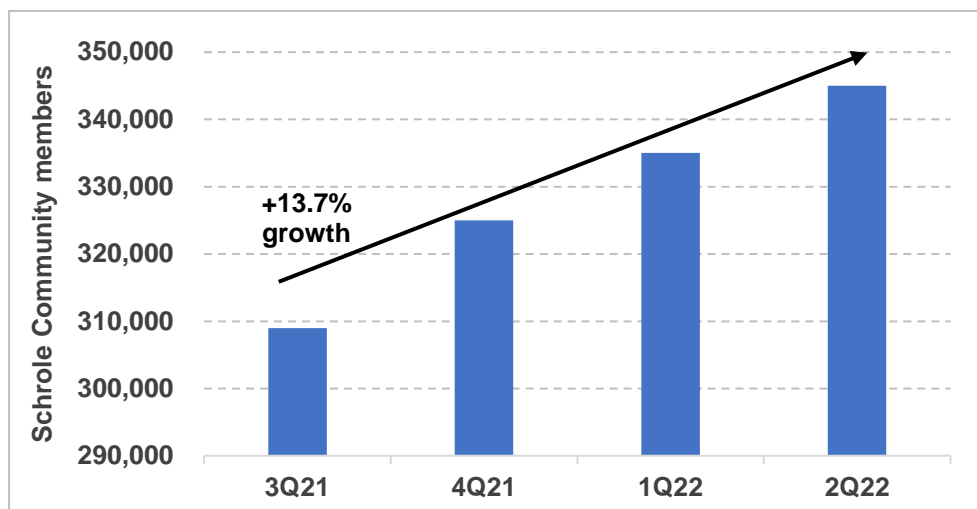
Schrole has historically demonstrated consistent growth in customer numbers, increasing future potential through cross and upsell opportunities, customer retention and customer lifetime value. The full range of

products within the Schrole HR SaaS suite provide significant potential to increase the number of products per customer.

Schrole Community Growth

Schrole Community has increased to 345,187 platform users, customers, and referees, up 3.1% from 334,803 in March 2022. Community has increased by 13.7% over the last twelve months.

CHART 3: COMMUNITY GROWTH



Schrole Community is a leading indicator of future revenue growth potential, as the Company is rolling out numerous marketing initiatives to monetise this network.

Schrole will launch a short course series from September 2022 targeting the 194,000 teachers within Schrole Community, which aims to increase the number of teachers paying for annual subscriptions, increasing revenue and thus attract more schools.

Positive Outlook

Schrole is well positioned for further growth in the second half of the calendar year, driven by multiple factors.

As international schools resume after their summer break, the Company expects increased utilization of Schrole's HR products.

Schrole's integration with Eteach will be completed before the end of Q3 2022, and will be marketed by both the sales and the account management teams.

The outlook for total revenue and gross margins remains positive as Schrole has now completely exited from the ISS sales distribution partnership, so revenues are no longer shared and instead flow directly to Schrole.

The company's training division, Schrole Develop, is experiencing significant growth in the domestic mining industry and from September will offer bespoke, online short courses aimed at the international teacher market.

New product releases have grown the sales pipeline and cross/up-sell potential. Following the release of Schrole Events and the successful online recruiting events season, several school groups indicated interest in bespoke online events. The first of these is Dulwich Group, with their first event taking place in September. See ASX release, "*Dulwich Group*", dated 21 July 2022.

Managing Director Comment

Managing Director, Rob Graham, said,

"Our investments in the expanded HR SaaS product suite and expanded sales team are generating results. The team is focused on maintaining our momentum and increasing both our customer numbers and the number of products per customer."

As we head into the second half of the calendar year, a traditionally robust sales period, we are very well placed with a broad customer pipeline and varied sales opportunities. We look forward to positive full-year results."

Appendix 4C

The summary of expenditure for the quarter is:

	\$'000
Payments for product manufacturing and operating costs	\$178
Payments for advertising and marketing	\$112
Payments for staff costs	\$997
Payments for administration and corporate costs	\$125
Interest and other costs of finance paid	\$3
Payments to acquire property, plant, and equipment	\$124
Payments to acquire non-current assets	\$338
Repayment of borrowings	\$46

For the purpose of Section 6 of the Appendix 4C, related party payments of \$175,139 were made in the quarter in relation to Directors fees (\$145,357) and Consulting costs (\$29,783).

About Schrole

Schrole provides global Human Resources Software-as-a-Service (SaaS). Initially targeting teachers and educational organisations, Schrole is now scaling globally and targeting new growth markets.

Schrole HR is a complete Human Resources SaaS solution, combining recruitment, background checks, onboarding, relief teacher management, and professional development.

- **Schrole Connect** is education's most advanced recruitment and applicant tracking app.
- **Schrole Events**, part of the Connect module, provides regionalised online events.
- **Schrole Cover** is a cloud-based software platform that engages relief staff at the touch of a button.
- **Schrole Verify** provides background screening in the international schools' sector.
- **Schrole Develop** provides accredited professional development solutions contextualised to client needs.
- **Schrole Engage** was first *released in February 2022* to provide onboarding software for schools and now also provides contract management.

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

For further information, please contact:

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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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SCHROLE GROUP LTD (ASX: SCL)

ABN

27 164 440 859

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,062	2,115
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(178)	(368)
(c) advertising and marketing	(112)	(240)
(d) leased assets	-	-
(e) staff costs	(997)	(1,963)
(f) administration and corporate costs	(125)	(361)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	20	21
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(332)	(800)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(124)	(137)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(338)	(637)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(462)	(774)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	(60)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(46)	(87)
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	(46)	(147)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,057	4,964
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(332)	(800)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(462)	(774)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(46)	(147)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	48	22
4.6	Cash and cash equivalents at end of period	3,265	3,265

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	3,265	3,265
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)	3,265	3,265

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(175)
-

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

6.1 Directors' fees, salaries and superannuation and company secretarial fees paid to a firm that is related to a director.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	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** -

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)	(332)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,265
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	3,265
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	10

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer: NA

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?

Answer: NA

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: NA

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: 27 July 2022

Authorised by the Board of Schrole Group Ltd
(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.