

ASX RELEASE (ASX: SCL)

Schrole now on clear path towards cash break-even

Quarterly Activities Report for March 2023

Key highlights

- **Receipts from customers** for Q1 FY23 up 23% to \$1.29 million compared to prior corresponding period (PCP)
- **Net operating cash outflow improved**, reducing by 21% to \$371,000 compared to PCP
- **Firm cash position** with \$2.08 million cash at bank and no debt
- **\$377,700 of purchase orders for on-the-job (OTJ) training with Rio Tinto** in Western Australia
- **Appointment of Mark Oelofse as Chief Commercial Officer (CCO)** to drive market expansion

26 April 2023: Schrole Group Ltd (**ASX: SCL**) (“**Schrole**” or the “**Company**”), provider of accredited training and global Human Resources (HR) Software-as-a-Service (SaaS), releases its quarterly activities and cash flow report for the quarter ended 31 March 2023 (Q1 FY23).

Commenting on Q1 FY23, Managing Director, Rob Graham, said:

“While the first quarter for Schrole’s fiscal year is traditionally the quietest time of the year due to the seasonality of our business, we continued to achieve improvements in expanding our overall sales pipeline and can see a clear path towards cash break-even, which is a major milestone for a SaaS company.”

“Our move towards cash-break even is helped by our new direct sales model and no revenue share at all going to the former partnership with ISS, as it finished at the end of last year.”

“We have increasingly turned our focus to creating foundations that will foster stronger growth and allow us to reach our potential. Our investments in sales and marketing activities will help us expand further into our key international education market. This is combined with investment into our software capabilities to bolster more opportunities for sales. The appointment of Mr Oelofse as CCO will utilise these capabilities and drive the market expansion.”

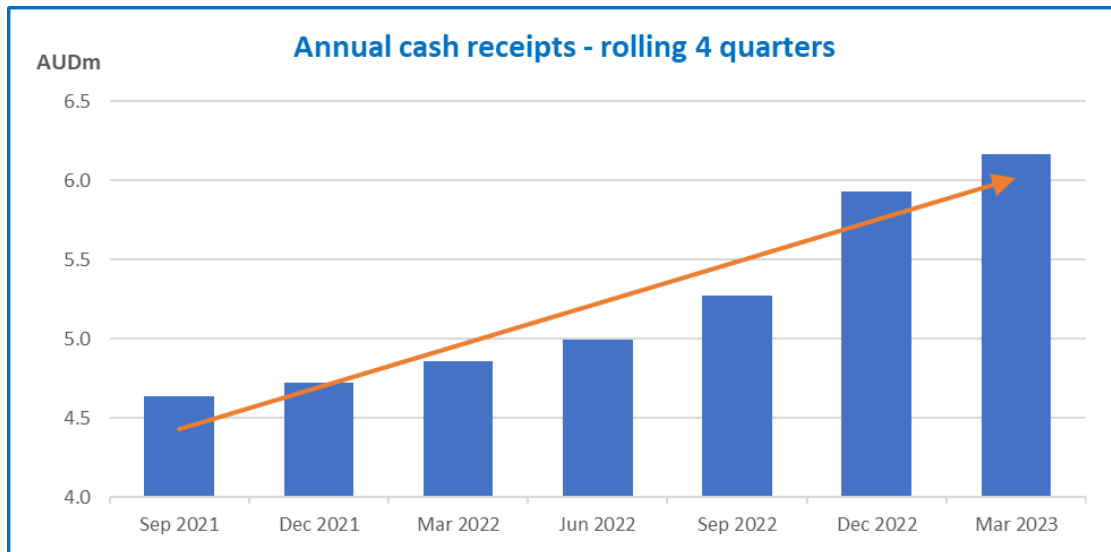
“Schrole has plans to further enhance its full-suite of HR talent management solutions over the remainder of FY23 to help place the right educators with the right institutions, so schools can focus on improving education standards worldwide.”

Cash receipts from customers continue to rise

In the March 2023 quarter, total customer receipts increased 23% to \$1.29 million, with software receipts in line with PCP and training receipts almost double at 98% higher.

The March quarter is a seasonally weaker quarter for Schrole’s total cash receipts from customers, but the trajectory upwards over the past year shows that we continue to grow. The growth in training receipts stemmed from a solid quarter domestically plus receipts related to the work completed in Guinea.

CHART 1: Total cash receipts rise over rolling 12-months

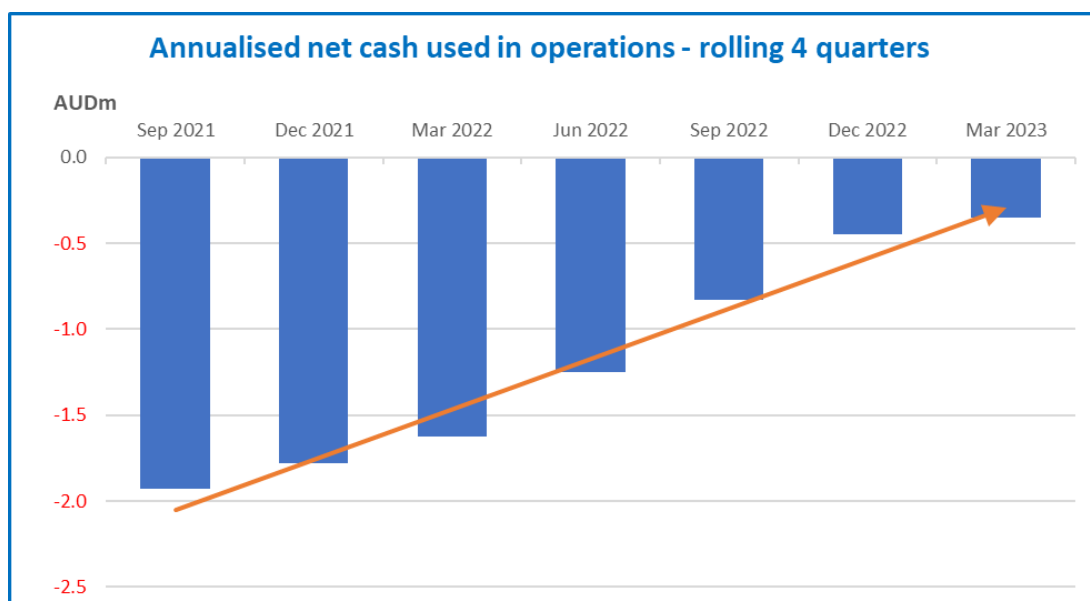


Momentum towards cash break-even gathers pace

Schrole continues to head toward break-even for its net operating cash flow due to the continued momentum in receipts from customers across software and training, noting the training revenue by its nature is less predictable, and our focus long term is on achieving cashflow breakeven also at a divisional level.

Net cash used in operating activities was \$371,000 for Q1 FY23, which is a \$97,000 improvement on the \$468,000 reported for the same period last year. The improvement in net operating cash outflow was mostly driven by the improved cash receipts and recovery of part of previous year investment in product development with the receipt of a R&D incentive.

CHART 2: Momentum towards cash break-even



Performance Metrics

Schrole's performance across its key business metrics in Q1 FY23 highlights a strong 23% improvement in Average Contract Value in the March quarter from the prior corresponding period (PCP) and an increase of 6% from Q4 FY22. Contracted Customers in Q1 FY23 remained relatively stable from the prior quarter across a seasonally quiet sales period and 5% lower than PCP. Average Products per Customer improved 2% over the quarter and 2% from PCP resulting from an increased uptake of the Engage onboarding product.

TABLE 1: Key Performance Indicators (Rolling 5 quarters)

	<---Period affected by ISS-Schrole Alliance termination--->				
	Mar Qtr, 2022	Jun Qtr, 2022	Sep Qtr, 2022	Dec Qtr, 2022	Mar Qtr, 2023
Contracted Customers	542	528	519	520	517
Average Products per Customer	1.42	1.41	1.42	1.42	1.45
Average Contract Value	\$9,494	\$9,475	\$9,582	\$11,035	\$11,708

*Note that Q4 FY22 Average Products per Customer metric has been revised from the previously reported 1.64 to 1.42 as during that quarter Connect Plus customers were granted eSignatures capability which was erroneously double counted as an Engage subscription. This has now been corrected and the Q1 FY23 average product per customer result of 1.45 does not include this double count.

Ongoing relationship with Rio Tinto in Western Australia

As announced on 20 March 2023, Schrole received purchase orders from Rio Tinto for On Job Training (OJT) programs in Western Australia for about \$377,700.

Schrole Develop, the business unit that creates accredited training solutions to meet specific client needs, will provide 28 courses to approximately 220 staff across Rio Tinto's facilities in Western Australia. This is consistent with course delivery in the prior corresponding period. These orders, containing the standard business and termination clauses, will be invoiced June FY23 quarter (Q2 FY23).

Appointment of Chief Commercial Officer

Schrole appointed Mark Oelofse as CCO on 3 April 2023 to lead the Company's commercial expansion of its broad HR and training product suite and technology platform services into key international markets. He is based in Western Australia.

Mr Oelofse has more than 25 years' experience developing and implementing commercial strategies to grow and maintain sales teams across North America, EMEA, and Australia. He has worked at various small, medium, and large enterprises in the technology sector including Longtail UX, Cubewise, and Microsoft.

Mr Oelofse joins Schrole from Sydney marketing technology company AreaTen, where he was Director of Growth. Prior to this, he was the Sydney-based Sales Director for website design firm, Longtail UX Pty Ltd

where he increased the global client base by 600% in 18 months. Mr Oelofse also worked as a Global Sales Manager at performance management software company Cubewise Pty Ltd, where he grew the sales pipeline and team, and won major clients in the financial services sector.

Prior to moving to Australia in 2014, Mr Oelofse developed and led sales teams for Software AG, TIBCO Software, and Sun Microsystems in Johannesburg, South Africa. He started his career as an Enterprise Technology Specialist at Microsoft in Switzerland and Bahrain, where he sold new software into major global asset managers.

Appendix 4C

The summary of cash outflows for Q1 FY23 is:

	\$'000
Payments for product manufacturing and operating costs	\$312
Payments for advertising and marketing	\$64
Payments for staff costs	\$1,155
Payments for administration and corporate costs	\$340
Interest and other costs of finance paid	\$3
Payments to acquire property, plant, and equipment	\$3
Payments to acquire non-current assets	\$328
Repayment of borrowings	\$58

For the purpose of Section 6 of the Appendix 4C, related party payments of \$155,000 were made in the quarter in relation to Directors fees.

ENDS

This release was authorised by the Board of Directors.

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About Schrole

Schrole provides global Human Resources Software-as-a-Service (SaaS) targeting teachers and educational organisations. Schrole is 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 industry-leading online recruitment events.
- **Schrole Cover** is a cloud-based software platform that engages relief staff at the touch of a button.
- **Schrole Verify** provides background screening to the international schools' sector.
- **Schrole Develop** provides accredited professional development solutions contextualised to client needs.
- **Schrole Engage** provides onboarding and contract management software for schools

<https://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.

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")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,290	1,290
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(312)	(312)
(c) advertising and marketing	(64)	(64)
(d) leased assets	-	-
(e) staff costs	(1,155)	(1,155)
(f) administration and corporate costs	(340)	(340)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	210	210
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(371)	(371)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(3)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(328)	(328)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(331)	(331)
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(58)	(58)
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	(58)	(58)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,822	2,822
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(371)	(371)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(331)	(331)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(58)	(58)
4.5	Effect of movement in exchange rates on cash held	20	20
4.6	Cash and cash equivalents at end of period	2,082	2,082

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	2,082	2,082
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)	2,082	2,082

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	155
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>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.</i>	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)	(371)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,082
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,082
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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	
8.6.2 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	
8.6.3 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	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 26 April 2023

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.