



Schrole – MD operational overview for 2023 AGM

Dear Shareholder

2022 was a transformational year for Schrole Group as we evolved into a full suite HR talent management solution provider.

Several milestones across the business allowed us to achieve this.

First, our new direct sales model from the exit of the ISS alliance has helped strengthened revenues and moved the business closer towards cash breakeven.

Second, the launch of Schrole Engage and the upgrade of Schrole Verify for the company's software-as-a-service (SaaS) platform provide increased functionality for clients. Engage has made the onboarding process more efficient and Verify has streamlined the background checking process for our clients.

In addition, the accredited training and professional development side of the business, Schrole Develop, continued to grow, largely due to Schrole's ongoing relationship with mining company Rio Tinto. Schrole assisted Rio Tinto by assessing Guinea's educational institutions for its Simandou iron ore project and creating and implementing on-the-job training programs for its Western Australia staff.

We are now in a better position to help improve the standard of education worldwide through our full suite HR solution.

Stronger revenue and moving towards cash breakeven

The two core indicators of performance and growth across the business have gained traction over the year, this includes strengthening revenues in both software and training and becoming cash breakeven.

Schrole's software revenue has been 100 per cent retained, as a result of the Company's direct sales model and not having to pay further partnership fees to ISS. The growing share of revenue reflects the strong underlying performance of the software business, which is set to improve, as Schrole develop its SaaS capabilities.

The development of Schrole's software will also have a positive impact on its cashflows and margins. This, in conjunction with a growing training business, will help get Schrole to a cash breakeven position - a major milestone for a SaaS-based company.

Operational overview

The main operational highlight of the year was the bolstering Schrole's SaaS product range including the introduction of Engage, upgrade of Verify, and creating bespoke events for partners through Schrole Connect. Engage and the Verify upgrade have helped improve efficiency of contract management and onboarding of staff and automated the background checking in app, respectively. Schrole's recruiting software, Schrole Connect, was utilised at specialised online and in-person events for our partners in key regions including Europe, the Middle East, East and Southeast Asia, and the Americas. The use of Schrole Connect in these regions helped raise the company's profile and lead to more sales.



These increased sales and brand awareness were also due to Schrole investing in its sales, marketing, and account management teams, particularly in the UAE and Europe, and the opening of international borders post pandemic, allowing the team to travel to sponsor and participate in industry events. Schrole's wider group of employees are also highly engaged in the business, delivering an employee engagement score of 81 per cent.

The training side of the business saw performance improvements through the year. A major highlight for Schrole Develop was winning the consulting work for Rio Tinto's Simandou iron ore project in Guinea, along with an increase in training margins, passing an audit from the Training Accreditation Council and securing Priority Industry Training funding for Certificate IV TAE.

Financial overview

Schrole's direct sales model has delivered stronger organic growth over FY22 compared to FY21. This was driven by an improvement in total revenue and total cash receipts. Total revenue across the Group increased 7 per cent to \$58 million. Training revenue was up 83 per cent in FY22 compared to the prior corresponding period (pcp), whereas software revenue was softer, 15 per cent lower in FY22 compared to pcp to \$3.8 million. Software revenue was partly impacted by the tail end of the exit of the ISS alliance, with about \$0.75 million of revenue not being able to be recorded in FY22.

Total cash receipts for the year increased 26 per cent to \$5.9 million compared to the previous year. Software cash receipts were at \$3.8 million, up 14 per cent compared to pcp and training cash receipts were up 54 per cent to \$2.1 million compared to pcp. The improved cash receipts position helped deliver a \$0.4 million net cash outflow in FY22, which is an improvement compared to the previous year of \$1.3 million.

EBITDA also improved over FY22 by 45 per cent, from a loss of \$2 million to a loss of \$1.1 million.

Total invoiced sales increased 37 per cent to \$6.2 million over FY22 compared to pcp. Software invoiced sales was at \$3.9 million, up 24 per cent and training invoiced sale was up 69 per cent to \$2.3 million in FY22 compared to pcp. As part of the total sales in training, onsite training course were up 100 per cent compared to pcp to \$1.4 million and in-house courses were up 25 per cent.

The strong financial performance over FY22 has built a healthy cash balance of \$2.8 million for the company, with no debt.

Schrole's key performance metrics in FY22 include average contract value, average products per customer and contracted customers. Average contract value and average products per customer were up 15 per cent to \$11,035 and 23 per cent to 1.64, respectively, compared to pcp. Contracted customers were down 5 per cent to 520 from 550 in FY21 due to the end of the IIS alliance. Although, contracted customers are expected to improve over 2023 as Schrole sells its full suite HR talent management solution to new and existing clients.

Outlook

Schrole has moved forward and various initiatives since the beginning of the calendar year to place it well for the rest of 2023 and capture more of the AUD4.1 billion international school HR SaaS market.



We expect to see net revenues increase and move towards cash breakeven over the coming year, as the direct sales model takes shape and builds momentum.

Schrole's financial position will also benefit from the investment in the SaaS platform as it will bring more channel to market, improved operational efficiency and improved product-market fit to plug into other third-party HR systems.

Schrole's accrediting training business, Schrole Develop, I also set to grow further, mainly through its expertise in providing training programs for the mining industry. Schrole Develop is continuing to create and implement job training programs for Rio Tinto and is developing its relationship with BHP and Fortescue Metals Group.

We look forward to updating you all throughout the on Schrole's progress on enhancing its a full suite HR talent management solution to improve the standard of education worldwide.

Yours faithfully

Rob Graham