

ASX RELEASE (ASX: SCL)

Schrole Q3 FY23: Strong Growth, Improved Renewal Rates, and Implementation of Cost Savings

Quarterly Activities Report for September 2023

Key highlights

- **Receipts from customers for Q3 FY23** up 17% to \$1.7 million compared to prior corresponding period (PCP)
- **Solid cash position** with \$0.8 million cash at bank and no debt
- **Renewal rate significantly improved to 88% (69% PCP)**
- **Software sales improve by 42% over PCP to USD268,120**
- **Further annualised cost savings of \$1 million identified and implemented during the period**

23 October 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 30 September 2023 (Q3 FY23).

Commenting on Q3 FY23, Managing Director, Rob Graham, said:

“\$1.7m of cash receipts during the quarter, a 17% increase on the prior corresponding period (PCP), shows Schrole’s continued positive trajectory and further demonstrates the benefits of our software sales growth strategy.

The 42% increase in software sales compared to PCP, is a clear indicator of Schrole’s strong performance in growing its recurring, contracted revenue as well as the Company’s ability to attract new clients and expand its software user base.

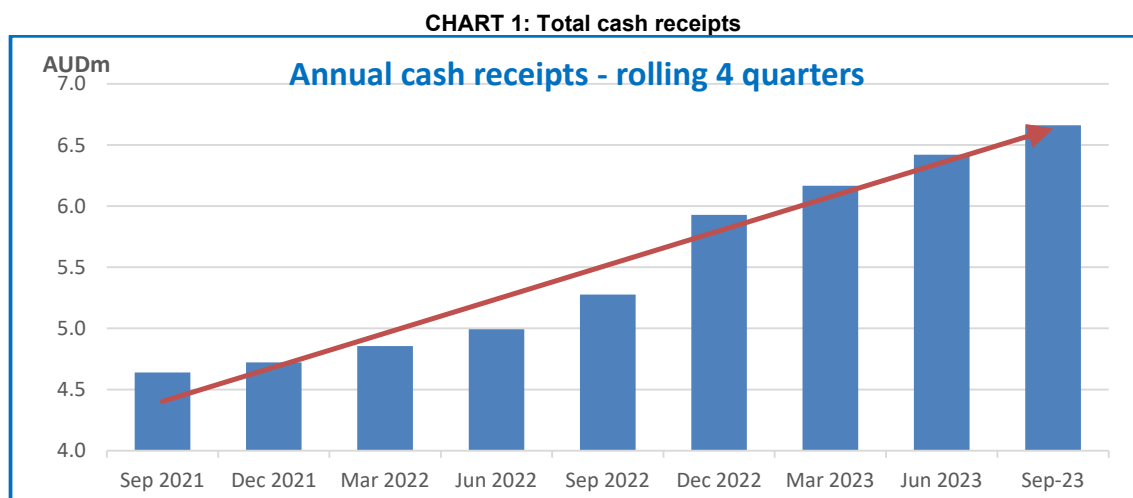
Additionally, the improvement in renewal rates, reaching 88% for the quarter, is a substantial jump from the 69% recorded in the PCP. We are pleased to see the increase in renewal rates correspond with our increased software sales.

A number of strategic measures were undertaken by the Company during the quarter to further enhance operational efficiencies and have resulted in the identification and implementation of approximately \$1 million of annualised savings being achieved during the quarter. The outcome of these actions, combined with earlier identified cost-saving initiatives has delivered over \$2.3 million in annualised cost reductions which will have a positive impact on Schrole’s financial performance going forward.”

Total cash receipts continue to improve

In the September 2023 quarter, Schrole total customer receipts were \$1.7 million, a 17% increase on the PCP. Of this total, software receipts accounted for \$1.171 million, while training receipts were \$534,000.

This growth in total cash receipts compared to the PCP continues a positive path for Schrole.

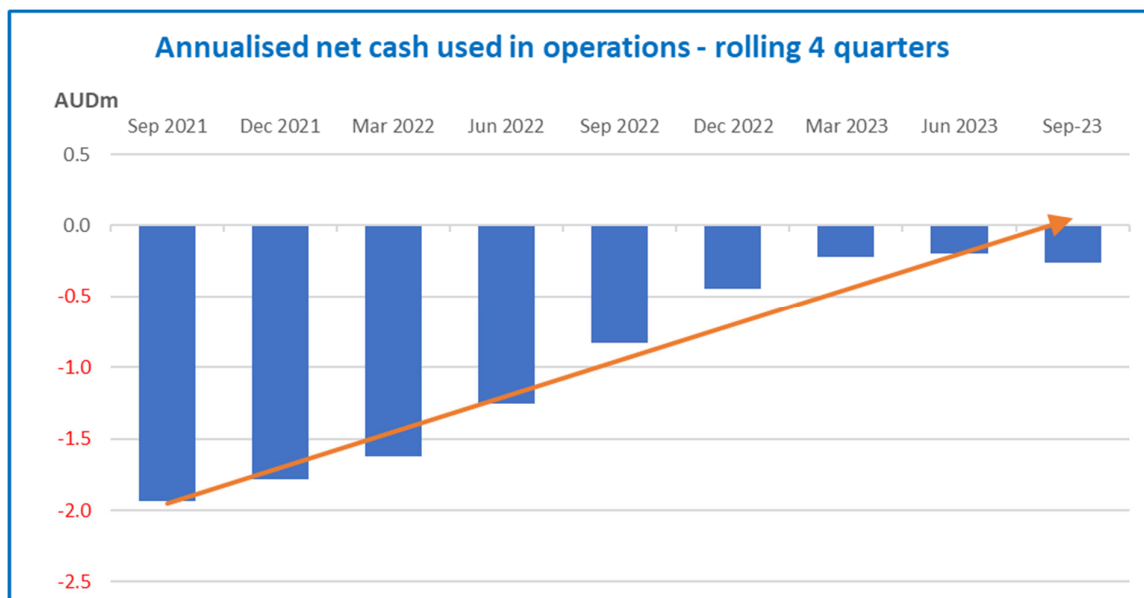


Progressing towards operating cash breakeven

Schrole is continuing its progress towards operating cash breakeven, driven by increased sales in both its software and training divisions.

While the net cash used in operating activities deteriorated by \$40,000 compared to the PCP to \$348,000, it's essential to note that this change was influenced by a one-time cost of \$0.15million associated with redundancies as part of the cost-saving plan as noted in the Quarterly Activities Report in June 2023.

CHART 2: Net Cash Used in Operations



Performance metrics

Schrole has seen a steady improvement in its key performance indicators. While its contracted customers have remained steady, the average products per customer have increased reflecting more takeup of Engage, and average contract value has improving by 4% to \$12,431 on the prior quarter.

TABLE 1: Key Performance Indicators

	Affected by ISS-Schrole Alliance termination			
	Dec Qtr, 2022	Mar Qtr, 2023	June Qtr, 2023	Sept Qtr, 2023
Contracted Customers	520	517	521	522
Average Products per Customer	1.42	1.45	1.46	1.49
Average Contract Value	\$11,035	\$11,708	\$11,989	\$12,431

Delivering training solutions for Rio Tinto in Western Australia

As announced on 2 May 2023, Schrole received purchase orders from Rio Tinto for On Job Training (OJT) programs in Western Australia for about \$655,500, over the July to December 2023 period (H2 FY23).

Schrole Develop will provide 47 courses 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 in H2 FY23.

Schrole's commitment to offering public courses for the Certificate IV in Training and Assessment has benefited the Company, with a 36% increase in attendance this quarter when compared to PCP

Schrole's invoiced sales in the Develop division have risen by 34% in the quarter to \$637,000 compared to PCP of \$450,000.

The Talison Lithium project announced in Q3 has been deferred temporarily, pending an internal audit of training requirements. Schrole remains committed to adapting to evolving needs and delivering quality training solutions to Talison Lithium.

Software sales and renewals

In the latest quarter, Schrole has continued its progress in both software sales and renewals. Software-related sales (software, events, bespoke recruitment) rose to USD 268,120, representing a substantial 42% increase compared to USD174,787 in the PCP. Renewal rates have seen a marked improvement compared to the PCP, highlighted by a Net Revenue Retention (NRR) of 88%, improving from 69%. Additionally, customer retention has reached 87%, improving from 69%.

Events

Schrole's events season commenced with a successful Introduction to International School Teaching seminar. The event featured a distinguished panel representing international schools and attracted over 390 enthusiastic attendees.

The momentum continues with Schrole's upcoming in-person recruitment event scheduled for 21-22 October 2023 in Bangkok. This event has proven to be immensely popular, with over 50 schools, 115 recruiters, and 250 candidates already confirmed to participate.

This flagship gathering will set the stage for a series of online events, some of which will be tailored for prestigious groups, including Education in Motion and Inspired. These thought leadership activities and recruitment events that Schrole undertakes are important to the generation of software sales throughout the year.

Further Cost Savings

In its ongoing evaluation of the position of Schrole's business and software platform, the Company has identified a number of cost saving initiatives in the Company which has resulted in approximately \$1 million of annualised cost savings being implemented.

As part of this initiative the Company wishes to advise that Peter Liddell and Aaron Collyer have left the Company. We would like to thank both Peter and Aaron for their contributions.

The total annualised savings identified and implemented during second the third quarters of 2023 totals approximately \$2.3 million.

Appendix 4C

The summary of cash outflows for Q3 FY23 is:

	\$'000
Payments for product manufacturing and operating costs	\$422
Payments for advertising and marketing	\$20
Payments for staff costs	\$1,415
Payments for administration and corporate costs	\$240
Interest and other costs of finance paid	\$4
Payments to acquire property, plant, and equipment	\$3
Payments to acquire non-current assets	\$182
Repayment of borrowings	\$43

For the purpose of Section 6 of the Appendix 4C, related party payments of \$105,086 were made in the quarter in relation to Directors fees.

ENDS

This release was authorised by the Board of Directors.

For further information please contact:

Investors

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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")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,706	4,312
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(422)	(1,030)
(c) advertising and marketing	(20)	(142)
(d) leased assets	-	-
(e) staff costs	(1,415)	(3,604)
(f) administration and corporate costs	(240)	(731)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	7
1.5 Interest and other costs of finance paid	(4)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	45	276
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(348)	(922)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(14)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(182)	(909)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(185)	(923)

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	(43)	(154)
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	(43)	(154)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,363	2,822
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(348)	(922)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(185)	(923)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(43)	(154)
4.5	Effect of movement in exchange rates on cash held	11	(25)
4.6	Cash and cash equivalents at end of period	798	798

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	798	798
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)	798	798

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	105
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>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(348)
8.2 Cash and cash equivalents at quarter end (item 4.6)	798
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	798
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
<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: 23 October 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.