



ASX RELEASE | Schrole Group Limited (ASX:SCL)

June 2019 Quarter Cash Flow and Summary of Activities

Highlights:

- 361 international schools now actively engaged on the ISS-Schrole Advantage SaaS platform
- 11% growth in active candidate numbers over the quarter, now with 4,800 paying candidates
- Annual Recurring Revenue (ARR) steady at A\$3.6m for Advantage with strong renewal rates from existing international schools ahead of the peak sales period (August–December) for both schools and candidates
- In-house software development team successfully deployed major upgrades to the Advantage platform, reinforcing Advantage’s status in the market as the best-in-class system for international teacher recruitment
- Other software development focussed on completion of the Verify module; the first addition to the ISS–Schrole Advantage platform offering teacher background checks for a fee
- Schrole Connect platform, a similar platform and offering to Advantage for the Australian market, is now complete with a soft launch planned for September
- Schrole Cover secured additional key hospital as a relief solution for nursing staff representing continued adoption in a second vertical for the staffing application
- Schrole ETAS delivered 13% revenue growth quarter on quarter, representing the strongest quarterly revenue in past three years
- Completed share placement to wholesale and sophisticated investors raising \$1.25m to support sales growth and strategic initiatives
- Solid outlook for sales and cash receipts from all business units in the traditional peak September and December quarters, when 75% to 80% of annual revenues from international recruitment activities have historically been achieved

Wednesday, 31 July 2019: Schrole Group (ASX: SCL) (“Schrole” or the “Company”), an Australian education technology company, is pleased to provide an update on its activities for the quarter ending 30 June 2019.

During the period, Schrole continued to grow its ISS-Schrole Advantage, Schrole Cover and Schrole ETAS revenues, generating circa A\$1.0m in customer receipts which represents 12% growth on the previous quarter. Cash at quarter end was approximately A\$1.3m. Platform development costs for the quarter were higher as activity accelerated relating to major upgrade releases to the ISS-Schrole

Advantage platform, the completion of the Schrole Verify module for the Advantage platform and its imminent launch ahead of the peak sales season. Progress was also made on the Schrole Connect platform with a soft launch planned for August 2019.

The reported cash used in operating activities included \$1.1m for fees paid to ISS under the Alliance Agreement, relating to pre-March quarter sales. Excluding these fees and allowing for accrued fees payable to ISS at the end of June 2019, the normalised cash used in operating activities during the quarter was approximately \$1.4m, and on this basis the normalised net operating cash outflow for the quarter was approximately \$0.4m.

Commenting on the successful quarter, Schrole Group Managing Director, Mr Rob Graham said: *“The June quarter represented an important period for the Company as it is now well placed for significant and sustained growth. The sales and marketing focus remained on Advantage while the development focus was on major upgrade releases to the Advantage platform, finalising Schrole Verify ahead of its imminent launch and completing the Schrole Connect platform.*

“Traditionally the June quarter is the low point in the sales cycle for International school & teacher recruitment, so it was particularly pleasing that there were strong sign-ups by both teachers and schools during the quarter. Importantly, schools are increasingly using the platform throughout the whole year rather than solely in the traditional teacher recruitment period from August to December.

“The imminent launch of Schrole Verify will be pivotal in the strategic positioning of the Advantage platform, representing the first additional module to be added. The Company anticipates strong adoption of Schrole Verify by both schools and teachers as the demand for background screening continues to grow. The Verify launch combined with continued growth in ISS-Schrole Advantage, Schrole Cover and ETAS are expected to underpin continued strong revenue growth for the Company and the achievement of sustainable positive cashflow in 2020.”

ISS-Schrole Advantage

Advantage platform fully commercialised and experiencing continued growth

With 361 schools now actively engaged on the platform, Schrole is continuing to experience positive retention rates from existing international school clients, as well as strong new business growth.



Total invoiced sales of the Advantage platform for the June 2019 quarter were A\$380,000, with Annual Recurring Revenue now over A\$3.6m, representing a year-on-year increase of 178%.

All ISS-Schrole Advantage services are sold to clients through ISS-Schrole Advantage Pty Ltd, a wholly owned subsidiary of Schrole. Under the terms of the Alliance Agreement with ISS, the net revenue of ISS-Schrole Advantage Pty Ltd will be shared on a 50:50 basis by Schrole and ISS, subject to a transitional arrangement aimed at maintaining each party's prior revenue base at minimum.

Major upgrades to the Advantage platform deployed

Schrole's in-house software development team successfully deployed a series of major upgrades to the Advantage software platform. These upgrades included a user interface redesign that enhances system usability, additional searching and filtering functions for schools that allows them to more quickly and easily find and compare teacher candidates, and a customisable 'talent pool' feature that allows each school to maintain its own list of preferred candidates for future reference.

There has been a positive customer response to these upgrades, with consistent feedback that the Advantage system is the clear best-in-class software platform for international school recruitment.

Schrole's agile development process involves a series of further software releases scheduled for coming months, which will further improve functionality and recruitment outcomes for our international school clients.

Outlook for revenue and cash receipts

Historically, Schrole has generated approximately 75% to 80% of its annual revenue from its international school recruitment business unit in the September and December quarters.

The upgraded Advantage platform, together with a joint Advantage marketing campaign that's currently being executed with alliance partner ISS, ensures ISS-Schrole is extremely well positioned to leverage the upcoming August to December international school recruitment season.

Rapidly growing, high quality database of teachers from across the globe

The Company has also seen a continued high take-up of the Premium Candidate package by teachers. Since its launch in September 2018 more than 4,800 teachers have signed up for the Premium Candidate service, an average of approximately 16 new teachers per day, generating sales for the June quarter of over A\$58,000.

Schrole Verify

Schrole Verify, a background screening solution, will be the first module launched by the Company that will leverage the existing Advantage platform. Globally schools are increasingly required to conduct background checks for all staff, and we anticipate strong take-up of this module. As part of the launch, the Company anticipates leveraging Schrole's existing client base of 361 international schools.



Schrole Cover

Schrole Cover, a cloud-based software-as-a-service platform (SaaS) for the fast filling of casual staffing positions, continued its expansion into schools in Western Australia in addition to further sales to hospitals and other health services providers, including St John of God Hospital Murdoch and the Royal Flying Doctor Service.



The Company continues to see strong sales growth in Schrole Cover, with the total number of active licences growing to 182 as at 30 June 2019, representing a year-on-year increase of 20%.

Schrole ETAS

Schrole ETAS, the Company's consulting and training division, continued to achieve solid enrolments for the TAE40116 Certificate of Training & Assessment as well as increased bookings for its On-the-Job Training programs at remote sites of a major multinational mining company in Western Australia.



Schrole ETAS is enjoying strong momentum in the provision of training services generating sales for the June quarter of over A\$339,000, representing the strongest quarterly revenue for more than three years. This has been underpinned by Schrole's major public and private sector clients seeking to upgrade their training qualifications, as well as the resurgence in the iron ore and mining sectors which has driven stronger demand from ETAS's tier one clients.

Corporate

In April 2019, the Company completed a share placement, raising \$1.25m via a placement to wholesale and sophisticated investors. The placement was well supported by existing wholesale investors and pleasingly several new institutional investors joined the register.

The funds will support investment in marketing as well as in-house software development capability to support the rollout of strategic initiatives, including the launch of new revenue generating products on the platform.

The placement was arranged by Schrole's corporate advisers Altor Capital and Henslow. Schrole will continue to work closely with its advisers to further increase awareness of the Company in capital markets.

About Schrole

Schrole delivers innovative, technology-based solutions for the education sector. The company has four revenue generating business units:

- **ISS-Schrole Advantage** for the international school market – an online Software-as-a-Service platform that enables international schools to streamline teacher recruitment and candidate management activities;
- **Schrole Verify** – a new global standard for background screening in the international schools sector;
- **Schrole Cover** – a cloud-based software platform that engages your preferred relief staff at the touch of a button; and
- **Schrole ETAS** – Schrole Education and Training Advisory Service provides accredited training solutions customised to the contexts in which our clients operate.

For further information please contact:

Schrole Group Ltd**Rob Graham**

Managing Director

Schrole Group Ltd

E: investors@schrole.com

P: +61 8 9230 7000

Corporate Enquiries**Tim Chapman**

Director

Henslow Markets

E: tchapman@henslow.com

P: +61 3 8622 3310

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SCHROLE GROUP LTD (ASX: SCL)

ABN

27 164 440 859

Quarter ended ("current quarter")

30 June 2019

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	996	1,871
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,176)	(1,435)
(c) advertising and marketing	(80)	(111)
(d) leased assets	-	-
(e) staff costs	(638)	(1,036)
(f) administration and corporate cost	(265)	(419)
1.3 Dividends received	-	-
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,164)	(1,133)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(14)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(172)	(352)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(175)	(366)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,250	1,250
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(75)	(75)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(5)	(18)
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	1,170	1,157

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,498	1,671
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,164)	(1,133)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(175)	(366)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,170	1,157

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	-	-
4.6	Cash and cash equivalents at end of quarter	1,329	1,329

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	-	-
5.2	Call deposits	1,329	1,329
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)	1,329	1,329

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

(110)

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

6.1 Directors' fees, salaries, wages and superannuation

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter
\$A'000**

-

-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(760)
9.3 Advertising and marketing	(58)
9.4 Leased assets	-
9.5 Staff costs	(475)
9.6 Administration and corporate costs	(246)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,539)

*Total estimated cash outflows will be offset by receipts from customers during the next quarter

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here: 

 (Company secretary)

Date: 31 July 2019

Print name: Nick Allan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.