



ASX Announcement

28 October 2021

Chairman's and Chief Executive Officer's Address to the Annual General Meeting of Shareholders

Cluey Ltd (ASX: CLU) ("Cluey" or the "Company") is pleased to release the attached transcript of the Chairman's and Chief Executive Officer's address to the Annual General Meeting of Shareholders being held today, 28 October 2021 at 10:00am (AEST).

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Authorised for release to the ASX by Greg Fordred, CFO & Company Secretary.

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Investors

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ABOUT CLUEY

Cluey is an innovative, ASX-listed Edtech company that combines education, technology and data to deliver quality education outcomes and an enhanced experience for students. Cluey has a highly experienced management team and Board with a track record of building successful education businesses and is supported by an Independent Advisory Board comprising four eminent independent education sector thought leaders.

Cluey key facts:

- Cluey provides support for students in years 2-12 in Mathematics and English and years 11-12 in Chemistry, as well as test preparation for NAPLAN and Literacy and Numeracy Test for Initial Teacher Education
- Through regular live online tutoring sessions, Cluey's learning model is underpinned by personalised and tailored programs, content mapped to the national and state curricula, targeted tutor feedback and comprehensive reporting to students and parents
- Cluey's platform captures > 100,000 data points in every learning session to deliver valuable data-driven insights in teaching and learning using proprietary analytics
- Cluey is headquartered in Sydney, Australia and has relocated to new offices at Suite 2, Level 2, 117 Clarence Street, Sydney. At the end of September 2021, Cluey had 125 full-time equivalent staff and 1,625 qualified tutors.

Cluey has been recognised in the prestigious HolonIQ inaugural list of most innovative Edtech companies in Australia. Cluey was also the winner of the 2021 Technology Scale-up Edtech of the Year Award.

Chairman's address to the Annual General Meeting of Shareholders, Thursday 28 October 2021

Fellow shareholders, we are meeting today, albeit virtually, at our first AGM since listing on the Australian Stock Exchange. And we're meeting at an extraordinary time when the ongoing pandemic has overshadowed our everyday lives and resulted in unexpected and unprecedented challenges globally.

Despite these trying circumstances, Cluey has experienced outstanding growth and development. During my brief remarks, I will reiterate some key financial highlights of the past year and the initiatives we've undertaken. Our CFO, Greg Forded, will review Cluey's performance over the first quarter of FY22 and then our CEO, Mark Rohald, will brief the market on our growth strategy.

Financial Highlights

Let me start with the FY21 financial highlights. Cluey delivered excellent results over the past 12 months, surpassing FY20 and the Prospectus revenue forecast. It's noteworthy that even before Covid-19, the demand for high quality academic support outside the classroom was strong. Undoubtedly though, Covid-19 has accelerated the take-up of online learning which is now being embraced in earnest and becoming the new normal.

So, onto the key numbers: Revenue of \$15.9 million was up 226% on FY20. Gross profit of \$8.6 million was up 270% on FY20. New students of 17,382 was up 134% on FY20. And in FY21, we delivered 250,613 student sessions, an increase of 198% on FY20. Most pleasingly, we achieved this significant growth and, at the same time, reduced variable customer acquisition costs or CAC by 28% to \$563.

Whilst these results are inspiring, our leadership team understands that in order to maintain this momentum, it needs to remain focused on ensuring that our technology and structures are effectively managed and enhanced. Furthermore, parents are increasingly seeking more targeted education support and greater transparency regarding their children's education.

Key Initiatives

The Edtech sector worldwide is currently undergoing dynamic change and frenetic expansion. Covid-19 has caused a profound impact on K-12 education with mass adoption of digital learning. We expect this trend to continue, enabling Cluey to maintain significant growth in its core online tutoring and test-preparation business. In the space of three years, Cluey has become the largest pure online K-12 provider of tutoring and test preparation services in Australia. Given the foundation already laid and the current EdTech environment, the company is seeking to prudently expand its product and service offering, and extend its services into other geographies and co/extra curriculum activities adjacent to its core. We anticipate achieving this expansion organically and through strategic M&A activity.

During FY21 and shortly thereafter, Cluey focused on the following initiatives:

- We completed an IPO, raising \$30 million as part of our listing on the ASX.
- We were selected as one of the providers for a \$337 million NSW Department of Education Intensive Learning Support Program, leading the company's entry into B2B education which has its own distinct challenges.
- We're taking the first step into offshore market expansion with a soft launch in New Zealand commencing this month.
- We acquired Code Camp, which offers coding and digital skills, broadens our product mix, and smooths out the cyclicity of our core business.

- And we completed an equity capital raising of \$14 million to accelerate the expected growth in Code Camp and assist in funding M&A opportunities.

I also want to mention that in early September 2021, we received the Technology Scale-up Edtech Award. This award celebrates disruptive Australian technology businesses which demonstrate high rates of growth, innovation, integrity, contribution to community and sustainable growth. A real tribute to Cluey!

Our People

During the past year, our leadership team and staff worked remotely and tirelessly given the extraordinary workload. They needed to make significant adjustments to the way they operated and collaborated. It's a testament to their dedication and commitment that in these circumstances, they were able to make such great strides in our performance and seize on the initiatives.

Our team has a strong conviction to support and optimise the learning growth of students with expert educators, cutting edge technology and learning data. There is strong engagement and a feeling of enthusiasm as the company scales and looks to new opportunities.

On behalf of the Board, I would like to thank our leadership team and entire staff for their hard work and involvement. Our leadership team is so passionately led by Mark Rohald, an exceptional educational entrepreneur, and ably supported by Greg Fordred, Michael Allara, Matteo Trinca, Trevor McDougall and Selina Samuels. Our Board recognises their contribution and is conscious of the need to provide them with the appropriate equity and performance incentives. Some of these are slated for shareholder approval later at this meeting.

Cluey has a large network of skilled tutors which grew by some 597 tutors (i.e., 115% increase) during the year. Our tutors work directly with students to support their learning using Cluey developed learning programs and platforms, and we make extensive use of data and proprietary analytics to optimize their learning. The tutors received high levels of support and training by our staff during the year. We acknowledge our tutors for the quality tuition they have rendered to our students, substantiated by student and parent feedback, as well as Cluey's Voice of Customer internal research.

I express my gratitude to our non-executive Directors for their ongoing support, guidance and participation in the committees of the Board. I also express the company's gratitude to the Education Advisory Board for its invaluable oversight of our academic governance.

Finally, permit me to thank our shareholders for the trust and confidence placed in Cluey. In this context, it's encouraging to note that both our IPO and subsequent equity raising were significantly oversubscribed.

The FY22 year has started with a flourish and hopefully it will be the forerunner to another successful year for all stakeholders.

Robert Gavshon AM
Chairman

Chief Executive Officer's address to the Annual General Meeting of Shareholders, Thursday 28 October 2021

Good morning and thank you for attending our 2021 Annual General Meeting.

As mentioned by our Chairman, today I'll be providing you with an update on our business model and growth strategy.

When we went live with our first paid student sessions in July 2018, the big question that everyone was asking was – will school-aged students learn online? Three years later and that question has clearly been answered in the affirmative. And not surprisingly so – we're dealing with the most digitally native humans the world has ever known. Now, the more pertinent question that should be asked is - going forward, will school-aged children want to learn in a classroom-only environment? It's important to note that the migration to learning outside the classroom in the form of tutoring and test preparation started long before COVID. Likewise, the migration to online learning in K-12 started before COVID – COVID has simply accelerated the process.

Looking at our business growth metrics, it's clear that our core business is scaling rapidly. Student sessions and revenues are growing exponentially. At the same time, our business model demonstrates profitable and stable unit economics driven by a trend of decreasing variable customer acquisition cost or "CAC", that includes sales and marketing costs. Each additional student adds more to revenues than to costs, and as we increase the number of active students, we move closer to overall profitability.

I'm often asked, how far off break-even are we? Excluding further investment in new customer acquisition, in other words, to cover our current fixed operating expenses, we achieve break-even at ~50,000 sessions per month. We're currently exceeding ~45,000 sessions per month, which means we're getting much closer to break-even. If we include the intended further investment in customer acquisition, our break-even point is reached at ~80,000 sessions per month. We expect to achieve profitability in certain months in FY23, and FY24 should be our first full year of profitability. Ultimately, however, the faster we grow, the higher our up-front cash-burn, but the greater the profits we generate down the line as we build out a larger student base and annuity income stream.

We've always viewed this opportunity as a winner takes most market, and our stated goal is to scale rapidly and build a defensible moat around our business – with our key competitive advantages being scale, the technologies we use and the data and learning analytics we deploy to optimise everything we do.

The market opportunity for the Cluey business, namely, augmenting learning outside the classroom, is extensive. There are ~4 million school students in Australia. The core curriculum aligned tutoring segment comprises ~1.6 million students, and the broader extended academic support market comprises ~3.6 million students. Currently, we only have a small share of the market. As students increasingly embrace academic support outside the classroom and move online, and as we continue to expand our service offerings, Cluey is well positioned to benefit from these organic tailwinds.

So, how will we continue to grow the curriculum aligned academic support segment?

Firstly, as part of our process of continuous improvement, we're using data and learning analytics to implement a detailed roadmap of product, systems, and process improvements to optimise our services and further enable scaling, automation or self-service, drive higher levels of engagement, retention, sessions, and revenues. We've got a strong head-start in this area,

as we collect over 100,000 data points in every learning session and have a data lake of more than 17 billion data points. Data guides all our decisions. Our mantra is – gut is good, but data is better.

Next, based on extensive feedback from our Voice of Customer research, we're enhancing our existing services with improvements to our learning programs, content, and service features, with a particular focus on the Senior Secondary Years. Increasingly, we know what our customers want and as part of this, we're expanding the range of subjects we offer. Our current subjects are Maths and English for Years 2-12, and Chemistry for Years 11 and 12. From January 2022, we'll be adding Physics and Biology for Years 11 and 12.

For some time, we've been exploring the opportunity to expand our services geographically. We're soft launching our services in New Zealand in October this year, with a comprehensive rollout scheduled for Q3FY22.

We're also busy working on expanding our business models. Following a successful pilot across 6 public schools in New South Wales in Q2FY21, we've developed a B2B sales capability and launched a service delivery option for schools, with our first cohorts commencing in Q2FY22.

It's important to understand that each student is at a different stage in their learning. As a result, different learners require different learning support at different points in their learning journey. Tutoring and test preparation is a component, and a large component, of the learning support environment. But there are also other forms of learning that augment what's happening in the school classroom. This includes asynchronous free and paid content, apps, study guides, exam practice and feedback, videos and co or extracurricular learning. Ultimately, our vision is for Cluey to be the trusted go-to brand for all learning that happens outside the classroom. For us to deliver this broader range of learning options, over time, we will either build, partner with other providers or acquire these. However, most importantly, we need to own the common customer data layer, so we know where each student is at in their learning journey, enabling us to deliver the right learning options to the right learners at the right time.

Our internal research shows that whilst ~36% of parents of primary school aged school students in Australia are likely to purchase curriculum aligned tutoring, an even greater number are likely to purchase co or extracurricular learning. And, when it comes to the co or extracurricular segment, 48% are seeking coding and digital skills. 29% of parents indicated that they would buy both tutoring and coding and digital skills. Hence, our recent acquisition of Code Camp, the leading provider of coding and digital skills education for primary school students in Australia. Code Camp delivers its courses via holiday camps, after-school programs and online. With the acquisition of Code Camp, we have the benefit of sharing our common customer base, with more than 1 in 4 customers stating they were likely to consider both services; as well as the opportunity to leverage synergies between our recently formed B2B Schools division and Code Camp's extensive relationships with ~200 schools.

Strategically, extending our services into the co or extracurricular segment makes sense for several reasons:

The market is large and highly fragmented. Parents and students who consume co or extracurricular learning are the same target audience as those who would consider tutoring, enabling strong cross and up-sell opportunities. There are significant opportunities to own the common customer data layer and drive learning recommendations – serving up the right learning for the right student at the right point in their learning journey. And increasingly, these

learning services are moving online where Cluey has core competencies and capabilities. So, it's in our wheelhouse, it fits our strategy and it's big.

Given we're constrained in terms how much we can build and how fast we can build it, going forward, we're focussing on M&A opportunities to further bolster the range of courses and learning options we can offer both in the core and via the Cluey Academy – our co and extracurricular division.

In order to deliver all these initiatives and at the speed we want to do this, you need great people. We're fortunate to have an experienced team with the right skills, passion, and energy to take on the challenge ahead of us. We thrive on solving complex education challenges, because when it comes to school-based learning, simply doing more of the same doesn't work. Getting the execution right is critically important. And we know, that by finding solutions to our education challenges and scaling the delivery, we can make a real and positive difference to millions of children's lives. That's why so many of us choose to work at Cluey.

Thank you for your time today.

Mark Rohald
Chief Executive Officer