

ASX Release

28 April 2023



Quarterly Activities Report & Appendix 4C

Operational Highlights

- Successful on-boarding of increased user numbers and increased VET-in schools qualifications for the 2023 school year
- Completion of the migration of all three ReadCloud VET Group Registered Training Organisations (“RTOs”) onto the one (ReadCloud VET) platform
- Southern Solutions Training Services awarded a Victorian Government Skills First Funding Contract
- Southern Solutions Training Services announced as the preferred training provider for a large national childcare centre operator

Financial Highlights

- \$3.6 million cash receipts from customers, a record quarter
- \$1.28 million positive net cash from operations for the March quarter
- \$8.46 million unaudited consolidated revenue for 1H FY23, up 19.4% on the prior corresponding period (\$7.08 million), driven by a combination of organic and acquisitive growth
- The Company had \$2.47 million of cash at the end of the March quarter and zero debt, with the March and June quarters typically the strongest for cash collection

ReadCloud Limited (“ReadCloud” or “the Company”) (ASX: RCL) is the leading provider of digital eLearning solutions to secondary schools and the Vocational Education and Training (“VET”) sector in Australia. The Directors of ReadCloud are pleased to provide a quarterly update and cash flow statement for the March 2023 quarter.

Operationally, the March quarter saw the successful on-boarding of increased user numbers and VET-in schools qualifications for the commencement of the 2023 school year. During the quarter:

- 44 new schools were on-boarded in the VET-in-schools segment and 27 existing VET-in-schools customers added additional VET qualifications for the 2023 school year; and
- 16 new full-curriculum schools were on-boarded. Late in the December 2022 quarter ReadCloud was added to the Queensland Department of Education Standing Offer Arrangement, a preferred supplier panel for the provision of classroom resources to Queensland Government schools. Whilst too late in the selling season to have an impact on the 2023 school year, it is expected that this will open additional doors for the selling season for the 2024 school year.



The on-boarding of schools and provisioning of student and teacher resources was significantly improved over prior years in terms of timeliness and accuracy, leveraging system and process improvements implemented over the last 12 months. The migration of all three ReadCloud VET Group RTOs (Australian Institute of Education and Training, College of Sound and Music Production and Ripponlea Institute) onto the one (ReadCloud VET) platform was completed during the quarter. This migration has already delivered efficiencies and synergistic cost savings, placing the VET-in schools business on a solid footing for strong future growth on a largely fixed cost base.

The transition of Southern Solutions Training Services (“SSTS”) business onto the well-established ReadCloud VET platform progressed well during the March quarter. As with the migration of three ReadCloud VET Group RTOs onto this platform, it is expected that when completed the migration of SSTS will deliver efficiencies and cost savings.

During the March quarter SSTS was awarded a Victorian Government Skills First Funding contract enabling SSTS to offer government-subsidised VET programs including key Certificate III and Diploma level qualifications in Early Childhood Education and Care (“ECEC”), SSTS’s core VET programs. This contract compliments similar State funding arrangements that are already in place for New South Wales, the ACT, South Australia and Queensland, making SSTS a significant national provider of State-subsidised VET qualifications in key industries with skills shortages (the childcare industry currently estimates a national shortage of 16,000 early childhood care positions).

Leveraging the ability to offer State subsidised VET training in multiple States, SSTS is pursuing partnerships with national childcare centre operators and has recently been announced as the preferred training provider for a large national childcare centre operator with over 150 childcare centres located in New South Wales, Victoria, ACT, Queensland and South Australia. This will be a two-way relationship whereby the centre operator will provide the workplace hours required to be completed by trainees for the Certificate III and Diploma level ECEC qualifications in return for a ready-made workforce.

The March quarter also saw the completion of a successful audit by the South Australian Government that resulted in the renewal of the South Australian Government’s funding commitments to SSTS and the New South Wales Government’s release of its VET Student Outcomes survey results that ranked SSTS in the upper-quartile in all aspects of quality service delivery.

Late in the December quarter, ReadCloud announced a CEO succession plan. Working with an executive search agency, the search for an appropriately qualified and experienced leader is well progressed and the Company expects to be in a position to make an announcement in this regard in the coming week(s).

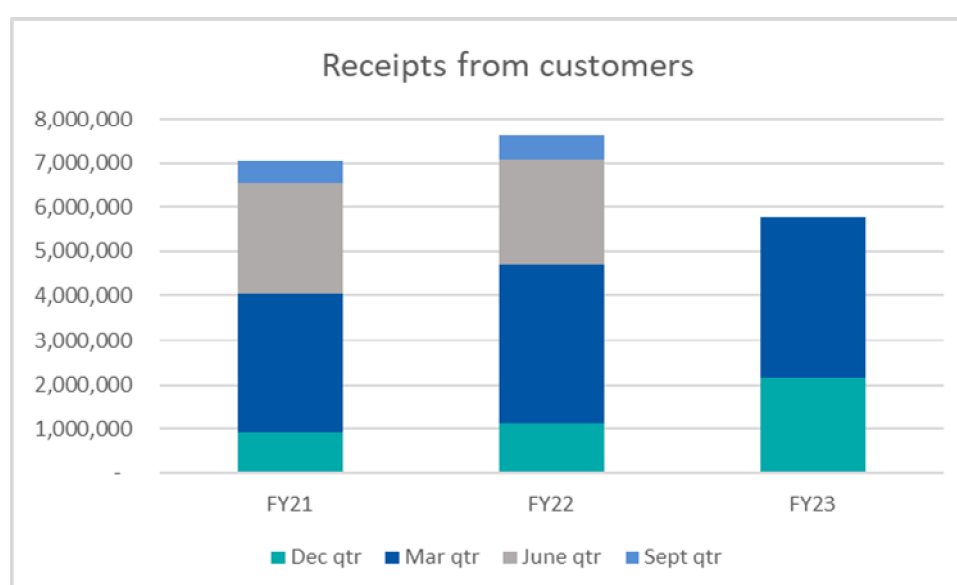
Finance Update

For 1H FY23 the Group has recorded unaudited consolidated revenue of \$8.46 million, up 19.4% on the prior corresponding period (1H FY22: \$7.08 million), driven by a combination of organic and acquisitive growth associated with the SSTS acquisition. SSTS delivered unaudited revenue of \$0.75 million for 1H FY23.

The VET-in-schools segment delivered (unaudited) revenue growth of 20% (\$3.73 million for 1HFY23 versus \$3.09 million for the prior comparable period) as a result of new school wins, existing school customers taking additional VET qualifications this year and a price increase for some College of Sound and Music Production and Ripponlea Institute school customers as part of an alignment of fee structures across the three ReadCloud VET-in schools RTOs. Unaudited revenue for the full-curriculum segment was flat (\$3.98 million for 1HFY23 and the prior comparable period). Whilst the full-curriculum segment won 15 new schools for the 2023 school year, some existing school customers went out to tender and ReadCloud chose not to match competitor pricing. Invoicing of customers for both the full-curriculum and VET-in-schools is continuing in the second half.

ReadCloud's cash flow is highly seasonal in line with the school year cycle. Most of the Company's cash receipts from customers are received in the quarters ending March and June each year. Key points from the accompanying March 2023 quarter Appendix 4C Cash Flow Statement:

- \$3.62 million cash receipts from customers, a record quarter



- \$0.91 million cost of sales for the March quarter, with the main components comprising publisher payments relating to full-curriculum eBook sales made during the quarter (\$0.73 million) and trainer costs incurred in the delivery of VET qualifications by SSTs in the March quarter (\$0.12 million);
- \$1.46 million staff costs for the March quarter, which is consistent with the prior December quarter. Some staff departures during the March quarter have not been replaced, with the resultant savings to be reflected in future quarters;
- \$0.17 million administration and corporate costs for the March quarter, which is lower than prior quarters and cost saving measures have been implemented that will be reflected in future quarters;
- \$1.28 million positive net cash from operations for the March quarter; and
- payments to related parties (item 6.1 of the attached Appendix 4C) consisted of remuneration paid to directors during the quarter.



As noted above, ReadCloud's cash flows are highly seasonal, with most cash receipts from customers for the year to be received in the March and June quarters each year. The Company had \$2.47 million of cash at the end of the March quarter and zero debt.

The Company's Appendix 4C Cash Flow Statement accompanies this report.

-Ends-

CONTACTS:

Investors & Media:

Luke Murphy, Chief Financial Officer
+61 409 933 924

About ReadCloud Limited

ReadCloud is the leading provider of eLearning software solutions, including eBooks, to over 600 schools and educational institutions throughout Australia. ReadCloud's proprietary eBook platform delivers digital content to students and teachers with extensive functionality, including the ability to make commentary in, and import third party content into eBooks.

Students and teachers can share notes, questions, videos and weblinks directly inside the eBooks turning the eBook into a place for discussion, collaboration, and social learning, substantially improving learning outcomes.

ReadCloud sources content for its solutions from multiple publishers, delivering the full Australian school curriculum in digital form in all States, on one platform. In the Vocational Education and Training (VET) sector, ReadCloud provides over 60 nationally accredited VET qualifications and services to schools and the broader VET sector.

Appendix 4C

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

Name of entity

ReadCloud Ltd

ABN

44 136 815 891

Quarter ended ("current quarter")

31 March 2023

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		3,620	5,777
1.2 Payments for			
(a) research and development		(130)	(271)
(b) product manufacturing and operating costs		(911)	(1,368)
(c) advertising and marketing		(65)	(170)
(d) leased assets		(47)	(93)
(e) staff costs		(1,496)	(2,983)
(f) administration and corporate costs		(170)	(475)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		5	8
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes (paid) / refund		47	21
1.7 Government grants and tax incentives		424	424
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		1,277	870
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	(732)
(c) property, plant and equipment		(8)	(9)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(8)	(741)

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	(120)	(120)
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	(120)	(120)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,325	2,464
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,277	870
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(741)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(120)	(120)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,473	2,473

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	2,473	1,325
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)	2,473	1,325

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	161
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.</i> <i>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	N/A	
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)	1,277
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,473
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,473
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <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>	N/A as positive cashflow for quarter
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? N/A	
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? N/A	
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? N/A	
<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: 28 April 2023

Authorised by: By the Board
(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.