



ASX Release

5 June 2019

ReadCloud Operational Update

Highlights

- **Strong pipeline of new schools for 2020, additional multi-year contracts signed**
- **Vocational Education and Training cross selling is delivering early results**
- **Bulk-buying discount with publishers to accelerate sales conversions**
- **Digitisation of Australian Training Products eBookstore is expected to be completed within the next few months**
- **Breakeven underlying EBITDA expected H2 FY19**

Leading provider of educational software solutions to schools, ReadCloud Limited (ReadCloud or the Company) (ASX: RCL, RCLO) is pleased to provide the following Operational Update.

Curriculum Schools

With the 2019 school year nearly half complete, ReadCloud's sales focus has turned to converting its strong school pipeline for the 2020 school year. Although still early in the selling season, 18 new Schools have agreed to or have entered into trials of the ReadCloud platform in preparation for the 2020 school year, with three schools already committing to multi-year contracts for 2020 and beyond. One large secondary school committed to a full 2020 rollout just 3 weeks into its trial. ReadCloud has had a significant success rate in converting trial Schools to paying customers in the past.

ReadCloud continues to work with its existing School customers to maximise the ongoing trend of student growth as existing customer Schools extend the use of the ReadCloud platform to additional year levels and a higher proportion of eBooks. Revenue from existing customer Schools in FY19 grew by 22% compared to FY18 as use of the ReadCloud platform expanded within those Schools. Management expects this trend to continue in 2020.

Vocational Education and Training ("VET") Sector

As announced 13 May 2019, ReadCloud's 100% owned subsidiary Australian Institute of Education and Training has generated revenue in excess of \$900,000 in the VET sector for FY19, exceeding the performance hurdle for the first tranche of deferred consideration in the acquisition.

Cross-selling of ReadCloud's VET course offering to ReadCloud full curriculum schools and vice-versa is a key part of ReadCloud's sales strategy. ReadCloud is seeing early results

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from cross-selling VET products, with two existing ReadCloud full-curriculum schools already committing to using ReadCloud VET courses in 2020.

ReadCloud is continuing to broaden the range of VET courses offered on its platform which now covers 40 courses, and continues to improve the quality of teaching materials available by sourcing best of breed content.

Publishers

ReadCloud is currently working with a number of textbook publishers to implement a bulk-buying opportunity for the 200+ member schools of the Queensland Secondary Principal Association (“QSPA”). ReadCloud’s exclusive Partnership Agreement with QSPA, which represents schools with student numbers in excess of 200,000, continues to present a significant opportunity for the Company, with only a small portion of these students currently using the platform. Once the bulk-buying opportunity is in place, QSPA schools will be able to take advantage of the bulk-buying discount by purchasing their digital resources through the ReadCloud platform. ReadCloud expects this significant initiative to result in increased conversion rates. ReadCloud will earn annual SaaS fees for use of its platform, in addition to margins on the eBooks purchased.

ReadCloud is also working with one of its publishers, Oxford University Press (“OUP”), on a direct integration with OUP’s digital resource delivery platform that will eliminate the need for passwords for students and teachers accessing OUP’s digital resource delivery platform from within the ReadCloud platform. This feature is intended to further streamline the ReadCloud user experience and is expected to be implemented for the 2020 school year.

Australian Training Products Partnership

The Directors of ReadCloud are excited at the scope of opportunities presented by its strategic agreement with Australian Training Products (“ATP”). ATP is a provider of a wide range of training resources to over 1,000 RTOs in Australia and internationally, representing approximately 25% of all RTOs in the Australian education market. In April 2019 ReadCloud announced a 3-year Strategic Distribution Agreement with ATP to assist with protection and delivery of its digital content.

Integration of ATP’s full eBookstore into the ReadCloud platform has commenced, with completion expected in the next few months. This integration involves the digitisation and encryption of ATP’s entire textbook range and delivery of this content via the ReadCloud platform. To coincide with the launch of the ReadCloud-integrated ATP eBookstore, ReadCloud will participate in a number of joint marketing events with ATP in the coming months, including attendance at the 2019 Queensland Schools VET Conference and the 2019 National VET Conference. The Company looks forward to showcasing its technology’s unique capabilities at these conferences and pursuing the sales leads that may follow.



ReadCloud has also commenced enhancing the ReadCloud software platform to enable ATP-produced videos to be embedded inside ATP's course materials, significantly enriching this content and further entrenching the ReadCloud technology into ATP's training services.

The ReadCloud platform also has the potential to offer unique and compelling benefits to the VET sector which often uses practical demonstrations of capability as part of its course assessments. As an example of the innovations possible, students will be able to video their practical demonstration of say a cookery or trade skill, upload the geo-tagged and secure video for assessment which will be archived on the ReadCloud system for compliance and audit purposes.

Finance Update

Customer invoicing for Curriculum Schools and VET sector for the 2019 school year is now almost complete with unaudited consolidated revenue for H2 FY19 expected to exceed \$2.3 million. This would see FY19 full year revenues exceed \$4.6 million which is an increase of 119%+ on FY18 revenue of \$2.1 million.

As at 31 May 2019 approximately \$3.3 million (including GST) cash receipts have been received from customers in the current half, with an additional \$190,000 owing from customers. ReadCloud expects to report positive cash flows for the current half.

Underlying EBITDA for H2 FY19 (after adding back the effect of certain non-operating and/or non-cash items) is expected to be breakeven, and the Company currently has cash reserves of \$3.1 million and no debt.

Outlook

Management believes the Company is well placed for strong organic growth in its four revenue streams being School Curriculum, Resellers, VET in Schools and Broader VET. As such the Company is not currently pursuing any further acquisitions.

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About ReadCloud Limited

ReadCloud is a leading provider of software solutions, including eBooks, to schools within Australia. ReadCloud's proprietary eBook reader 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 so that together with its reseller Channel Partners, ReadCloud is able to deliver the Australian school curriculum in digital form in all States, on one platform.

ReadCloud also provides digital Vocational Education and Training (VET) course materials and services to schools through its subsidiary Australian Institute of Education and Training (AIET), which offers 40 VET courses and Auspicing services to schools across Australia.

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