



## ASX Release

29 January 2020

# Quarterly Activities Report & Appendix 4C

## Highlights

- Strong growth in both School Curriculum and Vocational Education and Training sectors positions ReadCloud for strong full year growth in FY20
- The ReadCloud platform is now used in over 350 schools (up 75% from January 2019)
- ReadCloud now has over 103,000 users on its platform (up 25% from the end of FY19) with additional users still being signed on for the 2020 school year by contracted school and VET providers
- Cash receipts from customers in the December quarter of \$575,000 (an increase of 285% on the prior year December quarter), bringing total cash receipts from customers for 1H20 to \$809,000 (an increase of 155% over the prior comparable period)
- Revenues are seasonal, biased to the second half year, and ReadCloud expects strong revenue growth in H2 FY20 based on growth in contracted customers as students are enrolled for the 2020 school year

ReadCloud Limited (“ReadCloud” or “the Company”; ASX: RCL, RCLO) 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 December 2019 quarter.

## Operational update

In the December 2019 quarter ReadCloud achieved strong conversion of its 2020 sales pipeline across each of its four sales channels, being Direct full-curriculum sales, full-curriculum Resellers, VET sales and the broader VET market.

For personal use only



Notable wins for the Direct full-curriculum business in the December half-year included 3 of the largest State High schools in Brisbane (each with over 2,000 students, including the largest State High School in Queensland with over 3,000 students) and a large independent Anglican School in New South Wales. Direct sales efforts for the 2020 school year have deliberately focused on targeting larger schools as reference customers and for operational efficiencies (the on-boarding process for a school with larger user numbers is not dissimilar to that for a smaller school in terms of set-up and eBook provisioning). A number of enquiries directly attributable to recent school wins in Queensland have already been fielded by the direct sales team, with the possibility of signing up additional direct full-curriculum customers in the second half of FY20.

The on-boarding process for direct full-curriculum customers for the 2020 school year commenced in December 2019 and to date has run smoothly. Most of ReadCloud's direct full-curriculum customers placed their eBook orders prior to Christmas. However, a number of schools were still finalising their timetables and eBook orders in late December, with orders not placed until January 2020. As such, total user numbers and eBook sales for the direct full-curriculum business will not be known until the conclusion of the on-boarding season in the current quarter.

ReadCloud's full-curriculum Resellers have also had success in signing up new school customers for the 2020 school year since November 2019. Notable wins have included two prestigious Grammar schools in Melbourne that will be using the ReadCloud eLearning platform in conjunction with OfficeMax for physical booklisting in 2020.

Australian Institute of Education and Training ("AIET") continued to sign up new VET school customers for 2020 in the December quarter, with new school wins in Victoria, Queensland and Western Australia. Final school and user numbers will be known in the current quarter once schools have confirmed which VET qualifications they wish to offer in 2020 (dependent on student interest and student numbers).

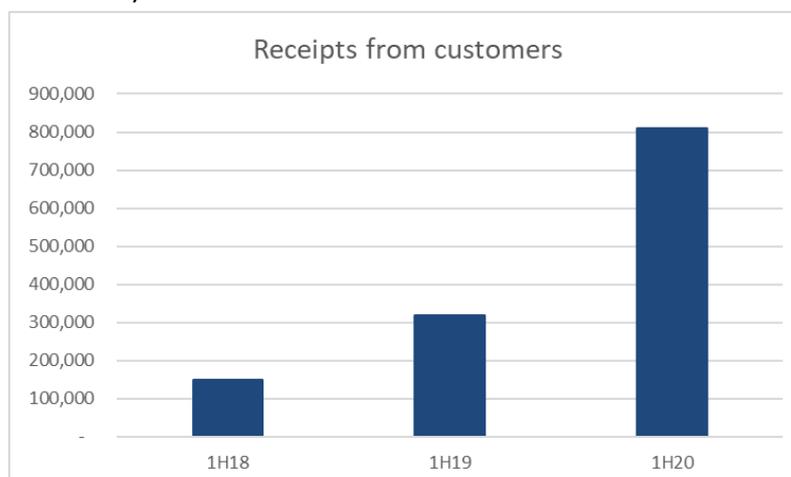
In the December 2019 quarter AIET licenced and commenced implementation of leading student management system aXcelerate. Currently used by over 700 Registered Training Organisations nationally, the aXcelerate software encompasses compliance, student enrolments, student management and finance (school customer invoicing) in one system. The aXcelerate software replaces three separate software platforms and will reduce operational and development costs whilst further strengthening school compliance monitoring.

### **Finance Update**

As noted previously, ReadCloud's cash flow is highly seasonal in line with the school year cycle. In FY19 the vast majority of the Company's cash receipts from customers were received in the second half.

Key points from the accompanying Appendix 4C Cash Flow Statement:

- Receipts from customers for the December quarter were \$575,000, bringing total receipts from customers for the H1 FY20 to \$809,000 (an increase of 155% on the \$318,000 for H1 FY19).



- Many of ReadCloud’s direct full-curriculum customers were still finalising their timetables and eBook orders in late December, which has delayed invoicing of these schools until the current quarter;
- ReadCloud is still to invoice direct school customers who hadn’t finalised their 2020 eBook content requirements prior to Christmas, with this revenue also expected to be received in the current quarter. In addition, ReadCloud invoices the majority of its Reseller revenue, including its share of margins on eBook sales to Reseller school customers, in the third (current) quarter of the financial year;
- Cost of sales (payments to publishers) for the December quarter was \$278,000, relating to sales during the September and December quarters;
- Staff costs for the December quarter were \$724,000 (versus \$782,000 for the September quarter), with the slight decrease reflecting the transition from quarterly to monthly remittance to the Australian Tax Office of Pay-As-You-Go (“PAYG”) tax withholdings (the September quarter included 5 months of PAYG tax withholdings versus 3 months for the December quarter); and
- ReadCloud received its FY19 Research and Development tax incentive refund in full in the December quarter.

The Company had a cash balance of \$2.8 million as at 31 December 2019, with the majority of cash receipts from customers for the year again to be received in the third quarter.

The Board and management remain confident in the outlook for the 2020 school year.

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 Schools and the Vocational Education and Training (VET) sector in 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 40 digital VET courses and auspicing services to schools across Australia.

ReadCloud currently has over 100,000 users on its platform.

This announcement is authorised for release to the market by the Board of Directors of ReadCloud Limited

For personal use only

+Rule 4.7B

## 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**

ReadCloud Ltd

**ABN**

44 136 815 891

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (December 2019) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	575	809
1.2 Payments for		
(a) research and development	(173)	(362)
(b) cost of sales	(278)	(347)
(c) advertising and marketing	(105)	(192)
(d) leased assets	-	-
(e) staff costs	(724)	(1,506)
(f) administration and corporate costs	(226)	(470)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (R&D)	393	393
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(537)</b>	<b>(1,673)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(22)	(45)
(b) businesses (see item 10)	-	(360)
(c) investments	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (December 2019) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(22)</b>	<b>(405)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	2,000
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	-	(150)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,850</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,399	3,068
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(537)	(1,673)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(22)	(405)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,850

For personal use only

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (December 2019) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,840</b>	<b>2,840</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,840	3,399
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,840</b>	<b>3,399</b>

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

<b>Current quarter \$A'000</b>
------------------------------------

160

-

Directors' remuneration for the December 2019 Quarter.

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

<b>Current quarter \$A'000</b>
------------------------------------

-

-

N/A

8. <b>Financing facilities available</b> <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.		
N/A		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	174
9.2 Cost of sales	1,200
9.3 Advertising and marketing	70
9.4 Leased assets	-
9.5 Staff costs	700
9.6 Administration and corporate costs	180
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	<b>2,324</b>

\* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions \$A'000	Disposals
10.1 Name of entity Australian Institute of Education & Training Pty Ltd and Australian Institute of Education & Training Unit Trust	-	-
10.2 Place of incorporation or registration Melbourne, Australia	-	-
10.3 Consideration for acquisition or disposal (cash)	757	-
10.4 Total net assets	66	-
10.5 Nature of business	-	-

For personal use only

### 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: 29 January 2020  
.....

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..