

ASX RELEASE | Schrole Group Limited (ASX:SCL)

Q1 FY20 Cash Flow and Summary of Activities

Highlights:

- Despite global school closures due to COVID-19, there was continued engagement and growth with the platform;
- Annual Recurring Revenue grew by 32% to \$5.1m as at end Q1 FY20 compared to prior year;
- Total revenue (invoiced sales) in Q1 FY20 increased by 27% to \$1,086,979;
- ISS-Schrole Advantage Licence sales totalled \$589k; with new licence sales during Q1 of \$229,963, representing growth of 50% compared to the prior year, and renewals totalling \$350,120 in line with previous quarters at 82%;
- Q1 FY20 cash receipts grew by 1.2% to \$885,000 compared to Q1 FY19; and
- ETAS business successfully operating online representing a key advantage during COVID-19.

29, April 2020: 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 ended 31 March 2020.

Schrole Group Managing Director, Mr Rob Graham said: *"It was particularly pleasing that during the first quarter, there was continued revenue growth, despite the significant impact globally of COVID-19 and this quarter traditionally being a quieter quarter in the international teaching recruitment cycle; demonstrating the resilience of the business and the ISS-Schrole Advantage Platform.*

"Furthermore, despite widespread school closures in all markets, licence sales for the Advantage teacher recruitment platform grew to 397 schools. Pleasingly there was also continued strong school and teacher engagement with the platform by existing clients and candidates.

"As a result of the challenging operating environment, Schrole has taken several decisive actions to underpin continued growth and optimise cash management.

"As part of its global growth strategy, Schrole has been in discussions with a number of large, multi-national, education software groups to promote the Schrole suite of HR services and to discuss potential partnerships. Shareholders will be updated on these discussions as appropriate.

"Additional initiatives undertaken during the period included an additional online teacher recruitment iFair and the transition of our ETAS professional development business to an online offering.

"The Company undertook a detailed review of costs which resulted in a reduction in operating expenses including staff costs as well as the deferral of non-essential expenditure. All staff, including Directors have taken a 15% pay cut for a 12-week period, to be replaced with performance rights that will further align staff interests with those of shareholders.

"Overall, I believe the Company is well placed to continue to deliver on our growth strategy with our market leading SaaS platform that is becoming increasingly more sophisticated. There is

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sustained long term growth in the International Schools market and there exist multiple cross-selling opportunities to increase revenue from our existing client base at the same time as opening up extensive new school networks via potential partnerships," he said.

Review of Operations

Total revenue (invoiced sales) in Q1 FY20 increased by 27% to \$1,086,979 from \$854,809 in Q1 FY19. Annual Recurring Revenue, calculated as the current value of active annual software licences, as at 31 March 2020, increased by 32% to \$5.1m compared with the prior year.

Total revenue (invoiced sales) in Q1 FY20 for ISS-Schrole Advantage was \$589,358 with associated premium candidate revenue of \$149,529. Total revenue for ETAS was \$279,369 during the quarter and the remaining businesses, including Verify and Cover, totalled \$68,723.

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.

In March, as part of its strategy to adapt to the COVID-19 environment, Schrole together with ISS, undertook an additional online 'iFair' for teacher recruitment. The iFair was well attended with over 300 teachers and 41 schools and 2 school groups in attendance. The feedback from all attendees was very positive as they look for better ways to enable global teacher recruitment.

During the period, all ETAS training courses were successfully converted to online delivery. In part due to travel restrictions associated with COVID-19, there has already been strong take up from existing customers.

Net cash used in operating activities in Q1 FY20 totalled \$603,179 reflective of normal operating costs plus \$178,000 in termination payments. Given that Q1 FY19 is traditionally a slower quarter for new licence sales as well as the challenges of COVID-19 a cash burn of \$425,179 with one-off payments removed is a pleasing outcome.

Further information regarding the activities in the major business units is set out below.

ISS-Schrole Advantage

Continued sales and renewals



Revenues for Advantage are generated by school licences and candidate subscriptions. Total revenues increased by 52% to \$738,887 during Q1 FY20 compared to \$485,961 in Q1 FY19 despite widespread school closures globally. There are now 397 schools that are actively engaged on the platform. Importantly the renewal rate was maintained in line from the prior quarter at 82%.

School groups represent a major growth opportunity for Schrole. There over 70 international school groups that consist of ten or more schools, representing over 2,000 schools. The school group functionality that was launched on the Advantage platform in December 2019 allows these school groups to manage their staff recruitment activities across multiple school locations and across different countries. During Q1 FY20, the Schrole sales and marketing teams held multiple

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discussions with these school groups and the Company continues to anticipate this functionality will represent a clear differentiator for Schrole and provide a strong basis for growth.

Strong school and teacher engagement despite school closures

There were more than 1,315 Premium candidates signed up on the Advantage system at the end of Q1 FY20. During Q1 FY20, there was a small decrease in the number of teachers signed up reflecting a slowdown attributable to COVID-19, particularly during March. The revenue generated from candidate subscriptions totalled A\$149,529 during the period.

Schrole Verify

Schrole Verify (background screening solution), which was launched in September 2019, has received a positive response from customers and the Company looks forward to accelerating the marketing for this product during 1H FY20. The demand for Schrole Verify continues to increase as schools are increasingly compelled to undertake reference checks for their existing and prospective teachers as well as for non-teaching staff members.



Globally schools are increasingly compelled to undertake reference checks not only for their teachers but also for their non-teaching staff and we remain confident that the Verify platform will see continued strong customer take up during the remainder of FY20.

However, the rollout of Verify has been measured to date as to manage capacity of the back-end provider as Verify scales. The focus of the development work continues to be to enable the offering to become an entirely automated service for schools and candidates.

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 with further sales to new schools, as well as confirmed renewals of key hospital clients during the quarter.



Schrole has seen continued sales growth in Schrole Cover, with the total number of active licences growing to 214 as at 31 March 2020, representing an increase of 33% over the total number of licences as at 30 March 2019.

Schrole ETAS

Schrole ETAS is the consulting and training division of the Company, providing nationally recognised training qualifications in training, leadership and management to major multinational mining companies and government agencies in Western Australia.



During the quarter, the Company successfully converted all courses to online delivery which has been very well received by existing customers. Revenues were impacted during the quarter as the Company transitioned to online courses.

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Staff Incentives

In light of the unprecedented challenges associated with COVID-19, the Company has undertaken a comprehensive review of costs. As part of this, the Company has offered staff the opportunity to accrue 15% of their salary in the form of equity in lieu of salary (**Salary Sacrifice**) up until the Company's AGM.

The number of Share Rights to which an employee will be entitled each month will be calculated by dividing the Sacrificed Salary by the volume weighted average market price of the Company's Shares (**VWAP**). The only vesting condition of the Share Rights is that the employee has not resigned at the issue date following the shareholder meeting. In the event shareholders do not approve the Share Rights, the employee will receive cash. Further details will be available in the 2020 Notice of Meeting which will be released in June 2020.

Payments to Related Parties

During the quarter the following payments were made to related parties of the entity and their associates as disclosed in Item 6 of the Appendix 4C;

- Payments to HWL Ebsworth, a related party of director Shaun Hardcastle, for legal fees on arms-length terms totalling \$9,216 (inc GST);
- Non-executive Director and Chairman fees totalling \$27,000; and
- Salary payments to Rob Graham totalling \$69,423.

-Ends-

This announcement was approved for release by the Board of Directors.

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.

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