

ASX RELEASE | Schrole Group Limited (ASX:SCL)

FY20 Results Overview

Stronger balance sheet, well defined growth strategy

FY20 Highlights:

- Finished FY20 with a strong cash position of \$5.1m, an increase of \$3.1m on prior year
- FY20 sales revenue grew by 1.3% to \$5.7m demonstrating resilience in a challenging operating environment
- EBITDA loss of \$1.0m, representing a 13% improvement on prior year, reflecting diverse revenues and disciplined cost control
- Net loss for FY20 of \$2.17m, 10.6% more than prior year, due to increased amortisation as software assets are utilised
- Major new software release is on track for first stage release mid-2021
- Collaboration with Faria's sales and development teams continues with full integration expected to be in place from July 2021

26 February 2021: Schrole Group (ASX: SCL) ('Schrole' or the 'Company'), an Australian education technology company, is pleased to provide an overview of its results for the year ended 31 December 2020.

Results Highlights

	2020 \$	2019 \$	%
Sales revenue	5,675,337	5,604,360	1.3%
- Software	4,696,199	4,295,441	9.3%
- Training*	979,138	1,308,919	-25.2%
Total revenue	6,144,602	5,684,245	8.1%
EBITDA	(1,033,235)	(1,187,366)	13.0%
Net loss	(2,177,382)	(1,969,565)	-10.6%
Cash and cash equivalents	5,107,987	2,005,189	154.7%
Net current assets / (deficiency)	1,547,796	(1,982,813)	
Net assets / (deficiency)	2,189,108	(709,968)	
Net cash (used in) operating activities	(1,000,811)	(859,279)	-16.5%

*Training sales during FY20 were impacted by reduced training activity overall as a result of COVID-19 however activity improved towards the end of the period with a 21% increase in sales in Q4 FY20

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Schrole Group Managing Director, Mr Rob Graham said: *“2020 was a particularly challenging year as a result of the COVID-19 pandemic. Against this backdrop it was particularly pleasing to see the improved engagement with schools and candidates, an increase in average contract value, as well as the increased share of the distributions of Advantage sales due to the revised ISS-Schrole agreement.*

“We finished the year with a strong cash balance and are well positioned to execute on our growth strategy to deliver an integrated HR platform to the global schools market. This integrated platform will be unique in its offering by combining modules in recruitment, background checking, onboarding, professional development and securing casual staff. The development work on the platform is progressing well with the first stage release currently in User Acceptance Testing and release scheduled for 1 July 2021,” he said.

Results

Annual Recurring Revenue (ARR), calculated as the current value of active annual software licences, increased to \$4.7m million compared to \$4.6 million in 2019. Full year revenues in 2020 improved by 8% to \$6.14m compared to 2019, driven by increased revenues for Advantage and other software platforms, more than offsetting the reduced revenues in Schrole Develop due to the impact of COVID-19 on training schedules. Total Advantage revenues increased by 12% to \$4.4m in 2020 and overall software revenues increased by 9.3% to \$4.7m.

During 2020, cash receipts from customers totalled \$5.3m. Net cash used in operating activities was \$1.0m. Schrole received government funding including COVID-19 pandemic relief funding totalling \$0.5m.

On 13 May 2020, the Company announced a capital raising and share placement totalling approximately \$5m. The placement was undertaken to sophisticated and professional investors raising \$2.12m (before costs) at 1.06 cents. At the same time, the Company announced that Faria Education Ltd. would invest \$2.9 m via Convertible Notes. At a shareholders meeting on 2 July 2020, approval was given for the issuance of the Convertible Notes. On 1 September 2020, the Company announced that Faria had converted its Convertible Notes into 273,113,208 shares.

At the end of the period, the Company held cash of \$5.1m.

Full year invoiced sales declined by 9% to \$5.37 million compared to 2019 representing the impact of COVID-19 on sales including continued economic disruption, travel restrictions and school closures globally as many schools transitioned to online and blended learning.

Schrole’s training activities undertaken by its wholly owned subsidiary ETAS (WA) Pty Ltd experienced a decrease in revenue in the year ended 31 December 2020 to \$1.0m from \$1.3m in 2019, due to subdued training activities resulting from COVID-19 mid-year, before recovering towards the end of the year to more normalised activity.

The improved net cash position from operating activities supported a year end cash balance in excess of \$5.1m. The company benefitted from a strong emphasis on cost control and increased focus on collections.

Faria

Technical work continues with the Faria team to provide auto provisioning of Schrole Connect school accounts for Managebac school users, along with the development of integration guides. The full integration between Managebac and Schrole along with continued cooperation between the Faria and Schrole sales teams is expected to be in place from July 2021.

ISS Agreement Termination

As a result of the revised agreement, Schrole's share of distributions from Advantage sales was higher during 2020. Part of the improvement in net cashflow from operating activities was attributable to the change in arrangement with ISS which resulted in Schrole earning a greater share of revenue.

Development

Schrole's development team is continuing to work on a major new software release which is on track for first stage release in mid-2021. The new software represents a significant strategic opportunity with a well-defined transition to a comprehensive HR platform that will ultimately integrate functionality from Schrole's current suite of SaaS applications with newly developed functionality for staff onboarding and management.

Unless otherwise stated all values are in Australian dollars.

-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 Develop** – providing accredited training solutions customised to the contexts in which our clients operate.

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