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ASX RELEASE | Schrole Group Limited (ASX:SCL)

Q3 FY20 Cash Flow and Summary of Activities

Q3 FY20 Highlights:

- Strong cash position of $5.2 million; surplus in net cash from operating activities in Q3 FY20
- Annual Recurring Revenue (ARR) steady at USD3.1m
- Faria investment converted to equity demonstrating strong support of the business
- Year to date (YTD) cash receipts from customers down 5.9% compared to prior year to $3.7m, reflecting continued uncertainty associated with COVID-19 on schools
- Cash receipts from customers of $1.47m in the quarter supporting positive net cash from operating activities
- Total user numbers in Q3 FY20 increased by 21% compared to Q3 FY19
- Increased engagement on ISS-Schrole Advantage platform underpinned by record number of attendees at the first iFair in October
- Redevelopment of Schrole software platform underway and on track for July 2021 release
- Appointment of Guy Perkins as non-executive director bringing a breadth of highly relevant experience in scaling Software as a Service (SaaS) businesses

29 October 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 30 September 2020.

Schrole Group Managing Director, Mr Rob Graham said: "*It was particularly pleasing to achieve a small surplus in net cash from operating activities during the period, despite the continued significant economic disruption, travel restrictions and school closures globally as many transitioned to online and blended learning.*

"September marks the start of a new academic year for the majority of Schrole's school customers. As a result of COVID-related impacts on these schools, the anticipated increase in school and teacher recruitment engagement that typically starts in September for roles to begin in the following year, has been delayed. During September, schools were continuing to assess student enrolments, teacher vacancies, travel restrictions and the potential for further lockdowns and school closures which has negatively impacted renewals.

"We are confident that the delay in the peak recruitment period is only temporary because both renewals and engagement on the platform have already improved so far in Q4 FY20. Invoiced Sales in October are ahead of budget and at a higher average contract value. There is also an increased level of marketing planned for the remainder of Q4 FY20.

"Achieving a positive net cash from operating activities during such a period of uncertainty demonstrates Schrole's resilience, with the actions taken during the start of COVID-19 such as reducing operating expenses, deferring non-essential expenditure, and optimising cash management, all combining to offset the delay in the peak sales and renewal period.

"The renewed ISS-Schrole agreement resulted in increased revenue share for Schrole which in part offset the reduced renewals during the period.

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"During the quarter, we made good progress on our planned integration with Faria, with the successful launch of the Single-Sign-On representing a highlight. We are now well placed to capitalise on this exciting opportunity with an aggressive marketing program already underway with several targeted and relevant offers for Faria schools.

"Schrole continues to focus on its long-term strategy to provide integrated HR solutions to schools for Recruitment, Background Checking, Onboarding, Professional Development and securing casual staff. As part of this strategy, significant development work continues on the platform which is planned to be completed in mid-2021," he said.

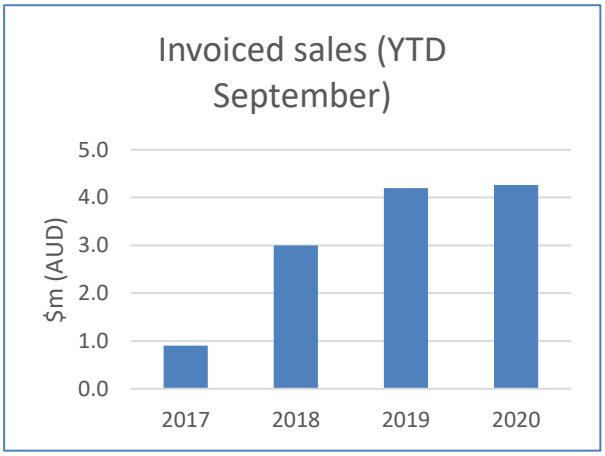
Strengthened Board

On 27 October 2020 Schrole announced that Mr Guy Perkins would join the Schrole board as a non-executive director. Mr Perkins brings a breadth of highly relevant experience to the Schrole board having held roles at several start up, and ultimately very successful, Software as a Service (SaaS) companies. In 2015 Mr Perkins was founding Director / strategic sales and business development of Spookfish Pty Ltd, a geospatial and 3D imagery business that was listed on ASX prior to being acquired by US-based Eagleview Technologies in 2018 with a valuation of AU$122m. Prior to Spookfish, Mr Perkins held the role of Chief Operating Officer at NearMap Ltd (ASX:NEA), which currently has a market capitalisation in excess of $1.2 billion. Mr Perkins is currently a Non-Executive Director of Soar.

Review of Operations

ARR, calculated as the current value of active annual software licences, was steady at US$3.1 million at 30 September 2020 compared to 30 June 2020.

YTD sales revenue (invoiced sales) was $4.3 million, representing a 2.4% increase on the same period in 2019.



Total revenue (AASB 15) for the quarter declined by 5% to $1.48 million, compared to Q2 FY20.

Year to date (YTD) cash receipts from customers was down 5.9% to $3.7m compared to prior year, reflecting uncertainty associated with the impact of COVID-19 on schools and the impact on Schrole Develop of deferred training.

Cash receipts of $1.47 million for the quarter supported a surplus in net cash from operating activities of $244,000. During the quarter, the Company received government funding including JobKeeper and Cashflow Boost totalling $213k. After adjusting for government grants, net cash from operating activities remains positive.

The Company continues to benefit from the reduction in costs that were achieved in Q1 FY20 including reduction of office lease payments, cancellation of all travel and continued rigorous control of all costs.

On 27 August the Company announced the conversion of series B performance shares. The Company's auditors, BDO, have independently confirmed invoiced sales exceeded $7m from June 2019 to May 2020.

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Strengthened balance sheet

On 13 May 2020, Schrole announced that Faria would invest $2.9 million in Schrole via a convertible note, which converted into a 18.5% strategic stake during Q3 FY20. Faria's 18.5% shareholding is subject to a voluntary 12-month escrow period. In addition, Schrole also received the proceeds from a placement to sophisticated and professional investors raising $2.12 million that was undertaken in June 2020.

A positive net cash from operating activities for the quarter also supported the increase in cash on deposit to $5.2m as at the end of September.

ISS Termination

On 8 July 2020, Schrole announced that it had agreed to terminate its agreement in June 2022 with International Schools Services, Inc ('ISS') for sales of ISS-Schrole Advantage Platform ('Advantage').

As a result of the revised termination agreement, Schrole's share of distributions from Advantage sales was higher.
During Q3 FY20, Schrole earnt USD497k in distributions from Advantage sales representing an improvement of approximately USD125k compared to what is likely to have been earnt under the original terms.

Faria Partnership

On 1 July 2020, Schrole announced that Schrole and Faria had signed an agreement to integrate and cross-sell Schrole's unique product portfolio into Faria's extensive school networks comprising over 3,000 international schools across 130 countries. The partnership is expected to deliver significant growth for Schrole and represents a major milestone in the Company's history.

Schrole and Faria have a highly complementary service offering and initial technical integrations have been completed incorporating a Single-Sign-On (SSO) to allow users to move seamlessly from Faria into ISS-Schrole Advantage and Verify services. Further integration is planned including the development of 'in app' recommendations within Faria platforms.

In line with the release of the SSO, Schrole is undertaking an aggressive sales and marketing campaign including a free trial that is targeted at Tier 1 schools, an upgrade for Classic school subscribers to gain access to one iFair (usually limited to premium subscribers), a media campaign targeted at all international schools to promote Schrole Develop courses, a free trial of Schrole Cover and a campaign to promote Schrole Verify.

Development

The Schrole development team continues to meet key development milestones along the production pathway to the new Schrole software release targeted for July 2021.

The new software release will replace the Advantage software and will represent a step-change improvement in functionality for Schrole users. The July 2021 release also represents a significant milestone along a more significant strategic pivot away from simply a recruitment solution, to a comprehensive HR platform that will ultimately integrate functionality from Schrole's current suite of SaaS applications to newly developed staff onboarding and management functionality.

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Appendix 4C

The attached Appendix 4C provides details of the cashflows for the quarter ended 30 September 2020.

During the quarter the following payments were made to related parties of the entity and their associates as disclosed in item 6.1 of the Appendix 4C, comprising:-

- Payments to HWL Ebsworth, a related party of director Shaun Hardcastle, for legal fees on arms-length terms totalling $18,061 (inc GST);
- Payments to Ventnor Capital, a related party of chairman Stuart Carmichael, for company secretarial services on arms-length terms totalling $18,634 (inc GST);
- Non-executive Director and Chairman fees totalling $29,850; and
- Salary payments to Robert Graham totalling $98,136.

Activities in the major business units are set out below

ISS-Schrole Advantage

Total revenue for ISS-Schrole Advantage for Q3 FY20 declined by 9% to S1.1m compared to Q2 FY20, reflecting uncertainty relating to COVID-19, however, it was pleasing that average contract value per school increased from USD9,000 to USD11,500. This is due to an increased number of schools choosing the more expensive Premier package which allows access to all the iFairs. New sales for the quarter were USD48,000 above budget however the number of schools overall fell from 388 at the end of Q2 FY20 to 350 at the end of Q3 FY20.

During Q3 FY20, the renewal rate was impacted by a broad range of factors relating to COVID-19 including hiring freezes at schools, concerns relating to enrolments, continued travel restrictions, the shift to online learning and more recently increases in cases of COVID-19 in many countries around the world.

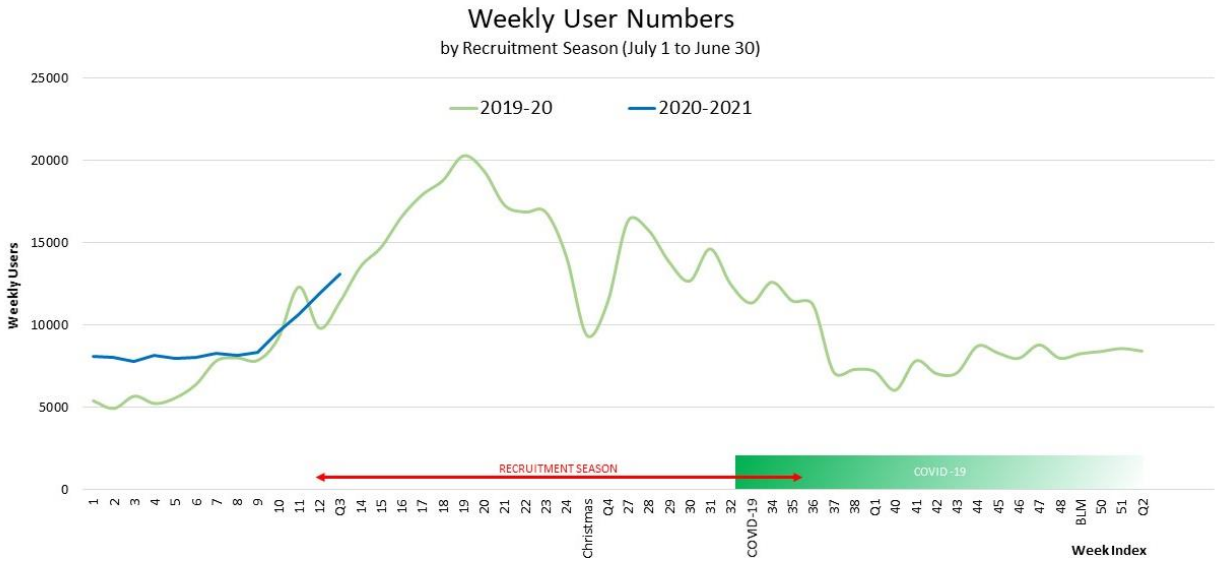
Candidates

During Q3 FY20, over 1300 Premium candidates signed up to the Advantage platform, with total premium candidates on a rolling 12-month basis slightly lower at 6,500 compared to 6,600 at the end of Q2 FY20. The Premium subscription enables candidates to have access to iFairs. Revenue generated from candidate subscriptions totalled $138k during the period.

Strong school and teacher engagement despite Covid-19 and delay in peak recruitment period

Total user numbers in Q3 FY20 increased by 21% compared to Q3 FY19 reflecting the increased acceptance of the platform across the market. However, this improved engagement was offset by a 35% reduction in job application starts over the same period, underlining the undersupply of job vacancies due to uncertainty relating to COVID-19.

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The first iFair took place across 15 and 16 October with a total of 1,162 candidates in attendance representing a new record. Pleasingly there were over 100 schools represented andttendance was up by 23% compared to the last iFair in November 2019. There are five further iFairs scheduled in the next five months and early enrolments are very encouraging.

The company remains well positioned to capitalise on the key selling period in the remaining months of 2020.

Schrole Verify

Schrole Verify (background screening solution), which was launched in September 2019, has received a positive response from both schools and candidates, however expected growth trajectories have been affected by both COVID 19 market conditions and the new Schrole software development strategy.

Whilst thorough background checks remain a critical consideration for schools globally, current market conditions mean pre-employment screening volumes have been significantly lower than expected.

Schrole Develop (formerly ETAS)

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

Sales during the quarter were once again impacted by reduced training activity overall because of COVID-19. YTD revenues were $606,075. There has been a sharp increase in demand for courses and there exists a strong pipeline of bookings through to Christmas 2020. The company has developed bespoke course content for a major mining company's mentoring course. The training for this course is expected to begin in January 2021. In addition, the company is pursuing a number of government funded training opportunities that are expected to begin in Q1 2021.

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Schrole Cover

Schrole Cover continues to enjoy strong renewal rates amongst both the education and health sectors. YTD revenues were $177,000. Whilst sales for the period were soft, new sales included a common user agreement with the East Metropolitan Health Service for a period of three years with two further single-year extension options. This contract provides Schrole with coverage of the majority of Perth metropolitan public hospitals.

Unless otherwise stated all values are in Australian dollars.

-Ends-

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

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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.

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of Schrole, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

Appendix 4C

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

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Name of entity

SCHROLE GROUP LTD (ASX: SCL)

ABN	**Quarter ended ("current quarter")**
27 164 440 859	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,466	3,637
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(696)	(2,578)
	(c) advertising and marketing	32	(2)
	(d) leased assets	-	-
	(e) staff costs	(583)	(2,050)
	(f) administration and corporate costs	(187)	(571)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	(2)	(3)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	213	433
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**244**	**(1,132)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3)	(22)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(101)	(236)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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**	**(104)**	**(258)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	708	2,019
3.2	Proceeds from issue of convertible debt securities	-	2,895
3.3	Proceeds from exercise of options	107	107
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(179)	(233)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(15)	(125)
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**	621	4,663

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,558	2,005
4.2	Net cash from / (used in) operating activities (item 1.9 above)	244	(1,132)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(104)	(258)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	621	4,663

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(77)	(37)
4.6	**Cash and cash equivalents at end of period**	**5,242**	**5,242**

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	5,242	4,558
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)**	**5,242**	**4,558**

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	(164)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

6.1 Directors' fees, salaries and superannuation, legal fees paid to a firm in which a director is a partner and company secretarial fees paid to a firm that is related to a director.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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**	-

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)	NA
8.2	Cash and cash equivalents at quarter end (Item 4.6)	
8.3	Unused finance facilities available at quarter end (Item 7.5)	
8.4	Total available funding (Item 8.2 + Item 8.3)	
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer:

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?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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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.

29 October 2020

Date: .....

Brett Tucker

Authorised by: .....
(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.

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