For personal use only

ASX Release

1 June 2021

ReadCloud announces key acquisition to drive growth and further expand presence in the VET market

The Directors of ReadCloud Limited ("ReadCloud" or "the Company"; ASX: RCL) are pleased to announce the acquisition of Ripponlea Institute Pty Ltd ("Ripponlea").

Ripponlea is the national market leader in Vocational Education and Training ("VET")-in-Schools courses for Applied Languages, which is a key vertical in the VET sector.

The acquisition expands ReadCloud's product offering and market presence in the VET-in-Schools market, a strategic focus for ReadCloud together with in-school education eLearning software solutions, including eBooks.

Headquartered in Melbourne, the business provides nationally accredited VET programs mainly in the language segment to 70 secondary schools throughout Australia, including Certificate II and Certificate III in Applied Languages. Ripponlea also offers courses in Fashion, Music (similar to ReadCloud owned COSAMP's products) and Small Business.

Of key strategic interest to ReadCloud, Ripponlea offers the TAE40116 Certificate IV in Training and Assessment ("TAE") with a growing reputation for high-quality delivery of this course. The Certificate IV is a required qualification for all teachers of VET across the entire sector.

ReadCloud doesn't currently offer VET language courses or TAE courses for teachers which provides an immediate cross-sell opportunity to ReadCloud's existing 500+ school customers. The acquisition also provides an opportunity to introduce Ripponlea's 70 school customers to ReadCloud's broader 50+ course VET offering as well as its full-curriculum digital education platform.

As a leading Registered Training Organisation ("RTO"), Ripponlea provides the proprietary course materials and accreditation that enables schools to offer these courses under Ripponlea's RTO licence. The business generated sales revenue of $0.85 million and delivered an adjusted EBITDA of $0.4 million in FY20.

Ripponlea's owner Sarah Pavy, who speaks and has studied multiple languages over the years, including European, Asian and Aboriginal, and one other employee will join the ReadCloud team to continue to grow the combined business.

The acquisition consideration for up to $1.8 million will be satisfied via a combination of cash and RCL shares comprising:

- $1,200,000 cash on completion from existing ReadCloud funds;

For personal use only

- $300,000, to be satisfied by the issue of shares in ReadCloud, to be issued at a minimum issue price of $0.38 per share, based on Ripponlea achieving defined revenue targets for FY21; and

- up to $300,000, to be satisfied by the issue of shares in ReadCloud, to be issued at a minimum issue price of $0.38 per share, on a sliding scale based on Ripponlea achieving defined revenue targets for FY22.

All RCL shares issued as consideration for the acquisition will be subject to voluntary escrow, with 50% escrowed for 12 months from the date of issue and 50% escrowed for 24 months from the date of issue.

The total acquisition cost represents between 3 times and 4.5 times FY20 adjusted EBITDA depending on the achievement of performance hurdles. ReadCloud has a track record of successfully acquiring and growing businesses, having grown the AIET VET business (acquired in November 2018) from revenue of $0.95 million in FY18 to $2.3 million in FY20 (up 140% in 2 years) and the COSAMP VET business acquired in October 2020.

Further information on the Ripponlea acquisition is contained in the accompanying presentation.

- 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 50 digital VET courses and auspicing services to schools across Australia.

ReadCloud services over 500 secondary school customers with over 113,000 users on its platforms.

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