



ReadCloud Limited

Acquisition of Ripponlea Institute Pty Ltd

- a leading Vocational Education and Training provider

RIPPONLEA INSTITUTE RTO 21230

Personalised learning in a
supportive environment

[See Courses](#)

Investor Presentation - 1 June 2021

Acquisition Overview



Agreement to acquire 100% of Ripponlea Institute Pty Ltd ("Ripponlea") for up to \$1.8 million

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Ripponlea Overview

- ▶ Headquartered in Melbourne, provides nationally accredited VET programs mostly for the language industry to 70 secondary schools throughout Australia
- ▶ National market leader in VET-in-Schools courses for Applied Languages, which is a key vertical in the VET-in-Schools sector
- ▶ Provides Cert II & III courses in Applied Languages covering 12 languages
- ▶ Generated sales revenue of \$0.85 million in FY20 and delivered EBITDA of \$0.4 million

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Compelling Strategic Rationale

- ▶ Proprietary products are entirely complimentary to ReadCloud's current VET offering
- ▶ Language courses and their course in Training and Assessment ("TAE"), a requirement to hold for VET-in-School teachers, can be offered across the ReadCloud Group providing a substantial growth opportunity
- ▶ Provides Music courses to 17 schools who will be moved to the ReadCloud COSAMP platform to realise synergies
- ▶ Provides ReadCloud with an outstanding opportunity to cross-sell its 50+ VET courses and full curriculum digital education platform into Ripponlea's schools, and deliver language courses into ReadCloud's 500+ existing school customers
- ▶ ReadCloud has a track record of successfully acquiring and growing businesses, having grown the AIET business from sales of \$0.95 million in FY18 to \$2.3 million in FY20 and the COSAMP VET business acquired in October 2020

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Acquisition Snapshot

- ▶ Acquisition will be funded by existing cash and shares with the consideration partly based on performance
- ▶ Purchase price is up to \$1.8 million, comprising an upfront cash payment of \$1.2 million and up to \$600k of RCL shares contingent on achievement of two year revenue targets
- ▶ Total acquisition cost is between 3.0 and 4.5 times FY20 Adjusted EBITDA subject to revenue performance over two years

Overview of Ripponlea



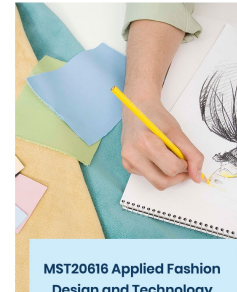
- Leading Registered Training Organisation (“RTO”) delivering proprietary VET courses mainly in the Applied Languages sector to 70 secondary schools throughout Australia
- Provides Cert II & III courses in Applied Languages covering 12 languages
- Contracted provider for all VET Applied Language, Small Business, Music Industry and Fashion programs in the Catholic sector
- School customer retention has been consistently high, built on high quality course resources and customer support
- Ripponlea 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
- Offers the TAE40116 Certificate IV in Training and Assessment which is a required qualification for all teachers of VET across the entire sector
- Provides proprietary course materials and accreditation that enables schools to offer these courses under Ripponlea's RTO licence

12 Languages Provided by Ripponlea:

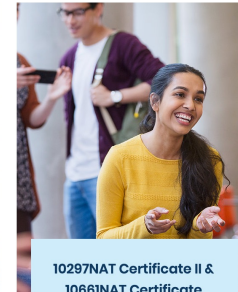
Chinese
French
German
Hebrew
Italian
Indonesian
Japanese
Spanish
Yiddish
Aboriginal Languages:
Arrernte
Djambarrpunu (Yolngu Matha)
Murrinh Patha



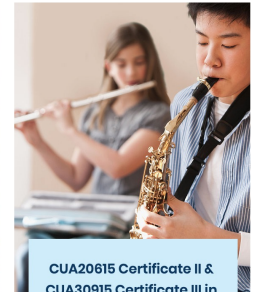
22480VIC Certificate II
in Small Business



MST20616 Applied Fashion
Design and Technology



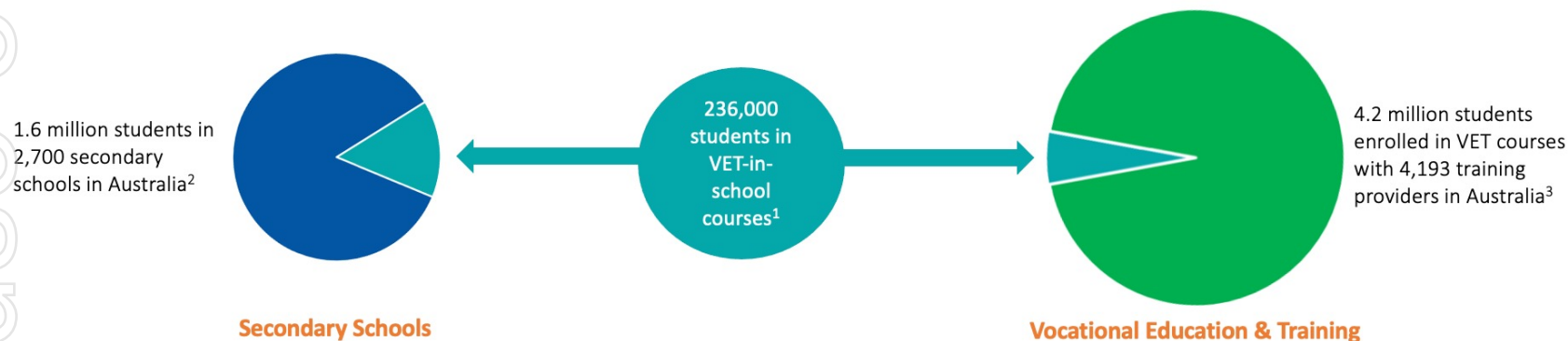
10297NAT Certificate II &
10661NAT Certificate
III Applied Language



CUA20615 Certificate II &
CUA30915 Certificate III in
Music Industry

The Australian Vocational Education Sector

- Increased delivery of VET courses in-school is a key component of the Australian government's strategy to increase secondary school student retention and improve year 12 or equivalent completion rates, by providing broader options for all students
- Courses help address skill shortages across all industry sectors
- 236,000 school students took VET courses in 2019¹, implying that nearly 1 in 2 senior students in years 11 and 12 study VET courses²
- With VET in secondary school courses costing approximately \$250-300 per course per annum, ReadCloud estimates it is a \$50-75 million industry



1. National Centre for Vocational Education Research – VET in Schools 2019 report (up from 60,000 students in 1996)

2. Based on 1.6 million secondary students in 2016 (Australian Bureau of Statistics) and assuming that one third of these students were in years 11 & 12

3. National Centre for Vocational Education Research Total VET students and courses 2017

Transaction Rationale



Ripponlea provides complimentary and highly regarded proprietary VET courses to 70 schools across Australia

Expands presence in the VET in Schools Sector	<ul style="list-style-type: none">▪ Ripponlea is the clear market leader in the languages segment of the VET-in-schools market▪ Expands ReadCloud's product offering in the VET-in-schools market, which is a key strategic focus for ReadCloud▪ Integrates the market leader in VET language courses which is a key vertical in the VET-in-schools sector
Direct access to new School relationships	<ul style="list-style-type: none">▪ Access to Ripponlea's existing relationships with 70 schools across Australia▪ The acquisition takes ReadCloud to over 570 secondary school customers
Digital delivery benefits	<ul style="list-style-type: none">▪ Digital delivery of Ripponlea's course materials (some still paper-based) via the ReadCloud platform will protect Ripponlea's IP, reduce costs and improve user experience▪ VET courses are significantly enhanced by audio and video content, which can be embedded within course materials via the ReadCloud digital platform
Significant cross-selling potential	<ul style="list-style-type: none">▪ The ReadCloud Group doesn't currently offer language courses nor TAE courses for teachers which provides an immediate cross-sell opportunity▪ Ripponlea provides a unique point of entry to new schools to introduce ReadCloud's broader VET and digital education platform
Value accretive transaction	<ul style="list-style-type: none">▪ Ripponlea is growing and was profitable in FY20▪ Increases the average sales per user across ReadCloud VET products▪ Immediate cost savings through conversion to digital delivery of courses and from shared services▪ ReadCloud has a track record of successfully acquiring and growing businesses, having grown the AIET VET business from revenue of \$0.95 million in FY18 to \$2.3 million in FY20

Acquisition Terms



- ReadCloud to acquire 100% of the issued capital of Ripponlea Institute Pty Ltd
- The purchase price is up to \$1.8 million including a 2 year earn-out
- Acquisition will be funded by existing cash and the issue of shares, with consideration in three tranches based on performance:
 - \$1.2 million in cash up front; and
 - shares in ReadCloud up to the value of \$600,000, contingent on achievement of Revenue performance hurdles in FY21 and FY22
- Shares issued as deferred consideration relating to the performance hurdles to be issued at the greater of \$0.38 per share and the 30 day volume weighted average share price at the time of issue
- The deferred consideration shares will be escrowed, 50% for 1 year from the date of issue, with the balance escrowed for 2 years from the date of issue
- Total acquisition cost represents between 3 and 4.5 times FY20 adjusted EBITDA depending on achievement of performance hurdles
- The Vendor of Ripponlea and one other employee will join the ReadCloud team to continue to grow the combined business

Key Investment Highlights



- ReadCloud is the leading digital education solution for Australian schools, delivering clear educational benefits and saving schools and students money
- ReadCloud is growing rapidly with over 113,000 users in over 570 school customers with ongoing growth in market share
- Strategic acquisition of Ripponlea provides a valuable addition to ReadCloud's VET in Schools business together with near-term cross-sell opportunities across Ripponlea's 70 secondary school customers nation wide
- The acquisition provides a substantial growth opportunity by offering Ripponlea's Teacher Training and Assessment courses for teachers across the ReadCloud Group
- Large market opportunity in Australia with an immediate target market of 2,700 secondary schools with 1.6 million students and 236,000 students yearly taking VET in Schools courses
- ReadCloud expects significant revenue growth from its existing direct school customers - from expansion of year levels using the ReadCloud digital education platform, additional eBook sales, and further penetration of the VET sector
- ReadCloud's highly scalable platform is leveraged to improving operating margins as user numbers increase
- Experienced and motivated management team with a clear growth strategy

Corporate Snapshot

ASX Code: RCL

Share Price (31 May 2021)	\$0.38
Market capitalisation (@ 38 cents)	\$44.0m
Shares on issue (listed)	118.3m
Options on issue (unlisted)	1.5m
Current cash (31 May 2021)	\$7.5m

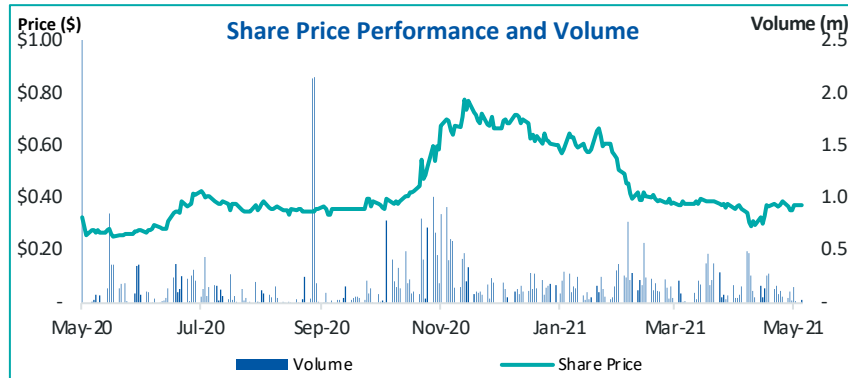
Board & Management

Cristiano Nicolli	Non-Executive Chairman
Paul Collins	Non-Executive Director
Guy Mendelson	Non-Executive Director
Lars Lindstrom	Executive Director (CEO)
Darren Hunter	Executive Director (CIO)
Luke Murphy	Chief Financial Officer
Melanie Leydin	Company Secretary

Substantial Shareholders

Thorney Group*	10.1%
Kinderhook LP	8.5%
Lars Lindstrom	7.2%
Hunmar Holdings/Darren Hunter*	6.0%
West Elk Partners LP	5.8%
Top 20	74.4%
Total Board and management shareholdings*	19.8%

*Includes indirect holdings



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ReadCloud Limited

284 Bay Street
Brighton VIC 3186

Lars Lindstrom | CEO

lars@readcloud.com

