

ASX RELEASE | Schrole Group Limited (ASX: SCL) June Quarter 2021 creates strong base for full-year growth

Highlights

- Strong momentum in transitioning to full global HR Software as a Service (SaaS) for teachers and educational organisations
- Schrole Connect 3.0 successfully launched with positive feedback from customers
- 55% increase in invoiced sales to schools of high-margin, flagship product, Schrole Connect compared to March Quarter 2021
- Record customer renewals of 94% for the quarter
- First half creates strong base for full-year growth, with invoiced sales heavily weighted to second-half of calendar year
- Average Contract Value (ACV) growth increased 5% from AUD8,419 in Q1 2021 to AUD8,811 in Q2 2021
- Strong outlook driven by three-pronged sales and marketing strategy
- Record high Schrole Community of 187,938 platform users and customers, 21% growth over 12-months, indicative of significant revenue growth potential and creates a competitive advantage for Schrole

28 July 2021: Schrole Group (ASX: SCL) ("**Schrole**" or the "**Company**"), is pleased to report strong June Quarter 2021 results, with a positive growth outlook.

Strong momentum

Schrole's increased investment in people, platforms and product is enabling the company to quickly progress its vision of transitioning to full global HR SaaS for teachers and educational organisations. This is evidenced by:

- Release of Schrole Connect 3.0 See ASX release, "*Schrole Connect 3.0 released*", dated 15 July 2021
- Change of arrangement with the International School Services (ISS) partnership agreement
- Strong levels of both renewals and new sales of Schrole Connect, the Company's flagship Software as a Service (SaaS) platform
- In AUD terms, June Quarter 2021 customer cash receipts increased +0.4% to AUD924k, compared to March Quarter 2021
- Three-pronged sales & marketing opportunity launched, as described below. See ASX release, "*A New Sales & Marketing Opportunity*", dated 1 July 2021.
- Strong customer support for new and upgraded Schrole HR SaaS suite, such as the contract upgrade from USD13,500 to USD63,000 to blue chip client Aldar Education Group. See ASX release, "*New contract with UAE school group*", dated 5 July 2020.
- Record renewals of customer contracts of over 90%, exceeding expectations
- Average Contract Value (ACV) growth of 5% from AUD8,419 in Q1 to AUD8,811 in Q2 with further growth in contract value expected via cross and upselling opportunities
- Continued investment in software development and sales, account management and marketing teams

Record Schrole Connect growth

Strong growth in SaaS invoiced sales, driven by Schrole 15 July 2021 Connect

Schrole is delighted to report growth in software revenues, with +55% growth in its sales to schools of its flagship, high-margin Schrole Connect software from AUD376,000 to AUD582,000. This is significant because Schrole Connect currently contributes over 90% of SaaS revenues.

In FY20, software sales generated 77% (AUD4.7m) of total AUD6.1m annual revenue. Schrole Connect generated 93% of total SaaS revenues.

The Company is also actively pursuing sales of its highly regarded accredited training products to its international school customers as part of its cross-sell strategy

Record renewals

Record renewal rates underpin revenue maintenance and growth and augur positively for transition away from ISS-Schrole distribution arrangement.

Schrole is delighted to report record customer contract renewals, with 94% customer contract renewals in Q2, with customers benefitting from strong engagement and support by the Schrole team which is now permitted with the unwinding of the ISS-Schrole agreement. This exceeds management's expectations.

Positive feedback from customers in relation to the newly released Connect 3.0 and the support they are receiving from Schrole during the termination of the arrangement with ISS suggests ongoing high renewal rates are likely.

Record renewal rates are a leading indicator of the following:

- Schrole's customers are responding positively to the upgraded Schrole HR SaaS suite.
- Successful transitioning away from the ISS-Schrole distribution partnership to Schrole only accounts.
- Margin expansion potential.

Strong base for full-year growth

First half provides a strong base for full-year growth

Strong levels of invoiced sales and renewal rates provide a strong base for full-year growth, as the Company progressively releases the full Schrole HR SaaS suite and drives sales with its three-pronged sales & marketing strategy. Annual Recurring Revenue (ARR) remains stable at USD3.3 million,

Historically, September to December is Schrole's peak sales period, as schools increase recruitment activity. Second-half cash receipts historically contribute between 60% and 80% of full year cash receipts.

Growth through reduced seasonality by increasing cross-sales during the first half of each year.

One growth strategy is to diversify revenues through product cross-sales during the historically quieter first half period from January to June.

The Company's full HR SaaS is intended to reduce invoiced sales seasonality, as new software modules, particularly Schrole Engage and Schrole Develop, can be sold during the first half-year. This product cross-sell can utilise sales resources throughout the year, reduce historical seasonality and increase annual revenues.

Margin expansion potential

Successful transition away from ISS-Schrole, with high renewals, indicatives margin expansion, as terms improve for Schrole as the ISS-Schrole distribution arrangement winds down.

As the ISS Agreement is being progressively unwound (see ASX release, "*Revision of International Schools Services agreement to allow Schrole to focus on its SaaS business*", dated 8 July 2020), Schrole's direct sales teams can now market globally and the account management team can engage with customers across the globe.

The global sales opportunity is significant because Schrole's direct sales team has a strong track record, with ~80% of sales growth generated by Schrole's direct sales team, as school customers grew from 160 in 2017 to 386 as at 30 June 2021, during the ISS-Schrole sales partnership.

Schrole is transitioning away from ISS-Schrole over 24 months, as follows:

- 12 months to 30 June 21: 50-50 share of new sales and renewals
- 12 months to 30 June 22: New Schrole sales 100% to Schrole and renewals 50-50 share
- Sharing of any sales/revenues terminates on 30 June 2022.

Managing Director and CEO Rob Graham said "As we transition away from the previous ISS agreement, Schrole's account management team have been focused on maximising renewals so that we can capture 100% of the revenue from these renewals in June 2022. Client feedback has been exceptionally positive, which is a testament to the value Schrole HR provides our customers".

Release of Schrole HR SaaS suite

Through the second half of calendar year 2021, the Company intends to progressively release "Schrole HR".

Schrole HR will integrate Schrole's current and new product offerings, to provide a full suite of 6 Human Resources Software-as-a-Service (SaaS) offerings, comprising Schrole Connect, Verify, Engage, Cover, Develop and Events.

Schrole HR creates significant cross and upsell revenue growth opportunities, as evidenced by the Company's recently upgraded contract with the UAE school group (see ASX release, *New Contract with UAE school group*, dated 5 July 2021).

From 1 July 2021, Schrole intends to progressively release new and upgraded Schrole HR SaaS modules, including:

- Schrole Connect 3.0 – released with new functionality and enhanced existing features and helping drive upgraded contracts. See ASX release, “*Schrole Connect 3.0 released*”, dated 15 July 2021
- Schrole Events 1.0 – is due for first release in 2H2021 and will provide regionalised online recruitment events including candidate to school SmartMatching and video interviews.
- Schrole Engage 1.0 - due for first release in 2H2021 and will provide contract management and onboarding software for schools.

Three-pronged sales & marketing growth momentum

Schrole is focused on growing revenue through our three-pronged growth strategy, comprising:

- direct sales,
- cross/upsell opportunities and
- Faria co-marketing.

1. Direct Marketing

The Company intends to market into previously closed geographies, with an expanded sales team already onboarded and securing new contracts.

From 1 July 2021, Schrole is being released from a sales contract with distribution partner ISS which limited the Company’s ability to sell directly into Europe and South America. Historically, Schrole’s direct sales team was limited to selling in Asia, the Middle East and North Africa (MENA).

SCL’s direct sales team has a strong track record, historically generating ~80% of all sales, with ~20% from distribution partner ISS.

In June Quarter 2021, the Company invested in its sales/account management teams to drive more products for sale to more customers, sooner, enabling a shorter payback period on each sales professional.

2. Cross/up sell opportunities

The Company sees a pathway to increasing Average Contract Value from ~AUD5,000 to ~AUD30,000 driven by margin expansion and new products.

Average Contract Value (ACV) increased from AUD8,419 in Q1 to AUD8,811 in Q2.

Schrole has demonstrated that the Company can generate significant upsell, such as:

- ISHMC contract value increasing from AUD20k to AUD154k (see ASX release, “*Expanded contract – Premier international school in Vietnam*”, dated 26 March 2021). ISHCMC is now utilising 2 of Schrole’s 4 key products.

- Contract upgrade from USD13,500 to USD63,000 for Aldar Education Group (see ASX release, “*New contract with UAE school group*”), dated 5 July 2020.

Schrole is actively exploring further potential cross and upsell opportunities across its customer base, and with its strategic partner Faria, as it progressively releases Schrole HR.

3. Co-marketing with Faria

From 1 July 2021, Schrole intends to commence joint marketing with its strategic partner Faria, across Faria’s customer base of ~11,000 international schools.

Schrole is excited by the significant opportunity to co-market with Faria.

Faria is one of the world’s leading Edtech companies, providing 5 SaaS products to ~3,000 international schools and ~7,000 domestic schools in the USA. Founded in 2006 to transition schools from paper onto a curriculum-based learning platform, ManageBac, Faria now counts 4 out of 5 International Baccalaureate World Schools as customers.

By way of comparison, Schrole currently has 352 school clients, generating \$6m revenue in CY2020.

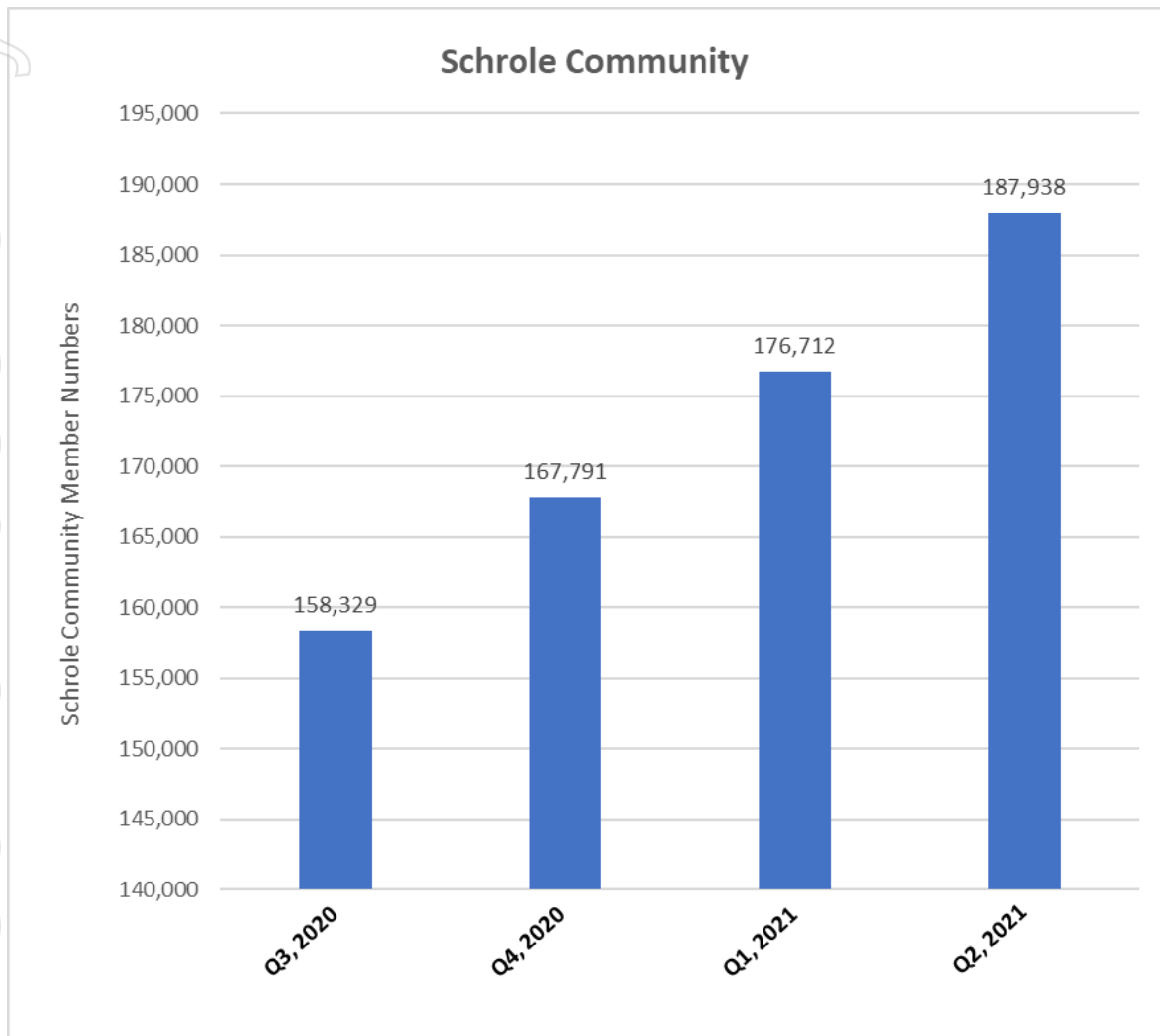
Schrole looks forward to increased exposure through single-sign-on and direct access to Schrole’s SaaS products through Faria’s platform.

Schrole Community

Schrole Community, a leading indicator of future revenue, achieves record high of 187,938.

Schrole Community ends 2020-21 school year on a high.

Schrole ended the northern hemisphere school year (ending June 30) with a record 187,938 community members across its HR platforms. This represents a 21% growth in numbers over the 12-month period and a 6.4% growth since the March quarter. Given the 19% reduction in job listings compared to the 2019-20 school year (Covid affected), this is an extremely pleasing result.



Appendix 4C

The attached Appendix 4C provides details of the cashflows for the quarter ended 30 June 2021.

The summary of expenditure for the quarter is:

	\$'000
Payments for product manufacturing and operating costs	\$ 608
Payments for advertising and marketing	\$ 19
Payments for staff costs	\$ 885
Payments for administration and corporate costs	\$ 115
Interest and other costs of finance paid	\$3

Payments to acquire property, plant and equipment	\$ 9
Payments to acquire non-current assets	\$ 284
Repayment of borrowings	\$ 22

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 \$23,464 (inc GST);
- Payments to Ventnor Capital, a related party of Chairman Stuart Carmichael, for company secretarial services on arms-length terms totalling \$14,812 (inc GST);
- Non-executive Director and Chairman fees totalling \$35,608; and
- Salary and bonus payments to Managing Director Robert Graham totalling \$128,750.

In addition, a further \$30,892 was paid to HWL Ebsworth, a firm related to Mr S Hardcastle, subsequent to his effective resignation date of 18 May 2021.

Comment

Managing Director, Rob Graham, said,

"I am pleased to report strong momentum across our business in the June Quarter 2021.

We have received very strong customer interest in our upgraded Schrole HR SaaS platform as demonstrated by our record renewal rates and upgraded material contracts.

We are well positioned to transition away from ISS-Schrole and to our Schrole direct sales model globally. Our expanded sales teams have been onboarded with improved sales processes intended to compress our sales cycles and shorten the payback period on each sales team member. Management has already seen a major improvement in our sales processes and our plan is to onboard sales reps across Europe, Asia and the Middle East to capture more market share.

We remain focused on growing sales through our three-pronged growth strategy – comprising direct sales, cross/upsell opportunities and Faria co-marketing.

With a strong and growing customer pipeline, HR SaaS suite rollout and expanded sales team, we have strong momentum and an exciting outlook."

About Schrole

Schrole is a global provider of SaaS solutions for teachers and educational organisations.

The Company's mission is to become the world's leading 2-sided online marketplace for teachers and educational institutions.

- **Schrole HR** will be progressively released from 1 July 2021, providing a range of integrated modules to optimise Human Resources processes and provide online professional development for teachers and educational organisations. Schrole HR will integrate Schrole's current and new product offerings, to provide a full suite of 6 Human Resources Software-as-a-Service (SaaS) offerings, comprising Schrole Connect, Verify, Engage, Cover, Develop and Events.
- **Schrole Connect** is an online SaaS platform that enables international schools to streamline teacher recruitment and candidate management activities. Significant enhancements include interview scheduling and calendar integration, DocuSign integration and customisable email management.
- **Schrole Verify** provides background screening in the international schools sector.
- **Schrole Engage** is due for first release in 2H2021 and will provide contract management and onboarding software for schools.
- **Schrole Cover** is a cloud-based software platform that engages relief staff at the touch of a button
- **Schrole Develop** provides accredited professional development solutions contextualised to client needs.
- **Schrole Events** is due for first release in 2H2021 and will provide regionalised online recruitment events including candidate to school SmartMatching and video interviews.

This release was authorized by the Company's Board of Directors.

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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 the Company, 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.