OVERVIEW

READCLOUD IS A MARKET LEADER IN DIGITAL CONTENT DELIVERY TO SCHOOLS IN AUSTRALIA

We deliver the school curriculum and VET-in-Schools content and assessments digitally

- ReadCloud is a highly scalable SaaS platform and is integrated from publisher to student
- Our product provides sophisticated collaborative learning tools and is well placed for both in-school and remote learning settings

We operate in a large and growing market

- 2,775 secondary schools with 1.6 million students
- 236,000 students yearly doing VET-in-Schools

OVERVIEW

readcloud

FY21 Finances
- $7.7m Revenue
- $9.0m Pro-Forma Revenue
- Underlying EBITDA positive for the first time
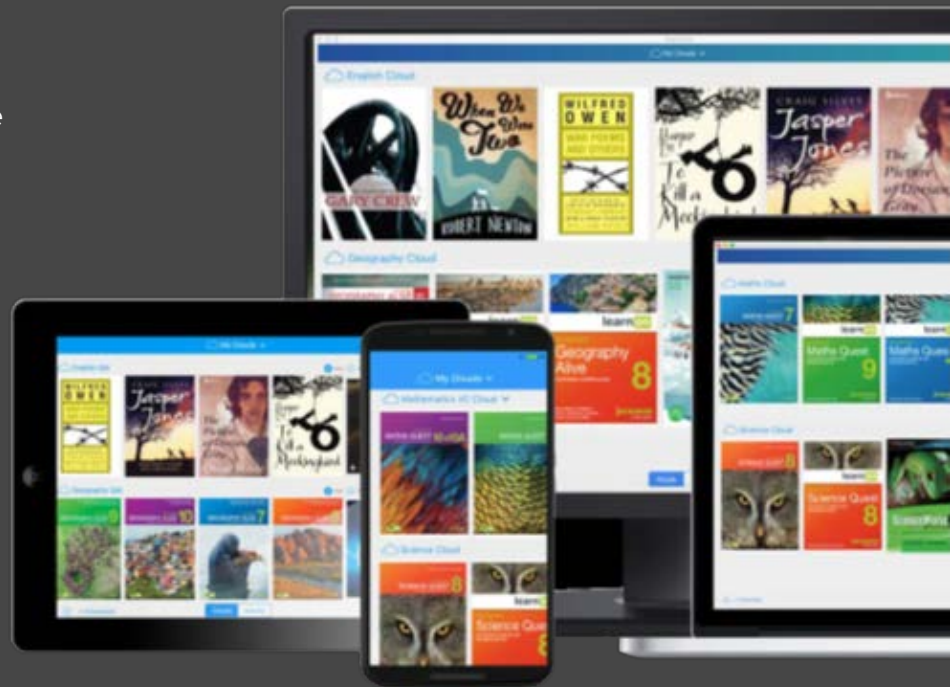- $6.3m Cash Balance

550 Schools
- 53% increase over FY20

116,000 Students and Teachers
- 56% increase in VET-in-School
- 21% increase in Direct Curriculum

$63 Average Revenue Per User
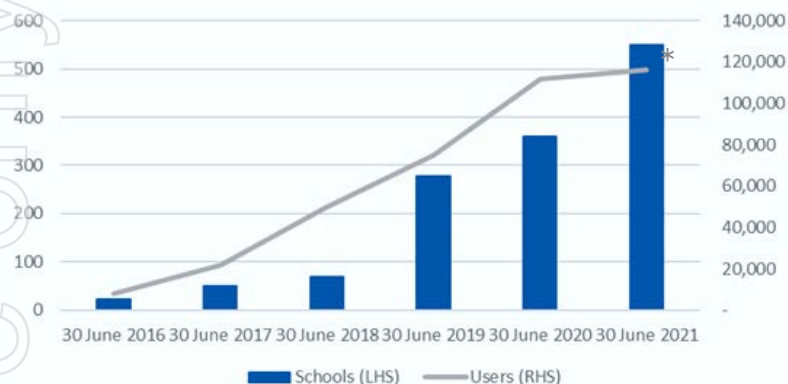
FY21 Highlights

readcloud

FY21 FINANCIAL HIGHLIGHTS

The Group is well capitalised to pursue growth initiatives with a cash balance of $6.3 million as at 30 June 2021

SCHOOL & USER GROWTH

* Lower rate of user growth - loss of Reseller school users, which have been replaced by higher margin direct full curriculum and VET-in-school users

SALES & FEE REVENUE BY SEGMENT

Legend: Full-curriculum segment | VET segment | Other revenue

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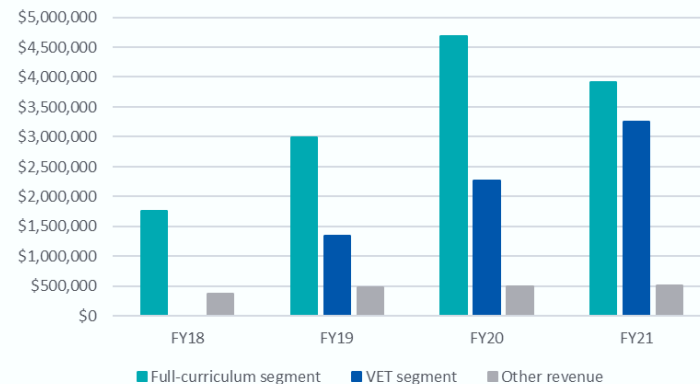
Maiden full-year Underlying EBITDA profit of $15,552 for FY21 (FY20: Underlying EBITDA loss of $161,141)

3% increase in consolidated revenue to $7.69 million (FY20: $7.46 million)

43% increase in VET segment revenue to $3.32 million (FY20: $2.32 million)

Current annualised run rate of over $9.0 million pro-forma revenue for FY21 (assuming COSAMP and Ripponlea Institute were owned for all of FY21)

Update on the ReadCloud Platform

SaaS PLATFORM EXPANSION

ReadCloud VET Group

Teacher Approval	Student Enrolment	eBook Courses	Online Assessments	Teacher Marking	Certificate Issue

ReadCloud Curriculum and Resellers

Publishers eContent — Encryption of eBooks — Integration to Publisher Portals, Reseller eCommerce and School Timetables — Cross platform eReading Apps — Social Annotations

Continued investment in the ReadCloud platform further strengthens our competitive advantage

SaaS PLATFORM EXPANSION (CONT'D)

ReadCloud VET Group Platform

ReadCloud recently went live with its newly developed VET-In-Schools platform which offers an end-to-end digital process from:

- VET Teachers online uploading their CV and credentials for approval

- Teachers inviting students to enrol online

- Students gaining access to their course materials as eBooks in the ReadCloud eReader and complete assessments online in the ReadCloud Hub

- Teachers being able to mark the assessments online to complete the course and issue a Certificate

All of the above steps are underpinned by ReadCloud technology

The new VET-in-Schools platform provides an excellent opportunity to scale the offering to this market without having to substantially increase the number of staff

ReadCloud Curriculum and Resellers

- ReadCloud recently went live with a new quoting, onboarding and invoicing system for Direct Curriculum customers. This has greatly enhances the scalability of this business where more schools can be on-boarded with the same customer support team

- During FY21, ReadCloud continued to invest in the Company's proprietary eReader platform to improve user experience and maintain a strong competitive advantage in regard to the platforms' future including some new local and international reseller and distribution opportunities
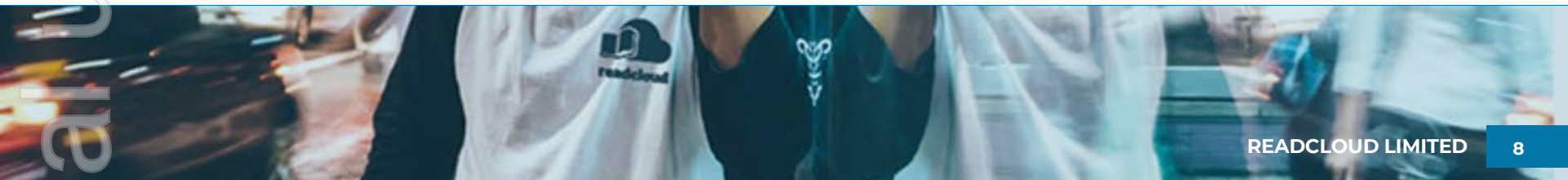
Launching the
ReadCloud VET Group

READCLOUD VET GROUP

The ReadCloud VET Group is now the largest Private operator of VET-in-Schools in Australia by scope of courses offered

1 **What is the ReadCloud VET Group?**	• In FY21, ReadCloud acquired two VET-in-Schools RTOs, COSAMP and Ripponlea Institute • COSAMP is the number one supplier in the Music Industry vertical in VET-in-Schools and added 184 school customers • Ripponlea Institute is the number one supplier in the Applied Languages vertical in VET-in-Schools and added 70 school customers • Combined with AIET, the ReadCloud VET Group services over 400 school customers and offer over 60 qualifications
2 **Platforms integration and operational synergies**	• There is a strong sense of excitement in anticipation of a nationwide launch of the ReadCloud VET Group planned for early 2022 • By bringing many of the systems used by the three RTOs together and integrating the ReadCloud eReader for the delivery of VET course materials, efficiencies are already being extracted • The previous owners of the three RTO's ReadCloud has acquired have integrated well and are all senior members of the ReadCloud VET Group. They remain highly motivated (and have large RCL shareholdings from the sale of their businesses) and are fully behind the Company's strategy to accelerate growth
3 **Cross selling and accelerating growth**	• The cross selling of each RTO's services to the customers of the other RTOs presents a large growth opportunity • Of the three ReadCloud RTO's collective schools, 85% of those school customers use only one of ReadCloud's VET providers (AIET, COSAMP or Ripponlea) in 2021 • Cross selling has already happened this selling season and management expects the number of school customers using more than one of ReadCloud's RTOs for 2022 will be substantially higher

TRENDS IN THE VET-IN-SCHOOLS MARKET

225,295 VET-IN-SCHOOLS STUDENTS

34%
33%
15%
18%
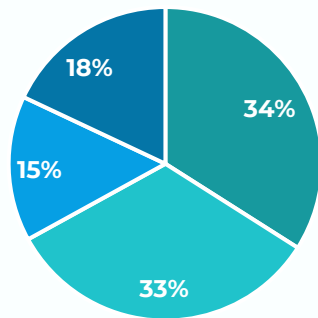
- School RTOs
- Private RTOs
- Tafe
- Unis & Other

ReadCloud is well placed to capitalise on the shift towards Private RTOs

5-YEAR TREND (2016-2020)

School RTOs	⬇	12%
Private RTOs	⬆	30%
TAFE	⬇	20%
Unis & Other	⬇	21%

Feedback from ReadCloud school customers

Schools prefer to deal with fewer RTOs as it reduces the administrative compliance burden

ReadCloud has already cross-sold its course offering for 2022 to a number of existing school customers of the three RTOs in the ReadCloud VET Group

Schools who are RTOs themselves are often finding it difficult to keep up with the regulatory changes and compliance demands

ReadCloud has already sold its Platform, eBooks and Assessments to a number of school customers that are RTOs themselves

Recent data release from the National Centre of Vocational Training Research ("NCVER") which shows an increase in VET-In-Schools Enrolments of 30% for Private RTOs and a decline in all other categories over the last five years

Source: NCVER 2020

11

Outlook – Accelerating Growth

OUTLOOK - ACCELERATING GROWTH

Leveraging the ReadCloud platform

- The newly developed VET-in-Schools platform provides an excellent opportunity to scale the offering to this market without having to substantially increase the number of staff

- The platform has been successfully offered to a number of schools who are RTO's themselves and management believes this trend will continue

- Platform automation for the Direct Curriculum customers also provides improved scalability for quoting to and onboarding new schools with fewer staff

High retention rates, strong new business growth and cross selling

- ReadCloud is seeing high retention rates at this stage with re-registration of existing schools still on-going during December/January 2022. Management is expecting to see a very small level of churn across the business

- ReadCloud continue to see strong new business sales growth across all channels

- A substantial cross selling opportunity exists over the coming years to deliver a wider range of courses to existing school customers who, in general, prefer to deal with fewer RTOs to reduce the administrative compliance burden

International interest

- Global Victoria selected ReadCloud for participation in a number of Virtual Trade Expo across South East Asia and the UK

- The learnings so far suggest that there may be a gap in certain overseas market for ReadCloud's Platform and in particular the ability to encrypt and protect publishers' eBooks

- As such, ReadCloud is making an investment in exploring and quantifying a Distributor/Reseller model in a number of overseas markets

OUTLOOK - ACCELERATING GROWTH (CONT'D)

Direct Curriculum Customers

- Continued organic growth in existing schools choosing to expand user numbers across year levels and increase the eBooks penetration rate
- Continued cross selling of VET into Direct Curriculum Customers
- Given COVID learnings to date, the outbound sales strategy implemented this year supported by dedicated sales staff actively managing numerous opportunities across each key market, has yielded a strong conversion of schools for the 2022 school year

Resellers Curriculum Customers

- ReadCloud continues to partner with Resellers who offer a one-stop-shop solution to schools wanting a combination of eBooks and physical books/stationary and have recently signed up two new Resellers who both have large school customer bases
- This provides a strong pathway to market for FY22 and beyond

M&A

- ReadCloud will continue to access further consolidation opportunities as management has a strong track record of successfully acquiring and growing businesses substantially

Management estimate ReadCloud will have well over 600 school customers for 2022

KEY INVESTMENT HIGHLIGHTS

- ReadCloud is a market leader in digital content delivery to schools in Australia

- Large market opportunity in Australia with an immediate target market of 2,775 secondary schools with 1.6 million students and 236,000 students yearly doing VET-in-Schools courses for Year 11 and 12

- Growing strongly with over 116,000 users in over 550 schools

- Strategically well positioned with VET-in-Schools, Direct and Reseller sales channels working well and partnerships with an increasing number of educational content publishers seeking a digital delivery solution

- Highly scalable platform with improving operating margins as user numbers increase, leveraging fixed platform costs

- Strong growth outlook with new school wins for the 2022 school year in all channels, an expanded sales pipeline and the recent appointment of new reseller partners

- Management is confident that its strategy to accelerate growth through investment in organic marketing and business development will result in strong revenue growth in FY22

- Experienced and motivated management team (with a combined equity ownership around 20%)

Appendix

FY21 FINANCIALS

Underlying EBITDA

($)	FY21	FY20	YOY
Sales and fee revenue	7,172,072	6,956,136	3%
Less publisher & bookseller fees	(3,050,995)	(3,891,795)	-22%
Margin after publisher & bookseller fees	**4,121,077**	**3,064,341**	**34%**
Add: Other revenue	515,304	500,096	3%
Less operating expenses:			
Advertising and marketing	(114,172)	(115,831)	-1%
Employment expenses	(3,373,377)	(2,628,224)	28%
Legal & compliance	(87,033)	(143,465)	-39%
Professional services expenses	(391,871)	(301,014)	30%
Telephone, internet & data hosting	(90,364)	(80,811)	12%
Travel expenses	(92,059)	(136,713)	-33%
Other expenses	(470,527)	(315,720)	49%
Finance costs	(14,257)	(9,563)	49%
Total operating expenses	**(4,633,660)**	**(3,731,341)**	**24%**
Add: Net interest expense / (revenue)	12,833	5,764	123%
Underlying EBITDA*	**15,553**	**(161,140)**	**N/A**

- Sales and fee revenue up 3% vs FY20:
  - VET segment sales & fee revenue ↑ 44% (AIET revenue ↑ 12%, revenue contribution from COSAMP)
  - Full-curriculum sales & fee revenue ↓ 17% (loss of lower margin Reseller and direct full-curriculum revenue)
- Publisher and bookseller fees ↓ 22% - reduced eBook sales due to:
  - reduction in lower margin Reseller revenue
  - greater use of proprietary VET course materials for delivery of VET programs
- Operating expenses ↑ 24% (↑ $0.90 million) due to:
  - employment costs ↑ 28% (↑ $0.75 million) as result of COSAMP and Ripponlea Institute acquisitions ($0.45 million) and investment in additional sales and marketing and operational staff
  - investment in RTO compliance and quality systems (mainly reflected in increased professional services expenses); and
  - 8 months and 1 month of operating costs for COSAMP and Ripponlea Institute respectively
- EBITDA adjusted for Interest, Tax, Depreciation and Amortisation, Share-based payments, transaction costs incurred on the COSAMP and Ripponlea Institute acquisitions and one-off ASX fees. See Appendix A for reconciliation to statutory result.

FY21 FINANCIALS

Balance Sheet

$	Note	30-Jun-21	30-Jun-20
Cash and cash equivalents	1	6,295,556	3,387,609
Trade and other receivables		928,268	597,366
Prepayments		59,927	55,946
Total current assets		**7,283,751**	**4,040,921**
Property, plant & equipment		267,675	111,385
Intangibles	2	8,038,723	4,450,488
Right-of-use assets		300,603	290,143
Total non-current assets		**8,607,001**	**4,852,016**
Total assets		**15,890,752**	**8,892,937**
Trade and other payables		627,330	389,416
Borrowings	3	462,837	-
Other current liabilities	4	412,020	207,308
Employee entitlements (Current & NC)		330,050	179,994
Contingent consideration (Current & NC)	5	1,000,000	-
Lease Liabilities (Current & NC)		328,045	316,887
Total liabilities		**3,160,282**	**1,093,604**
Net assets		**12,730,470**	**7,799,333**

Notes

1. Strong cash position at year-end of $6.3m

2. Intangibles include capitalised software development ($2.27 m), goodwill ($5.4m) and other intangibles acquired as part of the AIET, COSAMP and Ripponlea Institute acquisitions

3. Represents a bank loan assumed with the Ripponlea Institute acquisition (repaid in full post year-end)

4. Includes contract liabilities (unearned revenue - $0.30 million) and company tax payable in respect of COSAMP and Ripponlea Institute

5. Deferred consideration payable in ReadCloud shares to the vendors of COSAMP and Ripponlea Institute upon achievement of FY21 and FY22 revenue performance hurdles (any shares to be issued will be at greater of $0.40 and 30-day VWAP and these shares will be escrowed)

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