

ReadCloud Ltd

Q3 FY25 Results Update

Driving growth through schools

ReadCloud Limited (ASX:RCL) services the education sector through the provision of digital learning content, proprietary interactive technology, and support for students and educators. The company delivered a solid June quarter, recording a 35% increase in cash receipts over the previous corresponding period (pcp) to \$4.6m and maintaining disciplined cost control at the operating level. Its VET-in-Schools segment continues to grow strongly with a 27% revenue uplift and high gross margins (>90%) to date in FY25. Domestic direct eBooks Solutions' revenue rose 13% to \$4.5m for the first nine months of FY25 (September year-end) and management stated increased interest from international schools could lead to an acceleration in international sales in FY26. This was a positive surprise and is not yet in our forecasts. Management had previously flagged that recent state government policy changes were impacting the industry training business Southern Solutions (SS). As a result, sales and fee revenue were down 24% and in response, management has restructured the workforce, although further detail was not released. The SS revenue downturn is broadly in-line with our previously adjusted forecasts and we await further clarity post the current quarter for information around revenue and cost management going forward. That said, we forecast the SS business will represent only 14% of group revenue in FY25. With \$3.0m in cash, no debt and guidance of FY25 revenue between \$12.7m-\$13.0m, the company stated it is on track to deliver positive underlying EBITDA and operating cash flow for the year. As such, our forecasts remain unchanged as we are comfortable that the two core businesses are performing strongly. Our DCF valuation of \$0.33/share is unchanged, representing potential upside of 187% over the current share price.

Business Model

The business derives revenue from both its software platform and the content that it distributes to students and educators across the platform in its three verticals of VET-in-Schools (~46% of sales and fee revenue), eBook Solutions (~40% of sales and fee revenue) and Industry Training (~14% of sales and fee revenue).

The schools businesses are a strong growth engine

The strategic focus remains the school-facing businesses. We expect VET-in-Schools to deliver continued top-line growth momentum at strong margins and management has stated it is focussed on developing a strengthened eBooks growth strategy. Improved momentum internationally could be a key pillar and offers potential upside to our current forecasts. The business remains debt free and fully funded to deliver our completely organic growth forecasts, which we believe may be further enhanced by acquisitions going forward now that the existing core business is in such good shape. The Industry Training business (SS) faces uncertainty, but we have taken a very conservative stance in our forecasts so don't see it as a material risk to valuation going forward.

DCF valuation of \$0.33/share

We forecast the business to deliver underlying EBITDA profitability, and although the performance of the SS business has diluted some of the growth delivered from the schools businesses, we see it as a one-off pain point in FY25. The key to the growth story remains VET-in-Schools and eBooks and they are both performing strongly. Our existing forecasts are retained and our DCF valuation is unchanged at \$0.33/share.

Earnings history and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	EPS adj.* (c)	EV/EBITDA (x)	PER (x)
09/23a	10.7	(0.8)	(2.3)	(2.1)	n.a.	n.a.
09/24a	12.3	0.4	(0.6)	(0.2)	37.4	n.a.
09/25f	12.9	0.5	(0.4)	0.1	32.7	n.a.
09/26f	15.0	1.8	0.9	0.6	8.3	19.1
09/27f	17.1	2.8	1.9	1.3	5.9	9.1

Source: RaaS estimates for FY25f and FY27f; Company data for historical earnings; *Adjusted for one-time and non-cash items

Information Technology – Software & Services

29 July 2025

Share Details

ASX code	RCL
Share price (28-Jul)	\$0.115
Market capitalisation	\$17.7M
Shares on issue	153.6M
Net cash 30-Jun-2025	\$3.0M
Free float (LSEG)	96.7%
Av. Daily Volume (12 mths)	0.1M

Share Performance (12 months)



Upside Case

- Ongoing growth in VET-in-Schools
- Execution of growth strategy in eBooks
- Acquiring growth (all current forecasts are organic)

Downside Case

- Failure or delays in conversion of new sales
- Significant weakness in Industry Training
- Lack of traction in the eBooks model

Catalysts

- Ongoing proven momentum materialising
- Clarity around the eBooks strategy
- Potential M&A

Board and Senior Management

Cris Nicolli	Non-Executive Chair
Paul Collins	Non-Executive Director
Jonathan Isaacs	Non-Executive Director
Lars Lindstrom	Executive Director
Andrew Skelton	CEO
Luke Murphy	CFO / Co Sec

Company Contact

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***The analyst is also a principal of Cyan IM which owns shares in RCL.**

Exhibit 1: Financial Summary

Readcloud (RCL)						Share price (28 July 2025)						A\$	0.115				
Profit and Loss (A\$m)						Interim (A\$m)						H123a	H223a	H124a	H224a	H125a	H225f
Y/E 30 September	FY23A	FY24A	FY25F	FY26F	FY27F												
Revenue	10.7	12.3	12.9	15.0	17.1	Revenue	7.4	3.3	8.3	4.0	9.3	3.6					
Gross Profit	5.8	6.7	7.4	8.9	10.1	EBITDA (und)	0.5	(1.5)	1.1	(0.6)	1.8	(1.3)					
EBITDA reported	(1.1)	0.0	0.3	1.6	2.6	NPAT (adj)	(0.1)	(1.5)	0.4	(1.0)	1.3	(1.8)					
EBITDA underlying	(0.8)	0.4	0.5	1.8	2.8												
Depn	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	EPS (normalised)	(0.1)	(1.2)	0.3	(0.7)	0.9	(1.2)					
Amort	(1.0)	(0.9)	(1.0)	(1.0)	(1.0)	Dividend (cps)	-	-	-	-	-	-					
EBIT underlying	(1.9)	(0.6)	(0.6)	0.7	1.7												
Interest	0.0	0.0	(0.0)	0.0	0.1												
Tax	0.0	0.0	0.0	0.0	0.0												
NPAT (Rep)	(2.6)	(1.0)	(0.6)	0.8	1.7												
Significant & non-cash items	0.4	0.4	0.2	0.2	0.2												
NPAT (adj)	(2.3)	(0.6)	(0.4)	0.9	1.9												
Cash flow (A\$m)						Divisions/Categories						FY23A	FY24A	FY25F	FY26F	FY27F	
Y/E 30 September	FY23A	FY24A	FY25F	FY26F	FY27F	eBooks (Direct Domestic Internatio	4.5	4.8	5.0	5.7	6.7						
EBITDA	(0.8)	0.4	0.5	1.8	2.8	VET in Schools (Auspicing)	4.0	4.5	5.8	6.8	7.8						
Interest	0.0	0.0	(0.0)	0.0	0.1	Training (VET)	1.8	2.6	1.8	2.1	2.2						
Tax	0.0	0.0	0.0	0.0	0.0	Sales & fee revenue	10.2	11.9	12.6	14.7	16.7						
Working capital changes	0.3	(0.0)	0.2	0.2	0.2	Other income	0.4	0.4	0.4	0.4	0.4						
Operating cash flow	(0.4)	0.4	0.7	2.0	3.0	Total Revenue	10.7	12.3	12.9	15.0	17.1						
Mtce capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA (normalised)	(0.8)	0.4	0.5	1.8	2.8						
Free cash flow	(0.4)	0.4	0.7	2.0	3.0												
Capitalised Dev. Costs	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)												
Acquisitions/Disposals	(0.7)	0.0	0.0	0.0	0.0	Margins, Leverage, Returns	FY23A	FY24A	FY25F	FY26F	FY27F						
Other	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	EBITDA	(7.3%)	3.4%	3.7%	11.9%	16.1%						
Cash flow pre financing	(1.7)	(0.1)	(0.1)	1.2	2.1	EBIT	(18.0%)	(5.0%)	(4.5%)	4.8%	9.9%						
Equity	1.5	0.0	0.5	0.0	0.0	NPAT pre significant items	(24.5%)	(8.0%)	(4.6%)	5.0%	10.2%						
Debt	(0.2)	0.0	0.0	0.0	0.0	Net (Debt)/ Cash	1.7	1.4	1.7	2.7	4.7						
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA	(13.7%)	(5.4%)	(4.8%)	5.4%	10.9%						
Net cash flow for year	(0.5)	(0.1)	0.4	1.2	2.1	ROE	(23.3%)	(6.8%)	(5.1%)	9.8%	17.2%						
						ROIC	(33.8%)	(12.0%)	(11.3%)	11.8%	21.2%						
Balance sheet (A\$m)						Working capital	0.2	(0.1)	0.3	0.3	0.4						
Y/E 30 September	FY23A	FY24A	FY25F	FY26F	FY27F	WC/Sales (%)	1.4%	(1.2%)	2.1%	2.1%	2.1%						
Cash	1.7	1.4	1.7	2.7	4.7	Revenue growth	26.8%	14.7%	5.4%	16.3%	13.8%						
Accounts receivable	1.2	1.0	1.4	1.7	1.9												
Inventory	0.0	0.0	0.0	0.0	0.0	Pricing	FY23A	FY24A	FY25F	FY26F	FY27F						
Other current assets	0.1	0.1	0.1	0.1	0.1	No of shares (y/e) (m)	146	146	153	153	153						
Total current assets	3.0	2.5	3.3	4.6	6.8	Weighted Av Dil Share (m)	124	146	149	153	153						
PPE	0.1	0.0	0.1	0.1	0.1												
Intangibles and Goodwill	10.8	8.7	8.6	8.5	8.5	EPS Reported cps	(1.54)	(0.67)	(0.40)	0.49	1.14						
Investments	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Dilute cps	(2.12)	(0.41)	(0.29)	0.60	1.26						
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	109%						
Other non current assets	0.2	0.0	0.4	0.2	0.1	DPS cps	-	-	-	-	-						
Total non current assets	11.1	8.8	9.0	8.8	8.7	DPS Growth	n/a	n/a	n/a	n/a	n/a						
Total Assets	14.1	11.3	12.3	13.4	15.5	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%						
Accounts payable	1.0	1.1	1.2	1.4	1.6	PE (x)	-	-	-	19.1	9.1						
Short term debt	0.0	0.0	0.0	0.0	0.0	PE market	18.0	18.0	18.0	18.0	18.0						
Tax payable	0.0	0.0	0.0	0.0	0.0	Premium/(discount)	n/a	n/a	n/a	6.0%	(49.4%)						
Other current liabilities	2.3	0.4	1.4	1.6	1.7	EV/Revenue	1.4	1.3	1.2	1.0	0.7						
Total current liabilities	4.1	2.3	3.4	3.7	4.1	EV/EBITDA	n/a	37.4	32.7	8.3	4.6						
Long term debt	0.0	0.0	0.0	0.0	0.0	FCF/Share cps	n/a	0.3	0.4	1.3	2.0						
Other non current liabs	0.1	0.0	0.1	0.1	0.1	Price/FCF share	n/a	42.6	26.6	8.7	5.9						
Total non-current liabilities	0.3	0.2	0.3	0.3	0.3	Free Cash flow Yield	n/a	2.3%	3.8%	11.5%	17.0%						
Total Liabilities	4.4	2.6	3.7	4.0	4.3												
Net Assets	9.7	8.8	8.6	9.4	11.2												
Share capital	19.8	19.8	20.2	20.2	20.2												
Accumulated profits/losses	(10.4)	(11.4)	(12.0)	(11.2)	(9.5)												
Reserves	0.3	0.4	0.4	0.4	0.4												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	9.7	8.8	8.7	9.4	11.2												

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26th March 2024

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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