

Janison First-Half Financial Results: ‘Transformed and Scaling Up’

Janison Education Group Limited (ASX:JAN) (“Janison” or the “Company”), an education technology pioneer transforming the way people learn, today releases its **Appendix 4C – Quarterly Cash Flow** for the quarter and half-year ending **31st December 2019** (“Q2 FY20”), and unaudited, first half trading update for the financial year 2019/20 (“1H FY20”).

1H FY20 Key Financial Highlights:

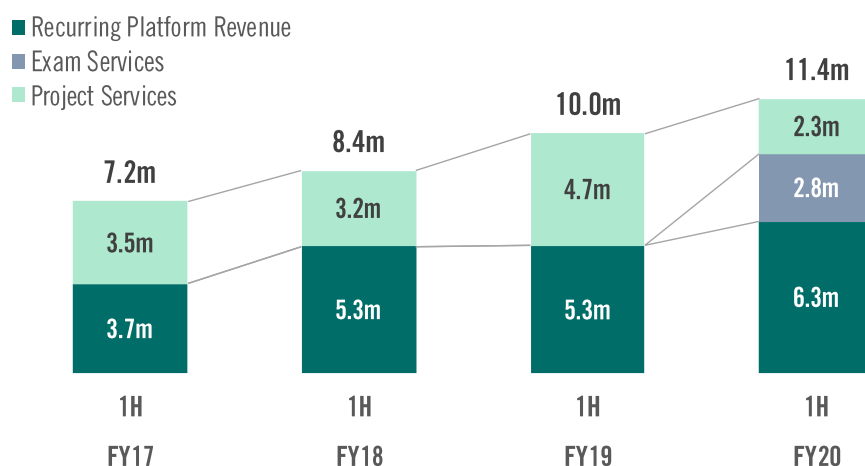
- **56% growth in ARR** (“Annualised Recurring Revenue”, as at 31 December 2019 vs. 31 December 2018)
- **14% growth in Total Reported Revenue for the six months to 31 December 2019** (1H FY20 vs. 1H FY19)
- **Gross Margin up 21 percentage points to 46% for 1H FY20** (vs. 24% 1H FY19)
- **EBITDA up 16 percentage points to 9% for 1H FY20** (adjusting for AASB16, vs. a loss of 7% in 1H FY19)
- **\$1.1m positive Operating Cash Flow in Q2 and \$2.8m for the six months of 1H FY20.**
- **\$4.2m Cash on hand, no debt**

Revenue

Janison posted a strong **56% growth** in annualised recurring revenue (“ARR”) at 31 December 2019, **growing to \$14.3m ARR** (from \$9.2m at 31 December 2018). Notable drivers of this growth include the licensing of Janison’s assessment platform (“**Janison Insights**”) to: **Roads & Maritime Services NSW, British Council and Education Services Australia (NAPLAN)**. More recently, Janison has begun working with education service providers in Russia, Brazil, the USA and Spain as a result of the 5-year exclusive global agreement Janison won with the **OECD** (Organisation for Economic Cooperation and Development) to digitise the PISA-Based Test for Schools (**PBTS**). As at 31 December 2019, Janison has secured 4 of the 80 countries who administer PISA or PBTS, with an expectation of several more countries signing in FY20.

Reported revenue for the group **increased 14%** for the first six months of FY20 (compared to the prior corresponding period “pcp” of the six months to 31 December 2018) from **\$10.0m to \$11.4m**. Reported revenue consists of Recurring Platform revenue, Exam Services revenue (currently all derived from the acquisition in April 2019 of LTC Language & Testing Consultants, which is highly recurring in nature), and one-off Project Services revenue.

First-Half Reported Revenue



Services revenue declined to \$2.3m for the first six months of FY20 as Janison drew to a close the extensive configuration and integration work required to transition its large assessment clients on to the Janison Insights platform. This project services revenue has now been replaced with long term recurring platform licence revenue. Overall **Services** revenue now comprises only **20% of total group revenue** vs. 47% in pcp.

REVENUE - FIRST HALF RESULT

(A\$m)	Six months ending		\$ Growth	% Growth
	1H FY19	1H FY20		
<i>Group Recurring Revenue</i>	5.3	6.3	+1.0	+19%
<i>Group Services Revenue</i>	4.7	5.1	+0.4	+9%
Group Revenue Total	10.0	11.4	+1.4	+14%
<i>Revenue by segment:</i>				
Assessment	5.5	7.9	+2.4	+45%
<i>Recurring Revenue</i>	2.3	3.9	+1.6	+70%
<i>Exam Services (LTC)</i>	-	2.8	+2.8	--
<i>Project Services</i>	3.1	1.2	(2.0)	(63)%
Learning	4.5	3.5	(1.0)	(23)%
<i>Recurring Revenue - Platform</i>	2.3	2.0	(0.3)	(14)%
<i>Recurring Revenue - Content</i>	0.7	0.4	(0.3)	(42)%
<i>Project Services Revenue</i>	1.5	1.1	(0.4)	(27)%
Group Revenue Total	10.0	11.4	+1.4	+14%

Figures shown above are currently unaudited, draft results for 1H FY20

Learning revenue was down 23% on pcp primarily within the Content division where two large clients, Kinross and Rio, last year chose to move to a low-cost LMS provider or to using in-house content which better suited the culture of the mining industry. This impacted Content (the licensing of 3rd-party content) and Platform revenue. Within Project Services revenue, Janison is cycling a period of higher content development work last year which is now in use by the client but 'once-off' in nature.

Platform to Product Transformation

Over the past 8 years, Janison's assessment division has historically partnered with large clients to build highly-configurable and customised assessment software. Whilst this has helped support Janison's technology roadmap it often resulted in long implementation periods (in excess of 12 months) and complex, lower-margin revenue. In recent years however, Janison has found great success with taking its now developed platform (**Janison Insights**) and 'productising' it by blending third-party, high-quality exam content to form a highly scalable, reliable platform to deliver turn-key assessments for schools around the world. An example of this is the digitisation of **UNSW Global's ICAS** test for schools which saw Janison transform its paper-based exam delivery process into a scalable and secure online assessment product with rich question types and vast analytical output capability, delivered to several countries around the world.

This 'productisation' of Janison's assessment platform delivers a higher-margin and faster go-to-market strategy. It also enables Janison to scale more quickly and enter new markets more easily with the combined brand strength of Janison and an established assessment provider such as UNSW Global. This blending of content and platform has worked well within the Learning division for many years and Janison sees this productisation as a key to winning in the Schools and Higher Education market sectors for digital assessment.

Earnings

The transition away from high volumes of custom software development to an 'off-the-shelf' assessment product has demonstrated its benefits in the first half financial results for Janison with a lift from 24% gross margin in pcp to **45% gross margin in 1H FY20**.

Despite Janison continuing to recruit and invest in its Sales, Account Management and Marketing function during FY20, most of the higher gross margin was passed through to bottom-line profits with an increase to **11% EBITDA margin** (9% when adjusting for AASB16 – see impact table in the AASB16 section of this release, from a loss of 7% in pcp).

INCOME STATEMENT - FIRST HALF RESULT

(A\$m)	Six months ending		\$ Growth	% Growth
	1H FY19	1H FY20		
Recurring Revenue	5.3	6.3	1.0	+19%
Services Revenue	4.7	5.1	0.4	+9%
Group Revenue	10.0	11.4	1.4	+14%
Cost of Sales	7.5	6.2	(1.4)	(18)%
Gross Profit	2.4	5.2	2.8	+114%
GM%	24%	46%		+ 21pps
Operating Expenses	3.1	3.9	0.8	+27%
EBITDA	(0.7)	1.3	1.9	--
EBITDA %	(7)%	11%		+ 18pps
Depreciation & Amortisation	0.1	0.9	0.8	+741%
Amortisation of Acquired Intangibles	0.1	0.9	0.8	+758%
Share-based compensation	0.7	0.4	(0.3)	(49)%
Other non-operating expense	0.0	0.3	0.3	+12650%
Net financial expense	(0.0)	0.1	0.1	--
Income tax expense	(0.2)	0.0	0.3	--
NPAT	(1.3)	(1.2)	0.1	(6)%
NPATA*	(1.2)	(0.3)	0.8	(72)%

Figures shown above are unaudited, draft results for 1H FY20

*NPATA is NPAT adjusted by adding back the non-cash charges relating to the amortisation of acquired intangible assets

EBITDA BY SEGMENT

(A\$m)	Six months ending		\$ Growth	% Growth
	1H FY19	1H FY20		
Assessment	(2.0)	(0.8)	1.1	(58)%
Learning	1.3	1.1	(0.3)	(19)%
LTC Exam Services	-	1.0	1.0	--
Group EBITDA	(0.7)	1.3	1.9	--
Assessment %	(36)%	(16)%		+20pps
Learning %	29%	31%		+1pps
LTC %	--	36%		--
Group EBITDA %	(7)%	11%		+ 18pps

Figures shown above are unaudited, draft results for 1H FY20

Learning posted a strong growth in profit at gross margin and EBITDA due to a more efficient servicing of clients and partly due to a favourable mix of revenue towards higher-margin platform revenue.

Guidance

In February 2020 Janison will release its audited Interim Report, a comprehensive trading update, and an investor presentation which will include an update to full year guidance for the group.

AASB16

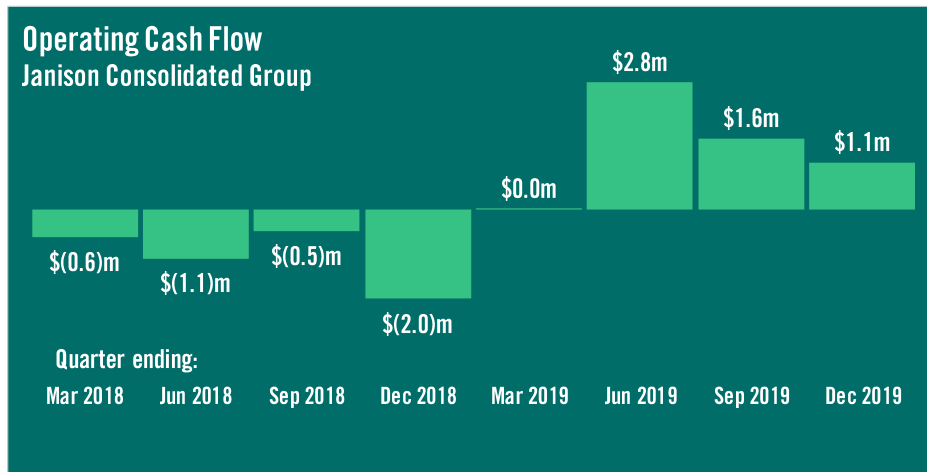
Janison has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the balance sheet. In the Income Statement, operating lease (rent) expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA results improve as the operating expense is now replaced by interest expense and depreciation in the Income Statement. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on the 1H FY20 Income Statement was as follows:

(A\$m)	Six months ending				Growth adjusted for AASB16	
	1H FY20 Reported	AASB16 Adjustments	1H FY20 Pre-Adjustments	1H FY19 Reported	\$ Growth	% Growth
Recurring Revenue	6.3	-	6.3	5.3	1.0	+19%
Services Revenue	5.1	-	5.1	4.7	0.4	+9%
Group Revenue	11.4	-	11.4	10.0	1.4	+14%
Cost of Sales	6.2	-	6.2	7.5	(1.4)	(18)%
Gross Profit	5.2	-	5.2	2.4	2.8	+114%
GM%	46%	--	46%	24%		+ 21pps
Operating Expenses	3.9	(0.2)	4.2	3.1	1.1	+35%
EBITDA	1.3	0.2	1.0	(0.7)	1.7	(261)%
EBITDA %	11%	--	9%	(7)%		+ 16pps
Depreciation & Amortisation	0.9	0.2	0.7	0.1	0.6	+538%
Amortisation of Acquired Intangibles	0.9	-	0.9	0.1	0.8	+758%
Share-based compensation	0.4	-	0.4	0.7	(0.3)	(49)%
Other non-operating expense	0.3	-	0.3	0.0	0.3	+12650%
Net financial expense	0.1	0.1	0.0	(0.0)	0.0	(134)%
Income tax expense	0.0	-	0.0	(0.2)	0.3	(112)%
NPAT	(1.2)	(0.0)	(1.2)	(1.3)	0.1	(9)%
NPATA*	(0.3)	(0.0)	(0.3)	(1.2)	0.9	(75)%

Cash

Janison posted its **fourth** consecutive **positive Operating Cash Flow** for the quarter to 31 December 2019, as illustrated below. This reflects the transition within the Assessment division from lower-margin software development to high-margin platform licensing revenue which took place at the end of FY19 and continues to build into FY20 with the global expansion of Janison Insights via the OECD partnership and PBTS. **Closing cash** on hand as at 31 December 2019 was approximately **\$4.2m**.



Appendix 4C – Quarterly Cash Flow Report is set out on the following pages.

Tom Richardson, CEO
trichardson@janison.com
+61 421 029 620

About Janison Education Group

Janison is an education technology pioneer transforming the way people learn and provides two primary offerings in the education technology industry.

- **Janison Learning** – a leading integrated learning business used by large enterprise and government departments to build capability in their people.
 - **Janison Assessment** – a leading global platform for the provision of digital exam authoring, testing, marking and analysis sold to national education departments, schools, tertiary institutions and independent educational institutions.
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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity	
Janison Education Group	
ABN	Quarter ended ("current quarter")
90091302975	31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year-to-date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,372	14,865
1.2 Payments for		
(a) research and development	(60)	(315)
(b) product manufacturing and operating costs	(2,489)	(3,685)
(c) advertising and marketing	(42)	(76)
(d) leased assets	38	(149)
(e) staff costs	(3,604)	(6,648)
(f) administration and corporate costs	(950)	(1,200)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(23)	12
1.5 Interest and other costs of finance paid	(24)	(24)
1.6 Income taxes paid / (received)	(167)	(167)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,052	2,613
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(36)	(39)
(b) businesses (see item 10)	-	(1,663)
(c) investments	-	-
(d) intellectual property	(1,222)	(2,466)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Termination of Term Deposit	-	-
2.6 Net cash from / (used in) investing activities	(1,258)	(4,169)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of lease liabilities (AASB16)	(241)	(241)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year-to-date (6 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,677	6,025
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,052	2,613
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,258)	(4,169)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(241)	(241)
4.5	Effect of movement in exchange rates on cash held	(58)	(56)
4.6	Cash and cash equivalents at end of quarter	4,172	4,172

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,172	4,677
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,172	4,677

6. Payments to directors of the entity and their associates

		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(185)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Details of Item 6.1:

Board of director salaries \$185k

7. Payments to related entities of the entity and their associates

		Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	(53)
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Details of Item 7.1:

Office lease payments made to Exec Board Member \$53k

8. Financing facilities available

Add notes as necessary for an understanding of the position

		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other Bank Overdraft Facility (unsecured)	1,000	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter		\$A'000
9.1	Research and development	87
9.2	Product manufacturing and operating costs	1,518
9.3	Advertising and marketing	51
9.4	Leased assets	200
9.5	Staff costs	3,776
9.6	Administration and corporate costs	145
9.7	Other (provide details if material)	875
9.8	Total estimated cash outflows	6,652
Note:	Item 9. Above excludes cash inflows, including cash receipts from customers estimated for next quarter. Item 9.7 includes estimated investments in the Group's platforms (IP) in the form of new products and feature enhancements.	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	LTC HoldCo, the parent entity of LTC Language & Testing Consultants Pty Ltd	NA
10.2	Place of incorporation or registration	New South Wales	NA
10.3	Consideration for acquisition or disposal	Approximately \$12.3m	NA
10.4	Total net assets	\$1.7m	NA
10.5	Nature of business	Assessment Investigation Services	NA

Details of Item 10:
The Acquisition of LTC Hold Co Pty Ltd was completed on 1st April 2019.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:
Company secretary

Print name: