

ASX Announcement  
11 August 2020

## Janison FY20 Full Year Audited Results

The Board of **Janison Education Group Limited (ASX:JAN)** (“**Janison**” or the “**Company**”), is pleased to release its audited financial results for the 12 months ended 30 June 2020 (“**FY20**”) and operational highlights for the year.

The results reflect the operations of Janison Education Group Limited and its subsidiaries (together, the “**Group**”) for the 12 months to 30 June 2020.

In its second full year of trading on the ASX, Janison has further increased its penetration of the \$150bn Education Technology market delivering **+22% growth in Platform Revenue**, **EBITDA of \$2.5m** and a **positive free cash flow of \$2.7m**, ending the year with a robust **cash balance of \$11m** and a newly-acquired end-to-end Schools business – **Educational Assessments (“EA”)**.

### FY20 HIGHLIGHTS

- § **+22% growth in Platform Revenue** – now 64% of total revenue (up from 51% in FY19)
- § **+11 percentage points increase in Company GM%** and **+16 percentage points increase for Assessments**
- § **\$2.5m EBITDA**, up **+26%** on FY19, and Assessments now delivering positive EBITDA
- § **\$7m capital raise** before costs
- § **+\$2.7m positive free cash flow** (excluding proceeds from capital raise), **\$11m cash on hand at 30 June**
- § **Successful acquisition of Educational Assessments (“EA”)** from UNSW Global
- § **OECD partnership expansion** into seven new countries (**US, Brazil, Portugal, Spain, Russia, Japan, Thailand**)
- § **Executive team established** - CTO, Chief Customer Officer, Head of Product and Head of Schools

### Revenue

Total platform revenue grew +22% in FY20 as a result of new customer wins in the **US, Brazil, Russia** and other PISA-for-Schools countries signed on to the Janison Insights platform in FY20. During the year, Janison delivered its first remote university exams for the University of London and university entrance exams in the Czech Republic for SCIO. The transition of strategic assessment clients from implementation to licensing also contributed to the growth of platform revenue in FY20.

Janison’s Learning division saw revenues contract in FY20 as a result of two large clients lost towards the end of FY19 with the full year impact of this being felt in FY20. A number of small clients chose not to renew their contracts in FY20 and other clients required less content development services in FY20 - all of which contributed to a (14)% decline in total Learning revenue on FY19. Management are addressing this with the recruitment of five new FTEs hired during 2H FY20 in Sales and Account Management, as well as a substantial investment in product development planned for FY21.

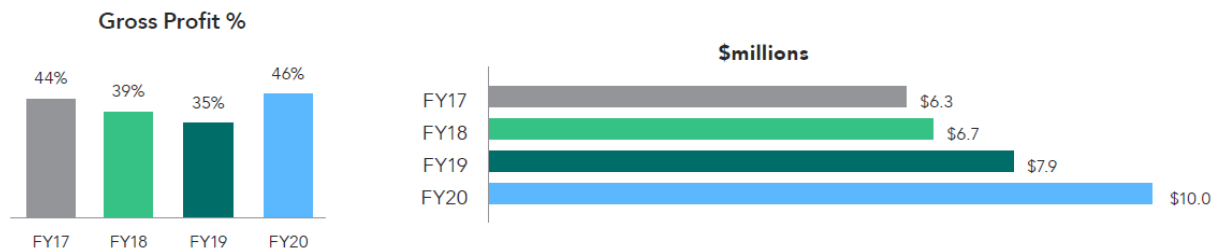
COVID-19 had a number of effects on Janison in FY20. A negative consequence of the pandemic was felt in the Janison Exam Management business (“**JEM**”, previously known as LTC) where all in-person exams were deferred for most of Q4 – normally the peak exams period in the JEM calendar – until Q4 FY21.

Conversely, COVID-19 has caused education institutions around the world to rethink their digital strategies, having had to find short-term solutions to maintain business continuity during a period where in-person teaching and assessments was not permitted. Management expect this acceleration of technology adoption in the assessments market will bring forward demand for its digital platforms and products by several years.

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## Gross Profit & Margin

Janison delivered its highest gross margin in FY20 as a result of its Assessment division increasing the proportion of licensing revenue earned for its off-the-shelf platform and assessment products and further reducing its reliance on revenue from custom software development for strategic clients. This shift in revenue has enabled Janison to increase platform revenue by +22% without increasing direct labour cost (Cost of Sales) proportionately, thereby delivering higher gross margins as the charts below demonstrate.



Through labour efficiency improvements and optimisation of cloud hosting costs, Janison further reduced its Cost of Sales in FY20 by (19)% on the prior year and increased its gross profit and margin to \$10m and 46% respectively. In FY21 management believes there is further opportunity to reduce cost of sales and in turn increase gross margin.

## Profit & Loss

Year ended 30 June	2020 (\$'000s)	2019 (\$'000s)	Change
Platform revenue	14,014	11,533	22%
Exam management revenue	3,860	2,523	53%
Project services revenue	4,008	8,440	(53)%
<b>Total operating revenues</b>	<b>21,882</b>	<b>22,496</b>	<b>(3)%</b>
Cost of sales	11,846	14,608	(19)%
<b>Gross Profit</b>	<b>10,036</b>	<b>7,887</b>	<b>27%</b>
<i>Gross Profit %</i>	46%	35%	11 ppt
Operating expense	7,881	6,975	13%
R&D tax incentive credit income	(338)	(1,075)	-
<b>EBITDA</b>	<b>2,494</b>	<b>1,987</b>	<b>26%</b>
<i>EBITDA %</i>	11%	9%	3 ppt
Non-operating expenses	1,285	1,756	(27)%
Depreciation and amortisation	3,607	963	275%
Financial expense / (income)	131	(100)	-
<b>Loss before Income Taxes</b>	<b>(2,529)</b>	<b>(632)</b>	-
Income tax	(357)	650	-
<b>Net Loss</b>	<b>(2,172)</b>	<b>(1,283)</b>	-
<b>Adjusted Net Loss (adjusted for acquired amortisation)</b>	<b>(430)</b>	<b>(763)</b>	-

Services revenue in the prior year (FY19) was abnormally high as a result of a substantial amount of implementation and configuration work for several large Assessment clients required to transition them into production and licensing of the Janison Insights assessment platform.

Operating expenses increased by 13% in FY20 as a result of investments made to increase Sales, Marketing and the leadership of the Group. As outlined in the 'use of funds' for its most recent capital raise, Janison will continue to invest in Sales and Marketing taking this percentage of revenue from 8% in FY20 to 16% in FY21 in order to capitalise on a large and growing online assessments market. Specific resources will be invested in the expansion of OECD PISA-for-Schools where all business development has been overseen by Janison's founder Wayne Houlden until now. Other specific investments will be made to further expand Janison's partner network and grow sales of ICAS – the schools' competition recently acquired through the EA business.

Revenue mix improvements and a substantial saving in Cost of Sales allowed the Group to offset its investment in Opex and a lower R&D incentive income to deliver a +26% increase in EBITDA and a higher EBITDA margin of 11%, up 3 percentage points on FY19.

## Cash Flow

Janison delivered **\$7.5m of operating cash flow** in FY20 – an increase of **+\$7.3m** on the prior year. Prudent cash and debtor management during COVID-19 assisted the Group in delivering strong operating cash flow as well as government support in the form of a \$0.8m JobKeeper subsidy, \$0.2m in Cash Boosts from the ATO, and a \$1.0m termination payment from UNSW Global.

Year ended 30 June	2020 (\$'000s)	2019 (\$'000s)	Change
Receipts from customers	29,444	21,647	36%
Payments to suppliers and employees	(21,905)	(21,781)	-
Income taxes refunded	(296)	238	-
Other (Interest paid / received, and grant income)	280	167	-
<b>Total cash flows from (used in) operating activities</b>	<b>7,523</b>	<b>270</b>	<b>2567%</b>
Product Development	(4,815)	(3,233)	-
Acquisitions	(3,521)	(5,036)	-
Effect of exchange rate changes	(160)	(41)	-
Financing activities	6,055	10,445	(40)%
<b>Net change in cash</b>	<b>5,082</b>	<b>2,406</b>	<b>111%</b>
<b>Closing cash at end of year</b>	<b>11,108</b>	<b>6,025</b>	<b>84%</b>
<b>Free Cash Flow / (Outflows)</b>	<b>2,708</b>	<b>(2,963)</b>	-

## Outlook

COVID-dependent, Janison expects good revenue growth in FY21 through a combination of;

- § Introduction of EA schools' products (ICAS, JET, REACH)
- § Continuing expansion of the OECD PISA-for-Schools assessment into more countries
- § New customer acquisition – direct and via partnerships such as D2L
- § Expansion of existing clients

This growth is supported by a **doubling of spend in sales and marketing**, from **8% to 16% of revenue** with dedicated resources invested in each of the key revenue drivers above.

In-person exam revenue remains suppressed by COVID-related restrictions into 1H FY21 but management are pivoting its resources in this division to support other areas of the business including remote proctoring and outsourced ICAS delivery as a means of mitigating the impact on revenue.

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The Group's revenue expansion in FY21 is planned from delivering **higher gross margin** products on the existing Janison platform with **little or no custom software development**. Coupled with efficiency gains and anticipated **savings in hosting costs**, **management expect gross margins to increase** beyond the 11-percentage point growth recorded in FY20.

Furthermore, as a result of COVID, education providers around the world are accelerating plans to adopt digital formats for teaching and assessing students which will increase demand for Janison's core products and platforms. A recent increase in the number of inbound leads received by the Group is evidence of this and suggests a favourable outlook for FY21 and beyond.

## Results Webcast

David Caspari (CEO) and Stuart Halls (CFO) will be presenting the full year FY20 results and business update on 11 August 2020 at 11am. Participants are invited to join the presentation by following the link below to a Zoom meeting:

[JANISON EDUCATION GROUP \(JAN.ASX\) FY20 Results – Investor Presentation Link](#)

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This announcement has been authorised by the Board.

For further enquiries, please contact Janison Investor Relations, email: [IR@janison.com](mailto:IR@janison.com)

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### *About Janison Education Group*

*Janison, a multi-award-winning Microsoft education partner, successfully delivers online assessment events to millions of candidates in more than 100 countries, for organisations including the British Council, the Organisation for Economic Co-operation and Development (OECD), the Singaporean government, and national and state government departments in Australia.*

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

- ***Janison Insights** – a leading global platform for the provision of large-scale digital exam authoring, testing and marking, servicing national education departments, tertiary institutions and independent educational bodies.*
- ***Janison Academy** – a leading integrated learning platform used by large enterprises and government departments to build capability in their people.*

Janison also manages the delivery and supervision services for in-person exams for the higher education sector and professional associations across Australia and New Zealand via the acquisition of LTC Testing in April 2019. Janison also recently acquired Educational Assessments – the creator and owner of the elite schools-based ICAS test, amongst other test products such as REACH, JET and SCOUT, from UNSW Global on 31 May 2020.

### **Forward looking statements**

This announcement contains forward looking statements. All statements that address events or developments that Janison expects or anticipate will or may occur in the future and guidance on financial performance are forward looking statements. These forward-looking statements are based on the Board or management's beliefs and expectations based on information currently available to the Board and management. The Company believes that these forward-looking statements

are reasonable as and when made. However, you should not place undue reliance on any such forward looking statements which are inherently uncertain. Janison does not undertake any obligation to publicly update or revised any forward-looking statements whether as a result of new information, future events or otherwise except as required by law or the ASX Listing Rules. Forward looking statements are subject to certain risks and uncertainties many of which are outside its control that could cause actual results, events and developments to differ materially from Janison's historical experience, or its present expectations or projections.

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