

Commentary for the Quarter Ending 30 September 2018

Janison Investing in Growth

Janison Education Group Limited (ASX: JAN) (“Janison” or the “Group”), the education technology pioneer transforming the way people learn, today announces its quarter ending 30 September 2018 (“Q1”) cash flow statement (Appendix 4C) for the financial year 2019 (“FY19”) and a trading update for the quarter just ended.

Janison’s strategy is to increase recurring platform income by expanding the scope of its Assessment and Training platform across five clear sectors; Learning customers (eg Westpac Bank), Schools (eg SEAB -Singapore Examination and Assessment Board, Singapore), Higher Education (eg Institute of Technical Education), English Language testing (eg British Council) and accreditation bodies (eg Government Departments for license testing).

Mandate for growth following new customer contract wins

On 10 September 2018, Janison announced it had been awarded a number of new contracts across its focus sectors. These included:

Schools:

- **Education Services Australia** – innovative solution for NAPLAN using Janison’s proprietary and award-winning Replay and Remote technologies.
- **NSW Department of Education** – Janison has been awarded “Best Start Year 7” - a new literacy and numeracy assessment package for schools to use in Year 7.
- **UNSW Global** - Janison to support the digitisation of a number of academic assessments for primary and secondary school students.

Accreditations:

- **Roads & Maritime Services NSW** – Janison commences a project to update a computer-based road rules knowledge test.

Learning:

- **Department of Education in NSW** – extension for the online learning platform for planning, managing and recording professional learning for all teachers in NSW.
- **Canopi** – Janison will host three Saudi Arabian online e-learning courses and a learning management system
- **Big 4 Australian bank** – Janison to prepare a series of Risk Management e-learning modules.
- **Leading Australian Utility Services Company** – Janison is building a bespoke e-learning content on safety and risk.

In addition to these announced projects, Janison is working toward securing a number of very exciting contracts and projects in its other focus sectors:

- **Schools Assessment** – development of new assessment capabilities for an existing partner to improve delivery of formative and summative assessments and the completion of new, innovative technologies to provide an advanced solution for low band-width and offline delivery in Australian schools;
- **Language Testing** – expansion of our testing services including the addition of mainland China-based services to increase growth potential of products in the region;
- **Higher Education Assessment** – completion of a foundation project in Singapore and the development of new functionality to support further expansion into the Higher Education sector in Australia, Singapore and the UK;
- **Certifications** – completion of a foundation project for a State Government agency which includes the development of new strategic intellectual property which will support further expansion in this market segment;

These recent wins and the numerous opportunities Janison has for growth prompted a capital raising which was successfully announced on 27 September 2018 when institutional investors supported a \$5m placement.

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Financial Update (quarterly figures are unaudited):

Total revenue for the quarter ended 30 September 2018 was \$5.1m. All revenue categories, including platform and content recurring revenue grew when compared to the previous corresponding period and in line with management expectations.

The Company's focus for the past two quarters, since listing the company in December 2017, has been to invest in completing the following projects including new IP to further enhance Janison products to facilitate the ability to replicate sales to new customers across its primary focus sectors. Key initiatives are:

- **Schools** – NAPLAN: continue to deliver new enhancements to support regional and remote schools and increase student numbers for NAPLAN 2019.
- **Higher Education** – ITE: finalise build and launch of the digital examination platform.
- **Accreditation** – RMS: kick-off project to build digital licensing platform.
- **Language** – support of strategic partnerships to provide language testing in Asia.
- **Executive Team** – expansion of Janison's executive team and creation of a headquarters in Sydney.
- **Product Development** – scale-up development teams in Australia and Vietnam to finalise new product modules to allow commercialisation and to capture strategic market opportunity.
- **Business Development and Marketing** – to build capacity to expand reach and drive sales of existing products capability across all five core sectors.

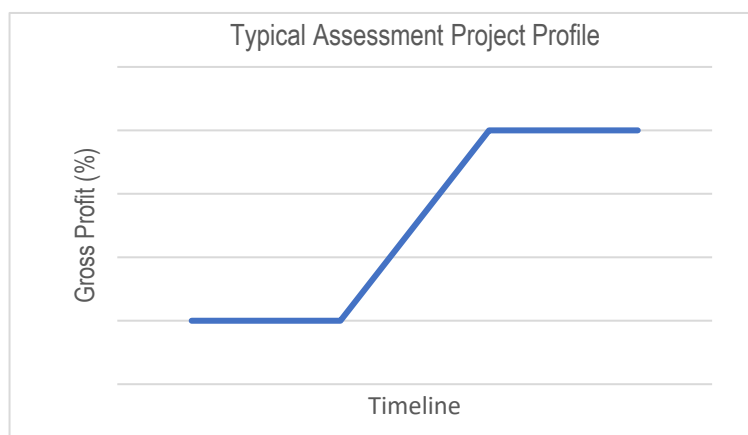
As a result of the investment in these critical projects in the quarter, some additional cash was invested in the form of both staff resources reflected in SG&A and product development expenses to deliver long term growth.

Strong Balance Sheet

Cash at bank of \$2.5m on hand, plus large receivables pending finalisation of some of the material projects identified in this update of \$5.4m and the additional \$5m cash raised gives Janison strong cash reserves to actively execute against its growth strategy in both the short and medium term.

With regards to cash invested in new projects it is important to understand the typical profile as a new customer moves from "Build" to "Platform"

As depicted, a typical assessment project requires an initial investment of direct labour upfront and billed as part of the Project Services Revenue. Janison, on some occasions, chooses to invest over-and-above the scope from the customer to add further IP to the platform so it is ready to offer to other customers at a future time. This additional cost is treated as product development. Once the build phase is finalised the customer moves to a platform income scenario.



The projects outlined above once delivered will generate increased annual platform revenue from FY20 over the duration of the term of the contracts.

Cash Flow Update (figures are unaudited):

Operating cash flow for the September quarter was negative \$466k reflecting the growth strategies and changes in working capital associated with many of these large build projects which are progressing toward final payment milestones. One project in particular, for which the majority of the work has been performed, is not due to invoice significant milestone payments of circa \$2m until later in calendar year 2019.

The Company's working capital fluctuates between quarters depending on the timing of milestone payments received from customers on software development projects combined with relatively large annual or quarterly payments to suppliers of content licenses and hosting services.

Q1 FY19 cash receipts from customers totalled \$4.5m versus \$3.4m in the previous quarter (Q4 FY18).

The Group's cash balance as of 30 September 2018 was \$2.5m compared to a balance of \$3.6m as of the beginning of the financial year. The \$4.6m net proceeds from the \$5m placement was received in October and is not reflected in the 30 September balance, nor are the large future milestone payments.

Estimated cash outflows for Q2 FY19 reflect a continuation of the Group's business plan to invest in business development personnel and platform improvements to drive future growth. Section 9 of Appendix 4c does not allow for an estimate of customer receipts for Q2 and as such have not been stated.

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 that is used by large enterprise and government departments to build capability in their people.
- **Janison Assessment** – a leading global platform for the provision of digital assessment providing authoring, testing and marking and is sold to national education departments, tertiary institutions and other certifying authorities.

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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

90091302975

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year-to-date months) \$A'000	(3
1. Cash flows from operating activities			
1.1 Receipts from customers	4,464		4,464
1.2 Payments for			
(a) research and development	(348)		(348)
(b) product manufacturing and operating costs	(487)		(487)
(c) advertising and marketing	(48)		(48)
(d) leased assets	(65)		(65)
(e) staff costs	(3,240)		(3,240)
(f) administration and corporate costs	(757)		(757)
1.3 Dividends received (see note 3)	-		-
1.4 Interest received	9		9
1.5 Interest and other costs of finance paid	-		-
1.6 Income taxes paid	-		-
1.7 Government grants and tax incentives	-		-
1.8 Other (provide details if material)	6		6
1.9 Net cash from / (used in) operating activities	(466)		(466)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	(50)		(50)
(b) businesses (see item 10)	-		-
(c) investments	-		-
(d) intellectual property	(598)		(598)
(e) other non-current assets	-		-

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Consolidated statement of cash flows		Current quarter \$A'000	Year-to-date months) \$A'000	(3
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	(648)		(648)

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 borrowings	-		-
3.7	Transaction costs related to loans and borrowings	-		-
3.8	Dividends paid	-		-
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	3619		3619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(466)		(466)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(649)		(649)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-		-
4.5	Effect of movement in exchange rates on cash held	-		-
4.6	Cash and cash equivalents at end of quarter	2,504		2,504

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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	2,504	3,619
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)	2,504	3,619

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
 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

**Current quarter
\$A'000**

(292)
-

Details of Item 6.1:

Board of director salaries \$238k
 Office lease payments made to Exec Board Member \$54k.

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
 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

**Current quarter
\$A'000**

79
-

Details of Item 7.1:

Office lease payments made to Exec Board Member \$54k.
 Content license fees made to CEO and Managing Director's Company, Execast for content license fees \$27k.

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
 8.2 Credit standby arrangements
 8.3 Other Bank Overdraft Facility (unsecured)
 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.

**Total facility amount at
quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

750

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	89
9.2	Product manufacturing and operating costs	550
9.3	Advertising and marketing	75
9.4	Leased assets	75
9.5	Staff costs	3,700
9.6	Administration and corporate costs	850
9.7	Other (provide details if material)	0
9.8	Total estimated cash outflows	5,339
Note:	Item 9. Above excludes cash inflows, including cash receipts from customers estimated for next quarter.	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	NA	NA
10.2	Place of incorporation or registration	NA	NA
10.3	Consideration for acquisition or disposal	NA	NA
10.4	Total net assets	NA	NA
10.5	Nature of business	NA	NA

Details of Item 10:

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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: 30 October 2018

Company secretary

Print name: Andrew Whitten

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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