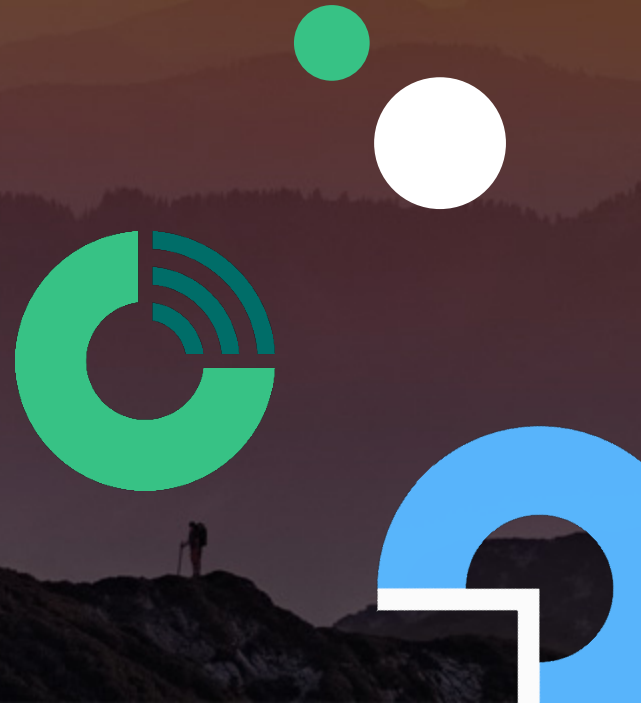


# Janison Education Group Limited

## Acquisition of UNSW Global Educational Assessments

JAN.ASX

19 May 2020



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# Transaction overview

## Summary

- Janison has reached an agreement to acquire the business assets of **Educational Assessments** (“EA”), a division of **UNSW Global**
- EA is a leading **assessment solutions business** and creator of **ICAS**, an elite skills-based competition for school years 2-12
- The acquisition materially increases the depth and quality of Janison’s revenue:
  - ~\$10m increase in recurring platform revenue
  - Highly experienced management and technical team
  - Client base comprising ~7,000 schools, including 50% of all domestic Australian schools, plus international partners
  - A deep library of educational IP that can be globally monetised
- Headquartered in Sydney, EA has **~32 employees**<sup>3</sup> and is a wholly-owned subsidiary of UNSW, a top-50<sup>1</sup> world class university and number one in Australia for research excellence and impact<sup>2</sup>
- Non-core vendor asset-divestment representing a core strategic acquisition for Janison in the Schools assessment market

## Transaction

- Janison will assume ~\$1.6m in the form of accrued employee liabilities. Nominal cash consideration.
- Estimated Completion Date on or around 31 May 2020

Notes: 1. Ranked 43rd in the 2020 QS World University Rankings

2. Australian Research Council

3. Headcount prior to acquisition is 49. Janison is assuming responsibility for a core team totalling 32 + 1 internal Janison leadership role

The Acquisition is also conditional upon the satisfaction of standard closing conditions precedent including, but not limited to, the senior management team accepting offers of employment, an employee attribution condition regarding a sufficient level of employee acceptances or confirmation of capabilities and the exchange of related transaction documents. The business sale agreement also contains warranties, indemnities and other terms considered customary for a transaction of this nature.

# Investor highlights

- Strategically compelling acquisition of a highly-valued suite of school assessments and an internationally-recognised brand
- Major expansion of Janison's K-12 product offering
- High-quality, high-margin recurring revenue (~\$10m in 2019)
- Significant opportunity to cross-sell:
  - EA product suite to Janison's expanding international customer and partner base
  - Janison's products through EA schools and parent client base
- IP acquisition of more than 20,000 digital test questions
- Strategy to migrate all exams to digital delivery on the current Janison platform and leverage Janison back-office services thereby significantly reducing current operating cost base and generating ~\$3m of cost synergies
- Highly experienced and committed leadership team with deep technical and industry knowledge





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# Educational Assessments business



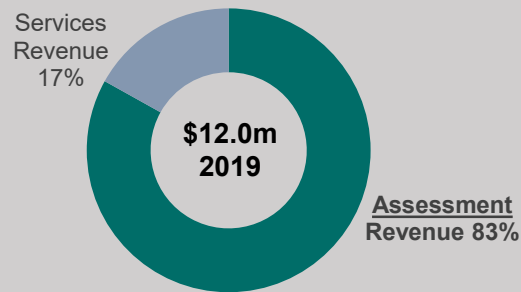
## Business highlights

- **UNSW Global Education Assessments (“EA”)** is a leading Australian assessment solutions business with a ~35-year operating history.
- **\$12m total revenue in 2019** (\$10m Recurring, \$2m Services Income)
- **\$7m capital invested** since 2017 to digitise exam delivery (on Janison’s assessment platform) and to enhance CRM, BI and reporting
- **Core capability** is the development of **world-class formative and summative assessments** for school years 2-12
- EA created and has delivered **ICAS<sup>1</sup>** (an elite, skills-based competition) **since 1981** to more than **15 countries**
- Since 2007 EA has developed three other schools-based formative and diagnostic tests: **JET**, **SCOUT** and **REACH**
- **More than 1 million tests delivered annually** to schools, serving **50% of schools in Australia<sup>2</sup>**
- EA leverages **test-writing experts** and technology for other institutions and provides ancillary services to some Go8 universities

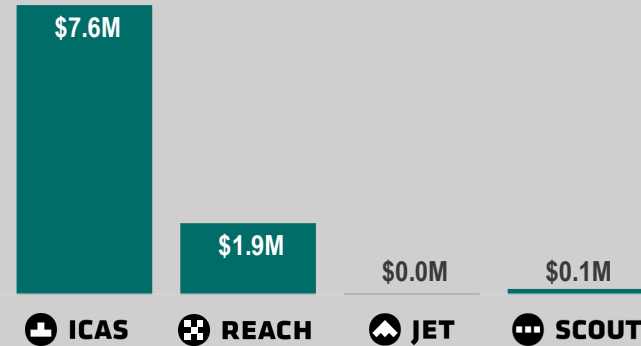


# Revenue overview

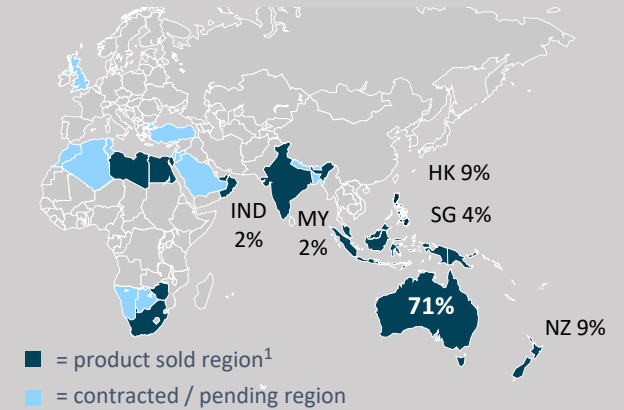
Total Revenue by Segment



Assessment Revenue by Product



Assessment Revenue by Geography



## Product Suite

% of EA assessment\* revenue 2019

Markets

% of product revenue generated from ANZ

	ICAS ASSESSMENTS™	REACH ASSESSMENTS™	JET ASSESSMENTS™	SCOUT ASSESSMENT™
% of EA assessment* revenue 2019	79%	19%	0.5%	1.5%
Markets	Australia, New Zealand, Singapore, Indonesia, Malaysia, China, PNG, South Africa.	Australia, New Zealand, Singapore, India, Indonesia, Malaysia, China, PNG, South Africa.	Australia	Australia, New Zealand, other
% of product revenue generated from ANZ	97%	61%	100%	95%



# Products and services overview

- Four core assessment products, each with own unique value proposition, all support schools, teachers and parents in unlocking student potential.
- EA's flagship product, ICAS, is an elite international skills-based competition for school years 2-12, with students recognised through medals, certificates and award ceremonies. In FY19, ~650k ICAS branded tests were sold across 15+ countries including Australia, New Zealand, Singapore, Malaysia, Indonesia, Greater China, South Africa and India
- EA also leverages its assessment development capabilities and expertise to develop assessments for 3rd parties (e.g. NAPLAN) and provide professional development services (e.g. hosting assessment industry conferences and provision of professional learning courses)

## ICAS

An elite skills-based competition sat internationally. Student success is recognised and rewarded (e.g. medals, certificates, award ceremonies). Online delivery launch in FY19 (in key markets) School years 2-12



## JET

Curriculum-linked, customisable, formative assessments Targeted to teachers for regular in-classroom use. School years 3-6



## REACH

Skills-based, whole cohort benchmarking and progression assessment. Targeted to a broader range of student abilities School years 2-10 (in 2020)



## SCOUT

General capability test for school administrative purposes (e.g. class placement purposes) School years 5-8



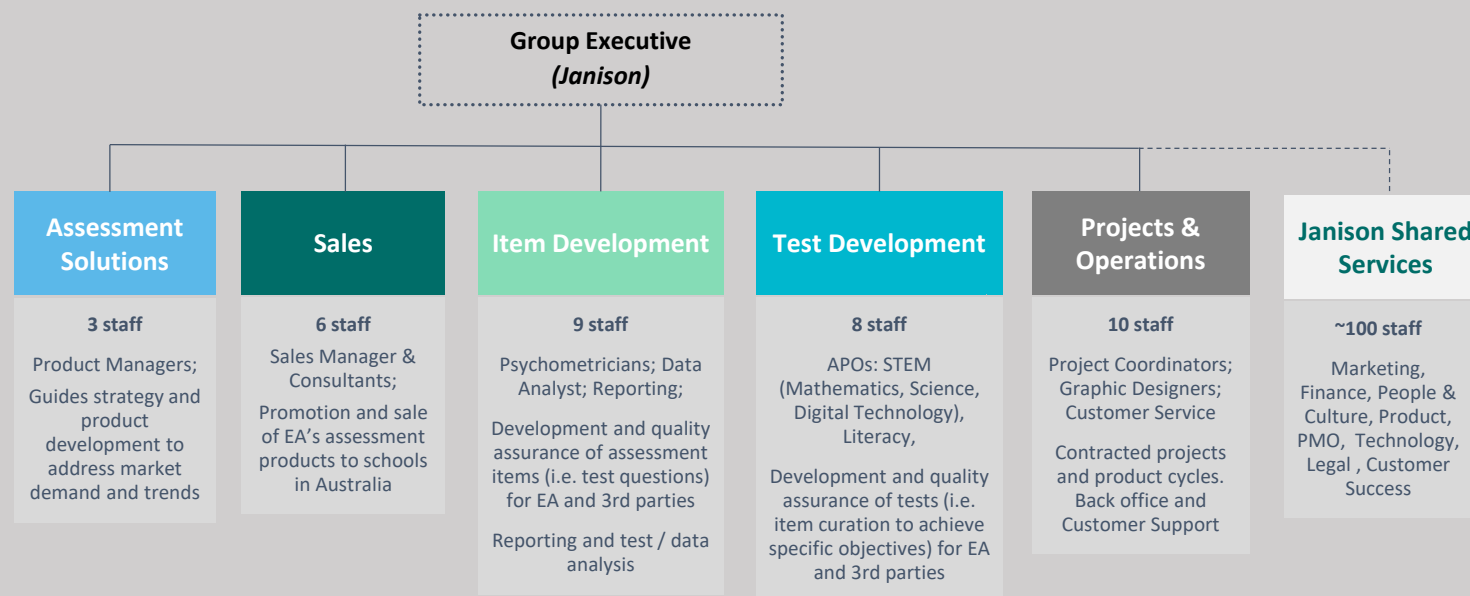
## Services

Provision of assessment development and education services for 3rd parties (commercial and education industry groups) and data processing services (scanning). Provision of professional development services (e.g. hosting assessment industry conferences and provision of professional learning courses)

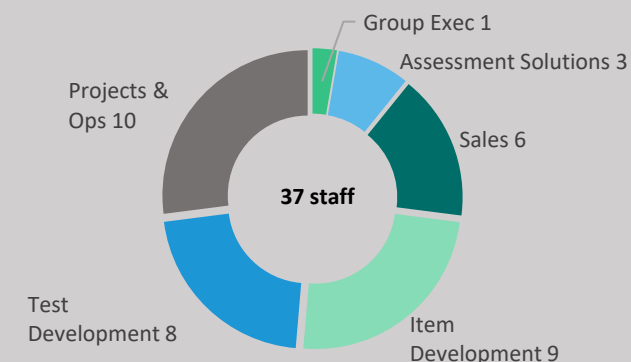


# Key personnel

## EA Organisational Structure



## EA Staff Count by Function



### Note:

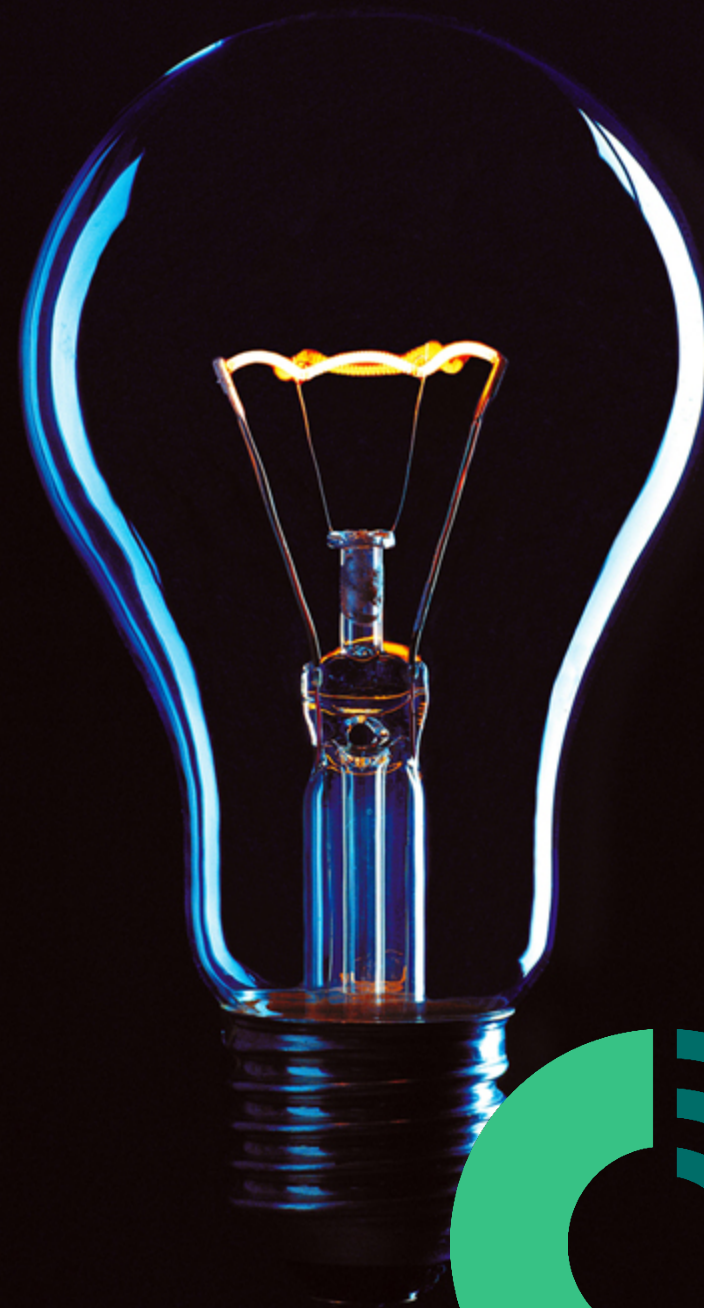
- All key personnel being retained with the business
- Prior to completion, UNSW Global employed a headcount of 49 FTE. Janison agreed to transition 36 of these positions necessary to support the ongoing product suite (ICAS, JET, SCOUT, REACH) and some additional services income. Roles not transitioned included general administration roles, those associated with the paper delivery of assessments, and some Projects and Operations roles.
- Shared services currently provided by UNSWG to EA will be transitioned to the internal Janison shared services (Finance, HR, Legal, HR, Marketing).
- IT support services will remain with UNSWG Shared Services for a transitional period of up to 1 year for core services

# Customers

- ~4,600 Australian schools have been customers of EAA over the past 3 years<sup>1</sup>
  - This represents **50% of the total school market** in Australia
  - **Low customer concentration risk**
  - Strong ANZ presence
  - Resellers delivering tests internationally
- 
- Parents increasingly the customer with schools passing through exam fees and registration process
  - **B2C e-commerce payment portal** for parents, established in 2019
  - ~40,000 parents' contact details being transitioned within CRM system – highly effective EDM campaigns
- 
- ACARA engages EA for test-writing services for NAPLAN
  - Several large Australian universities engage EA for data-scanning services (University of Sydney, Macquarie University, UNSW)



# Strategic rational rationale











# Context

## Now is the perfect time for Janison to acquire EA

- Until 2019, **assessments revenue** was consistent around ~\$12m for the past 6-7 years with all tests delivered **on paper**.
- In 2019, EA transitioned ICAS to online and created a new product (REACH), both with insufficient school and parent communication, and inadequate lead times.
- Some schools lacked the technical readiness and devices to deliver digital exams.
- The net impact of this was a 50% reduction in ICAS test volumes but only a 30% reduction in revenue due to a 50% price increase.
- In 2020 with COVID-19 further impacting test volumes, the owner of EA has chosen to accelerate the divestment of EA.
- **Janison is now acquiring the business on the upturn as communication and delivery has been improved and Janison is able to leverage its expertise in remote exam delivery.**

In the meantime, after a successful IPO in 2017, Janison has been gearing up for an acceleration, and is well-positioned to thrive during a post COVID-19 environment. In the past month, Janison completed a \$7m capital raise, achieved a number of new customer wins and brought in a new CEO, all with the intent to scale the business rapidly over the coming years.

This is a highly strategic and well-timed acquisition whereby the investments UNSW has made in the business over the past 18 months will provide fuel for Janison's bold growth aspirations at a critical inflection point. To further cement this, Janison is recruiting a Chief Customer Officer to drive growth across Sales, Marketing and Customer Success across both businesses.

Sector	Schools (K-12)
Clients	     
Products / Services	 Digital assessment platform  Online learning (LMS)
Geography	Australia, NZ, Singapore, UK, USA, Russia, Brazil, Spain, Portugal
Revenue (FY19)	\$9.3M
SAM*	\$2.0B <i>(400,000 schools x \$5,000 / school)</i>

*The acquisition of EA doubles Janison's FY19 revenue from the Schools (K-12) market.*



# Strategic rationale

This acquisition will generate significant value for Janison by increasing revenue and enabling scalability

1	<b>Revenue uplift of EA to return business to historical volumes (+50%)</b>	<ul style="list-style-type: none"> <li>• Leveraging Janison and LTC capabilities to enhance customer proposition, e.g. Janison remote proctoring and online assessment delivery, LTC exam space and invigilation/proctoring staff</li> <li>• Driving ongoing development of Janison assessments platform in tandem with development of assessment content</li> <li>• Leveraging Janison and LTC customer bases to cross-sell EA products and services, e.g. assessment content to Janison clients, data scanning services to LTC clients</li> <li>• Leveraging Janison capabilities, e.g. Sales &amp; Marketing, Technology Support</li> <li>• New product development, e.g. assessments for international higher education (under development)</li> <li>• Significant potential for international expansion, both existing products and beyond e.g. National Service Provider for Pisa-for-schools standardised tests globally</li> </ul>
2	<b>Revenue uplift of Janison assessment business</b>	<ul style="list-style-type: none"> <li>• Leveraging EA current and potential customer base of K-12 schools to cross-sell Janison products (e.g. OECD PISA-for-schools)</li> <li>• Leveraging EA capabilities, e.g. production of new assessment content for Janison global partners</li> <li>• Leveraging EA assets to enhance Janison offering and customer experience e.g. payment portal, parent database</li> <li>• Avoiding \$1.8m risk of lost revenue from UNSW Global EA should EA be discontinued</li> </ul>
3	<b>Cost reduction from functional efficiencies</b>	<ul style="list-style-type: none"> <li>• Sales &amp; Marketing, Product Management, Analysis &amp; Reporting, Technology, HR, Finance</li> <li>• Convert exams to 100% delivery</li> </ul>

Engine for profitable and sustainable growth over the next five years



# Synergies

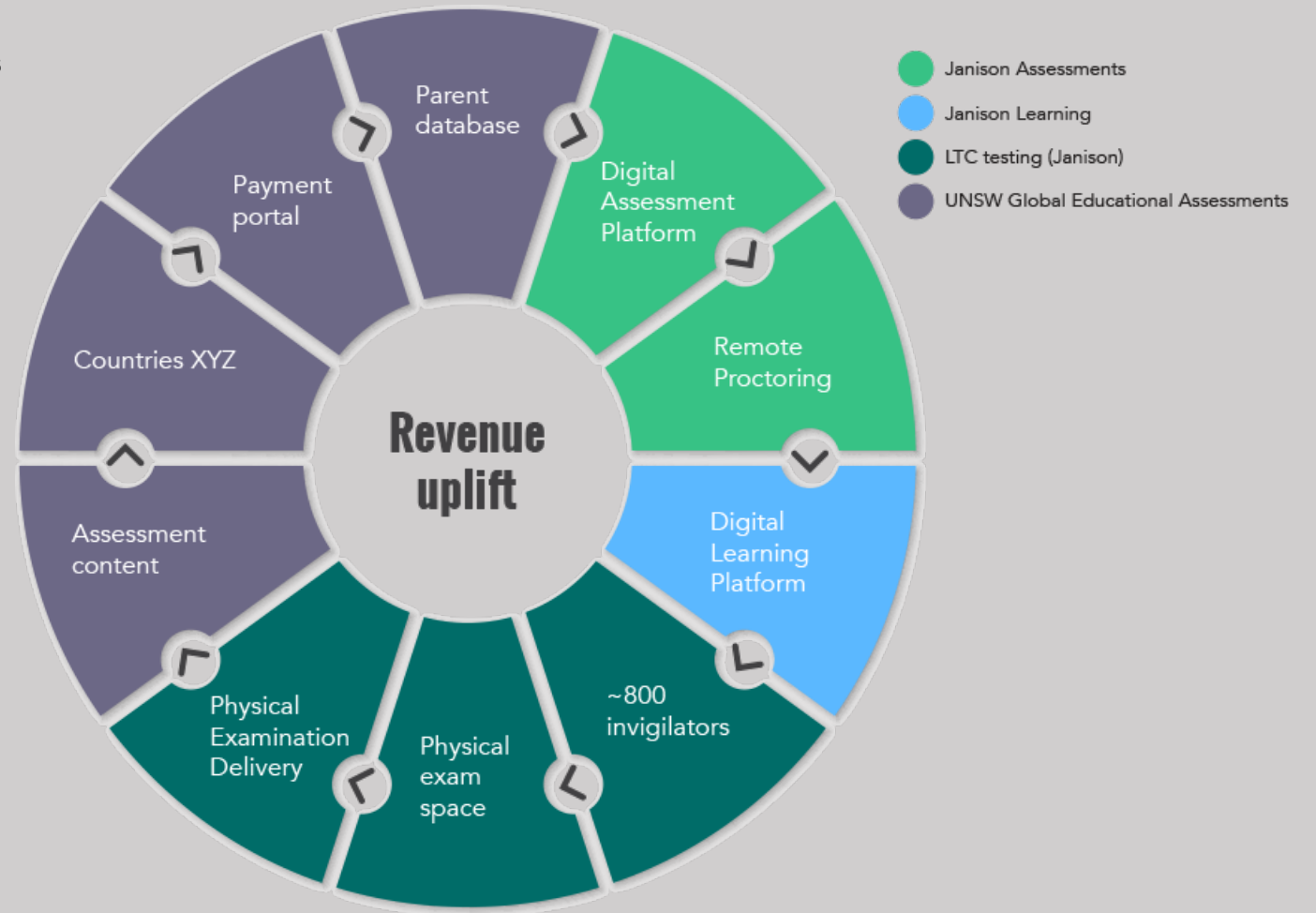
Highly synergistic. Complimentary assets and capabilities together produce revenue uplift.

Brings together a globally best-of-breed assessment platform with globally best-of-breed assessment content.

Janison remote proctoring functionality can be used to support home delivery of EA tests in the event schools close.

LTC invigilation and exam management services can be used to support schools lacking the digital hardware and infrastructure.

Janison learning platform can be used to provide personalised course content integrated into assessment results.



# Integration



# The integration

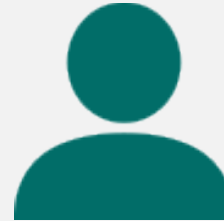
- Janison has invested in a new **Group Executive (Amy Barouch)** - a dedicated and proven leader to grow and successfully integrate EA into the group
- New **Project Manager** - dedicated to managing the technology, process and data integration
- All supported by top-tier **Janison leadership team**
- Key commercial focus in 2020 is **successful delivery of ICAS in August 2020**
- To prevent distraction:
  - Core business operations will continue as a distinct division of Janison until ICAS is successfully delivered
  - Full integration to commence from September, with detailed planning undertaken from May 2020
  - Integration 'quick wins' being pursued between now and September - low impact on core business e.g. Finance & HR
  - Technology Transitional Services Agreement with UNSW Global entered into for the duration of the integration
- UNSW Global **brand licensed** from UNSW through to December 2020
- Janison and UNSW Global support functions to work together to ensure a seamless transition
- EA fully integrated by April 2021

## Key people

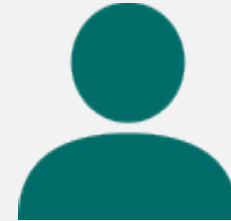
We are investing in talent dedicated to leading, growing and successfully integrating the EA business into Janison.



Amy Barouch  
Group Executive,  
Educational  
Assessments



Project Manager, Business  
Integration &  
Transformation



Business  
Analyst



David Caspari  
CEO



Stuart Halls  
CFO



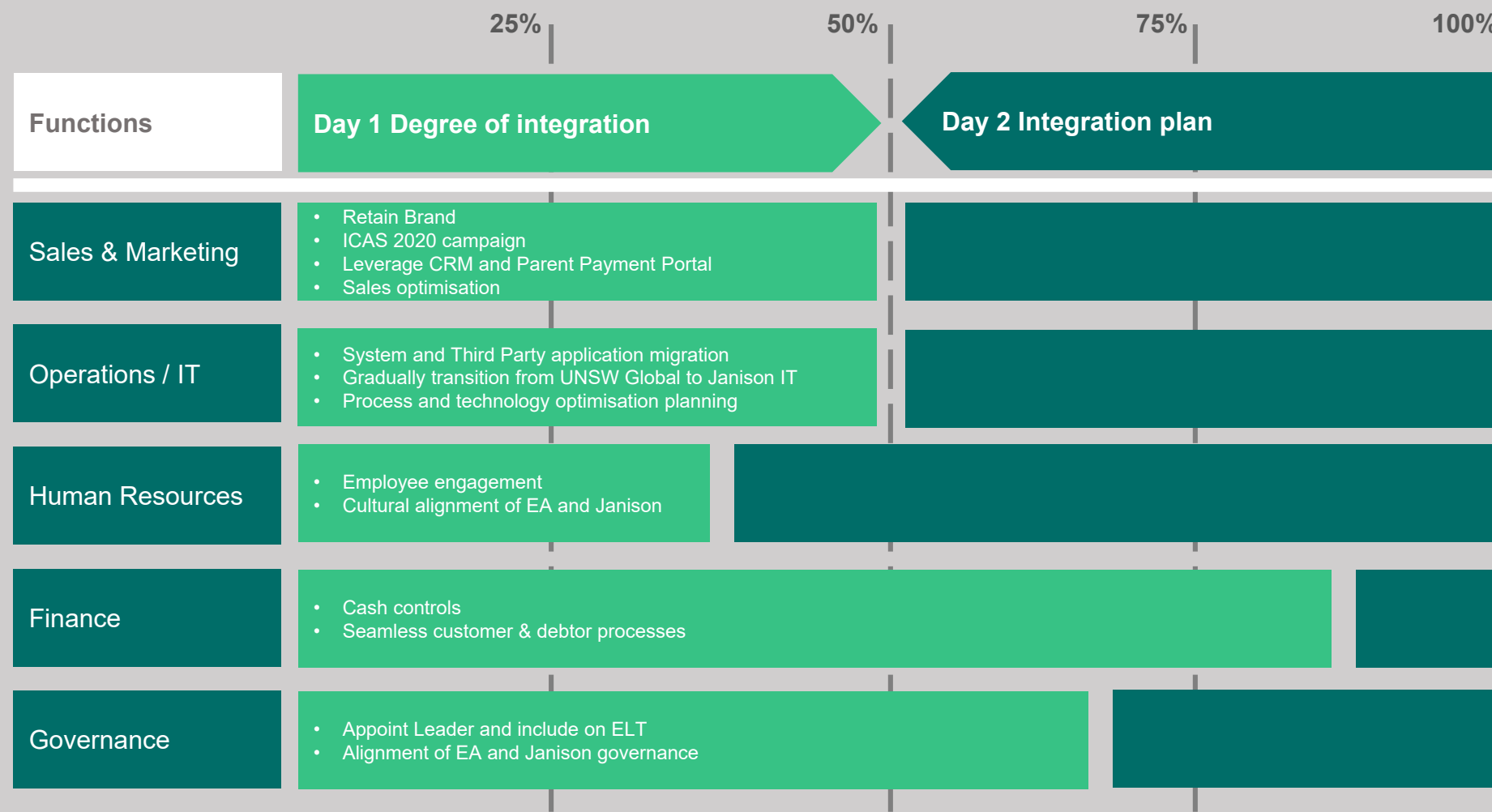
Chief Technology  
Officer

They will be supported by a top tier Janison leadership team.



# Functional integration

We are have a workplan for the functional integration required from Day 1

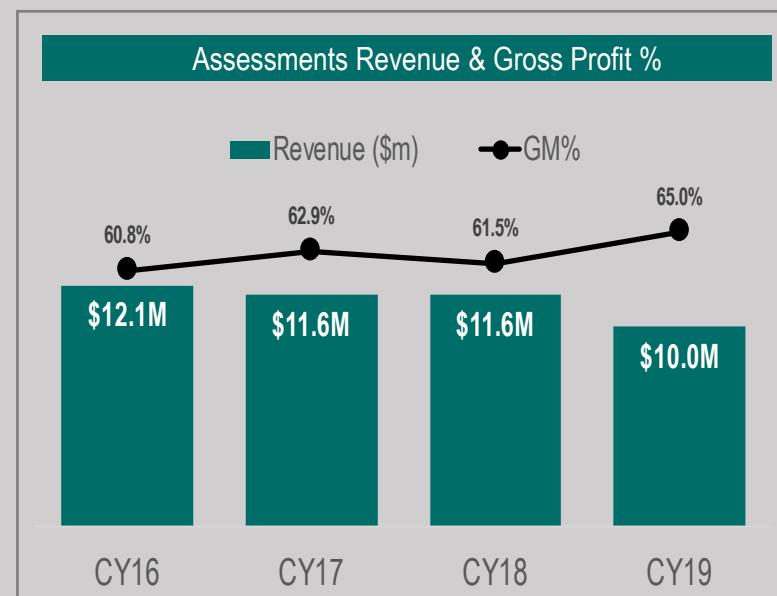


# Financials



# Trading

Educational Assessments is a scalable business with a high operating leverage, ~90% of costs are fixed in nature and do not vary with the number of tests sold



## 2016-2018

- Consistent Assessment Revenue of ~\$12m through calendars 2016 to 2018, largely from a paper delivery of the ICAS assessment.
- Robust gross profit despite higher cost of sales associated with printing, postage, logistics.

## 2019

- EA partially transitioned to digital delivery of exams with inadequate planning, ineffective communication and rushed delivery. Schools not prepared for transformation; test volumes fall by 50% in 2019.
- EA withdraws from unfavourable overseas partnerships causing reduction in assessment revenue.
- Price increases partially absorb the lost test volume.
- Cost of Sales wearing committed cost for higher expected volume of paper-based tests.
- OPEX investment in building additional item bank for new tests (REACH) impacting profitability.
- The business was operated at approximately break-even EBITDA over the past four years.

## 2020+

- Janison is switching the business to a fully digital exam delivery model and assuming only 60% of the existing cost structure.
- Janison will leverage its existing internal shared services for further back-office synergies.
- Due to the impact of COVID-19 Janison expects revenues to be materially lower than CY19 and the business to break even in FY20 with improvement in future years
- Subject to completion of the acquisition occurring and satisfaction of the conditions precedent under that arrangement, the parties have agreed to terminate the existing arrangement between them in exchange for payment to Janison of the proceeding 12 months licence income.

# FY19 pro-forma pre-synergy financials

A\$ millions (unless otherwise stated)	Janison	UNSW Global EA <sup>1</sup>	Consolidated	Cost Synergies	Pro Forma Consolidated
Recurring Assessment Revenue	5.8	10.0	15.8	--	15.8
Recurring Learning Revenue	5.7	--	5.7	--	5.7
Services Revenue	11.0	2.0	13.0	--	13.0
<b>Total Revenue</b>	<b>22.5</b>	<b>12.0</b>	<b>34.5</b>	<b>--</b>	<b>34.5</b>
COGS	14.6	4.2	18.8	1.6	17.2
<b>Gross Profit</b>	<b>7.9</b>	<b>7.8</b>	<b>15.7</b>	<b>1.6</b>	<b>17.3</b>
<i>Gross Profit Margin</i>	35%	65%	46%	--	50%
OPEX	5.9	9.5	15.4	1.4	14.0
<b>EBITDA</b>	<b>2.0</b>	<b>(1.7)</b>	<b>0.3</b>	<b>3.0</b>	<b>3.3</b>
<i>EBITDA margin</i>	9%	(14)%	1%	--	10%

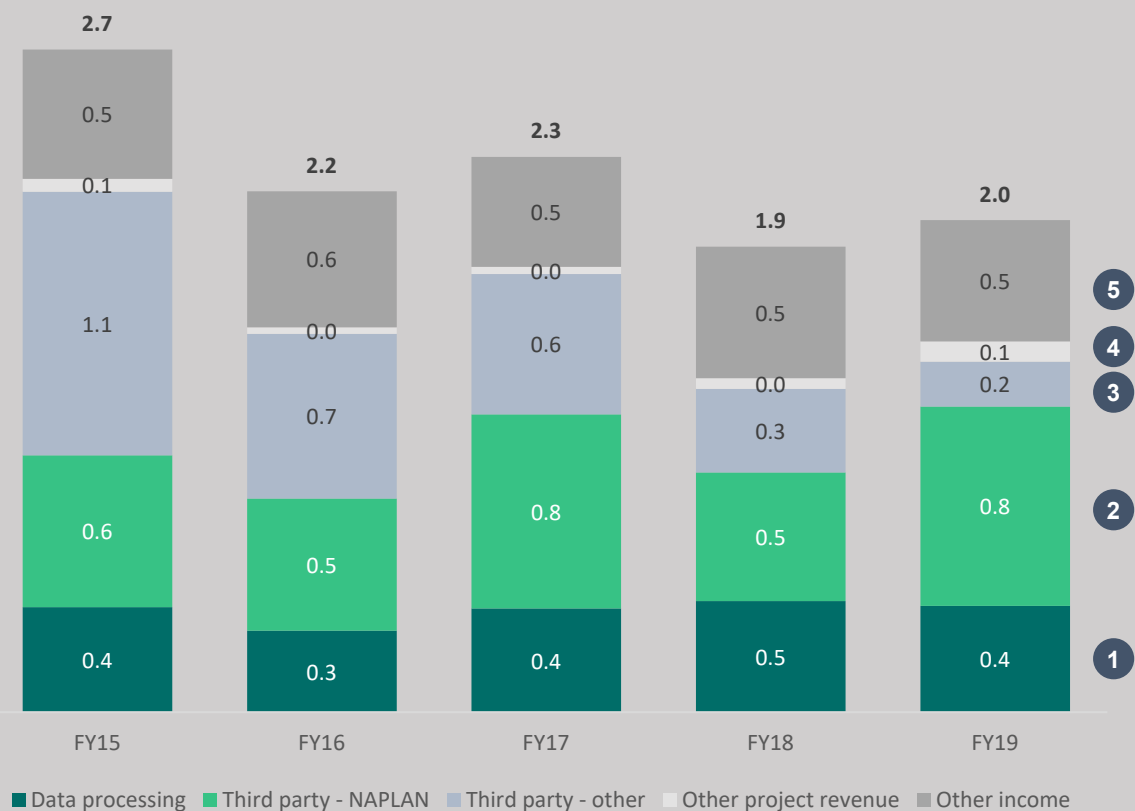
Note:

Janison financial information prepared based on audited financial statements. UNSWG EA financial information prepared based on unaudited management accounts.

<sup>1</sup> UNSWG EA financial statements are unaudited management accounts for the calendar year ending 31 Dec 2019

# Services revenue

Service revenue (\$m)



## Comments

- 1 Test scanning for 3<sup>rd</sup> parties (e.g. UNSW, University of Wollongong, University of Sydney, Macquarie University)
- 2 Contracts with ACARA to develop national standardised assessments for NAPLAN
- 3 Other various contracts to develop assessments for 3<sup>rd</sup> parties (e.g. Kaplan – financial planning assessment, Sydney Catholic Schools – religious education test, and UK Standards & Testing Agency)
- 4 Professional learning workshops and hosting conferences
- 5 Past paper sales



## COVID-19 impact in 2020

- **FY20 revenue is forecast to be materially impacted in 2020**
  - REACH assessments (19% of assessment revenue in FY19) have been postponed until 2021 due to logistical challenges of delivering paper assessments whilst students are split between home and school environments (exams were scheduled to commence June 2020)
  - Reduced appetite for ICAS assessments with capacity of schools and parents to deliver elite exams in a challenging environment
- **Domestic sales are expected to return to previous levels over the coming years**
- Significant opportunity to grow revenue:
  - Customer expansion, leveraging Janison client base
  - Product expansion, e.g. assessments for international higher education entrance
  - Geographic expansion, e.g. National Service Provider for Pisa-for-schools globally

# Key Risks



# Key risks and mitigation strategies

Key Risk	Implication	Mitigation Strategy
Secondary COVID-19 outbreak closes schools again	ICAS needs to be delivered at home	<ul style="list-style-type: none"> <li>No paper delivery of ICAS in 2020, with proactive support of schools who used paper version of ICAS in 2019</li> <li>Establish parent as invigilator or remote proctoring solution</li> <li>Virtual medal ceremonies</li> </ul>
Cultural misalignment between Janison and UNSW Global Educational Assessment employees (i.e. university vs. ASX listed corporate)	Negative impact on integration success and subsequent growth	<ul style="list-style-type: none"> <li>Early interactions suggest UNSW Global EA culture is actually very aligned to Janison with both having strong entrepreneurial roots with a shared purpose of improving educational outcomes for students</li> <li>Dedicated and proactive effort already underway to reinforce a positive, entrepreneurial Janison culture by incoming CEO</li> </ul>
Technology integration is not successful	Multiple systems and third party applications required	<ul style="list-style-type: none"> <li>Dedicated Project Manager to oversee, with sufficient capacity already allocated from both UNSW Global IT and Janison IT functions</li> </ul>
Technical capability is not retained during transition	Lack of Assessment psychometric and test development expertise in Janison	<ul style="list-style-type: none"> <li>Transition of key employees is a condition of purchase</li> <li>Pre-planning was undertaken to ensure key people and skills were retained</li> </ul>



## Thank you

For more information,  
contact Investor Relations at  
[IR@janison.com](mailto:IR@janison.com)