



ASX Announcement
29th April 2019

Appendix 4C and Trading Update

The Board of **Janison Education Group Limited (ASX:JAN)** ("**Janison**" or the "**Company**") today releases its Appendix 4C – Quarterly Cash Flow report for the period ending 31st March 2019 ("**Q3**") for the financial year 2019 ("**FY19**") and a preliminary trading update for the nine months to 31st March 2019.

Cash available at calendar year end was **\$9.7m** inclusive of \$5.7m net proceeds from a capital raise via a Placement on 29th March 2019. Funds raised from the Placement are being used to assist with the funding of the acquisition of LTC (**Acquisition**).

Key Highlights

- **Cash on Hand \$9.7m**
- **Successful capital raise of \$6m (before costs)**
- **Completion of the LTC acquisition**
- **New partnership agreement with the OECD**
- **Group Revenue growth 27% for Q3 on the prior corresponding quarter FY18**
- **Gross Margin up 8pps to 44% in Q3**
- **EBITDA up 70% on prior corresponding quarter, Q3 FY18**

Strategic Highlights

- On 25th March 2019 Janison entered into a binding agreement to acquire **LTC**, Australia's leading examination services business. LTC is highly regarded for providing secure and reliable assessment services on a large scale to universities and professional bodies primarily within Australia. The Acquisition represents a significant strategic opportunity for Janison to extend its assessment offer to clients and grow its overall business by assisting LTC's clients with their transition plans from traditional pen-and-paper exams to the Janison digital assessment platform.

The Acquisition was completed on 1st April 2019. For further details please refer to the ASX releases "Acquisition of LTC" and "Acquisition Presentation" both released on 25th March 2019.

- To support the funding of the LTC acquisition, Janison issued approximately 18.2m new, fully paid, ordinary Shares via a Placement to institutional and sophisticated investors raising \$6m (before costs). The Board of Janison welcomes the new investors to Janison Education Group and wishes to thank both new and existing investors for their support.

New Business Highlights

- On 29th April 2019 Janison entered into a partnership agreement with the **Organisation for Economic Co-operation and Development ("OECD")** to provide the digital solution for its **PISA-based Test for Schools ("PBTS")**. The PBTS is a voluntary assessment that supports school improvement efforts and benchmarking, based on the OECD's Programme for International Student Assessment (PISA).

Like PISA, the PBTS assesses the extent to which 15-year-old students near the end of compulsory education have acquired some of the knowledge and skills that are essential for full participation in modern societies. To date, the PBTS has been administered in over 10 countries including the US, Russia, Brazil, Spain, UAE and the UK.



Janison will use its existing 'Insights' assessment platform to deliver the test in each country with some additional custom reporting and localised features to meet the needs of each of the OECD Member Countries and non-member countries wishing to participate in the PBTS program.

The delivery of the PBTS program will further expand Janison's presence into the **Schools** sector – one of its four core sectors identified as the path to reaching its FY2025 goal of \$150m revenue.

Trading Update

Revenues

Revenue growth accelerated during Q3 FY19 to finish the quarter with a strong **27% overall growth on the prior corresponding Q3 FY18**. The Company achieved **21% revenue growth on the prior corresponding YTD period** (9 months to 31 March 2019).

Within this the Company delivered a strong **36% growth in Assessment** in Q3 FY19 compared to the prior corresponding **Q3 FY18**. Learning delivered **16% revenue growth in Q3 FY19** compared to Q3 FY18.

Table 1. Operating Revenue

Operating Revenue - ending 31 March 2019						
(A\$m)	FY18 Q3	FY19 Q3	FY19 Q3 Growth	FY18 YTD	FY19 YTD	FY19 YTD Growth
Assessment Division	2.3	3.1	+36%	7.3	8.5	+18%
Platform Revenue	1.1	1.5	+35%	3.4	3.8	+14%
Project Services Revenue	1.1	1.6	+37%	3.9	4.7	+21%
Learning Division	1.9	2.2	+16%	5.3	6.7	+26%
Platform Revenue	1.1	1.2	+1%	3.4	3.4	+2%
Project Services Revenue	0.3	0.8	+138%	0.8	2.4	+211%
Content Revenue	0.4	0.2	(49)%	1.2	0.9	(25)%
Group Revenue	4.1	5.2	+27%	12.5	15.2	+21%
Total Platform Revenue	2.7	2.9	+8%	7.9	8.2	+3%
Total Project Services Revenue	1.5	2.4	+60%	4.6	7.1	+52%
Group Revenue	4.1	5.2	+27%	12.5	15.2	+21%

Note: Figures are unaudited, management accounts

Income Statement

Gross margin increased to **44%**, an increase of **7.7 percentage points** on the prior corresponding period Q3 FY18. **EBITDA** was **\$0.9m** for the quarter, **70% higher** than the prior corresponding quarter Q3 FY18.

Table 2: Preliminary Income Statement Q3 and YTD FY19 against prior corresponding periods in FY18

FY19 Income Statement to 31 March 2019									
(A\$m)	FY18 Q3	FY19 Q3	FY19 Q3 Growth	FY18 YTD	FY19 YTD	Normalisations ¹	Normalised FY19 YTD	Normalised Growth on FY18 YTD	
Learning Revenue	1.9	2.2	16%	5.3	6.7	--	6.7	+26%	
Assessment Revenue	2.3	3.1	36%	7.3	8.5	--	8.5	+18%	
Group Revenue	4.1	5.2	27%	12.5	15.2	--	15.2	+ 21%	
Cost of Sales	2.6	2.9	12%	7.4	10.5	(0.8)	9.6	+30%	
Gross Profit	1.5	2.3	54%	5.1	4.7	--	5.6	+ 9%	
GM%	36%	44%	7.7pps	41%	31%		37%	(4.3)pps	
Operating Expenses	0.9	1.4	44%	2.6	4.4	(1.8)	2.7	+1%	
Trading EBITDA	0.6	0.9	70%	2.5	0.3	(2.6)	2.9	+ 16%	

Note: Figures are unaudited, management accounts

The Company has provided a normalised gross profit and EBITDA figure for the half which it believes better reflects underlying earnings given the non-recurring nature of the Cost of Sales increases and Operating Expenses detailed below.

Cost of Sales

In the first six months to 31st December 2018 Janison temporarily increased expenditure on its contracted development team and hosting expenses (as explained previously in the Q2 FY19 4C and Trading Update) in order to:

- Initiate IP for new sectors (e.g. Certifications assessment sector including readiness for customers such as RMS);
- Productise existing IP for future sale (e.g. Higher Education, Schools and Learning sector platform IP); and
- Complete development work for large projects moving to go-live platform revenue (specifically customers such as ITE).

These expenses are reflected in Cost of Sales as they relate to specific projects. These projects (principally RMS and ITE) are now nearing completion and are considered to be non-recurring beyond December 2018. In total, the level of additional Cost of Sales for the 6 months to 31st December 2019 is estimated at **\$0.8m**.

Operating Expenses

For future growth, investment is being made in the corporate team and within sales and marketing during FY19. In FY18 a higher R&D tax offset credit and a non-recurring regional grant have created the appearance of lower Operating Expenses. These items, along with any one-off costs associated with non-trading activity such as the acquisition of LTC, have been

¹ Cost of Sales normalisations include the non-recurring expenses relating to ITE, RMS and British Council - a total of 0.8m.

Operating Expense normalisations include the reduction in estimated R&D tax offset credit for the 9 months to 31st March 2019 compared to the corresponding period to 31st March 2018 - a total of \$0.6m, and a non-recurring grant received in 2H FY18 of \$0.1m.

Trading EBITDA is defined as earnings before interest, income taxes, depreciation, amortisation and non-trading items. The Group's FY18 Annual Report provides a description of non-trading items.

normalised from the YTD FY19 Operating Expenses for the purposes of better reflecting the underlying earnings. The total normalisation for Operating Expenses is shown below:

1. Increased investment in Sales & Marketing in FY19	\$0.6m
2. Investment in corporate and one-off costs in FY19	\$0.6m
3. Reduction in estimated R&D tax credit in FY19	\$0.5m
4. Regional grant received in FY18 (non-recurring in FY19)	\$0.1m
Total Normalisation for Operating Expenses FY19	\$1.8m

Full Year Outlook FY19

Including income arising from the recently acquired LTC operating entity, management expect revenue for the full year FY19 to be \$21m-\$23m with the majority of this income generated from existing client contracts. Gross profit margins have rebounded from an average of 24% in the first six months of FY19 to a forecast average of 40% in the second half of FY19 leading to approximately 33%-35% for the full year.

Higher than expected hosting costs in the second half of FY19 will impact Cost of Sales and lead to an estimated full year Trading EBITDA of approximately \$1.3-\$1.7m. Adjusting for the investments made in 1H FY19 and the incremental or one-off Operating Expenses shown above, the full year 'normalised' EBITDA outlook for this financial year would be approximately \$3.9-\$4.3m.

Cash Flow Commentary

The Group's reported cash balance as at 31 March 2019 was **\$9.7m**. Operating cash flow for the March 2019 quarter was positive **\$19,000** reflecting improved operating margins and a reduction of trade receivables from \$4.4m to \$3.4m.

As at 31 March 2019, the Company had **\$7.0m of trade receivables** (down \$0.8m from the previous quarter), **\$3.4m** of which were **invoiced** and **\$3.6m** of which are **related to accrued project revenues** to be invoiced at a later date once agreed milestones have been reached.

The detailed Appendix 4C – Quarterly Cash Flow Report is set out below.

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 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 exam authoring, testing and marking which is sold to national education departments, tertiary institutions and independent educational institutions.

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. 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.

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")

31 March 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year-to-date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		5,636	14,507
1.2 Payments for			
(a) research and development		(103)	(663)
(b) product manufacturing and operating costs		(1,203)	(3,098)
(c) advertising and marketing		(38)	(150)
(d) leased assets		(41)	(158)
(e) staff costs		(3,672)	(10,835)
(f) administration and corporate costs		(597)	(2,105)
1.3 Dividends received (see note 3)		-	
1.4 Interest received		25	60
1.5 Interest and other costs of finance paid		-	0
1.6 Income taxes paid		(24)	(24)
1.7 Government grants and tax incentives		40	40
1.8 Other (provide details if material)		(5)	-
1.9 Net cash from / (used in) operating activities		19	(2,425)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(20)	(94)
(b) businesses (see item 10)		-	-
(c) investments		-	-
(d) intellectual property		(654)	(1,879)
(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		(674)	(1,973)

Consolidated statement of cash flows		Current quarter \$A'000	Year-to-date (9 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,000	11,000
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	(261)	(540)
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	5,739	10,460

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	4,597	3,619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	19	(2,425)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(674)	(1,973)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,739	10,460
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	9,681	9,681

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	9,681	4,597
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)	9,681	4,597

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	(289)
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 \$230k

Office lease payments made to Exec Board Member \$59k.

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	14
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:

Content License Fees paid to a company owned by an Exec Board Member \$14k

8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Add notes as necessary for an understanding of the position</i>		
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	90
9.2	Product manufacturing and operating costs	1,549
9.3	Advertising and marketing	35
9.4	Leased assets	134
9.5	Staff costs	3,813
9.6	Administration and corporate costs	651
9.7	Other (provide details if material)	5,831
9.8	Total estimated cash outflows	12,102
Note: Item 9. Above excludes cash inflows, including cash receipts from customers estimated for next quarter. All cash outflows for the LTC operating company are now included in item 9 above. Item 9.7 represents the upfront purchase consideration for LTC Hold Co including associated acquisition costs (approximately \$5.1m in total). It also includes estimated investments in the Group's platforms (IP) in the form of new products and feature enhancements (approximately \$0.7m).		

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:

The Acquisition of LTC Hold Co Pty Ltd was completed on 1st April 2019 and will therefore be included in the next quarterly Appendix 4C (Q4 FY19).

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:
Company secretary

Date:

Print name: