

Building a strong foundation: 97% ARR Growth and \$4.0m EBITDA run rate

The Board of **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 ending **30th June 2019 (“Q4”)** and unaudited trading results for the financial year 2019 (“FY19”).

Key highlights for FY19

- Transition to a productised licensing model with Annualised Recurring Revenue (“ARR”) growth of 97%
- Total revenue growth 54% in Q4, 30% full year
- Gross Margin increased 11pps to 44% in Q4, 41% normalised full year
- EBITDA \$2.0m, run rate EBITDA \$4.0m
- Record LTC performance – highest Q4 and full-year result
- Exclusive partnership signed with the OECD
- Successful delivery of Roads & Maritime Services NSW - Driver Knowledge Test
- Successful platform performance during NAPLAN 2019, 2.3m tests delivered
- \$6.0m cash on hand at 30 June 2019, no debt

This update is presented within these 5 key themes:



1 The industry opportunity is immense

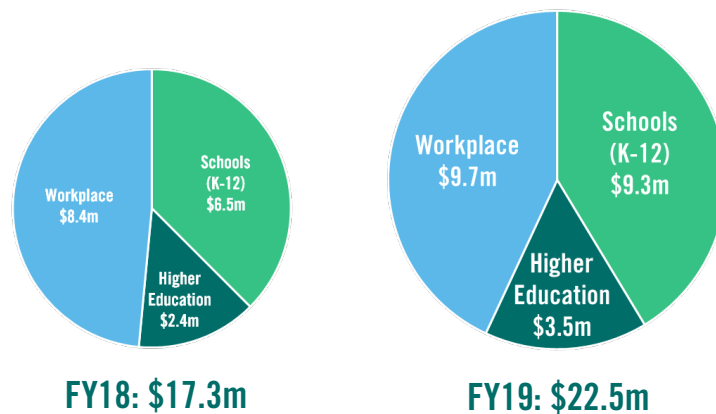
- The total education market continues to grow as both the number of students and spend per student increase ¹
- By 2025 there will be half a billion more students in schools and universities ¹
- Digital spend in this industry is currently only 2.6% of total ¹
- The global education technology market (total addressable market) is expected to double to \$340B by 2025 ¹
- Janison is increasing penetration of the three key sectors in the total addressable market:

Table 1. Janison Operating Revenue by Market Sector

Year ending 30 June	2018	2019	Change
Schools (K-12)	\$6.5m	\$9.3m	+44%
Higher Education	\$2.4m	\$3.5m	+45%
Workplace	\$8.4m	\$9.7m	+16%
Total operating revenue	\$17.3m	\$22.5m	+30%

¹ HolonIQ, January 2019 www.bit.ly/EdTechStats

Figure 1. Janison Operating Revenue by Market Sector

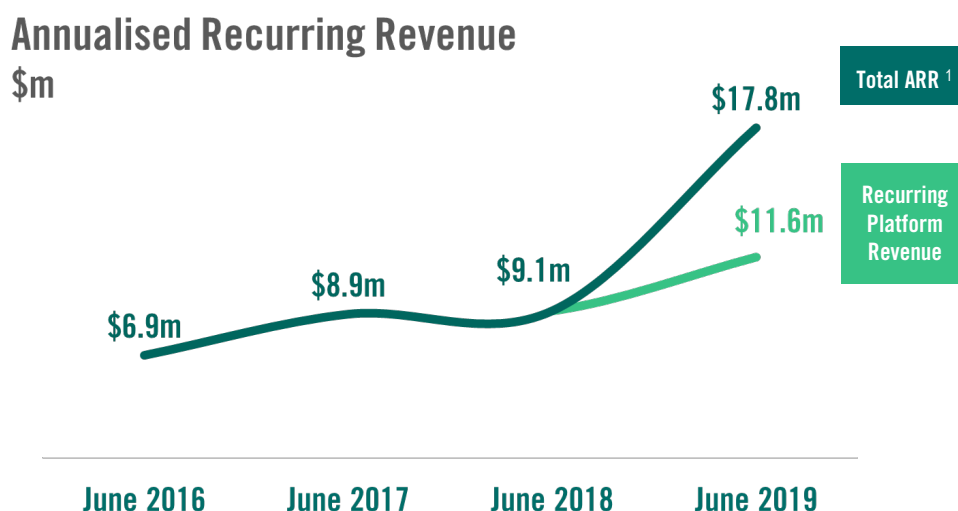


2 Annual Recurring Revenue (ARR) is increasing

The 2019 financial year was a transitional year for Janison. The business successfully delivered several large client projects which now move into recurring platform licensing revenue:

- **Roads & Maritime Services NSW** – successful delivery of the digital knowledge-based driver test
- **NAPLAN** – May 2019 saw the second year of the digital transition of NAPLAN within schools across Australia. Janison provides the software platform which in FY19 successfully delivered over 2.3 million tests for more than 660,000 students. A small percentage of schools this year experienced issues relating to internet connectivity and the national firewall – both unrelated to the performance of Janison’s assessment platform.
- **UNSW** – Janison completed the successful implementation of its **Insights** software, configured for the delivery of UNSW Global assessments for primary and secondary schools globally.
- **LTC** – With the business acquisition of LTC assessment services in April 2019 Janison now has an additional 42 clients in the Higher Education sector – a combination of prestigious Australian universities and professional certification bodies. The average tenure for LTC’s top 10 clients is more than 14 years and contributes a strong (highly) recurring revenue stream for the Group.

Figure 2. Annualised Recurring Revenue “ARR”



¹ “Total ARR” includes all contracted platform revenue and recurring investigation services revenue, it excludes one-off revenue such as Project Services.

The end of FY19 marks the transition for Janison from a customised software development business into a configurable platform licensing business with strong annual recurring revenues from large corporates, governments and international education bodies.

Table 2. Preliminary Operating Revenue

FY19 Operating Revenue - Quarter and Year Ending 30 June 2019						
(A\$m)	FY18 Q4	FY19 Q4	FY19 Q4 Growth	FY18 Full Year	FY19 Full Year	Full Year Growth
Recurring Revenue	2.7	5.9	+120%	10.6	14.1	+33%
Project Services Revenue	2.0	1.4	(33)%	6.7	8.4	+26%
Group Revenue	4.8	7.3	+54%	17.3	22.5	+30%
By division:						
Assessment	2.4	5.4	+122%	9.7	14.0	+44%
Recurring Platform Revenue	1.1	2.0	+74%	4.5	5.8	+29%
Recurring Assessment Revenue	--	2.5	--	--	2.5	--
Project Services Revenue	1.3	1.0	(28)%	5.2	5.7	+9%
Learning	2.3	1.9	(19)%	7.6	8.5	+12%
Recurring Platform Revenue	1.2	1.2	+2%	4.5	4.6	+2%
Recurring Content Revenue	0.4	0.2	(38)%	1.6	1.1	(28)%
Project Services Revenue	0.7	0.4	(42)%	1.5	2.8	+86%
Group Revenue	4.8	7.3	+54%	17.3	22.5	+30%

Note: "Recurring Assessment Revenue" comprises LTC invigilation revenue. All FY19 figures are preliminary and unaudited.

Revenue growth accelerated during Q4 FY19 to finish the quarter with a strong **54% overall growth on the prior corresponding quarter** (Q4 FY18). The Company achieved **30% revenue growth on the prior corresponding year** (to 30 June 2019). Janison's top 10 clients grew by **16%** in revenue for the full year FY19 against the prior corresponding year and customer concentration improved with the top 10 clients generating 61% of all revenue in FY19 compared to 74% in the prior year of FY18.

3 The client base is loyal and expanding

CONSOLIDATED GROUP	FY18	FY19	Change
Total Clients	83	123	+48%
Average Revenue per Client (ARPC) \$'000s ¹	\$208	\$234	+12%
Customer Retention	99.9%	97.5%	(2)pps
Gross Margin ²	39%	41%	+5%
Customer Concentration (Top 10 clients) ³	74%	61%	+13pps

¹ The average revenue for LTC clients acquired in Q4 FY19 has been annualised to provide a consistent measure.

² GP% for FY19 is the normalised gross profit. See Table 3 for further details of non-recurring or 'normalised' costs in FY19.

³ Customer concentration is a risk measure of the revenue generated from the 10 largest clients as a percentage of total revenue.

Janison’s reliance on any single client has considerably reduced in FY19 with the on-boarding of new clients, growth in existing clients, and the acquisition of LTC’s 42 large domestic and international clients. As at 30 June 2019 Janison had 123 clients with no single client representing more than 15% of Janison’s total revenue including Education Services Australia, the client for NAPLAN.

4 There is a clear plan to drive growth

Figure 3. The Janison Growth Plan



Janison is targeting the **Schools** and **Higher Education** segments with its **Assessment** products which have high growth potential both domestically and internationally.

Partnership with the Organisation for Economic Co-Operation (“OECD”)

Janison continued its international expansion with the signing of the OECD agreement to become the **exclusive provider** of the PISA-based test for schools (PBTS) internationally. The process began in April 2019 with the signing of an agreement to deliver the digital assessment to schools in **Brazil** with many more countries expected to follow this year and throughout FY2020.

In FY19 21% of all revenue was derived from international clients and with the future expansion through the OECD agreement to deliver the PBTS test globally Janison expects this percentage of international revenue to increase significantly in FY20 and beyond. Furthermore, it is a volume-based platform pricing model so it is expected that this revenue will generate strong margins in the future.

5 The business generates healthy profit margins

Gross margin increased to **44% in Q4 FY19, an increase of 11 percentage points** on the prior corresponding period (Q4 FY18). **EBITDA** was **\$1.8m** for the quarter, inclusive of \$1.0m EBITDA from LTC’s assessment services.

The full year EBITDA run-rate at June 2019 was \$4.0m. The group generated EBITDA of \$1.8m in Q4 although this is when LTC traditionally experiences peak demand for its services with **40%** of annual revenue earned in this final quarter.

In contrast, LTC generates only **3%** of its total annual revenue in the first quarter of every year therefore **the seasonality of LTC should be considered when extrapolating quarterly revenue to arrive at a full year profit estimate.**

LTC delivered its strongest Q4 result and highest ever full-year result of **\$6.3m revenue** in FY19, **an increase of 24%** on FY18 – this follows a 21% growth the previous year. Including the period prior to Janison’s ownership, LTC recorded its highest **annual EBITDA of \$2.1m in FY19**, up **24%** on FY18. Contributing to this growth was LTC’s 11 new clients and locations won during FY19 and having no clients lost during the year.

The integration of LTC into Janison is progressing well and now the peak exam season has ended (Q4) work to transition LTC’s clients to a digital solution will increase intensity in Q1 FY20.

Table 3: Preliminary Income Statement

FY19 Income Statement - Quarter and Year Ending 30 June 2019							
(A\$m)	Q4 FY18	Q4 FY19	Growth	Full Year FY18	Normalised FY19	Normalised Growth	
Recurring Revenue	2.7	5.9	120%	10.6	14.1	+33%	
Project Services Revenue	2.0	1.4	(33)%	6.7	8.4	+26%	
Group Revenue	4.8	7.3	54%	17.3	22.5	+30%	
Cost of Sales	3.2	4.1	28%	10.6	13.4	+26%	
Gross Profit	1.5	3.2	108%	6.7	9.1	+37%	
GM%	32%	44%	11pps	39%	41%	2pps	
Operating Expenses	1.1	1.4	26%	3.5	4.5	+28%	
EBITDA	0.4	1.8	342%	3.2	4.7	+46%	
EBITDA %	8%	24%	16pps	18%	21%	2pps	

Note: All FY19 figures are preliminary and unaudited.

A **normalised** gross profit and EBITDA figure have been provided which the company believes better reflects underlying earnings given the non-recurring nature of the normalisations detailed below:

Cost of Sales Normalisations

- Cost of Sales normalisations in FY19 include non-recurring project investments relating to ITE, RMS and British Council - a total of 0.7m, and one-off increases in cloud hosting costs of \$0.5m, **a total of \$1.2m**.

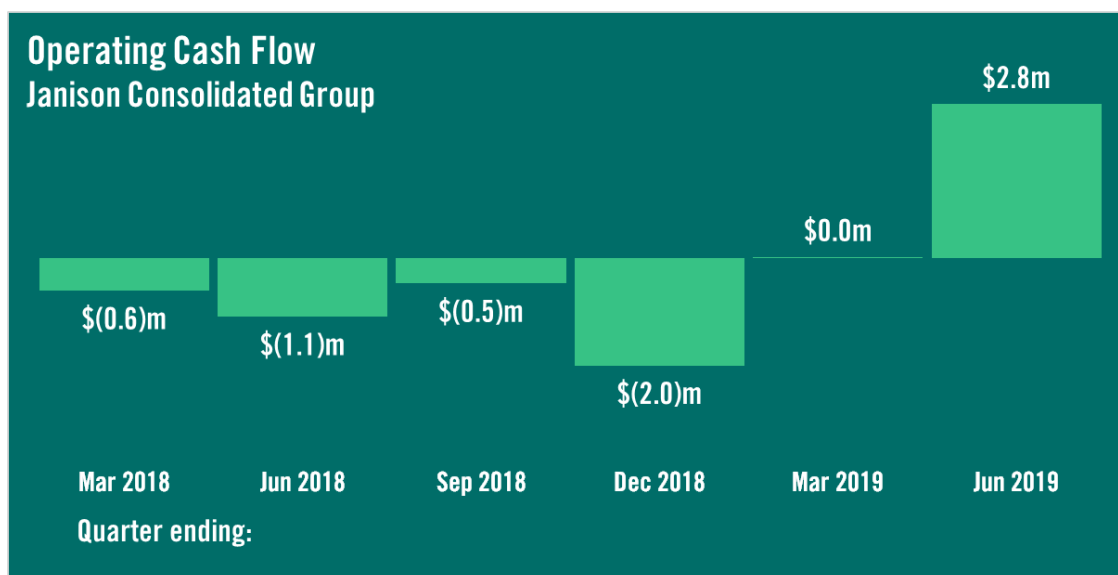
Operating Expense Normalisations

- During FY19 Janison invested further in its corporate leadership team and Sales and Marketing capabilities to support the business for further growth. The impact of this increase in FY19 totals \$1.1m and forms part of the normalised FY19 Operating Expenses included above. These investments made in FY19 assisted in the success of securing the OECD contract, further international expansion, and supports ongoing discussions with LTC clients regarding their digital transition.
- In FY19 Janison exceeded \$20m of aggregate revenues which results in a lower R&D tax credit offset rate of 38.5% (from 43.5% in FY18). The impact of this rate reduction, in conjunction with a reduction in overall R&D spend, is expected to result in a lower R&D tax credit of \$0.3m.
- These two Operating Expense normalisations listed above **total \$1.4m** and have been included in the FY19 figure in Table.

Excluding all normalisations the **reported EBITDA for FY19 is \$2.0m**

Cash Flow

Operating cash flows for the June 2019 quarter were **\$2.8m** - the second consecutive quarterly positive cash flow since Janison listed on the ASX in December 2017. The increase in cash flow reflects improvements made to Cost of Sales in H2 FY19 and the acquisition of LTC and its cash flows for the peak assessment period in Q4.



Closing cash on hand as at 30 June 2019 was **\$6.0m**.

As at 30 June 2019, the Company had **\$7.3m of trade receivables** (up \$0.3m from the previous quarter due to the large seasonality in LTC in June 2019). Of the total debtor balance, **\$4.3m** were invoiced and **\$3.0m** were classified as **Unbilled Revenue**, to be invoiced at a later date once agreed milestones have been reached, **an improvement of \$0.6m** from the previous quarter.

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

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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.

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	30 June 2019		
Consolidated statement of cash flows		Current quarter \$A'000	Year-to-date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	7,138	21,645
1.2	Payments for		
	(a) research and development	137	(526)
	(b) product manufacturing and operating costs	(74)	(3,171)
	(c) advertising and marketing	(55)	(205)
	(d) leased assets	(268)	(426)
	(e) staff costs	(3,475)	(14,310)
	(f) administration and corporate costs	(872)	(2,977)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	40	100
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid / (received)	237	213
1.7	Government grants and tax incentives	27	67
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	2,835	410
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(8)	(102)
	(b) businesses (see item 10)	(4,985)	(4,985)
	(c) investments	-	-
	(d) intellectual property	(1,467)	(3,346)
	(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	(6,460)	(8,433)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	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	(14)	(554)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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 (12 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(14)	10,446

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	9,681	3,619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,835	410
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,460)	(8,433)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	10,446
4.5	Effect of movement in exchange rates on cash held	(17)	(17)
4.6	Cash and cash equivalents at end of quarter	6,025	6,025

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	6,025	9,681
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)	6,025	9,681

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	-
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 - nil

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	213
9.2	Product manufacturing and operating costs	1,249
9.3	Advertising and marketing	35
9.4	Leased assets	200
9.5	Staff costs	3,914
9.6	Administration and corporate costs	505
9.7	Other (provide details if material)	1,823
9.8	Total estimated cash outflows	7,939
Note: Item 9. Above excludes cash inflows, including cash receipts from customers estimated for next quarter. It also includes estimated investments in the Group's platforms (IP) in the form of new products and feature enhancements (approximately \$1.2m). Item 9.7 includes an estimate of the cash component of the earn-out consideration for the acquisition of LTC HoldCo Pty Ltd.		

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 \$14.6m (subject to earn-out payment)	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: