

Janison Delivers Higher Margin Recurring Revenue Growth in Q1 FY20

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 September 2019 (“Q1 FY20”)**.

Q1 FY20 Key highlights:

- Recurring revenue of \$3.1m, +12% growth on prior corresponding period Q1 FY19 (“pcp”)
- +49% or +\$0.6m growth in recurring Assessment revenue on pcp
- Three of the world’s largest markets signed up to the Janison /Organisation for Economic Cooperation and Development (OECD), PBTS test: Brazil, Russia and the USA

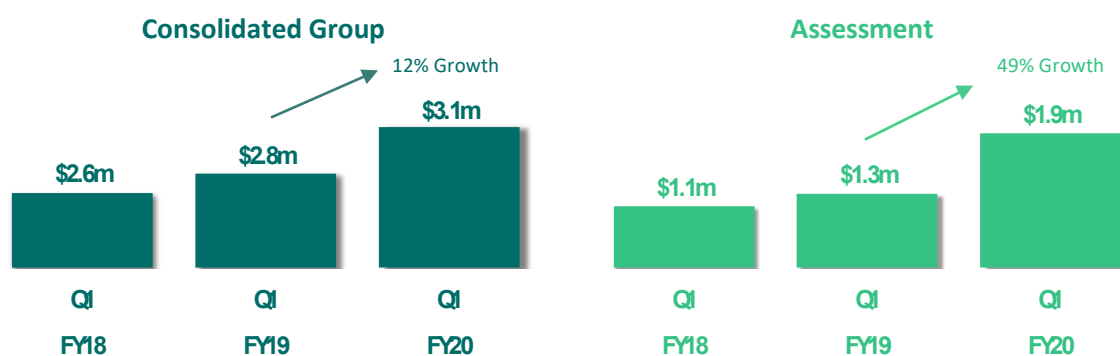
Margins

- +\$1m or 19 percentage points improvement in Q1 Gross Margin on pcp
- +\$0.4m or 8 percentage points improvement in Q1 EBITDA on pcp

Cash

- \$1.6m positive operating cash flow, third consecutive quarter of positive cash flow
- \$4.7m cash on hand at 30 September 2019, no debt

















Quarterly Recurring Revenue (reported)



Group recurring revenue grew by +\$0.3m or +12% in Q1 FY20 on the prior corresponding period (Q1 FY19), as the company transitioned from software development of large projects in FY19 to significantly higher margin, licence revenue on its existing software in FY20.

Within the Assessment division, recurring revenue growth was more pronounced with a +49% or +\$0.6m increase on pcp as a result of licensing the existing Janison Insights platform to deliver online testing globally to customers such as the Organisation for Economic Cooperation and Development (“OECD”), Roads & Maritime NSW, and UNSW Global.

Market Sector Focus

Sector Platform	Schools (K-12)	Higher Education	Workplace
janison insights	   	 	  
janison academy	  		  

Key Strategic Focus

In August, management outlined the company's key market sectors for growth (above) and the focus areas for the next five years being **Schools** and **Higher Education** for online testing (utilising the **Janison Insights** assessment platform) and the **Workplace** (utilising the **Janison Academy** learning platform).

Schools

Through its partnership with the OECD, signed in April 2019, Janison anticipates strong growth in the **Schools** sector as a result of a global roll-out of the PISA-based test for schools (PBTS) test. During Q1 FY20, Janison signed agreements to deliver the test in Russia and Brazil and will leverage LTC's in-person invigilation and proctoring (online invigilation) capabilities to support the delivery of PBTS in the USA.

Janison expects to sign additional new countries on to the PBTS test throughout FY20, and beyond, as well as expand test coverage in each country to drive increased licence revenues. By demonstrating successful delivery of the PBTS test, Janison will seek to deepen its relationship with each of these countries and their respective education ministries to expand the use of the Janison Insights assessment platform to deliver additional subject tests and to additional students of various age groups.

Higher Education (HE)

In Q1, Janison entered into an agreement with Co-Sector University of London in the UK enabling the company to deliver its University assessment platform to the group of 11 universities to which Co-Sector currently provides its managed services, and further afield to other universities throughout the UK.

Janison also participated in the creation of a new HE advisory group in the UK with Wayne Houlden, Janison's founder, becoming a key member of this board along with other prominent figures from the HE sector including the University of London, JISC and the UK's Universities and Colleges Admissions Service ("UCAS"). The Board's mandate is to focus on developing a positive and practical vision for the future of assessment across the sector and the role of digital technology in bringing that future-forward. It will also help position Janison in the UK HE sector as a thought leader and develop key strategic relationships.

Operating Revenue for the quarter ending 30 September

(A\$m)	3 months		\$ Growth	% Growth
	Q1 FY19	Q1 FY20		
Total Recurring Revenue	2.8	3.1	+0.3	+12%
Total Services Revenue	2.3	2.0	(0.3)	(15)%
Group Revenue	5.1	5.1	+0.0	+0%
Assessment	2.9	3.4	+0.4	+15%
Recurring Platform Revenue	1.3	1.9	+0.6	+49%
Project Services Revenue	1.7	0.9	(0.8)	(49)%
Exam Management Services	0.0	0.6	+0.6	--
Learning	2.1	1.7	(0.4)	(21)%
Platform Revenue	1.1	1.0	(0.1)	(10)%
Content Revenue	0.4	0.2	(0.2)	(48)%
Project Services Revenue	0.6	0.5	(0.1)	(22)%
Group Revenue	5.1	5.1	+0.0	+0%

Note: "Recurring Assessment Revenue" excludes LTC Exam management revenue.
All FY20 figures are preliminary and unaudited.

Total group revenue growth was flat for the quarter to 30 September 2019 compared to the prior corresponding period due to a reduction in Project Services revenue, predominantly in the Assessment division as a result of a number of large client projects reaching commissioning stage and therefore transitioning from services revenue to recurring platform licence revenue.

Income Statement for the quarter ending 30 September

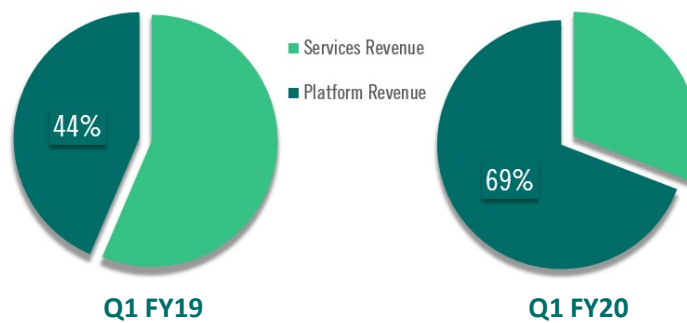
(A\$m)	2018	2019	\$ Growth	% Growth
Recurring Revenue	2.8	3.1	0.3	+12%
Project Services Revenue	2.3	2.0	(0.3)	(15)%
Group Revenue	5.1	5.1	0.0	+0%
Cost of Sales	3.7	2.7	(1.0)	(26)%
Gross Profit	1.4	2.4	1.0	+69%
GM%	27%	46%		+19pps
Operating Expenses	1.5	2.1	0.6	+39%
EBITDA	(0.1)	0.3	0.4	+393%
EBITDA %	-2%	6%		+8pps

Note: All FY19 figures are preliminary and unaudited.

Margins improved significantly in the quarter to 30 September 2019 as a result of the revenue mix shifting toward higher-margin licence revenue from a period in FY19 where custom software development of one-off projects was the focus. This investment in software development in FY19 has allowed the business to build a core assessments platform that is now paying dividends in the form of much higher margin revenue.

For the quarter to 30 September 2019, **Gross Margin increased** from \$1.4m to \$2.4m in comparison to pcp. The increase of **\$1.0m represents a 19 percentage point** lift from **27% to 46% GM%**. This improvement reflects the change to the business model from being a predominantly project services business to a product licensing model.

Assessment Revenue Mix – quarter ending 30 September 2019



The mix of recurring, higher margin Platform licence revenue increased as a share of total assessment revenue from 44% in FY19 to 69% in FY20¹. As Janison continues to scale, the share of platform revenue is expected to increase further toward 80%+ whilst still retaining a stream of services revenue to support client configuration and integration work.

Opex

In line with this transition to a productised business model, Janison is prioritising investment in Sales and Marketing to further expand its client base and licence its pre-built core platforms in Learning and Assessment. This investment takes the form of a strengthened Sales and Account Management team (four new heads in FY20 including a UK based sales position to support Janison's HE partnerships in Europe) and a larger marketing budget to increase lead generation and to execute targeted marketing campaigns utilising the redesigned and enhanced Janison.com website as a focal point.

Cash flow statement for the quarter to 30 September

Janison posted its third consecutive positive Operating Cash Flow for quarter to 30 September 2019, as illustrated below. The increase in operating cash flow reflects the transition within Assessment from software development to software licensing which took place toward the end of FY19 and is now delivering a significantly greater mix of high gross margin platform revenue.



¹ Excludes Exam Management Services Revenue (LTC Revenue)

Closing cash on hand as at 30 September 2019 was approximately **\$4.7m**.

As at 30 September 2019, the Company held approximately **\$6.0m of trade receivables** (down \$1.3m from the previous quarter largely due to the collection of June debtors and the June quarter being the peak exam revenue period for LTC). Of the total debtor balance, **\$2.8m** were invoiced and **\$3.2m** were classified as **Unbilled Revenue** to be invoiced at a later date once agreed project milestones have been reached, **an increase of \$0.3m** 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 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.
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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 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year-to-date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,493	6,493
1.2 Payments for		
(a) research and development	(255)	(255)
(b) product manufacturing and operating costs	(1,195)	(1,195)
(c) advertising and marketing	(34)	(34)
(d) leased assets	(187)	(187)
(e) staff costs	(3,044)	(3,044)
(f) administration and corporate costs	(249)	(249)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	35	35
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid / (received)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,561	1,561
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) businesses (see item 10)	(1,663)	(1,663)
(c) investments	-	-
(d) intellectual property	(1,244)	(1,244)
(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	(2,911)	(2,911)
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year-to-date (3 months) \$A'000
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	6,025	6,025
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,561	1,561
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,911)	(2,911)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	2	2
4.6	Cash and cash equivalents at end of quarter	4,677	4,677

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	4,677	6,025
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)	4,677	6,025

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	(305)
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 <i>Add notes as necessary for an understanding of the position</i>	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	149
9.2	Product manufacturing and operating costs	1,381
9.3	Advertising and marketing	46
9.4	Leased assets	193
9.5	Staff costs	3,609
9.6	Administration and corporate costs	264
9.7	Other (provide details if material)	-
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.		

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 \$12.3m	NA
10.4	Total net assets	\$1.7m	NA
10.5	Nature of business	Assessment Invigilation Services	NA

Details of Item 10:
The Acquisition of LTC Hold Co Pty Ltd was completed on 1 st 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.



29 October 2019

Sign here:
Company secretary

Date:

Print name: Andrew Whitten
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