

ASX Announcement
23rd March 2020

NAPLAN 2020 and COVID-19 Update

Janison Education Group Limited (ASX:JAN) (“Janison” or the “Company”) is today announcing an update in response to the impact of COVID-19 and the cancellation of NAPLAN 2020.

Summary

- Large number of inbound enquiries from educational institutions seeking digital solutions to counter the COVID-19 forced shutdowns
- No material impact expected from NAPLAN cancellation
- Short-term impact expected in FY20 as a result of COVID-19 and LTC exam deferrals to 1H FY21
- Precautionary measures being enacted to protect current year earnings

NAPLAN – Background

In 2016, Janison entered into a seven-year agreement with Education Services Australia (ESA) on behalf of the Australian federal government to become the software provider for the online version of the **National Assessment Platform – Literacy and Numeracy (NAPLAN)**, a national, annual assessment for all school children in Years 3, 5, 7 and 9.

Approximately 1.2m students sit the test each year which, since 2018, has been in the process of transitioning from paper-based to computer-based. Last year, in 2019, Janison delivered NAPLAN online to approximately 660,000 students, with the remainder of students continuing to take the test on paper.

NAPLAN is the measure through which governments, education authorities, schools, teachers and parents can determine whether or not young Australians have the literacy and numeracy skills that provide the critical foundation for other learning and for their productive and rewarding participation in the community.

The tests provide parents and schools with an understanding of how individual students are performing. They also provide schools, states and territories with information about how education programs are working and which areas need to be prioritised for improvement.

Recent events

On Friday, 20th March, the federal government announced it had cancelled this year’s sitting of NAPLAN in order to alleviate the burden placed on schools as a result of the coronavirus (COVID-19).

The impact of NAPLAN being cancelled this year on Janison’s revenue and earnings is expected to be immaterial.

Revenue received each year for the delivery of NAPLAN is largely fixed in nature and not tied to the number of actual tests delivered. Since this year’s NAPLAN event is not going ahead it allows more time for Janison in partnership with ESA to work on improving and strengthening the platform in readiness for NAPLAN 2021. As such, the variable, ‘event-based’ revenue derived from the NAPLAN event in May is expected to be replaced with paid feature-enhancement work of a similar value.

Broader implications of COVID-19 on Janison

At the time of writing, the overall predicted impact on Janison as a result of the coronavirus is believed to be immaterial and may in fact present a number of significant opportunities as a result of the education industry accelerating its transition from a paper-based delivery of learning and student assessment, to a digital, online format.

Janison's core business is the delivery of online learning, content creation and facilitating large-scale digital assessments for the schools and higher education market. More recently, it now has the capability to deliver digital assessments to students in any location, including at home, using **Janison's Remote** platform which can provide identity verification and controlled, virtual exam conditions to a potentially higher standard than those in a physical in-person exam setting.

The most affected division from COVID-19 is within Janison's **Exam Management** business which comprises LTC – the business acquired in April 2019. Janison received notification from a few of its key clients that they intend to reschedule their June exam sittings to later in the calendar year, once it has been advised safe to do so.

As this takes place, Janison is reiterating its ability to provide a digitally-delivered exam with remote proctoring (supervision) to these clients to allow this year's exams to continue on schedule. Janison looks forward to announcing new clients signed on to its platform as a result of this, in the coming months.

Despite the shift in dates for some of LTC's June exams being simply a reschedule rather than a cancellation, this will however result in Q4 revenue and cash being postponed until the first half of FY21. In anticipation of this, the board and management of Janison have prepared a number of precautionary measures which are being enacted over the coming days to protect this year's earnings.

Precautionary Measures

For prudence, as the COVID-19 impact began to build, management modelled the impact on the business and prepared a number of measures designed to protect earnings in the event of a negative financial impact transpiring. Among others, these include a reduction in discretionary spending, supplier price negotiations, office space consolidation and a temporary hold on travel and new recruitment unless the roles directly support new business opportunities that carry an FY20 financial benefit. These measures are expected to offset any shortfall in FY20 earnings as a result of revenue being postponed to FY21.

Conclusion

Despite the negative consequences of COVID-19 being felt around the world, management believe the general outlook to be positive for the EdTech industry and take comfort in the strength of the Company's balance sheet through this period of uncertainty and disruption. Janison holds a robust cash balance and no debt, and with the recent commissioning of the Janison platform in Singapore and its A\$1.1m milestone payment due in April, cash reserves will be further strengthened to prepare for a prolonged impact and or to capitalise on opportunities arising from this event.

This announcement has been authorised by the Board.

For further enquiries, please contact Janison Investor Relations, email: IR@janison.com

About Janison Education Group

Janison is an education technology pioneer transforming the way people learn. It provides two primary offerings in the education technology industry:

- **Janison Assessment** – a leading global platform ("**Janison Insights**") for the provision of large-scale digital exam authoring, testing and marking, servicing national education departments, tertiary institutions and independent educational bodies.
- **Janison Learning** – a leading integrated learning platform ("**Janison Academy**") used by large enterprises and government departments to build capability in their people.