

ASX Announcement
27 April 2020

Janison Releases FY20 YTD Trading & Guidance Update

Janison Education Group Limited (ASX:JAN) ("Janison" or the "Company") today announces its year to date financial results for the year to 31 March 2020 (FY20 YTD).

Key Financial Highlights: FY20 YTD to 31 March 2020

- **26% growth in Group ARR** ("Annualised Recurring Revenue", as at 31 March 2020 vs. 31 March 2019)
 - **59% growth in Assessment recurring revenue** for the nine months to 31 March 2020 (vs. PCP)
 - **Gross Margin up 11 percentage points to 44%** for the 9 months to 31 March 2020 (vs. 33% PCP)
 - **EBITDA up 9 percentage points to 10%** for the 9 months to 31 March 2020 (vs. 2% PCP)
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Trading Update & Guidance

The recent events experienced globally as a result of COVID-19 have forced educational institutions and professional associations to accelerate their plans to digitise course material and exam delivery. In the long-term, Janison is positioned well to benefit from this dramatic and most likely permanent shift in the market as demonstrated by the Company's recent early wins to **digitise course material** for [Centennial College, Canada](#), and with today's announcement to **deliver remotely proctored (supervised) exams** in the Czech Republic.

This disruption in the market however is causing short-term delays to the completion of new pipeline contracts currently under negotiation - none of which have been lost or cancelled, merely delayed. Until this disruption subsides, the ability to predict when short term revenue and earnings will accrue from new customers is challenging.

For this reason, the Company has decided to withdraw its guidance provided to the market in November 2019 as a reflection of the short-term delays impacting the ability of prospective clients to finalise contract signing within this financial year.

Based on the increased number of inbound enquiries received in recent months however there is evidence to suggest new business opportunities may in fact accelerate once these disruptions begin to subside. Enquires have been received from across the globe and require both online learning and digital exam delivery solutions.

Revenue

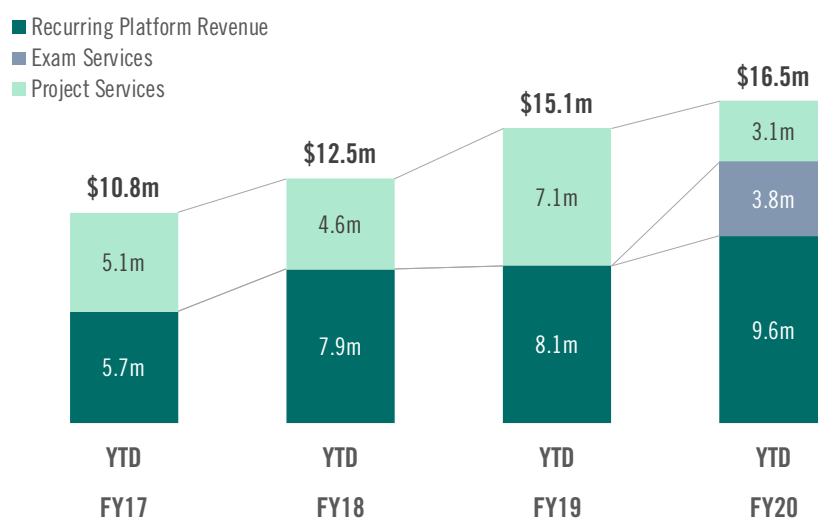
For the nine months to 31 March 2020, Janison posted a strong **26%** growth in annualised recurring revenue ("ARR") which is evidence of the business model transitioning its clients to recurring licence income. Notable drivers of this growth include the licensing of Janison's assessment platform to clients such as Roads & Maritime Services NSW for digital drivers' knowledge tests, UNSW Global for the digitisation of ICAS school assessments, and British Council for English language testing.

More recently, Janison has begun working with education service providers globally as a result of the 5-year exclusive agreement it secured with the OECD (Organisation for Economic Cooperation and Development) to digitise the PISA-

Based Test for Schools (PBTS). As at 31 March 2020, Janison has secured 7 of the 80 countries who administer PISA or PBTS, with an expectation of several more countries signing in the coming months.

Reported revenue for the group increased 9% for the nine months of FY20 (compared to the prior corresponding period "PCP" of the nine months to 31 March 2019). Reported revenue consists of Recurring Platform revenue, Exam Services revenue (currently all derived from the acquisition in April 2019 of LTC Language & Testing Consultants, which is highly repetitive in nature but classified as Services revenue), and one-off Project Services revenue.

Reported Revenue - Nine Months to 31 March



REVENUE - NINE MONTHS TO 31 MARCH

(A\$m)	Nine months ending		\$ Growth	% Growth
	FY19	FY20		
Group Recurring Revenue	8.2	9.6	+1.4	+18%
Group Services Revenue	7.1	7.0	(0.1)	(1)%
Group Revenue Total	15.2	16.6	+ 1.4	+ 9%

Revenue by segment:

Assessment	8.5	11.3	+ 2.7	+ 32%
Recurring Revenue	3.8	6.1	+2.3	+59%
Exam Services (LTC)	-	3.9	+3.9	--
Project Services	4.7	1.3	(3.4)	(72)%
Learning	6.7	5.3	(1.4)	(21)%
Recurring Revenue - Platform	3.4	2.9	(0.5)	(15)%
Recurring Revenue - Content	0.9	0.6	(0.3)	(32)%
Project Services Revenue	2.4	1.8	(0.6)	(24)%
Group Revenue Total	15.2	16.6	+ 1.4	+ 9%

Figures shown above are currently unaudited, draft results for the nine months to 31 March 2020

A key metric to observe is the growth in recurring revenue within the **assessment** division which posted a **59% growth in recurring revenue** for the nine months to 31 March 2020 on PCP. Of this, \$0.5m or 12% growth on PCP was generated from new PBTS revenue from the three countries that have delivered the test as at this reporting date (Russia, USA, Brazil).

Assessment Project Services revenue declined by \$3.4m for the nine months to 31 March 2020 vs. PCP as Janison cycles the extensive configuration and integration work last year required to transition new assessment clients to the Janison Insights platform. This is consistent with previous trading updates and the decline in Services Revenue is being compensated for by an increase in long-term recurring licence revenue.

Project Services revenue for the Company now comprises less than **20% of total group revenue** (vs. 46% in PCP).

Learning revenue was down 21% on PCP primarily within Content Licence where two large clients, Kinross and Rio, switched in 1H FY19 to either a low-cost LMS provider or to using in-house content which better suited their industry requirements. Within Learning Project Services revenue, Janison is cycling a period of higher content development work last year which is now in use by the client but was 'once-off' in nature.

Margin & Profit

The transition away from a large amount of custom software development to a largely 'off-the-shelf' assessment product has demonstrated its benefits in the financial results for the nine months to 31 March 2020 with a lift from 33% gross margin in PCP to **44% gross margin in FY20 YTD**.

Despite Janison continuing to recruit and invest in its Sales, Account Management and Marketing function throughout this financial year, most of the higher gross margin was passed through to bottom-line profits with an increase to **10% EBITDA margin** (from 2% in PCP).

INCOME STATEMENT - NINE MONTHS ENDING 31 MARCH

(A\$m)	Nine months ending		\$ Growth	% Growth
	31 March FY19	31 March FY20		
Recurring Revenue	8.2	9.6	1.4	+18%
Services Revenue	7.1	7.0	(0.1)	(1)%
Group Revenue	15.2	16.6	1.4	+9%
Cost of Sales	10.3	9.3	(0.9)	(9)%
Gross Profit	5.0	7.2	2.3	+46%
GM%	33%	44%		+ 11pps
Operating Expenses	4.7	5.5	0.8	+17%
EBITDA	0.2	1.7	1.5	--
EBITDA %	2%	10%		+ 9pps
Depreciation & Amortisation	0.2	1.5	1.3	+761%
Amortisation of Acquired Intangibles	0.2	1.3	1.1	+764%
Share-based compensation	1.0	0.4	(0.6)	(56)%
Other non-operating expense	0.1	0.5	0.5	+489%
Net financial expense	(0.0)	0.0	0.1	--
Income tax expense	(0.2)	(0.2)	0.0	--
NPAT	(0.9)	(1.8)	(0.9)	+102%
NPATA*	(0.7)	(0.5)	0.3	--

Figures shown above are unaudited, draft results for the nine months to 31 March 2020

*NPATA is NPAT adjusted by adding back the non-cash charges relating to the amortisation of acquired intangible assets

Other non-operating expense predominantly comprises foreign exchange losses

EBITDA BY SEGMENT

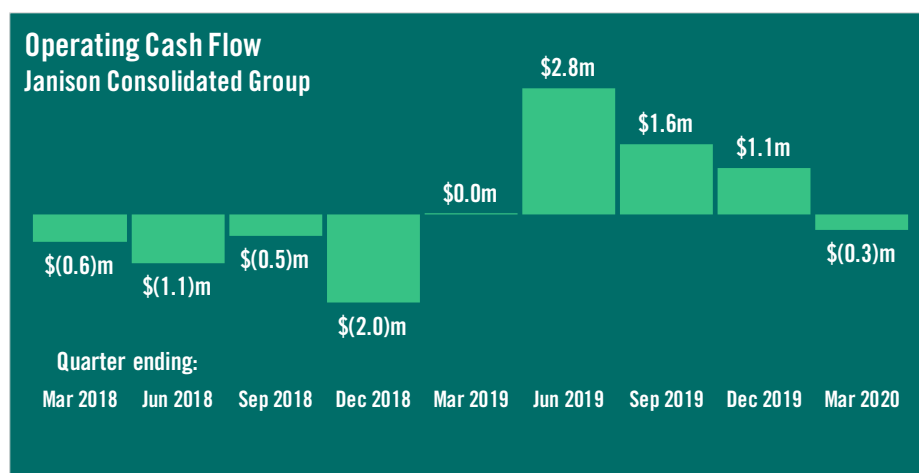
(A\$m)	Nine months ending		\$ Growth	% Growth
	31 March FY19	31 March FY20		
Assessment	(1.9)	(1.1)	0.8	--
Learning	2.2	1.4	(0.8)	(36)%
LTC Exam Services	-	1.4	1.4	--
Group EBITDA	0.2	1.7	1.5	--
Assessment %	(22)%	(15)%		+8pps
Learning %	32%	26%		(6)pps
LTC %	--	37%		--
Group EBITDA %	2%	10%		+ 9pps

Figures shown above are unaudited, draft results for the nine months to 31 March 2020

Cash

The quarter to 31 March is traditionally the low period in the Company's financial year for **Operating Cash Flow** as a result of the timing for most licence fees being paid upfront in the first half of the year. As illustrated below, Janison's Operating Cash Flow was an outflow of \$0.3m. This reflects the transition within the Assessment division from lower-margin software development to high-margin platform licensing revenue and comes despite the significant investment made by the company to expand its leadership and Business Development teams including the appointment of a new **European Senior Business Development Manager** in March.

Closing cash on hand as at 31 March 2020 was approximately **\$2.9m**.



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

This release has been approved by the board.

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

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 and management. 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.