ASX Announcement
31st January 2019

Appendix 4C and Preliminary First Half ("1H FY19") 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 December 2018 ("**Q2**") for the financial year 2019 ("**FY19**") and a preliminary trading update for the half year just ended.

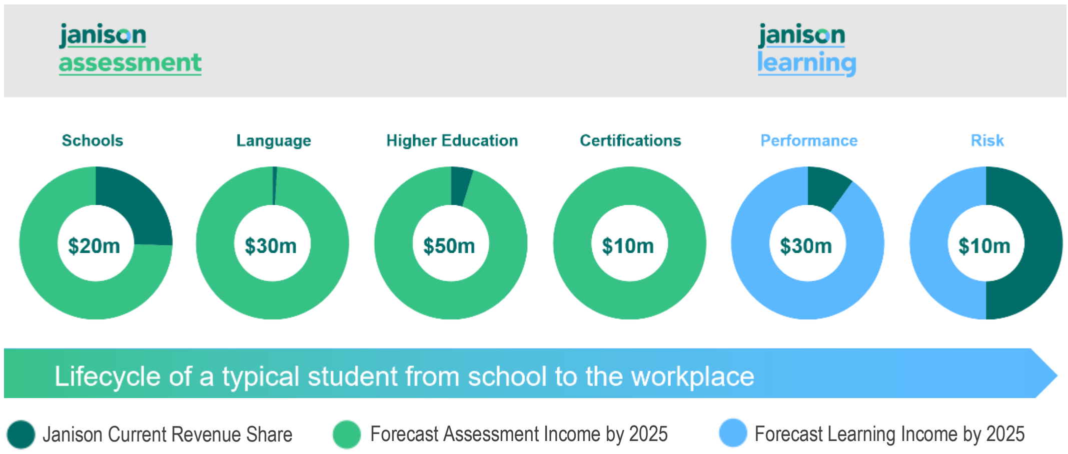
Pro Forma Cash available at calendar year end was **$6.8m** ($4.6m on 31 December balance sheet plus $2.2m of Trade Receivables received in January 2019).

Sector Overview

The outlook for the **education technology** market continues to be positive with demand operating typically in a counter-cyclical nature to the general market. Growth in the sector is expected to be at **17% p.a**. and reach **$252bn by 2020**[1].

Janison is investing for the future and aspires to grow to a **$150m** income business in the education technology sector by **2025**. Revenue growth is expected from the following high growth segments with 70% of the income from Assessment:

Fig. 1: Janison's Six Core Sectors



Q2 FY19 Operational Highlights

- Contract wins signed during Q2 for new and existing clients included:
    - Certifications - Finalising a **4 year** contract with **Roads & Maritime Services NSW** to modernize the current driver/rider knowledge test platform (**$4.3m**, including GST, of project services and platform revenue for the Assessment Segment); and

[1] Source: IBISWorld: https://www.prnewswire.com/news-releases/global-report-predicts-edtech-spend-to-reach-252bn-by-2020-580765301.html

- Performance - Renewal of the **Westpac Bank** platform licensing agreement for an additional three years (**$4.2m**, including GST, of platform license fees for the Learning Segment).

- Successful completion and receipt of the **$5m** (gross) capital raise (announced 27th September 2018) and commencing deployment of these funds to meet customer demand and accelerate specific technology development to productize Janison IP for its target sectors

1H FY19 - Half year investment from growth capital raise

As announced at the time of the September 2018 capital raising we have begun deploying the **$5m** of funds across the following four key areas during the **first half of FY19**:

1. **Accelerate the development of Assessment product features for Higher Education, Schools, Certifications and Language sectors**

    - **Higher Education**– investment has been made in additional platform functionality as part of specific client projects. Once finalised, these platforms can be 'productised' for other clients to allow Janison to penetrate this highly attractive market.
    - **Schools:** platform enhancements are enabling greater reach to regional and remote schools and scaling to cater to increased student numbers for 2019.
    - **Certifications**: build specific functionality and item types for the certification market which is a new market segment for Janison and includes clients like RMS.
    - **Language**: support of strategic partnerships to provide language testing globally.

2. **Ensure the scalability and reliability of the platform and business processes to support future growth.**

    - Scalability – in the last six months we have undertaken hundreds of hours of performance testing of the platform to be able to support concurrent loads and traffic volumes in anticipation of growing user and test volumes in FY20
    - Reliability and User experience– we have invested in resolving known issues, improving the reliability of the platform to ensure quality and overhauled and modernised the user experience. In addition we have undertaken many rounds of penetration testing to ensure the system is protected from unwanted attacks.
    - ISO 27001 – in H1 we also largely completed the ISO 27001 process to ensure world class business processes and controls are in place and we are currently pending certification.

3. **Enhance the executive leadership team**

    - A number of key leadership hires have been made in the six months to 31st December 2018 with over 20 new hires in total across the business taking the total Company FTE account to 94 as at 31 December 2018.
    - The search for a high calibre CTO is nearing completion with an expected start date in Q4 FY19.

4. **Expand the sales and marketing team**

    - Hiring and investment in systems has intensified during 1H FY19 to build the capacity to expand reach and drive sales of existing products across all six core sectors (as illustrated in Figure 3 above).

1H FY19 – Preliminary Half Year Financial Information

Revenues

Janison has continued to achieve pleasing revenue growth while investing in the ongoing development of its products. The impact of this is that Services have experienced the majority of the growth in 1H FY19 but platform growth is expected to grow rapidly in 2H FY19 as the build phase completes and licencing revenue commences.

Revenue growth accelerated during Q2 FY19 to finish the quarter with a strong **20% growth on the prior corresponding Q2** FY18. The Company has achieved 18% revenue growth between 1H FY18 and 1H FY19 and **12% revenue growth** between 2H FY18 and 1H FY19.

Within this the Company delivered a strong **38% growth in Learning** in Q2 FY19 **compared to the prior corresponding Q2 FY18**. Learning revenue growth was 32% between H1 FY18 and H1 FY19 and **8% between H2 FY18 and H1 FY19**.

Assessments delivered 8% revenue growth in Q2 FY19 compared to Q2 FY18. Assessment revenue growth was 9% between 1H FY18 and 1H FY19 and 16% between 2H FY18 and 1H FY19.

*Refer to **Table 1** below for further details of revenue split between Platform and Services.*

Table 1. Operating Revenue

Operating Revenue - ending 31 December 2018					
(A$m)	1H FY18	2H FY18	1H FY19	Growth on 1H FY18	Growth on 2H FY18
Assessment Division	**5.0**	**4.7**	**5.5**	**+9%**	**+16%**
Platform Revenue	*2.3*	*2.2*	*2.3*	*+3%*	*+3%*
Project Services Revenue	*2.7*	*2.5*	*3.1*	*+15%*	*+28%*
Learning Division	**3.4**	**4.2**	**4.5**	**+32%**	**+8%**
Platform Revenue	*2.2*	*2.3*	*2.3*	*+3%*	*(2)%*
Project Services Revenue	*0.4*	*1.1*	*1.5*	*+269%*	*+44%*
Content Revenue	*0.8*	*0.8*	*0.7*	*(14)%*	*(13)%*
Group Revenue	**8.4**	**8.9**	**10.0**	**+18%**	**+12%**
Total Platform Revenue	*5.3*	*5.4*	*5.3*	*+0%*	*(1)%*
Total Project Services Revenue	*3.2*	*3.5*	*4.7*	*+48%*	*+33%*
Group Revenue	**8.4**	**8.9**	**10.0**	**+18%**	**+12%**

Note: All figures are currently unaudited draft management accounts

Cost of Sales

As discussed above, and set out at the time of the September 2018 placement, during the half Janison temporarily increased expenditure on its contracted development team and hosting expenses to:

- initiate new 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 phased 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 largely complete and therefore the costs are considered to be non-recurring beyond this half. In total, the level of additional Cost of Sales for the half is estimated at $0.8m.

Operating Expenses

The investment in the executive leadership team and sales and marketing is reflected in an increase in Operating Expenses as set out below. In addition, a regional grant received in 2H FY18 and higher R&D tax credits in the prior half year appear to inflate the Operating Expenses by $0.3m in this half year, 1H FY19.

1. Investment in 1H FY19 Sales & Marketing	$0.4m
2. Investment in executive leadership in 1H FY19	$0.3m
3. Reduction in R&D tax credit in 1H FY19 (vs. 2H FY18)	$0.2m
4. Regional Jobs grant received in 2H FY18 (non-recurring in 1H FY19)	$0.1m
Total Incremental Operating Expenses in 1H FY19 (compared to 2H FY18)	**$1.1m**

Items #3 and #4 above had the effect of reducing Operating Expenses in the prior year (2H FY18) and have been included as normalisations in **Table 2** below.

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 above.

Table 2: Preliminary First Half Income Statement FY19 against 2H FY18

1H FY19 Income Statement					
(A$m)	**2H FY18**	**1H FY19**	**Normalisations[2]**	**Normalised 1H FY19**	**Normalised Growth on 2HFY18**
Learning Revenue	4.2	4.5	--	4.5	+8%
Assessment Revenue	4.7	5.5	--	5.5	+16%
Group Revenue	**8.9**	**10.0**	**--**	**10.0**	**+12%**
Cost of Sales	5.8	7.5	(0.8)	6.7	+15%
Gross Profit	**3.0**	**2.4**	**(0.8)**	**3.3**	**+8%**
GM%	34%	24%		33%	(1)pps
Operating Expenses[3]	1.9	3.1	(0.3)	2.8	+45%
Trading EBITDA[4]	**1.1**	**(0.7)**	**(1.1)**	**0.5**	**(56)%**

Note: All figures are currently unaudited draft management accounts

[2] Normalisations include the non-recurring expenses relating to ITE, RMS and British Council, a total of 0.8m

[3] Normalisation for a reduction in the R&D tax credit during 1H FY19 compared to 2H FY18 ($0.2m) and a non-recurring grant received in in 2H FY18 ($0.1m).

[4] 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.

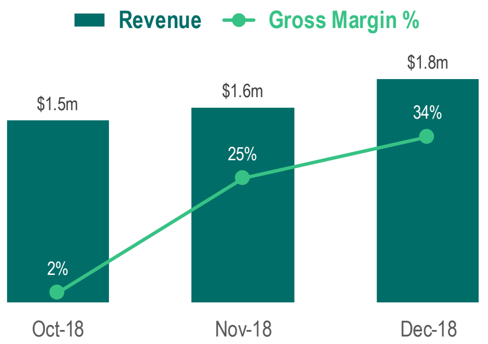
Full Year Outlook FY19

Since returning to steady state investment levels on its product and with further profit improvements in 2H FY19 management are excited about the clear path ahead and the outlook for the full year.

With many of the investments mentioned above nearing completion and a large amount of associated cost being non-recurring in 1H FY19 the business has already begun to accelerate revenue growth and return to historical gross margins putting the business on track to generate robust profit in the second half and full year FY19.

As illustrated below in Fig. 4, performance in the final quarter of 1H FY19 shows the business returning to higher gross margins supporting the expectation that **reported gross margin** will be at **35% or higher for the full year FY19**.

Fig. 4: Q2 FY19 Revenue and Gross Margin %



Management expect **revenue** for the full year FY19 to be **20-25% greater than** the previous financial year (FY18) with the majority of this income being generated from existing client contracts. 60% of total revenue in Q3 FY19 is firm[5] and 48% of revenues for the entire second half (2H FY19) are firm with remaining revenue to be confirmed as the half year progresses.

Operating Expenses are expected to remain at first half reported levels for 2H FY19 now that the business has largely established its SG&A team.

Acquisitions

Janison continues to actively pursue accretive acquisition opportunities in the education sector. Management's intention is to complete one acquisition during this financial year (FY19) to support the long term growth strategy of the business. In the meantime management is focused on ensuring the business remains on track to achieve its 2H FY19 projections.

[5] Firm revenue is contracted revenue by client but may vary based on usage and volume

Fig 4. Preliminary 1H FY19 Key Metrics

Revenue Growth **+18%** to $10m (at 1H FY19)	International Income Share **19%** (down from 23% at FY18)	Capitalised Platform Investment **$1.2m** (from $0.6m pcp)
Business Development **$0.6m** (from $0.2m pcp)	Average Revenue per Client (ARPC) **$266k** (from $201k at FY18 close)	Pro forma Cash at Bank **$6.8m**

Cash Flow Commentary

The Group's reported cash balance as at 31 December 2018 was $4.6m but there were an additional $2.2m of customer receipts received in January 2019 therefore the pro forma cash balance at 31 December was $6.8m.

Operating cash flow for the December quarter was negative **$2.0m** reflecting increased working capital of **$1.4m**, driven by an increase in billed receivables primarily relating to annual license fees due from customers in the Learning segment of the business. As mentioned above $2.2m of receipts were received shortly after 31 December which normalised this negative working capital to positive $0.8m if it was collected on 31 Dec 2018.

As at 31 December 2018, the Company had **$7.8m of trade receivables**, **$4.3m** of which were **invoiced** and **$3.5m** of which are **related to accrued project revenues** to be invoiced at a later date. The company's working capital fluctuates between quarters depending on the timing of milestone payments received from customers on software development projects combined with relatively large annual or quarterly payments to suppliers of content licenses and hosting services.

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

Tom Richardson, CEO
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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.

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	**Quarter ended ("current quarter")**
90 091 302 975	31 December 2018

Consolidated statement of cash flows			**Current quarter $A'000**	**Year-to-date (6 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		4,407	8,871
1.2	Payments for			
	(a)	research and development	(212)	(560)
	(b)	product manufacturing and operating costs	(1,408)	(1,895)
	(c)	advertising and marketing	(63)	(112)
	(d)	leased assets	(52)	(117)
	(e)	staff costs	(3,923)	(7,163)
	(f)	administration and corporate costs	(751)	(1,508)
1.3	Dividends received (see note 3)		-	
1.4	Interest received		26	35
1.5	Interest and other costs of finance paid		-	0
1.6	Income taxes paid		-	0
1.7	Government grants and tax incentives		-	0
1.8	Other (provide details if material)		(1)	5
1.9	**Net cash from / (used in) operating activities**		**(1,977)**	**(2,444)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(24)	(74)
	(b)	businesses (see item 10)	-	-
	(c)	investments	-	-
	(d)	intellectual property	(627)	(1,225)
	(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**		**(651)**	**(1,299)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	5,000	5,000
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	(279)	(279)
3.5	Proceeds from borrowings	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year-to-date (6 months) $A'000
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**	**4,721**	**4,721**

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	2,504	3,619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,977)	(2,444)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(651)	(1,299)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,721	4,721
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**4,597**	**4,597**

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	4,597	2,504
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)**	**4,597**	**2,504**

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	(291)
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 $239k
Office lease payments made to Exec Board Member $52k.

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	79
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:
Office lease payments made to Exec Board Member $52k.
Content License Fees paid to a company owned by an Exec Board Member $27k

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)	750	-

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	200
9.2	Product manufacturing and operating costs	1,400
9.3	Advertising and marketing	60
9.4	Leased assets	60
9.5	Staff costs	3,500
9.6	Administration and corporate costs	750
9.7	Other (provide details if material)	800
9.8	**Total estimated cash outflows**	**6,770**
Note:	Item 9. Above excludes cash inflows, including cash receipts from customers estimated for next quarter. Item 9.7 represents 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	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:

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: 31 January 2019
Company secretary

Print name: Andrew Whitten

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.