Research as a Service

Janison Education Group Ltd

Learning the benefits of being a SaaS business

EdTech

12th March 2021

Janison Education Group Ltd (ASX:JAN) delivers online assessment services and online learning services to the primary, secondary, tertiary, corporate and professional education sectors. The company was founded in 1998 and listed on the ASX in December 2017 through a reverse takeover of HJB Corporation. At that time Janison raised $10m at $0.30/share, giving it a market capitalisation at listing of $39.3m. The company has subsequently returned to the market in October 2018 to raise $4.91m at $0.40/share, in April 2019 to raise $6m at $0.33/share and in May 2020 to raise $7m at $0.25/share. These raisings have part funded acquisitions such as ICAS and LTC and part underpinned working capital requirements. Janison has developed a world-class digital assessment platform capable of delivering exams to students globally on a large-scale and within a secure online environment. The platform has been developed in conjunction with governments and education institutions globally. In 2020, the company made a conscious decision to shift away from custom-made solutions for its clients to an off the shelf software as a service offering which resulted in a 22% lift in platform revenues and 11 basis point increase in gross margin. This decision has been further vindicated in the H1 FY21 results.

Business model

Janison operates two divisions, Assessments and Online Learning. The Assessment Platform & Products segment has moved to a SaaS style recurring revenue model with enterprises and governments paying fixed price contracts on long-term agreements. This has been particularly beneficial to Janison through the COVID-19 pandemic where other parts of its business, in particular the exam management business which is dependent on the number of students sitting for exams, have been impacted by lower revenues. Its learning business is geared to enterprise-level and institutional clients which also pay licence fees.

H1 FY21 demonstrates strong growth in ARR

Janison has reported H1 FY21 revenues of $15.9m, up 40% on the previous corresponding period in FY20 driven by an acceleration in platform revenue growth which jumped 88% for the period to $11.8m. Excluding the new schools product, ICAS Assessment, (acquired in June 2020) underlying growth in platform revenue was a very healthy 49% and assisted by its partnership with the OECD which resulted in seven additional countries licensing the platform and an $0.8m in NSW Department of Education revenues due to additional data and insights being provided to schools and teachers on how students' knowledge had been affected by the school closures due to COVID 19. The company noted that Annual Recurring Revenue (ARR) across the two divisions increased 79% to $13.4m. ARR has grown at a CAGR of 24% over the past five first half periods. Janison delivered a 65% increase in Gross Profit in the half year with the margin now at 54%, up from 46% a year before. The net loss for the half narrowed to $0.57m versus a net loss of $1.2m a year before.

Trading at a discount to peer group on forward EV/Revenue

Australia has several listed edtech companies including 3P Learning, IDP Education, Kip McGrath Education Centres, ReadCloud, Redhill Education, ReadyTech, and Schrole Group. Collectively this group is trading on a forward EV/Revenue multiple of 4.5x and a forward EV/EBITDA multiple of 25x and over the past 5 years has delivered a CAGR in revenue of 10.8%. Janison has delivered a 5-year CAGR in revenue of 15.6% but at 4.0x forward EV/Revenue is trading at a 10% discount to the peer group's 4.5x forward EV/Revenue multiple. However on forward EV/EBITDA of 38x, JAN is trading at a 52% premium.

Historical earnings and ratios

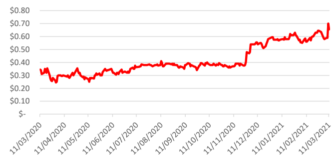
Year end	Revenue (A$m)	Gross Profit	EBITDA Adj.*	EBITDA Rep	NPAT Rep.	EPS Rep. (c)	EV/Sales^ (x)	EV/ EBITDA^
06/17a	14.343	6.338	3.008	2.699	0.995	3.03	na	na
06/18a	17.305	6.680	3.177	(23.893)	(21.878)	(25.08)	3.3	17.8
06/19a	22.496	7.887	1.987	0.231	(1.283)	(0.88)	1.9	21.6
06//20a	21.882	10.036	2.494	1.209	(2.179)	(1.21)	6.3	55.5

Source: Company data *EBITDA adj for one-time, non-cash items ^historical multiple

Share details

ASX Code	JAN
Share price	$0.66
Market Capitalisation	$139.0M
Shares on issue	210.66M
Net cash at 31/12/2020	$9.93M
Free float	~65%

Share performance (12 months)



Upside Case

- COVID has delivered opportunities to win new business and acquire companies at attractive valuations
- Rapidly expanding Annual Recurring Revenue base within its assessments platform
- Scalable business model beyond Australia

Downside Case

- Globalisation increases exchange rate risk
- Continuous investment in technology required
- Double edged sword from COVID saw delays in exam assessment revenues

Catalysts

Further evidence of margin expansion across the group and the shift in revenues to a SaaS model

Comparable companies (Aust/NZ)

3P Learning (ASX:3PL), IDP Education (ASX:IDP), Kip McGrath Education Centres (ASX:KME), ReadCloud (ASX:RCL), Redhill Education (ASX:RDH), ReadyTech (ASX:RDY), Schrole Group (ASX:SCL)

Top 5 shareholders

Wayne Houlden (founder)	32.58%
Perennial Value	11.46%
Australian Ethical Investments	9.37%
Ryder Capital	6.54%
ICE Investors	4.49%

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FINANCIAL SERVICES GUIDE

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RaaS
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