

Janison Education Group Ltd

Interim EBITDA up 29% y-o-y

Janison Education Group Ltd (JAN), formerly HJB Corporation, was founded in 1998 and listed on ASX in December 2017 following a reverse acquisition of Janison Solutions and a \$10m capital raising (\$0.30/share) to fund further international expansion. The company has a 20-year track record in the development of integrated corporate learning platforms (Janison Learning) and large-scale digital assessments in the K-12 and higher learning sectors and for language testing (Janison Assessment). It has customers in Australia, NZ, Singapore and UK and its objective is to use technology to transform the way that people learn.

Strategy

Until listing, JAN operated as a self-funded private business and as a result it has traditionally spent very little on business development or marketing. Growth initiatives include marketing to attract new clients, opening an office in UK, development of the platform and acquisitions to expand the client base and to enter new geographies. Its product is suitable for global markets and JAN is well placed to participate in the ongoing trend to migrate assessments into the digital format. JAN's services are sold on a subscription (or SaaS) basis and can be customised for individual customers who typically would have in excess of 1,000 geographically diverse employees/participants. JAN's Assessment Platform business commenced in 2010 with the digitisation of the NSW Department of Education science assessments and progressed to an entirely digital model for 1.5m Australian students (NAPLAN) and high stakes examinations undertaken by Singapore students, including final year examinations. The revenue model for the Assessment division includes lump sum for services, annual fee for use of the platform and a fee per test.

Interim result

The company generated revenue of \$8.4m for the six months to December 31, up 16% on pcp with most of the growth driven by its annuity platform revenue. The average platform revenue per customer increased to \$80,000 from \$60,000 in pcp. Gross profit for the half was \$3.6m up 12% y-o-y and representing a gross margin on 43%, down from 45% in H117. JAN delivered EBITDA, adjusted for acquisition costs for Janison Learning and capital raising costs, of \$2.1m up 29% y-o-y. JAN reported a net loss of \$25.7m including \$27.6m in these non-trading expenses. NPAT adjusted was \$1.46m, up from \$0.55m y-o-y. Consensus (1 broker) is for a 60% lift in FY18 NPAT to \$1.6m.

Earnings history and Consensus forecasts (A\$m)

Y/E	Revenue	Gross Profit	EBITDA	EBIT	NPAT*	EPS (c)*	PE (x)
06/16	10.6	4.2	0.6	0.3	0.6	n/a	n/a
06/17	14.3	6.3	1.3	1.1	1.0	n/a	n/a
06/18e	17.4	n/a	n/a	n/a	1.6	1.2	33.3

Source: Company data; FY16 and FY17 information derived from Janison Solutions' statements, Consensus for FY18e (1 broker) derived from Stockopedia.com

Share details

ASX Code	JAN
Share Price	\$0.40
Market Capitalisation	\$52M
Number of shares	131.0
Enterprise Value	\$46M
Sector	Commercial & Professional Services
Free Float	49%

Share price performance



RaaS RAP 5-point score* = 4/5

Revenue increasing (1); EPS increasing (1), Return on Capital Employed [ROCE] (1); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(0)

Upside Case

- Owns Intellectual Property (not patented – reliant on trade secrets and know how)
- Experienced and well credentialed Board
- High quality 'sticky' client base

Downside Case

- Contracting risk – mispricing of fixed price contracts
- Major customer loss – in FY17 top 5 clients represent revenue
- Technology risk

Catalysts

- Sustained growth into H218
- New contracts

Comparative companies (Australia & NZ)

3PL

Substantial Shareholders

Diptoe Pty Ltd/Tentacles Pty Ltd, Wayne Holden and Jacqueline Holden 51.3%

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