

Janison Education Group Ltd

Platform revenue growth accelerates in Q4

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. In April 2018, the company acquired Ascender Learning to complement its integrated learning solution for large enterprises. The company has announced FY18 revenues of \$17.3m up 21% and ahead of consensus following a 44% increase in Q4 revenues.

Strategy

Since listing in December 2017, JAN has invested in scaling its platform products to a global scale. In the past 12 months full time equivalent staff numbers have increased to around 80 from 33 at 1 July 2017; the company has partnered to expand into Europe and Asia, and productised its IP for new sales opportunities with commercial, school, tertiary and accreditation customers. Specifically in Q4 2018, JAN acquired the learning content business Ascender Learning and successfully powered NAPLAN Online with 99.9% of 668,000 tests completed using Janison's assessment platform.

FY18 Trading Update

The company generated FY18 revenues of \$17.31m, up 21% on the previous corresponding period and around \$100k ahead of consensus (one broker). Platform revenues increased 40% to \$10.6m while project services revenues remained flat at \$6.7m. Q4 revenues accelerated strongly in both divisions with platform revenues jumping 55% quarter on quarter and project services revenues rising 32% to deliver 44% growth on the previous corresponding period. Trading EBITDA for the year rose 6% to \$3.18m after a 37% decline in Q4 to \$0.4m as a result of increased investment in the platform, business development and the transition to being a listed company with global operations. Net cash at June 30 was \$3.6m compared with \$1.4m at the beginning of the financial year.

Reverse DCF implies 29% CAGR in 10 year operating cashflows

We have undertaken a reverse DCF to calculate the 10 year CAGR in operating cashflows implied in the current share price. JAN has reported OCF for FY18 of \$0.84m as a result of investing in staff and products, up from negative \$0.73 in FY17 but down from \$1.2m in FY16. If we assume a 10% WACC and 2% terminal growth rate, the current share price of \$0.43/share implies 10 year CAGR of 29.2% in OCF from FY18.

Earnings history (A\$m)

Y/E	Revenue	Gross Profit	Trading EBITDA	EBITDA	EBIT	NPAT*	EV/Rev (x)
06/16	10.6	4.2	n.a.	0.6	0.3	0.6	5.0
06/17	14.3	6.3	3.01	1.3	1.1	1.0	3.7
06/18	17.3	n.a.	3.18	n.a.	n.a.	n.a.	3.1

Source: Company data, Trading EBITDA is defined as earnings before interest, tax, depreciation, amortisation and non-trading items

Share details

ASX Code	JAN
Share Price	\$0.43
Market Capitalisation	\$56M
Number of shares	131.0
Enterprise Value	\$52.7M
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

- Translation of investment in platform and business Development into operating profit
- New contracts

Comparative companies (Australia & NZ)

3PL, GEM

Substantial Shareholders

Diptoe Pty Ltd/Tentickles Pty Ltd, Wayne Holden and Jacqueline Holden 51.3%, Perennial Value 5.83%

RaaS Advisory contacts

Finola Burke	+61 414 354 712 finola.burke@raasgroup.com
Moir Daw	+61 418 697 275 moira.daw@raasgroup.com

DISCLAIMER and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363) and should be read in conjunction with RaaS Advisory's Financial Services Guide at www.raasgroup.com. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however RaaS Advisory cannot guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory is a Corporate Authorised Representative under AFSL licence No 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2018 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.