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Acquisition of Academic Assessment Services (AAS)

Academic Assessment Services

Investor Presentation
24 November 2021

Janison.

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Transaction Overview.

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Acquisition of the largest Australian Independent Schools assessment business.

Academic Assessment Services

- Janison has entered into a binding agreement to acquire 100% of the shares in **Academic Assessment Services Pty Ltd ("AAS")**
- AAS is the leading premium assessments business in Australia providing educational tests and testing services to over 200 of the top 1,200 independent schools
- Upon completion, Janison will pay an initial consideration amount of $9.0 million consisting of a combination of cash and ordinary shares ("Upfront Consideration"). An additional $8.0 million may be payable subject to certain financial performance criteria being achieved ("Earnout Consideration"). The total consideration payable, assuming the Earnout Consideration is paid and not adjusted, is $17.0m ("Total Consideration")
- The acquisition implies multiples (before synergies) of:

	Including Earnout	Excluding Earnout
• EV[1] / FY21 revenue	3.4x	1.8x
• EV[1] / FY21 EBITDA	11.3x	6.7x

- Janison has not forecast synergies at this point, however it does expect to realise them post-completion
- The acquisition is consistent with Janison's M&A strategy to acquire analog businesses and transition to digital in the medium term. AAS provides:
  - A highly-regarded assessment business and premium K-12 products with a complimentary client base
  - Value uplift from transition to digital delivery of analog assessments and services
  - Approximately 15,000 high quality test items
  - Longitudinal data set (AAS has operated for 47 years)
  - Cross-sell opportunities
  - Functional synergies

[1] EV represents total consideration

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Transaction Details.

Academic Assessment Services

- Upfront Consideration of $9.0 million of which $6.0m is payable in cash and $3.0m payable in ordinary Janison shares.
- Deferred Consideration of $1.0 million in cash.
- Earn Out Consideration of $7.0 million payable on the following conditions:
  - minimum operating revenue target of $11.0 million over FY22 & FY23 combined;
  - Operating revenue targets measured and paid on completion of FY23; and,
  - Earnout Consideration adjusted up $0.50 for every $1.00 of operating revenue above $11.0m target and down by $1.00 for every dollar below.

Consideration Structure

	Cash	Shares	Total	%
Upfront	$6m	$3m	**$9m**	*52%*
Earnout & Deferred	$1m	$7m	**$8m**	*48%*
Total	**$7m**	**$10m**	**$17m**	
%	*41%*	*59%*		

- Shares issued as part of the Upfront Consideration and Earnout Consideration will be escrowed for 6 months from the date of issue with controlled sell-down requirements. Shares to be issued utilising the Company's existing capacity under ASX Listing Rule 7.1.
- Cash consideration payable from existing cash on balance sheet
- Upfront and Earnout equity payable in ordinary shares issued at the lower of the 10-day VWAP at completion, date of announcement, or date of FY23 earnings results.
- Completion of the acquisition is expected to occur by 25th November 2021.

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Business Overview.

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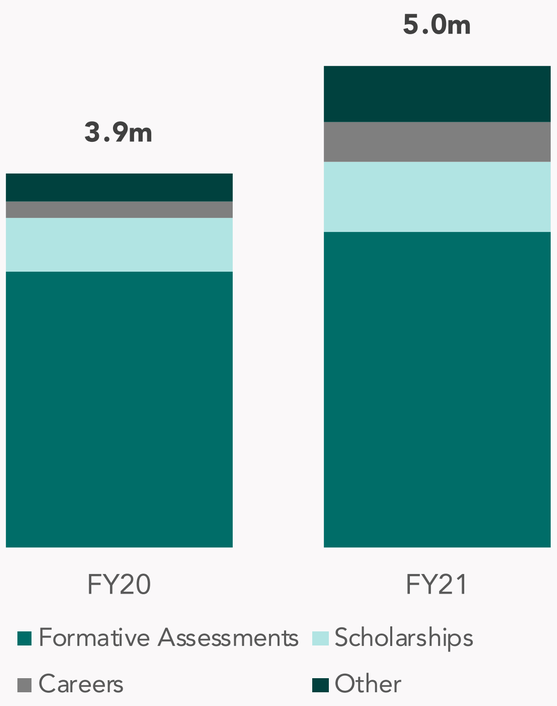
AAS: the 'Gold Standard' in assessment of student performance.

- Established in 1974, **47 years in operation**
- Develops, sells and manages **high-value in-person assessments** and provides valuable student analysis to teachers
- Serves **218** of the **top 1,200 independent schools**
- **Revenue growth of +29% growth in FY21** despite being hindered by COVID
- Australia-wide, **80% of revenue from NSW & Vic**
- Average customer life 11 years, high retention rate of 97% by customer count
- Approximately 16 permanent employees including in-house psychometrician/ statistician and data analyst. Pool of casual test writers, markers and supervisors
- Products include curricula-linked student **performance and progress assessments, scholarships, career assessments, and ATAR indicators**

Strong Product Growth ($m)



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Products.

Academic Assessment Services

- Approximately **70%** of all revenue comes from a range of **formative assessments** (placement and diagnostic).
- Assessments span **school years 2-10**.
- Subjects cover **Mathematics, Reading, Writing, Spelling and General Ability**.
- Average price per test suite ~**$60**.
- In FY21 tests began **transitioning to online delivery** (3% of FY21 revenue was online) in response to COVID, and was customer-driven
- Growth expected from; recent product development, new customer acquisition, Janison sales and marketing support, and cross-selling to Janison schools
- FY21 and FY22 impacted by COVID due to the in-person delivery of exams and school closures.

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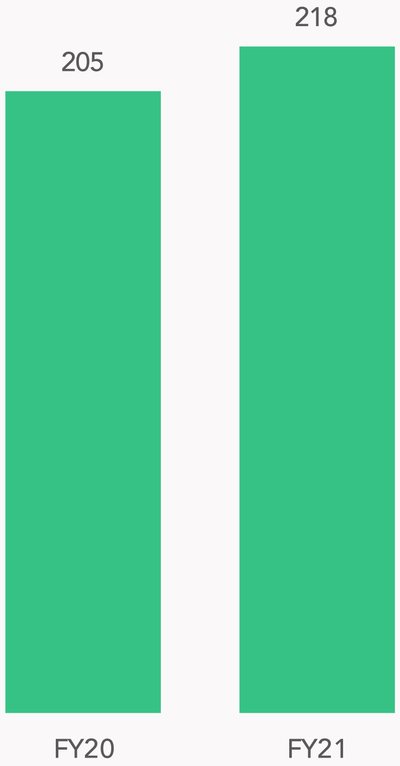
Customers.

Academic Assessment Services

AAS School Customers



- 218 schools in FY21
- +6% growth in schools in FY21 (13 net new customers acquired)
- Mostly Independent or Catholic
- Existing TAM of independent schools in Australia approximately 1,200
- Low underlying customer churn rate = 3.0% average (FY19-FY21)
- Low concentration risk: top 10 customers represent only 17% of total revenue
- Average school spend approximately $20,000 p.a.
- Average tenure of a customer: 11 years (longest customer 37 years)

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Strategic Rationale.

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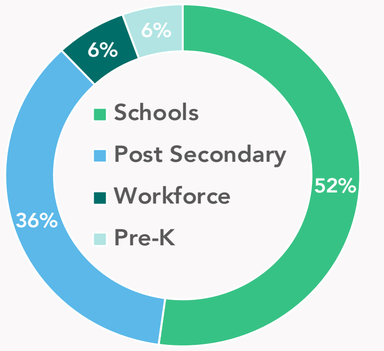
The Schools Education market is rapidly digitising.



Schools represent more than half of the total Education market

Short Term Surge, Long Term Transition

Rough start to remote learning, normalizing into sustained, long-term digital integration.

Digital Infrastructure 'Catch-Up'

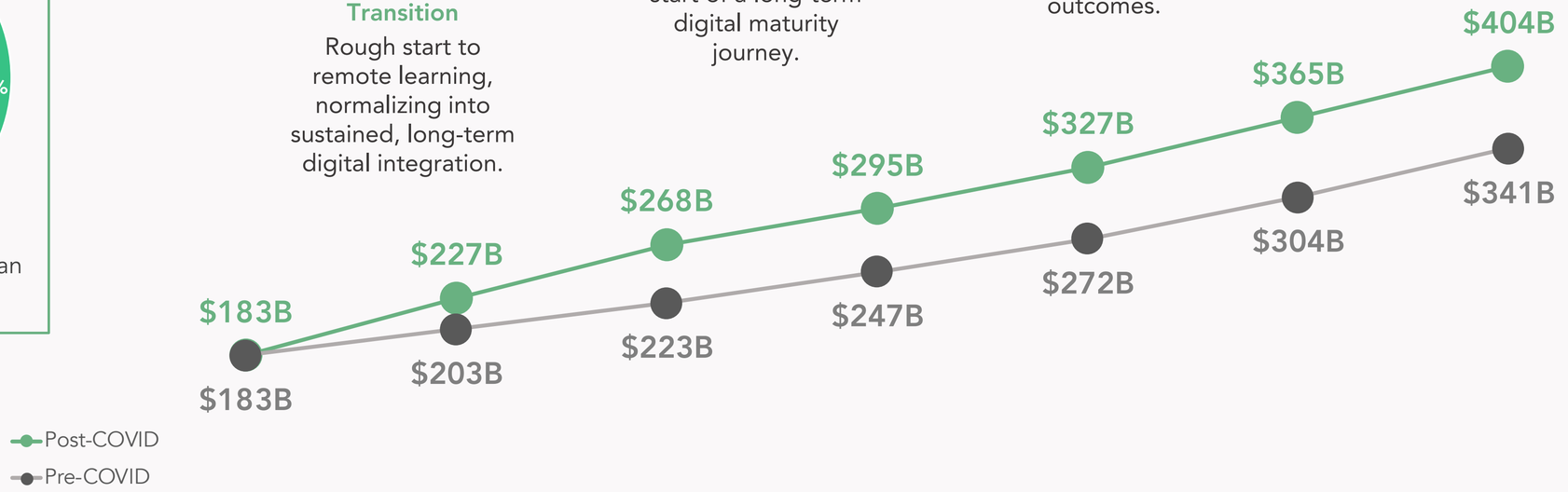
Most schools at the start of a long-term digital maturity journey.

Rise of B2C EdTech Models

Students, parents and educators all looking for support, upskilling and direct outcomes.

Mobile & Advanced Tech

Personalised, unbundled, social and gamified driven by mobility, big data, cloud and AI/ML.



	2019	2020	2021	2022	2023	2024	2025
Total education spend	$6.1T	$5.4T	$5.5T	$6.0T	$6.4T	$6.8T	$7.3T
Digital education spend (EdTech)	$183B	$227B	$268B	$295B	$327B	$365B	$404B
EdTech share of total education	3.1%	4.2%	4.8%	4.9%	5.1%	5.3%	5.5%

Source: https://www.holoniq.com/notes/global-education-technology-market-to-reach-404b-by-2025/

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Compelling Strategic Rationale.

Academic Assessment Services

The Acquisition of AAS further strengthens Janison's position in the Australian market as the go-to provider of school assessments.

Value creation in short term (<12 months):

- Leverage Janison sales and marketing engine to grow AAS both local and internationally
- Cross-sell of AAS, ICAS Assessments and PBTS
- Functional synergies with complimentary talent across operations, school support, test development, marking, reporting and analysis

Value creation in medium term (1-3 years):

- Leverage AAS assets and capabilities for Janison Direct-to-Parent and Direct-to-School businesses
- Leverage Janison assets and capabilities (assessment platform, remote proctoring) to transition AAS from analog to digital, scalable platform model

Value creation in longer term (3+ years):

- Leverage combination of Janison and AAS assets and capabilities to develop new profitable, scalable propositions for both school and parent markets

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Financials.

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Pro Forma Income Statement (before synergies).

($m)	Pro forma Income Statement (30 June 2021)		
	Janison.	Academic Assessment Services	Pro forma
Revenue	30.2	5.0	35.2
Cost of Sales	13.5	1.3	14.8
Gross Profit	**16.7**	**3.7**	**20.4**
GP%	**55%**	**74%**	**58%**
Opex	13.7	2.2	15.9
EBITDA	**3.0**	**1.5**	**4.5**
NPAT	**(3.2)**	**1.1**	**(2.1)**

- Estimated completion date 25th November 2021 (Q2 FY22)
- First full year of AAS in FY23

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Pro Forma Balance Sheet (before synergies).

Pro forma Balance Sheet (30 June 2021)	Janison.	Academic Assessment Services	Net Adjustments	Pro forma
Cash [1]	23.1	--	(6.2)	16.9
Receivables & Unbilled Revenue	7.4	0.3	--	7.7
Fixed Assets	0.8	0.1	--	0.8
Other Assets (incl. DTA)	9.4	0.1	--	9.4
Goodwill & Intangibles	21.9	0.4	17.2	39.5
Total Assets	**62.6**	**0.7**	**11.0**	**74.3**
Trade and Other Payables	13.8	0.7	--	14.5
FY23 Deferred Consideration & Earnout [2]	--	--	11.0	11.0
Other Liabilities	4.4	0.1	--	4.5
Total Liabilities	**18.2**	**0.8**	**11.0**	**30.0**
Total Equity	**44.4**	**(0.1)**	**--**	**44.3**

[1] Cash adjustments represent transaction costs and initial purchase consideration of $6.0m

[2] Earnout represents the deferred cash consideration of $1.0m and estimated Earnout component of $7.0m. Note, these amounts have not been discounted to their present value.

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