

WISDOM-IR

INVESTORS' GUIDE

CL Educate Limited

Q4 F22 Update

Gets Growth Engines, Ready to Fly

31 May'2022

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Wisdomsmith assists CL Educate on Investor Relations

Wisdomsmith Advisors LLP has prepared this document from Public Information

Accelerating Value Creation

Stock Info	
CMP (₹)	128
Face Value (₹)	5
Equity Shares (m)	28.33
52-Week Range (₹)	170/41
Market Cap (₹m)	3,499
EV (₹m)*	3,155
Av Daily Turnover (₹m)	18
Free Float (%)	49%

Financial Snapshot (INRm)			
	FY22	FY21	FY 20
Net Sales	2,075	1,823	3,087
Op EBITDA	205	-104	-67
Total EBITDA	292	-8	85
Other income	87	96	152
Finance Costs	35	56	83
Depreciation	81	84	140
Reported PAT	138	-120	-544
BV/Share (INR)	92.4	87.2	100.2
EV/Op EBITDA (x)	15.4	-	-
EV/Total EBITDA (x)	10.8	-	-
P/BV	1.3	1.4	1.2

FY22 saw CL Educate once again moving ahead purposefully. Several positives emerged: Reported EBITDA had a healthy look, growth returned, surplus real estate was partly disposed, debt reduced and net cash increased, merger of subsidiaries got consummated.

The management is now firmly focused on pursuing growth objectives in both EdTech and MarTech. Corporate action steps taken have potential to further add to shareholder value.

The stage is now set for CL Educate to start move into a higher gear. Consider this:

❖ Multiple growth drivers in place for EdTech

- ❖ CUET has emerged as a big opportunity. This will give a further fillip to the franchisee expansion plan. Expect continued strong growth and margin expansion going forward.

❖ MarTech set to return to growth

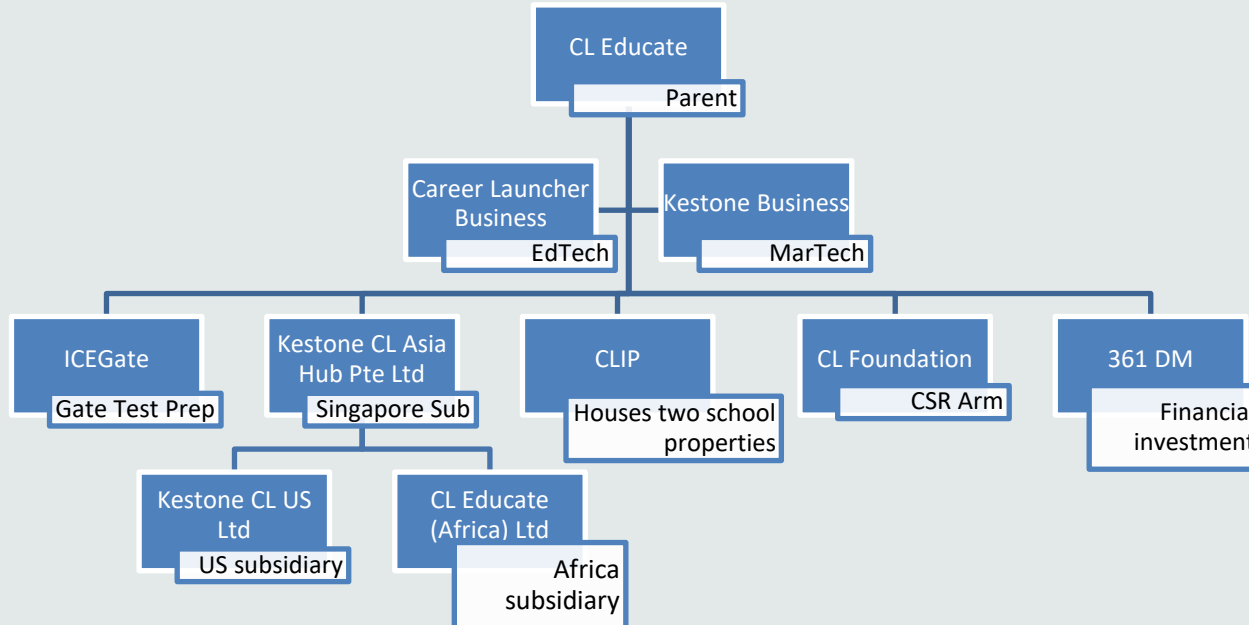
- ❖ Overall MarTech growth was held back due to Covid, which continued to impact the business in FY22; this should change from FY23.
- ❖ Kestone's digital platform and international business did well in FY22, despite Covid.

❖ A series of positive corporate actions

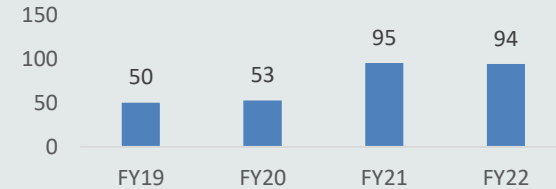
- ❖ Merger of 5 subsidiaries into the parent consummated. Standalone now comprises around 95% of total revenues, from ~50% earlier
- ❖ Liquidation of surplus real estate pursued; 3 assets sold in FY22, and one in Apr'22; gross realization of ~Rs 61 crore from the 4 assets. Net cash touches Rs 47 crore on 31 Mar'22.
- ❖ Stock split to Rs 5; and now a buyback of Rs 10 crore announced at Rs 170 per share

Merger of Subsidiaries Consummated

Corporate structure simplified, standalone now ~95% of total revenues



Revenue %
(StandAlone/Consolidated)



Merged into parent

- Kestone Integrated Marketing Services
- CL Media
- GK Publications
- Accendere Knowledge Management Services
- CLEIS

The main business at subsidiary level now is the international business

Buy Back Announced



10 crore
Buyback
Size



27 May
Start Date



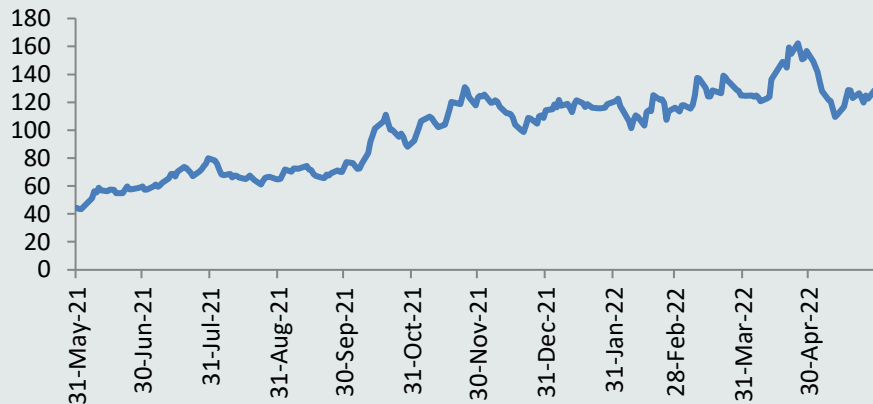
Rs 170
Max
Buyback
Price

Rationale

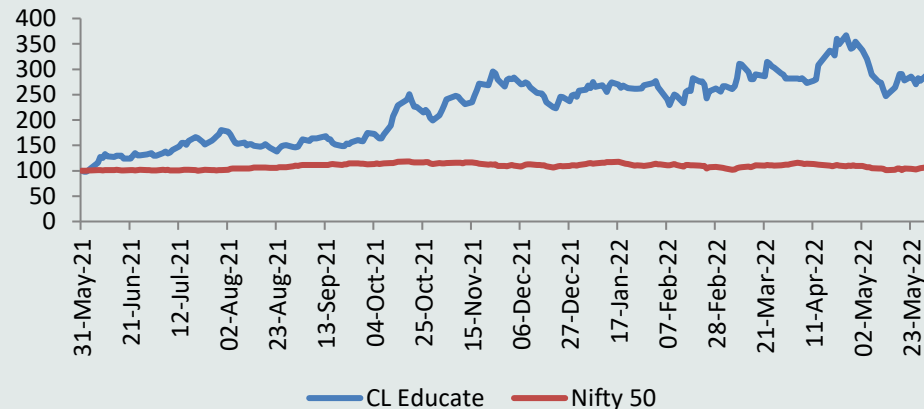
- CL's business has been generating free cash flow, net cash has increased steadily over the last 2 years, despite reported losses in FY20 and FY21, which were largely due to non-cash write offs
- With trend of cash accretion expected to continue in FY23, the buyback utilizes some of the excess cash to reduce capital employed, and increase shareholder returns

CL Educate's share price has handsomely outperformed Nifty

CL Educate Share Price



CL Educate vs Nifty 50



	CL Educate	Nifty 50
1 month	-18.1%	-2.6%
3 month	10.6%	-0.8%
6 month	4.0%	-1.9%
1 year	190.3%	6.9%

- CL's share price has risen 190% over the last 12-month period. In terms of relative performance, CL's share has smartly outperformed the Nifty
- Recent fall in share price is a reflection of overall risk aversion in the market, on the back of rising inflation and consumer spending concerns.

Q4 FY'22 RESULTS UPDATE

Consol. FY'22 Results: Growth is back

- Revenue y-o-y growth for FY22 at 14% as Covid impact reduces
- Operating EBITDA bounces back to Rs 20.5 crore in FY '22, operating EBITDA margin was at about 10% for FY22; helped by continued strong focus on costs as well as increased digitalization of its EdTech and MarTech businesses.
- Consolidated PAT for FY22 turns positive at Rs 13.8 crore, helped by positive EBITDA and lower finance costs.
- Employee benefit expenses down 6% in FY22 despite normalization of salaries in FY22 to pre-Covid levels; due to stronger productivity focus.
- Sales & Marketing, carved out of other expense, for reporting clarity.
- Service delivery expenses include franchisee expenses and third-party expenses of the Keystone business

Consolidated Results			
	FY22	FY21	% Change
Revenue from Operations	2,075	1,823	13.8
Expenses			
Employee benefit expense	372	396	-6.1
Sales & Marketing expense	130	87	49.1
Service Delivery Expenses	1,059	880	20.4
EBITDA	205	-104	
Finance costs	35	56	-37.5
Other income	87	96	-9.4
PBDT	257	-64	
Depreciation and amortisation expense	81	84	-3.6
PBT	176	-148	
Tax	34	-28	
Net Profit	138	-118	
EBITDA Margins (%)	9.9	-5.7	
Net Profit Margins (%)	6.7	-6.5	

Numbers in INRm

Source: Company, Wisdom IR Analysis

EdTech Business: Expansion on Track

ARPU back to pre-COVID levels

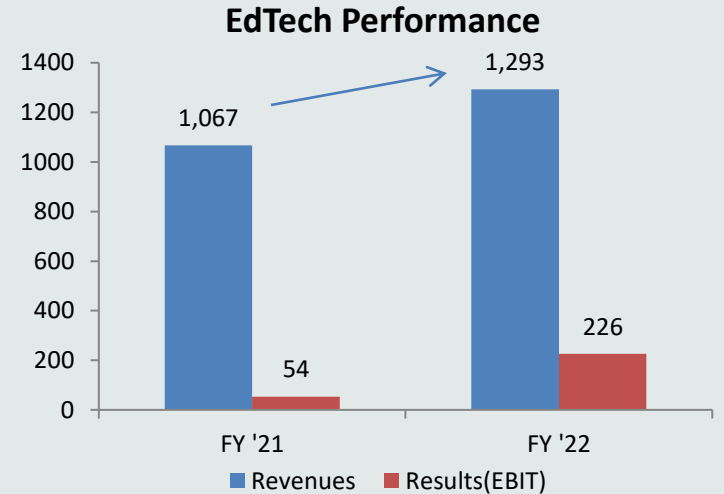
- Billing up 15% for MBA, 14% for Law and upto 40% for IPM/BBA
- International education (GRE/GMAT) billing up 58%
- ARPUs are almost back to pre-COVID levels as physical stores and Univ. reopen

Margin bounces back

- Operating profit margin (OPM) jumps from 5% in FY '21 to 17.5% in FY '22
- OPM in Q4 '22 at 17.4% despite being partially hit by COVID; margins to improve from hereon with full normalization of business

Growth Strategy

- CUET expected to become a growth driver, will give a further fillip to the franchisee expansion plan (See next slide)
- CL is looking to increase its physical network from around 170 centres to more than 500 in 3 years. The growth will come from franchisee partners.
- Omni channel approach to cater to diverse student preference;
- EdTech OPMs expected to be in the 18-20% range by 2024



CUET: Next Big Opportunity

CUET – Gao Kao of India

- 11.5 lakh student registrations have been reported for CUET UG 2022; this number could rise by the closing date
- Entrance test will be held in 547 Indian cities and 13 international cities
- About 60-75 lakh students expected to take CUET over the years with 85 Universities already signed up (Gao Kao test in China had 108 lakh takers in 2021)
- Crash course preference this year resulting in lower ARPU, higher margin

Potential Growth Driver

- CUET could become the biggest exam in India in the next few years.
- CUET has the potential to be **Rs 100 crore** product for CL in 3-5 years
- Partners have already bought into the product. CUET to provide a long runaway for distribution expansion

What is CUET

The Common University Entrance Test (CUET (UG) - 2022) is being introduced for admission into all UG Programmes in all Central Universities for academic session 2022-23 under the Ministry of Education, (MoE).

The last date for the application process was extended to 31st May'22.

Subsequently, CUET was announced for PG courses as well.

The UG CUET is expected to become India's largest competitive exam by number of test takers.

Vosmos beginning to drive MarTech growth

MarTech business delivers healthy growth with margin expansion

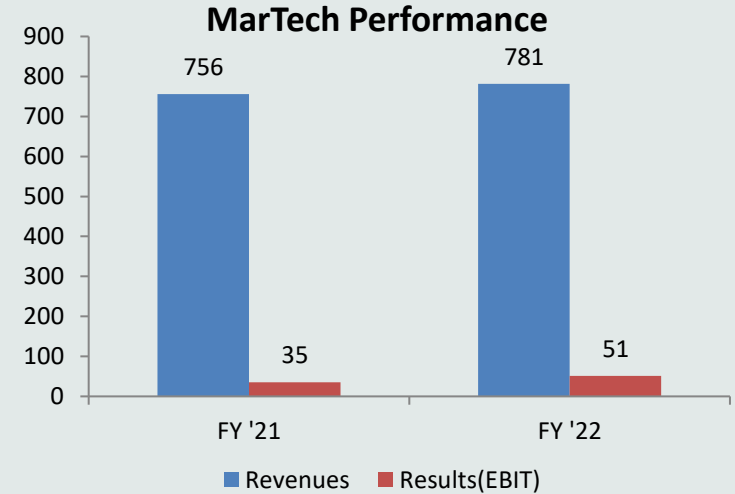
- MarTech revenues up 3% in FY '22 while it was down 13% in Q4 '22 on a y-o-y basis
- MarTech unbilled revenue of 7.7 Cr, vs 1.7 Cr in FY21, due to delayed billings on account of the merger, impacted reported revenue growth.
- EBIT was up 47% in FY '22 on a y-o-y basis; EBIT Margins at 6.5% (4.6%) in FY '22

Vosmos – the Growth engine

- Vosmos, Kestone's digital platform and B2B offering, has been showing good traction in the market.
- Helped by Vosmos, Singapore business grew 50% in FY22; international business delivering 24% EBITDA margin.
- Scaling up US business as well as in APAC to improve revenues and profits

New growth prospects

- Scaling up US business as well as in APAC to improve revenues and profits
International biz could be >50% of overall MarTech revenues in the future



* MarTech includes experiential marketing and event management (physical and virtual), Marcomm, Customized Engagement Programs, Manpower services and Sales management

Net Cash Improves

High Liquidity

- Net cash increased to Rs 47 crore on 31 Mar'22, from Rs 40 crore in 31 Dec'21, from organic accruals.
- Net cash now 2.6X of pre-COVID levels (Mar '20).
- Company using extra cash to repay debt; borrowings down by Rs 26 crore in the last one year.
- Cash infusion of Rs 15 crore in FY22 from liquidating 3 land parcels.

Debt reduced sharply

- Total debt cut sharply from Rs 43 crore on 31 Mar'21 to Rs 17 crore on 31 Mar'22
- On track to become debt-free by Dec '22 as targeted by the management

Going Ahead

- Net cash should grow sharply in FY23, given the asset sale in April'22 at gross value of Rs 48 crore. Cash from operations could add to the kitty as well

Cons Cash Position	Mar '22	Mar'21	Mar '20
MF Investments	399	385	372
Fixed Deposits	90	130	121
Cash & Cash Equivalents	152	173	116
Gross Cash	640	688	610
Borrowing (Current & Non-Current)	170	429	428
Net Cash	470	259	182

Numbers in INRm

Source: Company, Wisdom IR Analysis

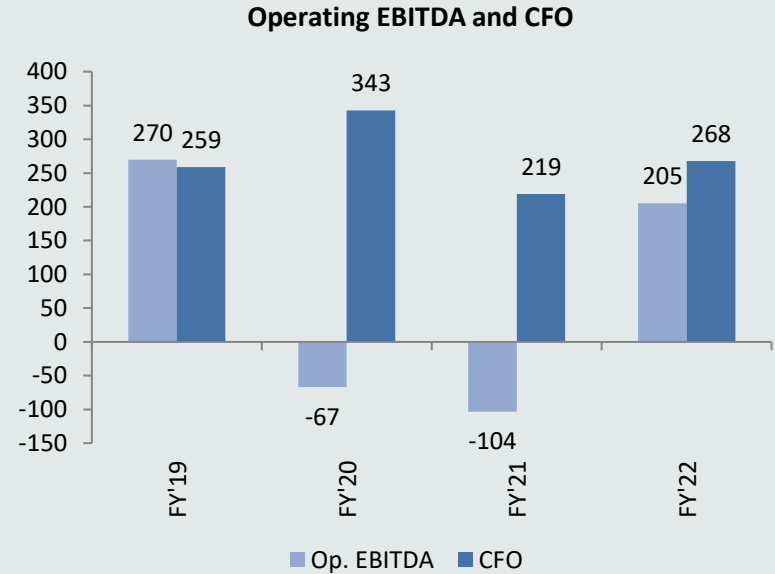
Cash Flow from Operations improves

High Liquidity

- Cash flow from operations (CFO) grows strongly at 22% – generates Rs 27 crore cash in FY22.
- It must also be noted that CFO has been consistently healthy and positive in the last four years, despite negative EBITDA in FY20 and FY21, which was due to non-cash writeoffs.
- With revenue growth back in FY22 after a COVID-hit year, CFO gets a booster

Way Forward

- CFO expected to improve as COVID effect wanes and topline grows



Numbers in INRm

Source: Company, Wisdom IR Analysis

Appendix

Quick Reference of Changes in Expense reporting

Expense	FY '22 and Beyond
Other expenses	Doesn't include sales and marketing expense. The latter becomes a separate line of expense reporting
Employee benefit expenses	Doesn't include Kestone vendor staff-related expense. These are moved to Sales Delivery expenses
Service Delivery Expenses (SDA)	This is made of franchisee expenses and Kestone vendor staff-related expenses.

Indicative Business Snapshot

The 2 segments and their business mix

Business	Rev. Lines	India	International	Modeling
Ed-Tech	Coaching	92%	8%	Partner model
	Content / Pub			6-8% of Coaching
	Platform Monetization			10% of Coaching
Mar-Tech (100%)	Digital	85%	15%	Clients # & ARPU
	Omni			

Useful data for modelling EdTech

	Own (2021)	Partner (2021)	Own (2024)	Partner (2024)
Cities (Centers)	3 (13) + 2(5)	100 (155)	3 (20) + 2(5)	5X (4:1::Demand:Supply)
Revenues	100	25		
OPM	16-20	16-20	18-20	18-20
Capex	Positive/Own (10 L)	Negative (10 L)	Positive/Own (10 L)	Negative (10 L)
Product Groups	15	15	25	25

Company Financial Snapshot - Annual Trends

Consolidated Financials (in Rs Cr)					
P&L	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Sales	207	184	308	339	288
Other Income	8	9	15	13	15
Total Income	216	194	323	352	301
Total Expenditure	195	203	370	321	287
EBIT	21	-9	-46	30	14
Interest	3	5	8	6	6
Tax	3	-2	-1	6	4
Net Profit	14	-11	-54	17	3
Balance Sheet					
Share Capital	14	14	14	14	14
Reserves & Surplus	247	257	269	324	329
Current Liabilities	72	90	123	138	136
Other Liabilities	13	14	14	17	-6
Total Liabilities	347	376	421	493	473
Assets					
Fixed Assets	51	68	78	68	70
Current Assets	240	219	243	273	260
Other Assets	56	88	99	151	142
Total Assets	347	376	421	493	473

Standalone Financials (in Rs Cr)					
P&L	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Sales	195	99	163	170	155
Other Income	9	8	12	15	13
Total Income	204	108	175	185	168
Total Expenditure	189	110	223	168	166
EBIT	15	-2	-47	16	2
Interest	3	3	5	4	3
Tax	2	-1	0	2	0
Net Profit	9	-5	-53	9	-1
Balance Sheet					
Share Capital	14	14	14	14	14
Reserves & Surplus	252	278	283	337	329
Current Liabilities	64	67	95	87	102
Other Liabilities	12	10	8	7	10
Total Liabilities	344	370	401	447	456
Assets					
Fixed Assets	42	53	64	60	62
Current Assets	212	144	162	158	167
Other Assets	89	172	174	228	226
Total Assets	344	370	401	447	456

Annual Trends in Cashflows and key Investment metrics

Consolidated Financials (in Rs. cr)					
	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Operating Activities	33	26	30	16	-125
Investing Activities	-1	-4	-2	-16	64
Financing Activities	-35	-17	-25	-3	-12
Net Cash Flow	-2	6	1	-3	-73
Per Share Ratios					
Basic EPS (Rs.)	4.87	-8.46	-38.29	14.21	4.18
Diluted Eps (Rs.)	4.87	-8.46	-38.29	14.21	4.18
Book Value/Share (Rs.)	92.35	192.22	200.21	238.91	228.38
Dividend/Share (Rs.)	0	0	1	1	0
Face Value	5	10	10	10	10
Return Ratios					
Return on Equity (%)	5.3	-4.3	-18.8	5.9	1.7
ROCE (%)	7.7	-3.2	-1.8	8.6	4.2
Return On Assets (%)	4.0	-3.1	-12.6	4.0	1.2
Liquidity Ratios					
Current Ratio (X)	3.3	2.4	2.0	2.0	1.9
Quick Ratio (X)	3.1	2.3	1.9	1.9	1.9
Leverage Ratios					
Debt to Equity (x)	0.1	0.1	0.2	0.2	0.1
Interest Cov Ratios (%)	8.3	-1.6	-0.6	4.9	2.2
Valuation Ratios					
P/E (x)	25.6	-5.4	-0.4	4.3	22.7
P/B (x)	1.4	0.5	0.2	0.5	0.8

Standalone Financials (in Rs. cr)					
	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
Operating Activities	29	7	7	7	-127
Investing Activities	3	4	-3	-1	55
Financing Activities	-34	-11	-7	-10	-2
Net Cash Flow	-2	-1	-2	-4	-73
Per Share Ratios					
Basic EPS (Rs.)	3.28	-3.62	-37.54	6.92	-1.4
Book Value / Share (Rs.)	94.21	206.27	209.85	248.51	242.76
Dividend/Share (Rs.)	0	0	1	1	0
Face Value	5	10	10	10	10
Return Ratios					
Return on Networkth (%)	3.47	-1.75	-17.88	2.78	-0.57
ROCE (%)	5.55	-0.84	-1.98	4.55	0.57
Return On Assets (%)	2.69	-1.38	-13.24	2.19	-0.43
Liquidity Ratios					
Current Ratio (X)	3.28	2.14	1.69	1.8	1.63
Quick Ratio (X)	3.05	2.07	1.63	1.75	1.59
Leverage Ratios					
Debt to Equity (x)	0.1	0.1	0.12	0.09	0.11
Interest Cov Ratios (%)	6.68	-0.69	-1.15	3.82	0.6
Valuation Ratios					
P/E (x)	38.1	-12.64	-0.42	8.78	-67.68
P/B (x)	1.32	0.45	0.15	0.48	0.78

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Thank You

Muthukumar K

muthukumar@wisdomsmith.com

+91 9867-191-576

Nirjhar Gupta

nirjhar@wisdomsmith.com

+91 9821-518-404

WISDOMSMITH

DBS Office Business Centre
213 Raheja Chambers, 2nd floor, Free Press Journal Road
Nariman Point, Mumbai 400-021