

FIRST LIGHT

28 December 2021

RESEARCH

Technology & Internet

CL Educate (not rated) - takeaways from management interaction

SUMMARY

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- Career launcher (CL) is a leader in MBA and Law segment and is a challenger in Jobs segment
- Exit from K-12 schools and government vocational businesses enhanced focus on asset light digital business
- CL's enterprise marketing business, especially virtual event platform has gained traction amid pandemic era

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.49	4bps	(14bps)	57bps
India 10Y yield (%)	6.46	0bps	10bps	58bps
USD/INR	75.02	0.3	(0.7)	(2.0)
Brent Crude (US\$/bbl)	76.14	(0.9)	(7.4)	48.4
Dow	35,951	0.6	0.4	19.0
Shanghai	3,618	(0.7)	0.9	7.6
Sensex	57,124	(0.3)	(2.8)	21.6
India FII (US\$ mn)	23-Dec	MTD	CYTD	FYTD
FII-D	(166.4)	(1,021.3)	(938.0)	1,089.3
FII-E	41.8	(1,666.1)	3,836.4	(3,489.9)

Source: Bloomberg

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Focused on asset light business: Over last 2 years, company took strategic initiatives to enhance focus on asset light tech enabled businesses and thus exited legacy asset heavy businesses namely K-12 schools and government collaborated vocational training businesses. As a result, company booked Rs594mn and Rs331mn as write offs and exceptional expenses in FY20 and FY21 respectively.

Pandemic brought renewed traction in Kestone business: Kestone (45% of FY21 revenue) is an integrated marketing platform owned by CL Educate which has expertise in B2B lead generation, digital marketing, marketing communication, sales force management and virtual events. It has an impressive client roster of global clients such as amazon, google, Microsoft, Samsung, IBM and others. Launched in FY21, its virtual event platform gained traction amid pandemic era and was rated among top 10 in a research report by Grand Research View. To accelerate growth of its digital business, company is seeking prospective investors and had appointed a banker in Feb'21. Subsequently in Oct'21, management shared intent of a potential demerger into two listed entities.

Consumer/Education business (55% of FY21 revenue): Career launcher has leadership in MBA and law segment and it is a challenger in the jobs segment (UPSC, Bank, SSB, GATE). It has 200+ centers across India (as of Q2FY22) and most of them operate on a franchise model. Going forward it plans to invest more in the jobs segment and target growth through distribution network expansion.

Financial highlights

(Rs mn)	FY19	FY20	FY21
Consumer Business revenue	1,945	1,730	1,044
Enterprise Business revenue	1,444	1,354	841
Total operating revenue	3,393	3,087	1,885
EBITDA	269	(66)	(64)
EBITDA Margin (%)	12.6	(46.8)	(29.6)
Adjusted EBITDA	425	373	330
Adjusted EBITDA Margin (%)	8.0	8.3	5.7
Reported PAT	201	(526)	(114)
Adjusted PAT	208	157	139
Cash flow from operation	178	295	261
Networth	3384	2837	2722
Cash and liquid investments	476	514	682
Debt (current and noncurrent)	1555	1378	1047

Source: Company

Recommendation snapshot

Ticker	Price	Target	Rating
AFFLE IN	1,084	1,390	BUY
COFORGE IN	5,646	6,680	BUY
ECLX IN	2,359	2,880	BUY
HCLT IN	1,265	1,440	BUY
INFO IN	1,864	2,000	BUY
INFOE IN	5,400	7,700	BUY
INMART IN	6,449	8,430	BUY
JUST IN	799	1,190	BUY
LTI IN	7,167	7,980	BUY
MPHL IN	3,218	3,510	HOLD
MTCL IN	4,621	3,390	SELL
PSYS IN	4,618	4,170	HOLD
TCS IN	3,671	4,630	BUY
TECHM IN	1,724	1,890	BUY
WPRO IN	698	840	BUY

Price & Target in Rupees | Price as of 24 Dec 2021



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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