

Keypath Education International, Inc.

A global education technology company

Education technology company, Keypath Education International, Inc. (ASX:KED), listed on the ASX in June 2021 after raising \$212.1m at \$3.71 per Chess Depository Interest (CDI) for a market capitalisation at listing of \$816.2m. Keypath was founded in 2014 by CEO and founder Steve Fireng to design and deliver career-relevant online programmes with world-class universities. The company has grown into a global ed-tech in the online programme management market with 37 university partners in Australia, the US, Canada, the UK, Malaysia and Singapore, with almost 170 career-relevant, technology-enabled, online higher education programmes. Proceeds from the IPO were allocated for working capital (\$70.8m) to drive growth in marketshare and secure new university partners as well as expand its programme offerings to existing university partners, to strengthen its balance sheet by paying out borrowings (\$14.7m), the redemption of non-controlling interests (\$80.8m), and an opportunity for non-participating security holders to realise their investment (\$25.3m). IPO costs were \$20.5m.

Business model

Keypath provides bundled online programme management services to its university partners, including student recruitment, student support, market research, placement, and the presentation and delivery of university academic content through an online format. The company has developed a scalable, end-to-end technology and data platform, KeypathEDGE, to support market research, programme design, marketing, student recruitment, retention and support, and clinical and field placement. Keypath earns revenue from a share of tuition fees paid to its university partners by students undertaking online programmes delivered by its university partners. Typically, Keypath's share is 40-60% of tuition fees.

Prospectus forecast reaffirmed, H1 FY22 revenue up 36%

Keypath Education reported H1 FY22 revenue of US\$56.9m, up 37.0% on the previous corresponding period (pcp). The group's contribution margin was US\$12.2m or 21.5% of revenue, up 37.1% on pcp. Adjusted EBITDA (for non-cash stock-based compensation and legacy long-term incentive plan cash rewards) was a loss of US\$3.7m, compared with an EBITDA profit of US\$1.6m in H1 FY21., which excludes listed company costs. During the half, Keypath added five new partners and 33 new programmes and expanded into Singapore with its second partner in south-east Asia. The company reaffirmed its prospectus forecast for FY22 revenue of US\$116.4m and an adjusted EBITDA loss of US\$11.6m.

Edtech peers trading on a median EV/Sales multiple of 5.4x

Australia has a number of listed education technology companies, the largest by market capitalisation being IDP Education (ASX:IEL). The most closely comparable company from a business model perspective is OpenLearning (ASX:OLL), although with a market cap of \$18.4m, it is significantly smaller than Keypath. Ed-techs with similar market caps are Janison Education Group (ASX:JAN) and 3P Learning (ASX:3PL) but both are predominantly focused on the schools sector rather than tertiary education, and in 3PL's case, its focus is domestic. Other ed-techs include Kip McGrath Education Centres (ASX:KME) and Schrole Group (ASX:SCL), a RaaS client. Both these companies are focused on the schools sector, This mix of companies has a median, 12-months-trailing EV/Sales multiple of 5.4x, which is at a premium to Keypath's current FY21 revenue multiple of 2.75x.

Historical earnings and ratios (In US\$m unless otherwise stated)

Year end	Revenue	EBITDA Adj.*	NPAT Adj.	NPAT Rep.	EPS Adj. (c)^	EPS Rep. (c)^	EV/Revenue (x)#
06/18a	23.86	(22.63)	(24.42)	(25.34)	(11.73)	(12.17)	n.a
06/19a	37.24	(14.93)	(18.59)	(19.69)	(8.55)	(9.46)	n.a
06/20a	55.48	(7.43)	(9.80)	(11.40)	(4.71)	(5.47)	n.a
06//21a	98.09	6.66	(77.16)	(78.73)	(37.06)	(37.81)	2.75

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^EPS estimated by RaaS based on current shares on issue #calculated using current enterprise value

Software & Services

11th March 2022

Share Details

ASX code	KED
Chess Depository Interest (CDI) price	A\$2.28
Market capitalisation	A\$474.7M
Shares on issue	208.22M
Net cash at 31-Dec-2021	US\$72.4M
Free float	27.37%

Share Performance (since listing)



Upside Case

- Large and growing partnership base
- Fast-growing segment of edtech sector
- Long-term partner contracts (7-10 years)

Downside Case

- Profitability still some time away
- Technology risk
- Government regulation risk

Catalysts

- Delivery of its FY22 prospectus forecasts
- Evidence of pathway to profitability

Comparable Companies (Aust/NZ)

Janison Education Group (ASX:JAN), 3P Learning (ASX:3PL), Openlearning (ASX:OLL)

Board and Management

Diana Eilert	Ind. Non-Executive Chair
Steve Fireng	Executive Director/CEO
Melanie Laing	Ind. Non-Executive Director
Robert Bazzani	Ind. Non-Executive Director
Susan Wolford	Ind. Non-Executive Director
Christopher Hoehn-Saric	Non-Executive Director
Avi Epstein	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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