

Code Camp increases Cluey's footprint

Cluey Ltd (ASX:CLU) is an education technology ('EdTech') company primarily providing personalised online educational support (tutoring and test preparation) for ~30k school students in Australia and New Zealand. It currently has ~2.0% market share in the Australian tutoring market. CLU launched its platform in mid-2018 and listed in December 2020 after raising \$30m (at \$1.20/share). In August 2021, CLU announced the acquisition of Code Camp, a primary school focused coding and digital skills course provider offering face-to-face and online courses (via holiday camps and after-school programmes), for \$7.8m (\$1.3m cash/\$6.5m scrip). It concurrently raised \$14m (at \$1.15/share) to support the acquisition and fund additional growth opportunities. Code Camp represents CLU's first offering of co-curricular courses and it may consider expanding into other areas. CLU recently disclosed it should reach operating cashflow break-even at ~85k tutoring sessions per month which is expected to occur in FY24. This compares to its recent delivery of 161k sessions across Cluey and Code Camp in Q4 FY22 (ave. ~54k/month) and ~58k tutoring sessions in August. CLU also expects continued growth in students, sessions and revenue in FY23 but cautioned that although tutoring has "tended to be resilient during prior economic downturns, the current climate may be different, given significant inflationary pressures" and that it "will likely require additional funding" if conditions materially deteriorate and/or for M&A or additional growth opportunities.

Business model

CLU predominantly generates revenue from online tutoring services provided via its Cluey Learning on-line learning platform either one-on-one or in small groups for years two-12 students in English and Mathematics and years 11-12 in Biology, Chemistry and Physics. It delivers personalised learning programmes to students and matches students to tutors (current pool of ~2,500 tutors), i.e. it is not a marketplace. Cluey Learning establishes and manages tutoring relationships with parents/students directly (a B2C model). Following July's 6.5% price increase, parents pay \$85 per one-on-one session or \$60 per small group session - with most paying weekly by credit card. Students typically complete one weekly session per enrolled subject (with the flexibility to pause during school holidays), and there is no subscription or fixed contract term. CLU's average student lifetime revenue is ~\$2,684. Code Camp's revenue is primarily derived during school holidays (~80%) from two-three day courses costing \$240-\$390, as well as from after-school programmes.

\$10m revenue from 161k sessions in June quarter

CLU recently reported the following key Q4 FY22 financial information: (1) \$10.0m revenue (up 80% on pcp boosted by the Code Camp acquisition); (2) \$5.2m gross profit (52.0% margin); (3) Upfront variable customer acquisition costs of \$362 per new student; (4) Operating cash outflows of \$4.3m; (5) Free cash outflows of \$4.8m; and (6) \$24m net cash at 30 June (no debt). This reflected the addition of 11,494 new students in Q4 (up 100% on pcp - including 4,000 new Code Camp students) and the delivery of 161k student sessions (up 83% on pcp).

EBITDA-positive peers trade on higher EV/Revenue multiples

CLU is trading on EV/Revenue of 1.2x for FY22 and 1.0x for FY23f (Source: Refinitiv). We consider Kip McGrath Education Centres (ASX:KME) to be CLU's closest ASX-listed peer given it provides tutoring for school students in Australia and overseas (primarily UK) and ~35% of its revenue is from online tutoring. KME is profitable, dividend-paying and trading on 2.0x FY22 EV/Revenue and 8x FY22 EV/EBITDA. Two other peers are 3P Learning (ASX:3PL) and Janison Education (ASX:JAN). They are EBITDA-positive and trading on FY23f EV/Revenue of 2.9x and 1.8x, and FY23f EV/EBITDA of 21x and 14x respectively (Source: Refinitiv).

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

Year end	Revenue	EBIT Adj.**	NPAT Adj.**	NPAT Rep.	EPS Adj.** (c)	EV/Rev (x)
06/19a*	0.9	(11.6)	(10.0)	(10.0)	na	na
06/20a*	4.9	(16.1)	(14.7)	(15.2)	na	na
06/21a*	15.9	(16.0)	(15.9)	(38.9)	(11.5)	1.8
06/22a	34.3	(19.8)	(20.0)	(20.9)	(15.4)	1.2

Source: Company data; *Pro-forma results (reflecting pre-IPO group reorganisation); **Adjusted for one-off costs including IPO costs and group reorganisation

Consumer Services

9th September 2022

Share Details

ASX code	CLU
Share price (8-Sept)	\$0.48
Market capitalisation	\$66.1M
Shares on issue	137.7M
Net cash at 30-Jun-2022	\$24.0M
Free float	~57.5%

Share Performance (12 months)



Upside Case

- Higher than expected student sessions growth
- Material reduction in new student acq'n costs
- Expansion of co-curricular offerings

Downside Case

- Continued significant cash outflows and losses
- Further capital/funding requirements
- Highly fragmented and competitive market

Catalysts

- Faster-than-expected improvement in cash outflows
- Stronger-than-expected student sessions growth

Comparable companies (Australia)

Kip McGrath Education Centres Ltd (ASX:KME), 3P Learning Ltd (ASX:3PL), Janison Education Group Ltd (ASX:JAN)

Board and Management

Robert Gavshon	Non-Exec. Chairman
Mark Rohald	Exec. Director & CEO
Michael Stibbard	Non-Exec. Director
Louise McElvogue	Non-Exec. Director
Prof. Ian Young	Non-Exec. Director
Greg Fordred	CFO & CoSec

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FINANCIAL SERVICES GUIDE

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