

Investor Zone - An update

Sub: Investment into EdTech business

As approved by the CL Educate Board and shared with you in Jan 2021, we had appointed Edelweiss as our bankers to infuse equity of up to US\$25 Million in the 100% EdTech Subsidiary of CL Educate Limited.

Over the last 3 quarters, many PE and Strategic Investors based in India and abroad were engaged with by the bankers. We received plenty of positive interest and engagements were done with six of them, followed by a detailed deep dive with the shortlisted final set.

After detailed internal discussions, including with the Board Sub-Committee, we have decided not to accept the proposal of investment received at the current terms and conditions. The offer under consideration valued CL's EdTech business at around a 50 percent premium to the current market cap of the consolidated entity. It entailed an infusion of INR 75-100 crores. The board and the management feel that this valuation does not justify dilution at the offer terms.

FAQ

Q1. Even if the valuation in the eyes of Management was lower, don't you think that having INR 75-100 cr in the bank to rapidly scale the education would have been more handy and useful and far more value accretive over the next 24-36 months.

Answer: We do value free additional cash in hand. And, we continue to stay keen on additional investment that enables accelerated growth (organic and inorganic). However, we will allow ourselves to be guided equally by the long-term value creation for shareholders.

2. How does the company propose to fund the business growth over the next 24 months in absence of the capital infusion.

Answer: Our internal accruals, capital release from land/building sales would stand us in good stead for the organic growth. For inorganic growth opportunities too, we believe we have ways and means of affecting them through a mix of cash, stock, earn-outs and milestone driven payments. Raising capital in the listed entity through relevant mechanisms is an option too at an appropriate stage.

3. Are you contemplating any fund raise in the listed entity in coming 12-24 months?

Answer: We continue to stay committed to maximising growth (Revenue and PAT) of the company. Fundraise conversations with select in-bound funds and strategic investors will continue through the bankers given the opportunities that we see.

4. How do you propose to compete in the Market place with some of these well funded EdTech's in absence of any funding?

Answer: The strength of CL comes from the moats that are not easy to replicate including brand, student outcomes and negative capex led partner ecosystem. These result in our low CAC and healthy margins. We also intend to accelerate our partner led growth for geography as well as product basket expansion.