

Kvasir Education LTD – Update Report

12.12.2021



Stock Exchange
TASE



Symbol
KVSR



Sector
Technology



Sub-sector
Internet & Software



Stock price target
NIS 64.7



Closing price
NIS 17.1



Market cap
NIS 67.3 Mn



No. of shares
3.9 Mn



Average Daily Trading Volume
71 stocks



Stock Performance (since IPO)
-67.3%

An increase in the Company's performance metrics in England, along with focusing on marketing and sales efforts and the appointment of CEO to ProPrep UK; Increasing Ram-On holdings in the Company's shares; Price target unchanged

Kvasir Education (TLV: KVSR) is a publicly traded EdTech company headquartered in Israel and has subsidiaries in the UK and the USA. The group focuses on customized online higher education teaching tailored to students studying subjects in the STEM fields at higher education institutions worldwide through short videos (bite-sized) tutorials in whiteboard technology.

The company activity highlights in recent months:

- The acquisition of the Company's shares by Ram On. Currently, Ram-On holds 24.42% of Kvasir's issued and paid-up securities.
- The Company began its activities for the academic year, 2021-2022, in England (communication with student associations, attending opening year event, and more).
 - The number of subscribers to the Company's platform from the beginning of the academic year until November 15, 2021, amounted to 5,205 subscribers, an increase of 91% compared with the corresponding period last year.
 - The number of paying users increased to over 1,200, 3 folds higher than the total of paying users at 2020-2021, and 30 folds higher than last year's corresponding period.
 - The hours of viewing the Company's content amounted to 1,075 hours, an increase of approximately 103% compared with the corresponding period last year.
- The appointment of Ms. Katharin Jackson as the CEO of Proprep UK, a subsidiary of Kvasir.
- Cooperation with Unidays.
- Engagement with a third party to add subtitles to the company's videos of approx. 1,000 video hours.
- Recruitment of an employee, for the promotion of video licensing activity.

Market - The global EdTech market spend was estimated at \$163 billion in 2019 and is expected to reach \$404 billion by 2025, reflecting a 16.3% CAGR growth. Global EdTech venture capital investments have grown 32x since 2010 and hit a record high of \$16.1 billion in 2020. The momentum has continued into Q1 2021, which has witnessed nearly \$4 billion in global investments.

Strategy - The company's go-to-market strategy is primarily business-to-consumer (B2C), focusing on user acquisition and user lifetime value. With B2B customers, Kvasir takes two different approaches. The first is approaching universities and relevant stakeholders, and the second is sub-licensing its content through third parties.

Kvasir is a start-up company in the preliminary stages of market penetration in England and the US, which has not yet achieved significant revenues; thus, its activities are characterized by a high degree of uncertainty. We estimate that the company will continue to bear significant costs and operating losses in the foreseeable future due to content, product, and technology development and increased marketing and business efforts.



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Kvasir Education LTD

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Key events in the passing months and Q3 2021:

- On December 2, Ram On completed the purchase of about 13.86% of Kvasir shares that Tyros held for about NIS 10.9 million (NIS 20 per share). As of the date of publication of this report, Ram On is holding 24.42% of Kvasir's capital and vote rights.
- On August 26, 2021, the Company's Board of Directors approved the appointment of Ms. Katherine Jackson as the CEO of Proprep UK, a subsidiary of Kvasir. For the past 17 years, Jackson has served in key management positions and as Vice President of SAGE Publishing, a leading international company that develops and markets teaching, learning, and research content for universities.
- In August, the company recruited a Director of Video Licensing in the UK to promote and expand its ability to display third-party content on the company's websites and promote the company's ability to license third parties to use its content.
- In May, the company engaged with a third party to produce subtitles and transcripts for videos amounting to approximately 1,000 hours of video. The project is expected to be completed by the second quarter of 2022.
- The Company began its activities for the academic year 2021-2022:
 - **England** - The Company has entered into agreements with about ten student associations in annual contracts to advertise and promote its activities. In addition, the company attended on-campus opening year events at about 20 universities.
 - **USA** - The Company began operations in early September 2021 and focuses on on-ground marketing activities at several New York City universities.
- Growth in the Company's activity performance metrics in the UK:
 - The number of subscribers to the Company's platform from the beginning of the academic year until November 15, 2021, amounted to 5,205 subscribers, an increase of 91% compared with the corresponding period last year.
 - The number of paying users increased to over 1,200, 3 folds higher than the total of paying users at 2020-2021.
 - The hours of viewing the Company's content amounted to 1,075 hours, an increase of approximately 103% compared with the corresponding period last year.
- As of September 30, 2021, a net loss increased to NIS 12.7 million (for nine months) compared to NIS 7.2 million in last year's corresponding period. In addition, the company has a cash balance, deposits, and marketable securities in the amount of NIS 71.5 million without debt and an accumulated loss in the amount of NIS 31.7 million. We estimate that Kvasir has sufficient sources of funding to support its operations in the coming years.

For further details on the company and its markets, please read our initiation of coverage report [here](#).

Investment Thesis

The global pandemic has sparked the world's largest ever remote learning experiment. The pandemic had reportedly caused school closures in about 200 countries worldwide impacting 9 out of 10 enrolled learners or roughly over 1.6 billion people globally. With the outbreak, there was acceleration in the need to shift from brick and mortar approach towards a digital form of education and learning. The pandemic has been a boon to one of the world's fastest growing industries i.e. Education Technology. Though the transition was initially difficult for its stakeholders, it marked one of the most drastic developments in the education history across the globe.

The EdTech industry is currently booming as all educational institutions regardless of their size, are now adopting a hybrid approach to learning. The E-learning industry is anticipated to witness 3X growth between 2015-2025, as a rising number of classrooms continue to move online. As access to the internet grows across the globe, so too has demand for education apps, with a renewed urgency because of the pandemic. In order to keep up with the global trends, the need of the hour for academic institutions and students globally is to adopt tech-based education/ learning. Also, the ubiquitous presence of smartphones as access points and the scalability of digital platforms enable quality education to be delivered across the globe in a cost-effective manner. Not just academic institutions, the economic repercussions of the pandemic have been severe towards enterprise workforce and have resulted in a significant rise in the global unemployment levels, like never before. This has led to an accelerated shift towards re-skilling and up-skilling using online platforms. Individuals are resorting to a much faster and return on investment (ROI)-led means in order to help them secure employment or even support their career growth moving forward. Kvasir Education is placed to be at the forefront of future online education. Kvasir Education helps unlock the potential in each STEM student by simplifying complex study materials into easy-to-use, and personalized tutorials and study guides. The company helps improve understanding on complex topics/ subjects and accelerates students' learning curve. Kvasir Education offers limitless options for course customization allowing the students to study the way that best suits them. Kvasir Education works with esteemed academic leaders and teaching staff round the clock to create quality content on its own to support the learning process for STEM students. This is a key differentiator for Kvasir against its peers as Kvasir **create and own the content** themselves and do not depend on user generated content unlike most incumbent industry players today. Kvasir Education allows students to access filtered course content

customized videos and resources for a fraction of a cost against online tutors. The courses are filtered down to the university, course and modules using their award-winning technology that helps automate the process of customizing learning resources exactly to a college/university syllabus.

**Business Function:**

Personalized online video tutorial courses for higher education and exam preparation

(Primarily in US and UK markets)

Key Focus Area:

Science, Technology, Engineering and Mathematics (STEM)

Short online video tutorials including online workbooks, study guides and practice questions and solutions remains the crux of Proprep's activity in both UK and US markets that they cater to. Focusing on STEM subjects, Proprep has built a vast library of over 1,200 hours of video and about 12,000 online videos tutorials, all ranging between five to seven minutes long.

Proprep's ability to customize its content in minutes to specific university modules, which includes up to 95 video tutorial hours and around 1,200 practice questions and solutions, allows the company to offer an engaging learning solution to students. The company began its operations in August 2014 as a subsidiary of 'Gool', a leading study site in Israel, and since 2019 has been operating separately. More than 500,000 students, most of them in Israel, have used this pedagogical solution in their studies.¹

Between September 2018 and February 2019, the company participated in the 'LearnLaunch' accelerator which is considered one of the leading accelerators in the US in the field of innovative learning technologies. The company also won various awards such as the EdTech Innovative and Breakthrough Technology Award on behalf of the International Learning Technologies Conference held in Israel in June 2019 (IES), in which the company was selected by an international panel of EdTech investors.

We view Kvasir Education as a great opportunity for investors seeking to invest in innovative EdTech companies, specifically focusing on online video tutorial personalized education services for STEM studies.

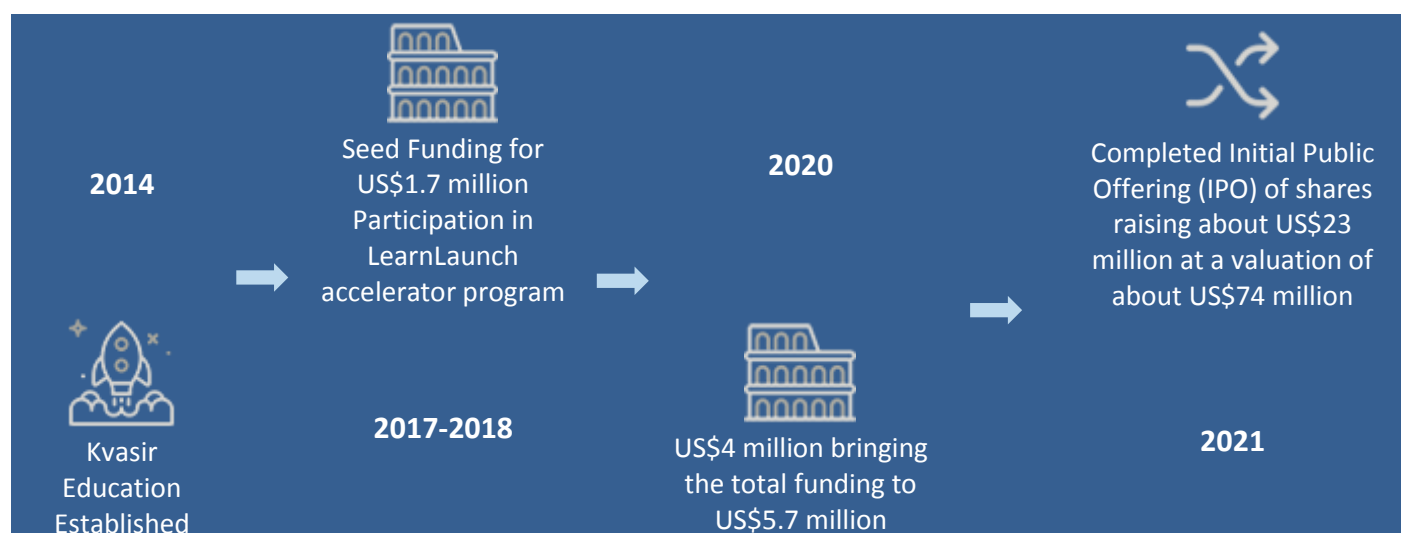
¹The above mentioned 500,000 students are mostly from Israel.

As the owner and creator of its learning content, the company aims to expand its scope beyond B2C activities (selling directly to students), to include B2B activities by partnering with universities, publishers, and additional stakeholders within the Education field. Kvasir's focus on blended learning model is exciting and will help solidify its potential growth value in the coming years.

1. Company Overview

Kvasir Education (TLV: KVSIR), hereafter "the Company" and/or "**Kvasir**" is a publicly traded digital learning platform or **EdTech company**. The company is headquartered in **Israel** and has subsidiaries in **the UK and the USA** (where the company operates under the brand Proprep). The company focuses on providing customized online video courses that include tutorials and study guides for higher education. The company offers technology that helps automate the process of providing customized tutorials to students based on the syllabus of the Universities. The company creates short videos of 5-7 minutes each in whiteboard technology (a lecture where the viewer sees only the content and not the lecturer).

Here's a glimpse of Kvasir Education's journey thus far: the company incorporated in 8/2014 funding during 10/2016 – 4/2017 from private investors, Learn Launch during 11/2018.



On November 3, 2021, Ram On entered into an agreement with Tyros to purchase 543,601 ordinary shares of the Company held by **Tyros**, representing approximately 13.86% of Kvasir's issued and paid-up securities, at a price of NIS 20 per share (hereinafter: "the Agreement"). Prior to the agreement, Ram-On

held approximately 10.56% of Kvasir's issued and paid-up securities, and after the completion of the said acquisition, Ram-On holds approximately 24.42% of Kvasir's issued and paid-up securities. Tyros transferred and waived to Ram-On all its rights and obligations under the shareholders' agreement of February 12, 2021, specified above, so that after the discussed check Ram-On will enter into Tyros' shoes in the shareholders' agreement following Optimus' consent to such check and became part of the company's controlling shareholders. The company is controlled by Ram On Investments and Holdings (a public company traded on the Tel Aviv Stock Exchange), Simi Efrati (Director), and Itai Koppel (CEO). Simi and Itay currently serve as co-founders.

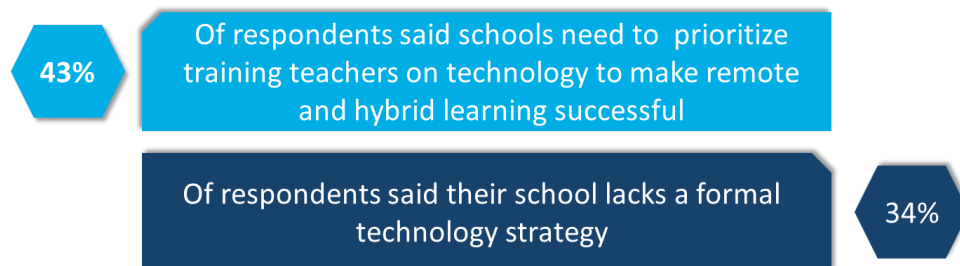
The company's mission is to improve student's success by enabling them to maximize their academic potential in STEM (Science, Technology, Engineering, and Mathematics) courses. This is achieved by providing students with content they need, anytime, anywhere. 'Proprep's solution consists of bite-sized video tutorials, not longer than 5-7 minutes, along with theoretical content, study guides, and practice exercises, created specifically for STEM subjects and these courses are prepared by leading professors, each with over 10 years of teaching experience in the respective academic fields. The videos are created in whiteboard technology.

Why STEM?

STEM degrees have reported high dropout rates in the past. Globally, it is reported **that over 40% of the students are dropping out in STEM and related courses**. Per industry estimates, the UK economy has suffered losses of around £1.5 billion every year owing to STEM skills shortages. This poses a greater risk to business growth, innovation and broader societal development. Similarly, in US, over 3 million positions are open that require STEM courses and those positions are open because there is a huge variance between demand and supply as Universities are unable to produce enough students who excel in STEM courses. **Shortage of highly skilled professionals** in STEM field could potentially slow down the global economy even as many universities globally struggle with the **cost of attracting qualified lecturers**. Not just US, but STEM skills are in high demand by the international workforce. Online learning serves to address this challenge, in addition to eliminating issues of cost and instructor shortages by delivering expected learning outcomes for students studying STEM courses globally, albeit at a much lower cost.

Students studying STEM courses need lot of practice in order to succeed in these courses. **Proprep's online platform has a big potential to expand access to quality STEM education globally.**

The figure below present highlights from the ""**The 2020 State of Technology in Education**"" survey done by Promethean World across 1200 teachers and administrators of K-12 schools in the US.



Why Proprep?

Proprep team creates customized courses by analysing syllabi of each course across departments for each university and assemble list of bite sized videos that offer exact materials and levels that each student would need through their studies. The platform offers the ability to analyse the 'content's usefulness which leads to improved understanding of study methods and content preparation.

Proprep's solution is based on several pillars. Firstly, the content is created by academic lecturers and customized according to the syllabus of the university. Proprep platform provides analytics tools, that enables them to improve both the process of teaching and the process of learning. The platform serves to increase engagement of students studying STEM courses.

By breaking down complex subject level depth into bite-sized learning resources, Proprep helps students to push their academic performance over the line. This works on two counts; firstly for those students who simply wish to improve their studies, as well it caters for those students who find STEM lectures and subjects challenging or are struggling to follow a particular subject.



Winner IES2019 award for
breakthrough education
technology

2019

Proprep was awarded as the **most innovative and disruptive EdTech startup** at the Israel Education Summit held in 2019. Proprep was **selected from amongst 50 companies**.

Key Attributes and Salient Features

It takes minutes to create a customized 75-90 hours course video with around 1200 practice problems.



35+ Pedagogical Staff



Blended learning and customization of learning resources



Award-winning technology, which is scalable



1,900+ courses adapted for Universities by syllabus



9,000+ STEM exercises with comprehensive video solutions



Easy accessibility via computer and smartphone

Strategy and Business Model

The go-to-market strategy is primarily business-to-consumer (B2C); the focus is on user acquisition and the lifetime value of a user. In addition to approaching the students, the company also engages through student unions and associations and by participating in events conducted through these associations, such as students' week and other events hosted by student communities. Kvasir's primary focus remains on their B2C efforts, and their expansion through B2B is largely through its partners, given that the sale cycle on B2B is longer (takes up to 3-4).

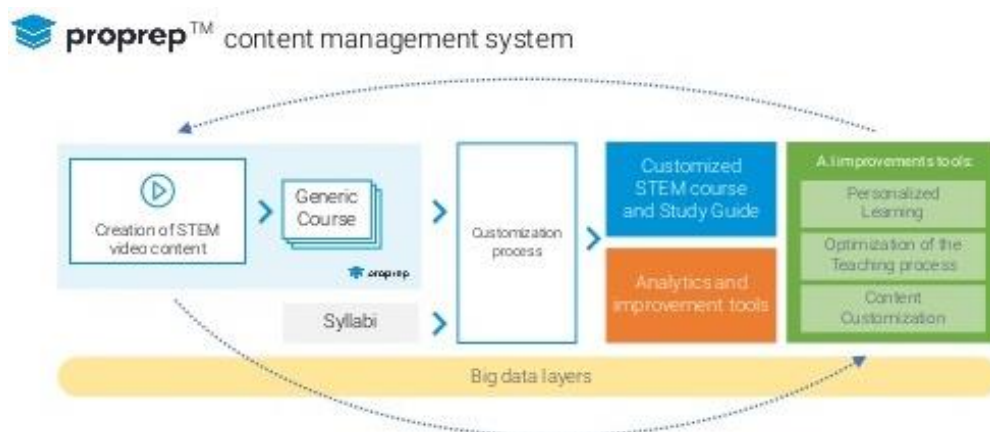
Kvasir takes two different approaches to engage with B2B customers. The first approach is to approach universities and relevant stakeholders, and the other approach is to sub-license its content through third parties. The company plans to cooperate with universities that are looking to reduce teaching assistance and content creation costs. Proprep is going to engage with such universities on a case-to-case basis through a licensing model. In the US, Proprep works with channel partners that also sell directly to universities and also offer online program management (OPM).

2. Products and Technology

The company uses a very unique technology, which consists of three elements. Firstly, creation of content. The Pedagogic team creates huge amount of generic content and this is integrated with a customization engine, which is combined with automated tools in order to enable Proprep to optimize teaching process and help create personalized learning courses.

Depending on 'student's learning style, Proprep platform allows students to either complete the whole series of tutorials at one go or alternatively mix the topics they need help with, when they need them. The platform allows students to master any STEM course in 3 easy steps:

1. Watch the video tutorials
2. Solve the practice problems
3. Check their work against pre-solved video solutions



Proprep's differentiator lies in the fact that all of its educational content is created by university lecturers with at least 10 years of teaching experience. Proprep was indeed founded by professors who understand the core challenges that STEM students face today, across the globe. As a result, Proprep team works round the clock to ensure quality resources are created with a deeper understanding of the material and improved problem-solving techniques that facilitate comprehensive learning for students. With hundreds of thousands of video tutorials and customization options, students can access exactly what they need to succeed in their courses. Should the course required be unavailable, Proprep offers to customize the same within minutes of telephonic or email correspondence.

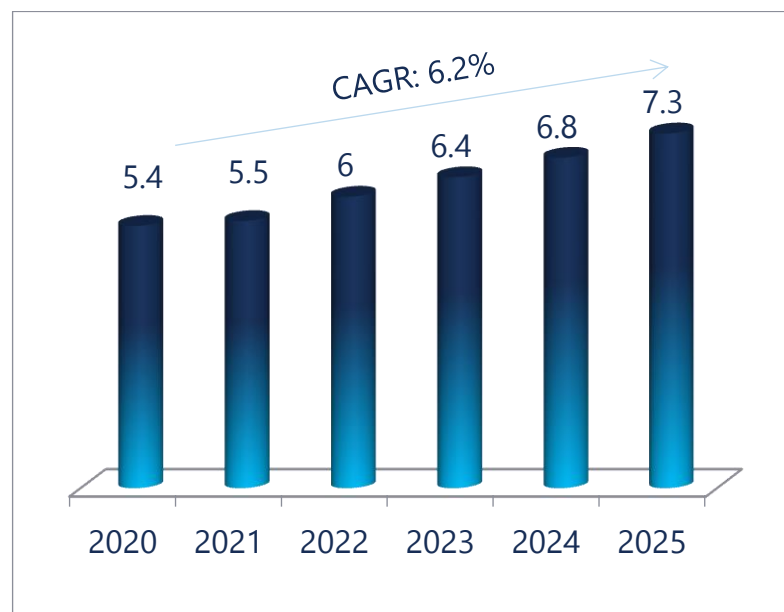
3. E-Learning Market Overview

Market Overview:

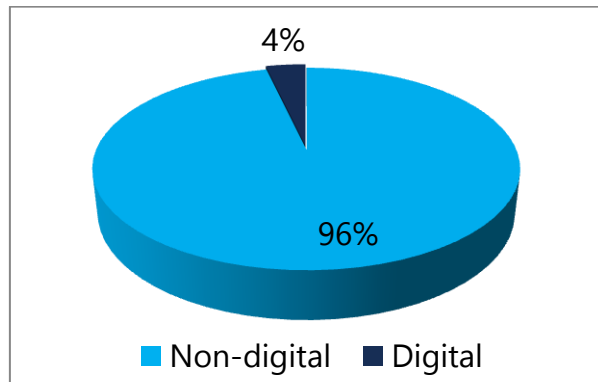
With the advent of world wide web, and its ever changing innovations, every industry has evolved significantly and some sector have now become unrecognizable over time, for instance instantaneous UPI transfers or self-driven cars. Similarly, classroom teaching has evolved from subject matters to pedagogical method and been upgraded over every passing year that the entire process of education marks a significant amount of progress compared to the yesteryears.

Education industry has reset itself post the pandemic as the industry steers towards a digital future, one which encourages hybrid forms of education, encourages experimentation and innovation through edtech rollout, thus actively pursuing long term reforms. While there has been a considerable interest towards e-learning in the past decade, online learning has now emerged as a necessary resource for education.

Global Education and Training Expenditure (\$ Trillion), Calendar Year 2020-2025



Global Education Expenditure Distribution (%), CY 2020

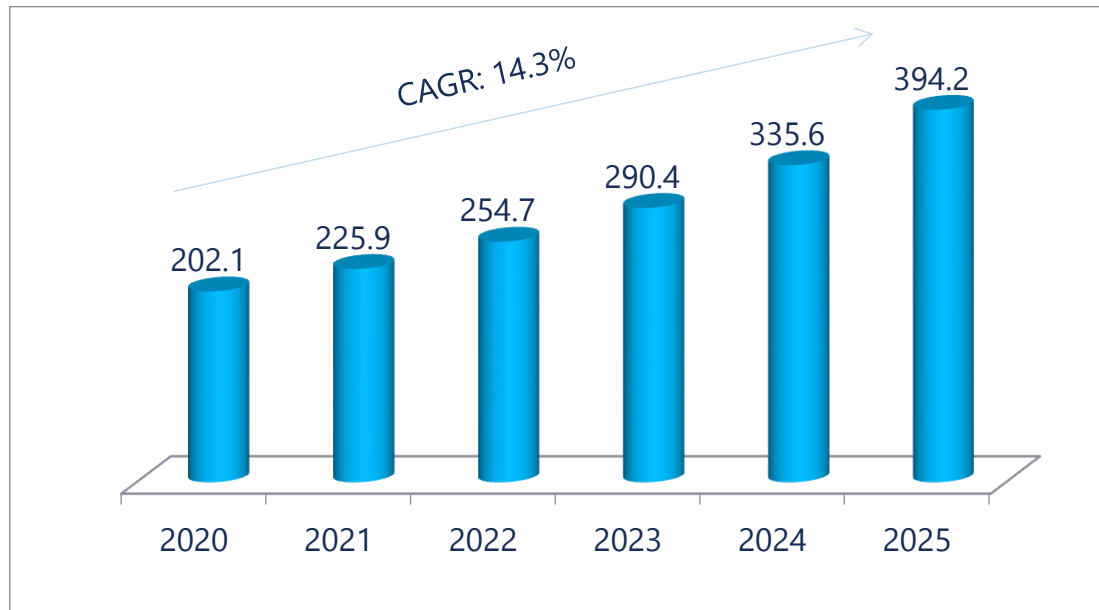


Source: [Holon IQ](#)

The global education and training market is expected to reach \$7.3 trillion in total expenditure by 2025, registering a cumulative average growth rate (CAGR) of 6.2% between CY 2020 – 2025. It has been witnessed that the higher education tuition inflation is nearing an end as federal institutions and consumers demand improved access, affordability and stronger return on investments (ROI). Digitization has gained momentum and is likely to drive improved administrative productivity and efficiencies in the education sector, as against the traditional analog-focused foundation.

The e-learning ecosystem follows the entire learning flow: content creation with lecture capture solutions (LCS); publishing with massive online open courses (MOOCs) and dynamic publishing tools; management with learning management solutions (LMS); creating opportunities for collaboration with social learning and video conferencing platforms; and accessing the information through devices. LMS is primarily being used by universities to offer specific courses from within the university through software platforms. On the other hand, there is increasing interest towards courseware platforms, which enables students to study specific courses and assess themselves through various test evaluations. MOOC is essentially a product, which can be provided via third party platforms i.e. through LMS or through courseware platforms. It is also observed that the use of big data/ analytics platforms is integral to e-learning as it helps enterprises and institutions measure the success of their educational and training programs.

Global E-learning Market (\$ Billion), CY 2020 - 2025



Source: Frost & Sullivan

The global e-learning market is expected to reach \$394.2 billion in overall revenues by 2025, registering a CAGR of 14.3% between CY 2020-2025. Pre-pandemic, there was a sense of acknowledgment that the traditional higher education business model was being seriously challenged. The world has now witnessed an abrupt shift to multiple modes of digital education. Significant changes have now occurred in how K-12 and higher education students adopt the technology. Students and employees want access to educational content anytime and anywhere and across various types of devices. With school closures and work-from-home mandates, the COVID-19 pandemic has forced educational institutions and business organizations to deliver on student/employee needs by increasing adoption of e-learning solutions to recreate the in-class experience online.

Many elite institutions have now discounted tuition for a fully online experience in a historically unprecedented manner, clearly remembering that online/digital learning capabilities have now become the fulcrum of competition between institutions globally.

"It's like a genie that is out of the bottle, and I don't think you can get it back in. In many respects, this is overdue."

– "Paul Reville, Former Massachusetts Secretary of Education and Founding Director, Harvard University's Education Redesign Lab

Policymakers around the globe support the transition towards online learning. For example, in Texas, officials are developing a plan to ensure broadband connections are meted out to every K-12 student beyond the pandemic, funded by a combination of both local and state dollars. The pandemic rescue package brought into effect by President of USA, Joe Biden, includes more than \$7 billion for the Federal Communications Commission to fund internet connections and devices through the e-rate program in addition to regular e-rate funding to connect students at home.

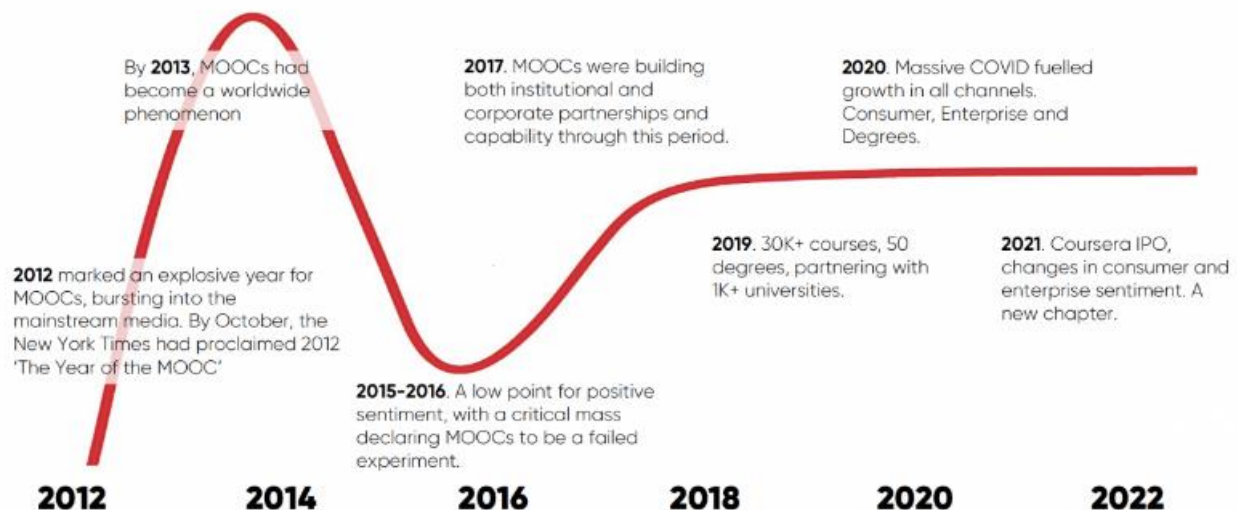
On the other hand, the global pandemic has severely dented the labor market at large. There is an urgent need to learn new skills to compete in industry sectors such as healthcare, technology, and non-durable manufacturing that are now driving the economy. A number of companies are also looking to leverage the e-learning model to acquire the necessary digital skills needed for their employees in the current Covid-19 economy. For example, tech giant Microsoft Corp launched a global reskilling initiative to bring more digital skills to 25 million people worldwide. Enterprises are looking to invest in a connected learning system that will empower people to pursue lifelong learning.

The global pandemic emerged as a way to expand access to less-common courses. If one high school offers a class in Portuguese, e-learning allows students from other schools to join such classes remotely. Though online learning is seen as a supplement and not yet a substitute for in-school instruction, the adoption rates are overwhelmingly positive. Frost & Sullivan believes that an increasing shift to e-learning practices is likely to outlast the pandemic.

Massive Online Open Courses (MOOCs):

MOOCs have evolved significantly over the past decade. In addition to the marquee names in the business who provide learning solutions to millions of people worldwide, many universities and even countries worldwide have now launched their own MOOCs or have partnered with large and established MOOC service providers to offer students online continued learning.

MOOC Roadmap, CY 2012-2021



Source: [Holon IQ](#)

MOOCs are usually offered as short, stand-alone courses wherein lectures are pre-recorded and accessible 24*7 by students. There are no hard deadlines to complete a MOOC, and the course provided not necessarily has to be from an academic institution. Below listed are key differences between traditional online courses and MOOCs in terms of content development and course delivery:

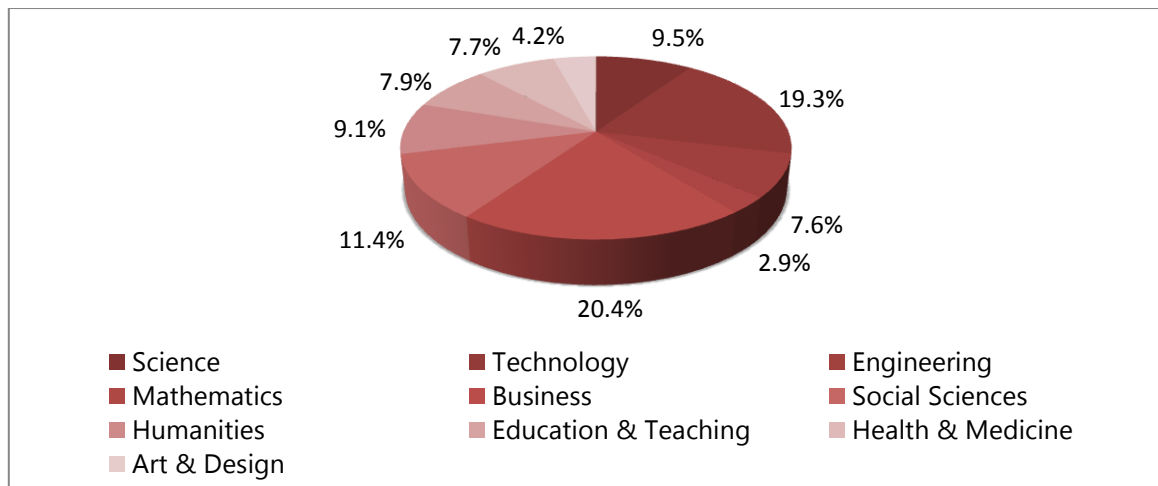
Traditional Online Courses	Massive Online Open Courses (MOOC)
New content is available once a week	Content is accessible 24*7
Modules are 45 to 60 minutes long	Modules are 5 to 10 minutes long
University-restricted media	Open-source media
The following content is locked until the student finishes the current one	All lectures are available from the beginning
Groups/ classes typically have to learn at the same pace	Self-paced learning
The course is closed-ended with specified due dates	The course is open-ended and may be completed at any time
Often includes scheduled live lectures	Pre-recorded lectures

MOOC model is most popular in the business-to-consumer (B2C) space for online courses and delivering test-prep in the professional certifications market. MOOCs are slowly graduating from a B2C higher education replacement into a business-to-business (B2B) partner for universities and academic institutions and builder of digital ecosystems. The digital market for "just-in-time" knowledge is highly competitive and is noted to be a rapidly evolving field within the education landscape.

It has been noted that one-third of the learners that have ever registered on a MOOC platform joined in 2020. MOOC providers made the most of the opportunity during the pandemic by offering students free

online courses from top universities and thus benefiting immensely in the recent past. The distribution of courses across subjects reflects that over forty percent of the courses belong to business and technology, which are some of the easiest course categories to monetize.

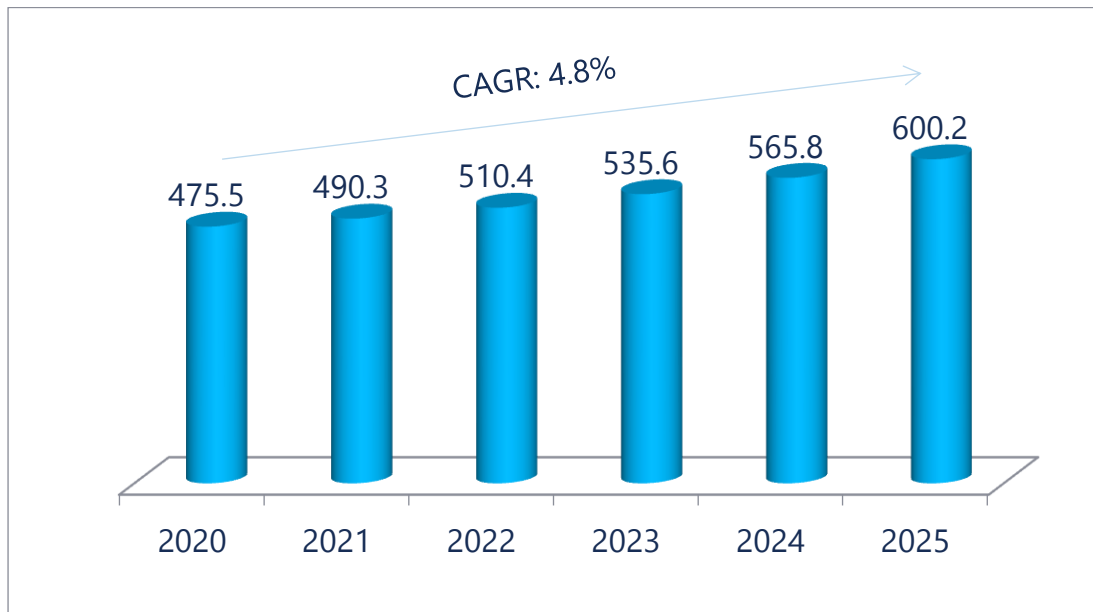
MOOC Course Distribution by Subject, CY 2020



Source: [Class Central](#)

Test Preparation Market:

The global test preparation market is expected to grow at a CAGR of 4.8% to reach over \$600 million by 2025. Test preparation is widely adopted for high school exams, university exams, and other competitive exams. The rising demand for test preparation solutions can be attributed to several factors, including the growing shift from conventional study groups to online mock/ practice tests with built-in guidebooks and applications. Additionally, rising internet penetration combined with improving economic conditions, especially in the developing world, has propelled market growth. With the onset of the global pandemic, several academic institutions have shifted towards online-based test preparation solutions, improving market growth.

Global Test Preparation Market (\$ Million), CY 2020 - 2025

Source: Frost & Sullivan

US is expected to hold approximately 28% market share in CY 2020, and along with China, the two countries currently dominate the test preparation market globally. Other noteworthy markets include Canada, Japan, Germany, Australia, India, and South Korea. Several tech giants are now increasingly looking to enter the test preparation/ online education market. For example, Amazon recently launched Amazon Academy, potentially a test preparation app, and this is following similar efforts made by its rivals Google and Facebook.

Online Tutoring Market:

The global tutoring market is expected to reach a staggering \$97.8 billion by 2025 growing at a CAGR of 15.5% during CY 2020-2025. The subjects that dominate the tutoring space are Maths (which remains the most populous subject), followed closely by Sciences and English; these are common subjects in the school curricula worldwide. One of the key drivers supporting the growth of online tutoring continues to be the affordability, tad cheaper than in-person/ face-to-face tuition and remains the key attraction for both parents and students. According to industry estimates, one in every two students in London are receiving tuition, which is heavily spurred by harder competitive exams, rising competition for school places and a tough global job market.

Many students begin to access tuition for STEM courses from secondary education in order to help them gain a good handle on these subjects and to prepare and secure their educational future. Microlearning is a very populous segment within the tutoring industry. It refers to learning that is delivered in small manageable modules and uses short-term focused strategies to improve subject-level understanding for the students. It focuses on 'bite-sized' learning, which allows online tutors to hold a student's attention, especially through video resources and Gamification to keep lessons interesting and engaging.

Tutors encourage online teaching as it allows them to reach out to a broader demographic and expanded client base. Moreover, teaching online removes travel time and related expenses, and geographical barriers to tutoring. For example, it would allow someone to tutor a child in Malaysia in the morning, London in the afternoon, and New York in the evening. As many of these tutors are self-employed, the ability to expand their client base and gain teaching experience remains invaluable.

The online tuition market is fragmented, with marquee names like Chegg, MyTutor, and EF Education Trust holding a dominant share in over 100 countries worldwide. Some of the key players in the Asia Pacific region include the TAL Education group, New Oriental Education and technology, and iTutorGroup, to name a few.

Global K-12 Online Tutoring Market (\$ Billion), CY 2020 - 2025



Source: Frost & Sullivan

Much of the anticipated growth is expected to come from the Asia Pacific region due to the constant demand for tutors to help students prepare for tests and remain competitive to secure a place in Ivy League schools and universities.

E-learning - The Bottom Line:

The last decade has consistently witnessed growing user interest in e-learning; however, the global pandemic has proven to be a shot in the arm moment. Essentially, e-learning has become a necessity, which reflects inevitable growth in the days to come. With facts and figures favoring e-learning and as more ecosystem stakeholders realize the benefits of e-learning, it is evident that online education is here to stay.

4. Financial Analysis & Valuation

Valuation Method & Approach

Valuation of a start-up company in its early stages can be challenging due to limited cash flow (if any) and uncertainty regarding the future. As part of a Discounted Cash Flow (DCF), the accepted method used in financial valuations, there are several modifications to a start-up company's valuation. In general, there are four primary methods within the DCF method:

1. Real options – this valuation method is designated for pre-clinical and early-stage clinical programs/companies where the assessment is binary during the initial phases and based upon scientific-regulatory assessment only (binomial model with certain adjustments).
2. Pipeline assessment – a valuation method used for early-stage companies before the market stage where time-to-market may be a few years for full operations. The company's value is the total discounted cash flow for its products/signed agreements plus unallocated costs and its technology platform assessment.
3. DCF valuation - this method applies to companies with products that have a positive cash flow from operations.
4. Market benchmark – this method is based on recent deals (M&A and/or fundraising) within the company's domain and market multiples.

To evaluate Kvasir Education's equity value, we based our valuation on market benchmark approach.

Company Financial Overview

Kvasir Education (TLV: KVSIR), founded in 2014, is a publicly traded Ed-Tech online learning content platform headquartered in Israel and has subsidiaries in the UK and the USA. Its team consists of about 90 members including full-time and part time employees (R&D, engineering, production, finance, and business), lecturers and consultants.

Its shares are listed for trading on the Tel Aviv Stock Exchange since February 28th, 2021 (TASE: KVSIR), after raising about NIS 72 million net in an IPO led by Rosario Capital Ltd. The company's IPO post-money valuation was approx. NIS 242 million.

The company is in the initial stages of penetrating the UK and the US markets. The tables below describe the main data for using the company's platform in the UK and the US markets:

Proprep UK Activity - Academic year 2020/21	
6,029	491
Number of registered to website	Number of payments
1,052	3,270
Number of users	Hours of content watched

Proprep US Activity - Academic year 2020/21	
1,165	119
Number of registered to website	Number of payments
234	700
Number of users	Hours of content watched

As of June 30, 2021, the company's share in cash was NIS 75.1 million with no debt and carried forward losses of NIS 27.4 million. The company revenue in 2021 second quarter was NIS 93K, compared to NIS 29K in 2020 corresponding quarter. The net loss in the 2nd quarter was NIS 3.6M, compared to a loss of NIS 4.9M in 2020 corresponding quarter.

Recent deals as a valuation benchmark

Post-Money Valuation

We estimated Kvasir Education's post-money valuation based on similar competitors benchmarking using data from Pitchbook, a financial database. To form a representative sample, we modified the data by applying the following procedure:

1. We identified companies similar to Kvasir Education in their operating verticals/industries (EdTech companies).
2. We omitted companies in the initial stage (such as accelerator-, incubator-, angel-, seed- and early-stage companies).
3. We omitted companies that had post-money valuation higher than \$500M or lesser than \$10M.
4. We omitted outliers (5% margin).

The stages above add conservatively to our benchmark and provide a sample that reflects Kvasir Education's ecosystem.

Based on these companies' last known average valuation, we estimate Kvasir Education's equity value at \$77.8 M (N=74). A partial list can be found in our [initiation of coverage report](#) (appendix 2).

Valuation summary

As discussed earlier, we see Kvasir Education as a growth firm. Thus, we based our valuation on current and future market trends and the company's management actions. Due to the high growth in the EdTech market and the uniqueness of its solution, we estimate the company is well-positioned to generate significant growth in the foreseeable future.

We conducted Kvasir Education's valuation using market benchmarks from recent deals. The company has 3,921,486 shares as of August 29, 2021; thus, in view of all aforementioned findings and assessments, we value the company's stock price target to be in the range of 58.2 NIS to 71.2 NIS with a mean of NIS 64.7.

Appendix #.1: About Frost & Sullivan

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