

## Kvasir Education LTD – Update Report

23.03.2023

Stock Exchange  
**TASE**Symbol  
**KVSR**Sector  
**Technology**Sub-sector  
**Internet & Software**Stock price target  
**NIS 22.7**Closing price  
**NIS 10.6**Market cap  
**NIS 41.5 Mn**No. of shares  
**3.9 Mn**Average Daily Trading Volume  
**4 stocks**Stock Performance (since Jan. 1, 2022)  
**-10.73%**

Pivoted to B2B focused strategy with Boost product; focused Boost marketing on UK market, operating minimally in US market; decrease in website registrations YoY in US and UK and increased net loss; price target is updated.

**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 2022 and recent months:

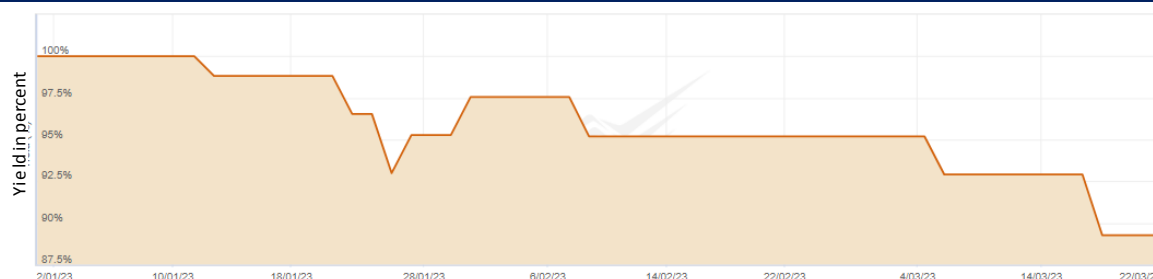
- Several agreements with universities in the UK and US in the pipeline, expected to begin soon.
- Shift to organic marketing led to decreased marketing expenses and non-organic registrations.
- Downsizing of workforce in B2C marketing and content creation activities.
- Launch of Proprep Boost, a B2B product for university libraries.
- Decision to focus Boost marketing on UK market, operate minimally in US market.
- Financial overview: net loss with decreased gross profit and increased cost of sales and financing expenses, decreased current assets/liabilities, increased non-current assets, and high financial uncertainty due to early stage of development and inflation rates.

**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. In March 2022, Matrix, a high-tech training company, received a valuation of NIS 375 million. In October 2022, brainpop, a private company that operates an educational website that presents a wide variety of animated videos and other content on the subjects of science, society, English and culture, was purchased by the Kirby Company for \$875 million.

**Strategy** - The company's market penetration strategy is in two channels. In the B2B market the company takes two different approaches: (i) an appeal to universities and relevant stakeholders, and the second includes sublicensing the content owned by the company to third parties. The company started a pilot at a leading university in England; and (ii) direct sales (B2C), and the focus is on focusing on organic customers since these customers are customers with intent in acquiring users and the value of the user's life to start B2B regarding the B2C organic customers.

**Significance** - The company presented a lower quarterly obituary in relation to the third quarter of 2022. There is a decrease in the gross loss in relation to the previous quarter, a decrease in relation to the cost of sales. Let's remember, Kvasir is a start-up company that is in the initial stages of penetrating the UK and US market, which has not yet achieved significant revenues; therefore, its activity is characterized by a high level of uncertainty.

We estimate that the company will continue to bear significant costs and operational losses in the foreseeable future due to content, product and technology development and increased marketing and business development efforts. Therefore, the price target is changed to NIS 22.7.



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**Kvasir Education LTD**

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**Key events in Q4 2022 and recent months:****B2B activity**

- In 2022, the company launched the Proprep Boost product, which is sold directly to libraries and faculties for science studies in universities worldwide. The product helps universities save lecturers' time, and students can access the contents of the study program quickly and directly. It includes options for self-assessment, additional practice, and performance monitoring and analysis. To launch the Boost product, the company entered a contract with a third party not related to a license agreement in the LMS.
  - o The B2B sales process typically lasts around 18 months and involves pilot testing in higher education institutions.
- The company is in a pilot for the sale of the Boost product in several universities in England.

**B2C activity**

- Direct sale of study materials to students in England and the US through dedicated websites ([www.proprep.uk](http://www.proprep.uk) and [www.proprep.com](http://www.proprep.com)). Customers can access all website content for a specified period, such as monthly or quarterly subscriptions. The company is currently prioritizing organic marketing activities to generate long-term, high-quality traffic and sees the organic channel as the primary source of website traffic. Consequently, a decrease in the number of people signing up for a trial period and hours of use is expected in the 2022-2023 school year.

**Company content**

- As of this report, the company has developed over 1,300 hours of video and about 15,700 videos in STEM fields, along with more than 6,500 courses adapted to study programs and course types in over 660 universities across England and the US.
- Also, the company prepared the following collections for the Boost product – Precalculus, Calculus 1, Calculus 2, Statistics, Probability – which include more than 400 hours of video and about 6,700 videos and exercises. In addition, the company develops collections in the field of chemistry and biology.

**Workforce**

- During Q2 and Q4 2022, the company reduced its workforce to the extent of approximately 15 employees, mainly in the funded marketing activity in the B2C sector and in the content preparation activity, as part of the focus of the B2C activity on the organic marketing channel. At the same time, the company recruited 3 more marketing and salespeople for the B2B field.

**Surrounding environment**

- The company operates in a competitive environment and the sales processes of its products to libraries and faculties for science studies in universities take about 18 months. Also, on the one hand, the local and international economic environment poses new challenges (such as an increase in interest rates, changes in exchange rates, a reduction in sources of financing and investment, and a decrease in the value of the companies) for start-up companies, and on the other hand, the economic environment creates opportunities to make attractive investments that may yield a high return for the company. Accordingly, the company places emphasis on managing its cash balances and regularly examines various business opportunities.
- On August 15, the company's board of directors confirmed plans to create a special purpose company (SPC) that will fully own and take over the company's activities and employees, including courses, technology, systems, websites and domains, and holdings in subsidiaries Proprep UK Ltd. and Easy Education INC, as well as communication with employees. This transfer of activity to the SPC is known as the structural change, which the company intends to carry out with tax exemption in accordance with Section 104A of the Income Tax Ordinance. The special purpose company, named Proprep International, has already been established, but the completion of the structural change is subject to board approval and it has not yet been carried out.

## Kvasir Education LTD

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**Key events in 2022 and recent months (cont'd):**

- In March 2023, the company decided to focus its Boost marketing activity on the British market and operate minimally on the American market, understanding that the sales process to universities is lengthy and to maximize the company's cash surplus.
  - o In the US, 548 registrants were registered on the company's website from the beginning of the academic year in 2022 until February 1, 2023, compared to 934 registrants in the corresponding period of the previous academic year. In the UK, 5,081 registrants were registered from the beginning of the academic year until February 1, 2023, compared to 7,897 registrants in the corresponding period the previous year. The decrease is due mainly from a change in the marketing model of the C2B product and a focus on the organic marketing activity, as detailed below.
- The company transferred its marketing model from B2C to organic marketing, which includes SEO activities.
  - o As a result, there was a decrease in marketing expenses and a 38% decrease in registered users from non-organic channels. In addition, 40% of video views come from customers who came through organic marketing channels, and on average, these customers watch 27 videos, while paid customers watch only 12 videos.
- In the current school year, the company participated in about 10 events at academic institutions, compared to about 20 events the previous year.
- The company granted free subscriptions to students until the end of December 2022, which resulted in a decrease in the number of paying customers from 1,670 to 170.
- The number of viewing hours on the company's website between September 2022-February 2023 decreased in the UK and increased in the US compared to the corresponding period of the previous academic year.
  - o Viewing hours in the UK decreased by 20.7%, from 2,563 to 2,035. In contrast, the average viewing per user increased by about 30% from 18 minutes per user to about 24 minutes.
  - o Viewing hours in the US increased by 36.7%, from 711 to 972. Viewing hours per user decreased by approximately 8%.

**2022 financial overview:**

- In 2022, the company reported a net loss of NIS 19.05 million, which is an increase of 6% per year. This net loss includes a non-cash payment of NIS 1.15 million for share-based payment compensation. The company's gross profit and loss decreased and increased by 41% compared to the corresponding year. while the cost of sales increased by 27%. Also, the company incurred financing expenses that increased by 5,392% per year, apparently due to a one-time loss from securities.
- The company's financial statements show a decrease in current assets and liabilities in 2022, mainly due to a decrease in cash, deposits and securities held to finance the company's current expenses. There was an increase in non-current assets, mainly due to an increase in intangible assets related to the development of the Proprep and Boost platforms.
- The company's financial situation is characterized by high uncertainty due to the early development stage and ongoing losses. Inflation rates have risen worldwide since 2021, and the Bank of Israel has also raised interest rates several times since April 2022 to curb inflation, which could affect the company's financing income.

## 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 1,500 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 approx. 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.<sup>1</sup>

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.

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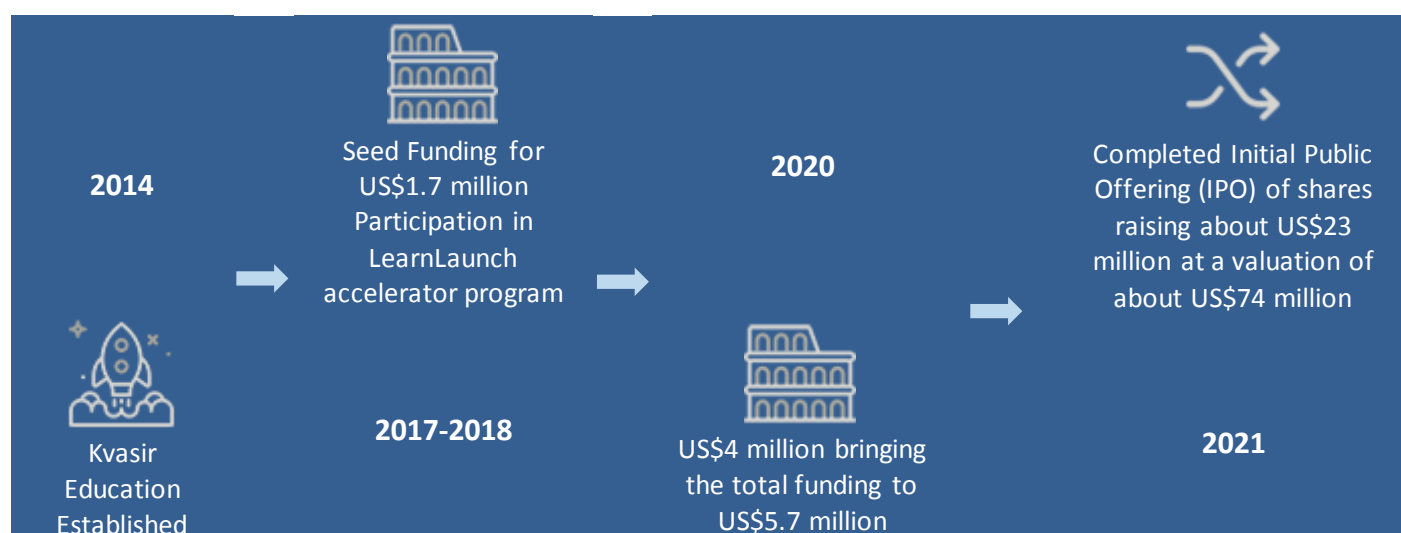
<sup>1</sup>The above mentioned 500,000 students are mostly from Israel.

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.

On June 20, 2022, a company jointly controlled by Mr. Avraham Nussbaum through a private company under his full control, which owns 60% of the issued and paid-up capital of Amici, and of Optimus Education (M.T.N.S.L.) Ltd. is the controlling owner of the company, which owns 40% of Amichi's issued and paid-up capital because Amichi entered into an agreement with Ltd. Group International Tyros which was an interested party in the company, according to which Amici will purchase in an over-the-counter purchase agreement 211,517 ordinary shares of the company, worth 0.001 NIS, held by Tyros, which, as of the date of this report, constitute approximately 5.39% of the issued capital and the liquidation of the company (not fully diluted), at a price of NIS 12 per share. On July 22, Amici informed the company of the completion of the aforementioned transfer of shares.

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.

The field of artificial intelligence is developing and it may greatly affect the field of EdTech. **ChatGPT** (acronym for **Generative Pre-trained Transformer**) is an artificial intelligence-based chatbot developed by the **OpenAI** company and launched for the first time on November 30, 2022. **ChatGPT** was created by training in guided learning (learning to solve problems based on a large pool of "solved" examples) and reinforcement learning (which is based on completing tasks and learning through rewards). As a result, he can answer almost any question and complete any task. In the field of learning and teaching, you can understand the art of producing content and learning tools for every level of study, adapted to a specific

educational institution, a professional course and even to a teacher. It will also be possible to produce personalized help lessons for students, feedback, and targeted help.

One of the company's advantages over its competitors is that the content is owned and produced by it. The company's content helps students learn unlike other competitors in the market who help students take shortcuts when submitting assignments and/or homework and present students with the solutions. These companies in the last months since the launch of the **ChatGPT** and similar products have been harmed by the fact that the **ChatGPT** has become a substitute product for their products, this in contrast to the fact that the company's contents, due to the reasons stated above, are immune for the time being because the - **ChatGPT** replacement product for company content. The company is currently integrating some of the **ChatGPT** capabilities into its **B2C** product.

## 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 market penetration strategy is based on its B2B efforts and will mainly focus on sales of its Boost product to universities. In its B2C channel, in addition to addressing students, the company also communicates with student associations and associations and participates in events held through these associations, such as the student week and other events hosted by student communities.

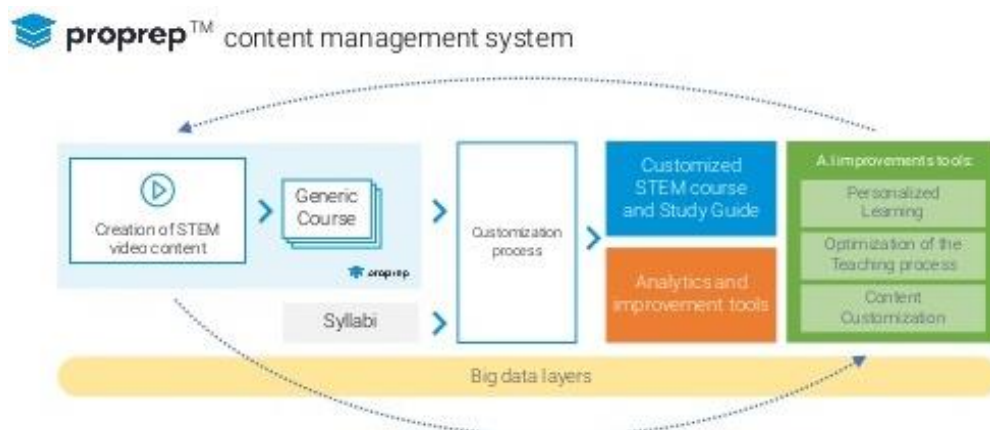
Kvasir takes two different approaches to contact business customers. The first approach is to approach universities and relevant stakeholders, and the other approach is to sublicense the company's content through third parties. The company plans to work with universities interested in reducing teaching support staff costs and content creation costs. ProPrep plans to contract with universities on a case-by-case basis through a licensing model. The company works with channel partners who also sell directly to universities and also offer online program management.

## 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.

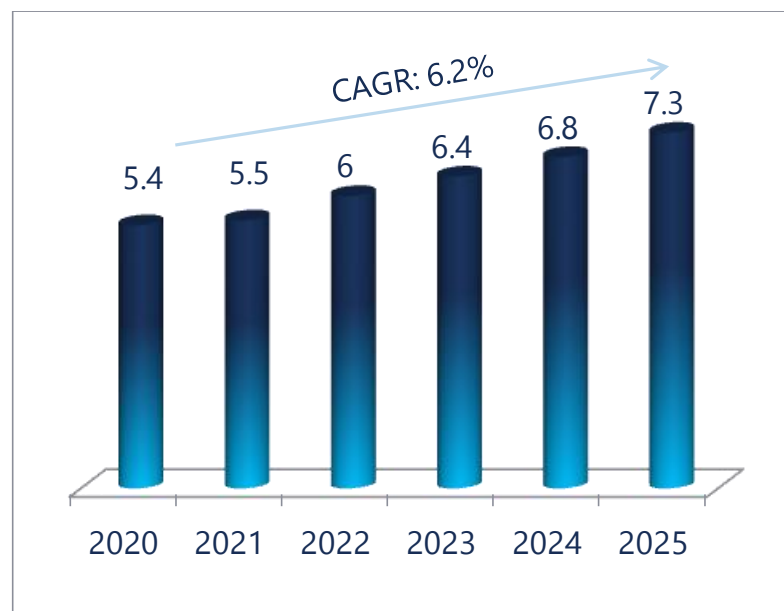
### 3. E-Learning Market Overview

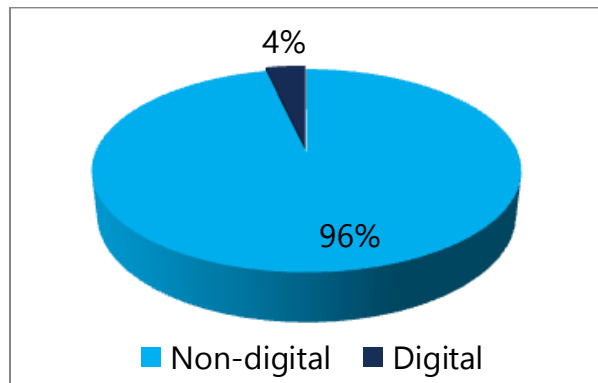
#### Market Overview:

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**



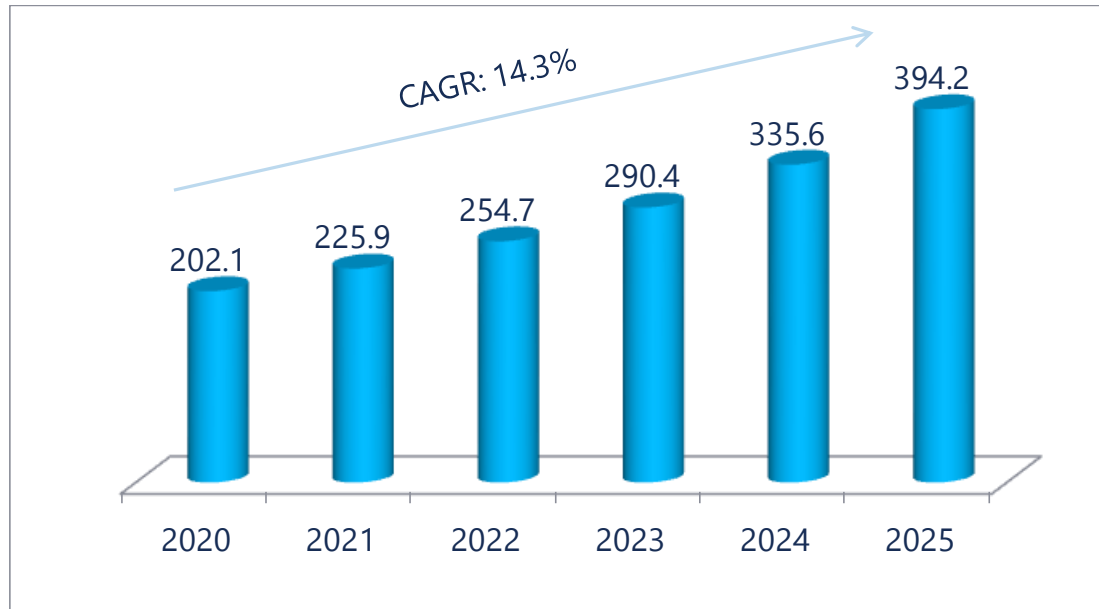
**Global Education Expenditure Distribution (%), CY 2020**

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 &amp; 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.

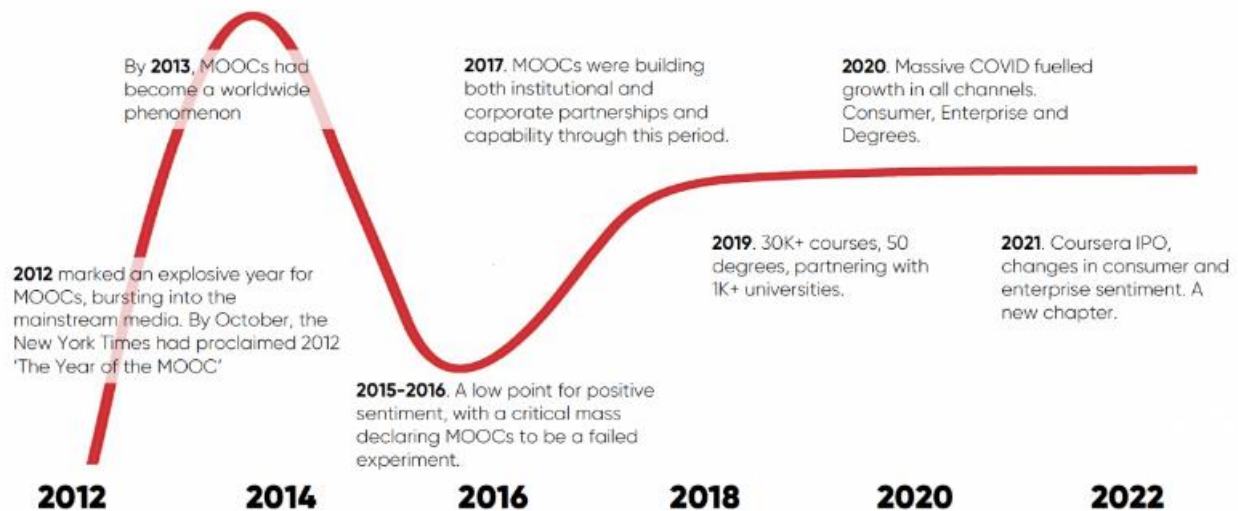
The global pandemic emerged as a way to expand access to less-common courses. If one high school offers a class in Portuguese, e-learning allows students from other schools to join such classes remotely. Though online learning is seen as a supplement and not yet a substitute for in-school instruction, 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](#)

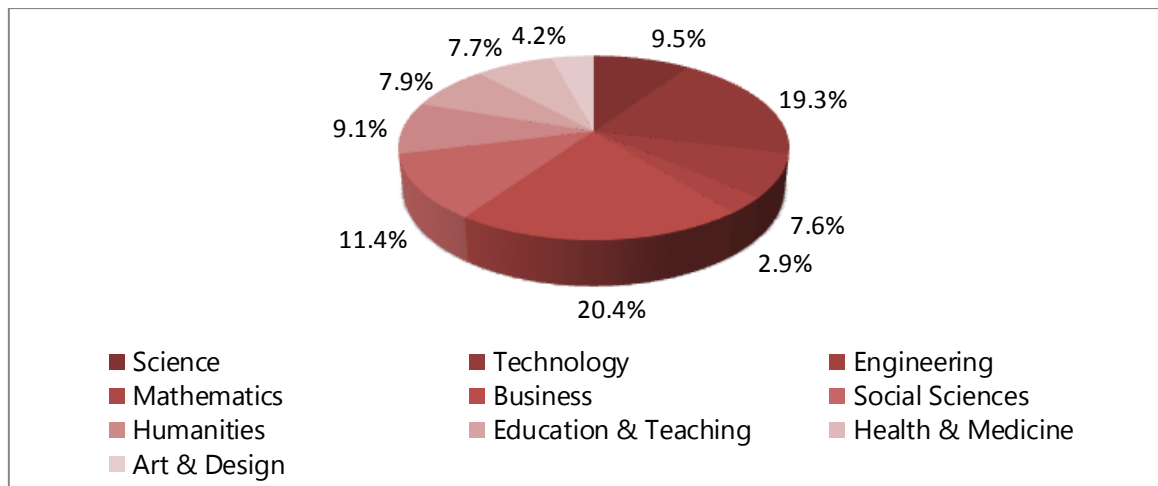
MOOCs are usually offered as short, stand-alone courses wherein lectures are pre-recorded and accessible 24\*7 by students. There are no hard deadlines to complete a MOOC, and the course provided not necessarily has to be from an academic institution. Below listed are key differences between traditional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

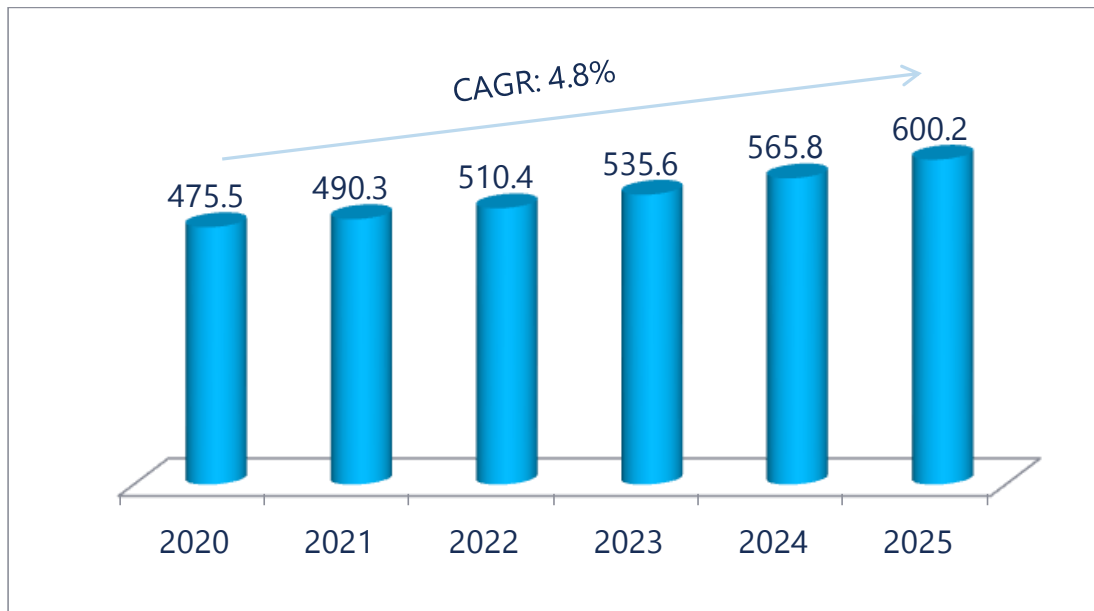
**MOOC Course Distribution by Subject, CY 2020**



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:**

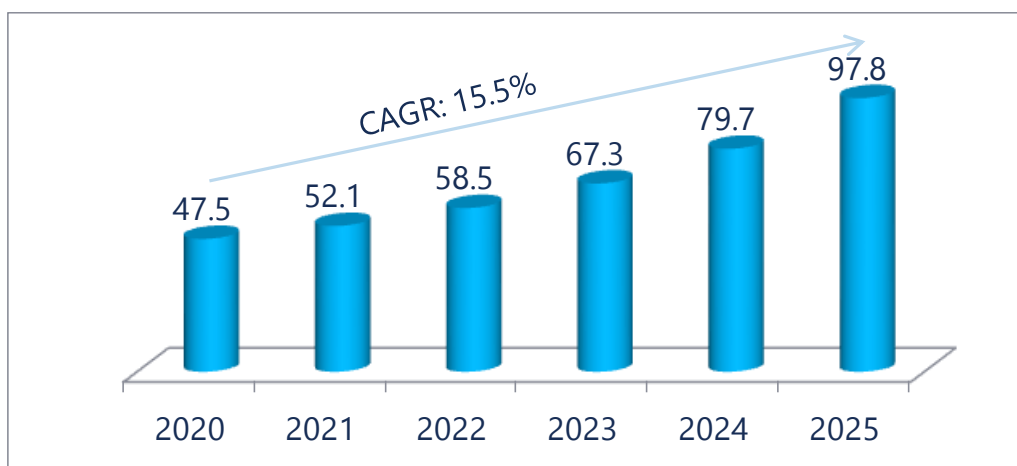
The global tutoring market is expected to reach a staggering \$97.8 billion by 2025 growing at a CAGR of 15.5% during CY 2020-2025. The subjects that dominate the tutoring space are Maths (which remains the most populous subject), followed closely by Sciences and English; these are common subjects in 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 28<sup>th</sup>, 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 2<sup>nd</sup> 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.*

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