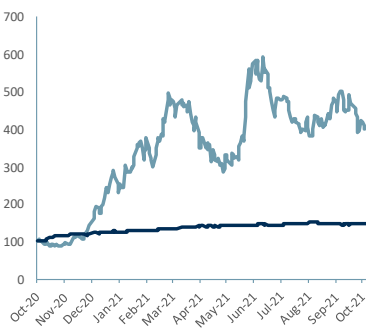


INITIATION

VALUE RANGE

GBP 119 – 125



FTSE Small Cap (SMX) vs. DEV (lighter line)

Tuesday, 02 November 2021

Intrinsic Price (GBP)	122.03
Value Range Low	118.98
Value Range High	125.08
Implied MCAP (m)	£1,223.72
Implied EV (m)	£1,192.72
LSE	DEV
Financial YE	30-Oct
Currency	GBP

Business Activity

Technology, EdTech

Key Metrics

Close Price (GBP)	31.70
MCAP (m)	£191.50
Net Debt (Cash) (m)	-£8.78
EV (m)	£182.72
52 Wk Hi (GBP)	47.90
52 Wk Lo (GBP)	6.00

Key Ratios

(Net Cash) /	-4.59%
Shareholder Equity %	
USD to GBP	0.73

Technology Sector Research

London Stock Exchange

Analyst Team

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Dev Clever Holdings Plc

Gamification of Education and Career Success

Dev Clever Holdings Plc (DEV: LSE) is UK-based and focuses on the global EdTech market. Its two core platforms, Launchmycareer.com and Victar VR, offered on a B2B, B2C and B2G SaaS subscription basis, are aimed at reducing skills gaps in young people through: remote learning and career guidance tools, live career counseling and enterprise services. DEV's current focus is the Indian market (Veative Labs acquisition monetises India for DEV) with a potential \$30bn value within 10 years. The Aldebaron DMCC (Dubai) partnership adds a minimum of \$50m revenues over the next 4 years and accelerates rollout to over 9 new territories. The CSCA phase 2 delivers 'gilt backed' revenues from 2.6m Indian students with expansion opportunities. We expect more partnership and contract wins over the next 18m.

- India market potential \$30bn market within 10 years;
- Growth strategy - organic + content M&A e.g. Veative acquisition;
- \$50m incremental revenues guaranteed over the next 4 years;
- CSCA government backed revenues from 2.6m Indian students.

ACF est. £ (m)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2022E	20	-3	-5	-0.58	-0.35
2023E	51	12	8	1.40	0.84

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2022E	9.2x	15.7x	NM	NM	NM
2023E	3.6x	15.7x	22.6x	22.6x	37.6x

Investment Case

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	604	1,003
Implied Intrinsic Price	202.6	122.0
Value Range Low	197.5	119.0
Value Range High	207.6	125.1
LSE	DEV	
Financial YE	30-Oct	
Reporting Currency	GBP	

NoSh (m)	604	
NoSh (m) expected dilution (Exp D)	1,003	
NoSh (m) full dilution (FD)	1,003	

Key Metrics	£	adj.
MCAP (m)	191.5	191.5
Net Debt (Cash) (m)	(8.8)	(8.8)
EV (m)	182.7	182.7
52 Wk Hi	47.90	47.90
52 Wk Lo	6.00	6.00
Effective Free Float	42.6%	26.3%

*Key Metrics FCF adj.	2022E	2023E
CPS (GBp)	-0.90	1.34
CPS (Exp D) (GBp)	-0.54	0.81
CPS (FD) (GBp)	-0.54	0.81
P/CPS	NM	23.68
P/CPS (Exp D)	NM	39.30
P/CPS (FD)	NM	39.30

We have used a terminal growth rate for TV to reach a value range of 119-125p p/s at full dilution but when we use trading multiples and conservatively value DEV at a 40% discount to the median peer group EV/EBITDA multiple of 55.78x, YE24E DEV sales of £128m and discount this back using 9.9% WACC, we reach an implied DEV fair value per share of GBp 324.64

Large global market opportunity: Demand growth for remote and immersive learning is accelerated by the COVID-19 pandemic. Governments globally are including immersive (AR/VR) learning tech in their policy frameworks, which is driving demand for DEV products from public (state) schools in many countries. MarketsandMarkets estimates the EdTech and Smart Classroom market will grow from \$85.8bn in 2020A to **\$181.3bn by 2025E**, a CAGR of 16.1%.

Bridging the global skills gap: According to the World Economic Forum (WEF), **closing the global skills gap could add \$11.5trn to global GDP by 2028E**. DEV's online platforms offer young people programs to develop employability skills.

Positioned for growth in the lucrative Indian EdTech market: DEV's top focus is the Indian education market and its **Veative Labs acquisition**. **DEV has secured a \$1.5m contract** to implement its careers guidance and STEM-based virtual reality educational library at **schools under central and state governments**. In addition, DEV won a government funded pilot to deploy its EdTech tools and services into **1,248** central government **KV schools**. This pilot, if successful, will pave entry for DEV into the large Indian public school sector market which comprises **~1.1m schools and 250m students**.

DEV recently confirmed phase 2 rollout of its career guidance and learning platform to the 5,930 **Common Service Centre Academies (CSCA)** in India with 2.6m students. **DEV will receive an onboarding fee, and annual SaaS subscription fee for each of the 2.6m students, which is paid by the CSCA.**

\$50m minimum in guaranteed revenues over next 4 years: June 2021, DEV announced a breakthrough tactical partnership with Dubai-based Aldebaron DMCC. If Aldebaron rolls out its value-add services aggressively in 1H22E, as we expect, it **will beat our \$50m forecast**, leading to an upgrade our DEV valuation.

Robust forward momentum across the business – DEV has acquired UK-based 'The Inspirational Learning Group Limited' (TILG). The TILG deal will help DEV to launch its own National Career Challenge (NCC), which DEV expects to use to enter large emerging market territories and as a mechanism to on board large volumes of employers on to the platform over the next three years.

Catalysts

Revenues received from CSCA and Aldebaron; New contract wins in the Indian public school market; UK National Career Challenge (NCC) program launch.

Operational Strategy - Current

Dev Clever operates in the EdTech market via its two divisions – ‘**Educate**’ and the ‘**Professional Services**’. The Educate division is the primary focus for DEV. Educate provides technology and tools for young people to help them choose the most appropriate career path and develop critical transferable skills demanded by employers.

- **Educate:** The Educate division develops and markets EdTech tools and services. It comprises career success platforms – VICTAR VR and Launchmycareer.com. These two platforms are designed to close the skills gap by engaging young people through technology, gamification, live career counselling and remote learning tools and services.

VICTAR VR - is a career explorer and guidance platform which uses **gamification** to engage students and works in conjunction with launchmycareer.com.

Launchmycareer.com - is an online career success and recruitment platform that helps young students develop skills for future employment and connects them to the right employers. It offers a personalized way for users to identify their career interests.

- **Professional Services:** The Professional Services division comprises the ‘**Engage**’ platform, alongside the Recruitment Marketplace and Studio Services.

Engage - is a global cloud-based gamification engine delivering engaging virtual work experience and ‘encounters’ with and for employers and brands.

Recruitment Marketplace – enables employers and education systems to deliver highly targeted services to promote and match their workplace, apprenticeship and course vacancies with students. The marketplace matches skills, achievements and ambition with opportunities.

Studio Services – provides learning content development solutions to content owners and educators as well as a marketplace to commercialise the content through premium subscriptions via the launchmycareer.com platform.

DEV plans to make its online platform and Careers Challenge program available to users and schools around the world on a ‘freemium’ basis. DEV then aims to convert freemium subscribers to paid subscribers via SaaS-based subscription fee models.

- **M&A growth strategy** - DEV is targeting M&A opportunities such as the recent acquisitions of **Veative Labs** and **TILG**. DEV’s M&A aim is to enrich its user experience and learning content to make DEV’s offerings more attractive to new subscribers, strengthen subscriber retention and extend DEV’s competitive advantage.

The Veative Labs acquisition - Veative Labs, according to management, is one of India's leading Virtual Reality (VR) and Augmented Reality (AR) learning solutions companies.

Veative has an immersive learning solution offering that is both in line with DEV's strategy and compliments DEV's technology approach.

Veative holds one of the largest libraries of interactive, curriculum-aligned AR/VR and online modules for STEM. DEV has entered into a legally binding agreement to acquire Veative Labs and up to 100% of its content.

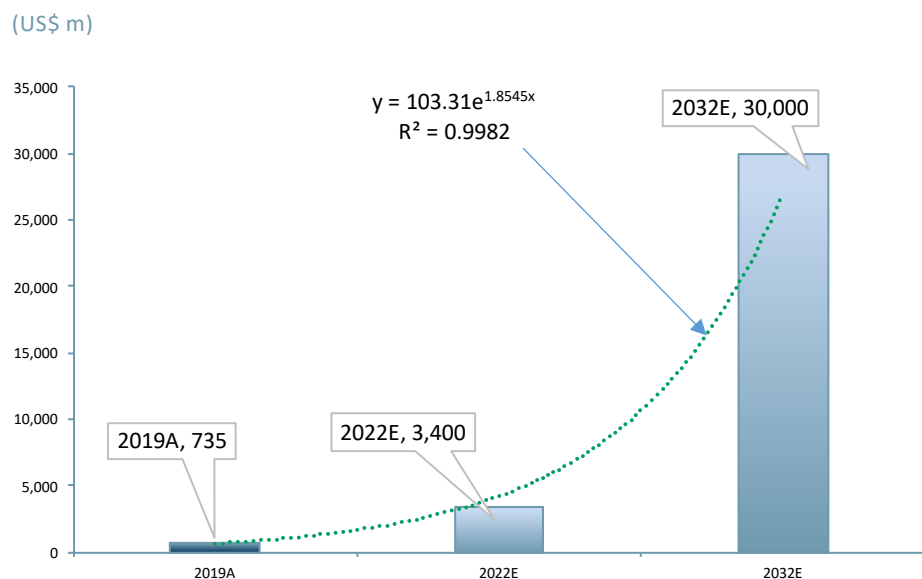
Though the Veative Labs M&A deal is not yet finally closed, there seems to be a very high likelihood that it will close. Dev Clever's management believes this deal will establish Dev Clever/Veative as a major player in the Indian EdTech market.

• **Exclusive partnerships** - To expand its user base quickly, DEV has entered exclusive partnerships with:

- **Lenovo;**
- **NISA (National Independent Schools Alliance);**
- **Aldebaron DMCC (Dubai).**

These partnerships allow DEV to access new markets and high volume subs growth.

Exhibit 1: **India - \$30bn EdTech market potential over next 10 yrs**



Sources: ACF Equity Research Graphics; RBSA Advisors

Exclusive partnerships growth strategy – DEV is aiming to scale its business via strategic partnerships with established companies in the local education market.

The exclusive partnership strategy is beginning to deliver results.

Partnerships signed to date include:

Aldebaron - \$50m in minimum guaranteed incremental revenue over the next 4 years:

In June 2021, DEV announced a breakthrough tactical partnership with Dubai-based Aldebaron DMCC, which is expected to deliver a minimum of \$50m in revenues over the next four years.

The Aldebaron partnership will enable DEV to accelerate its global rollout plan across Asian territories, starting in India and then extending across **Indonesia, Thailand, Singapore, Malaysia, Philippines** and into the **Middle East** and **Africa** over the **next three years**. This is significant when viewed in the context of the current revenue base which was just £1.25m in YE20A.

Exhibit 2: **DEV expected revenues from Aldebaron partnership**

Year revs expected	USD (m)
2021E	5
2022E	10
2023E	15
2024E	20
Total	50

Sources: ACF Estimates, company documents

Lenovo – DEV has a three-year partnership with computer manufacturer Lenovo to roll-out its learning solutions in the **US and Canadian markets**. DEV has successfully launched **six full pilots** over 1H21A of its online and STEM-based learning solutions in the United States.

Veative – a five-year exclusive agreement with Veative and National Independent Schools Alliance (NISA), India's largest governing body for budget private educational institutions, signed in December 2020.

NISA currently represents over 70k budget private schools and ~13m students in India.

The Veative / NISA partnership allows Dev Clever to use its Launchmycareer.com as a platform of choice to deliver a minimum standard of career guidance across all NISA affiliated schools.

DEV secured its first contract in India worth \$1.5m to implement its immersive career guidance and virtual educational library at schools under central and state government control in India.

DEV also took its first step into India’s large public-school sector with a new pilot, wherein it will deploy its platform and virtual reality learning services in 1,248 central government Kendriya Vidyalayas (KV).

Successful DEV pilots can open up the remaining 1.1m Indian public schools.

In July 2021, DEV secured another pilot with 25 of India’s 5,930 Common Service Centre Academy (CSCA) in India to provide digital services to citizens. This trial moved to phase 2 in October 2021, opening access for DEV to 2.6m students via all 5,930 CSCAs, a one-off **on-boarding fee**, an **annual SaaS subscription fee** for each student (paid to DEV directly by the CSCA on behalf of the students), the ability for DEV to gain revenue uplift through a **premium subscription offer**, live career counselling and **learning content**.

There are more than 350k CSC centres across India, of which 5,930 are dedicated educational academies (CSC academies). These academies provide digital services to 2.6m students and run programs that connect students with employers.

Exhibit 3: Indian CSCA pilot project phases

Staging	CSC academies	Digital service delivery by DEV
Phase 1	25	Immersive career guidance and learning platform
Phase 2	5,930	Products + immersive career guidance / learning platform
Phase 3	350,000	Products + immersive career guidance / learning platform

Sources: ACF Estimates, company documents

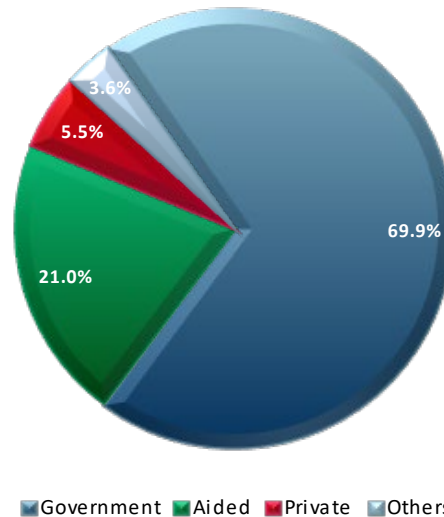
The successful completion of the CSCA pilot project and contracting of phase 2, provides evidence that the Indian Government has a high level of confidence in DEV’s technology and learning tools.

We infer that the Indian government believes DEV’s offering can deliver positive change in student learning and career outcomes. The CSCA phase 2 win has a **meaningful impact on DEV revenue development** and on our value range.

EdTech Market - \$30bn Opportunity in India

Exhibit 4: India – 1.55m schools’ market by school type and % 2019A

YE19A there were 1,550,006 schools in India, which we represent here in 4 different categories and as a percentage of the total number of schools.



Sources: ACF Research Estimates; RBSA Advisors

Demand growth for remote-based and immersive learning remains very strong. According to RBSA Advisors (an Indian transaction advisory firm) the Indian EdTech market is poised to grow from a current value of \$700-800m to \$30bn over the next 10 years, a CAGR of 45%. Fortune Business estimates that virtual reality (VR) in the education market will reach a value of \$13.1bn during 2026E.

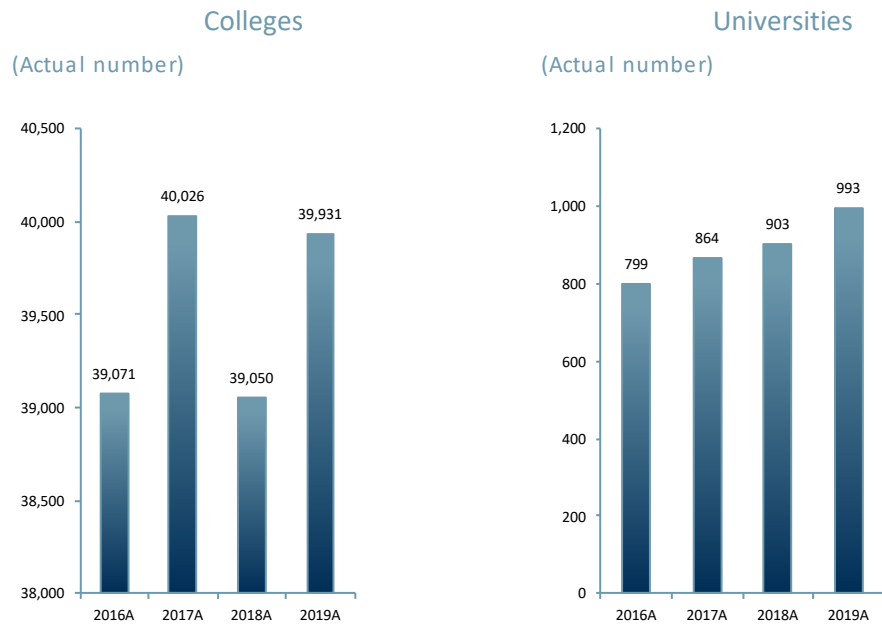
Demand Drivers:

- **Government policy** – Governments globally are including immersive (AR/VR) learning technologies in their policy frameworks, which in turn is driving public school demand for EdTech solutions.
- **Covid-19 pandemic** - has accelerated the growth in remote and immersive learning. Both students and educators have had to adopt new ‘high volume’ ways of learning.
- **India’s education system** - is one the largest in the world. India has ~271m students in ~1.5m schools and ~37.2m undergraduates and post-graduates in ~39k colleges across India and provides a clear and highly significant growth opportunity for DEV.

DEV’s immersive learning solutions are designed to meet this demand growth and its solutions are already deployed in more than 25 countries including major growth markets such as the US, Canada, India, Vietnam, and countries in the Middle East. Nevertheless, **the Indian market remains the primary strategic focus for Dev Clever.**

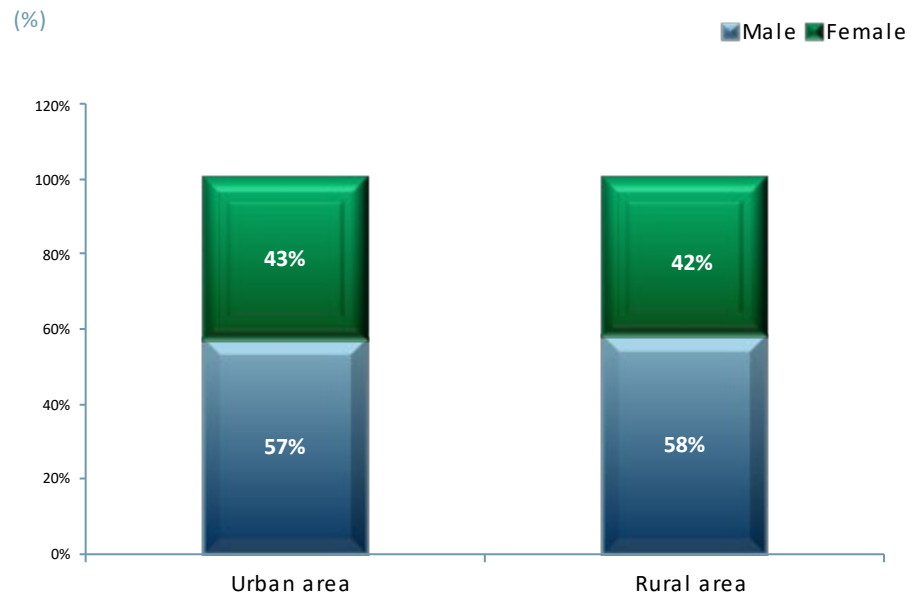
The Indian Market (and beyond)

Exhibit 5: Supply landscape Indian market – colleges / universities



Sources: ACF Research Estimates; Indian Government

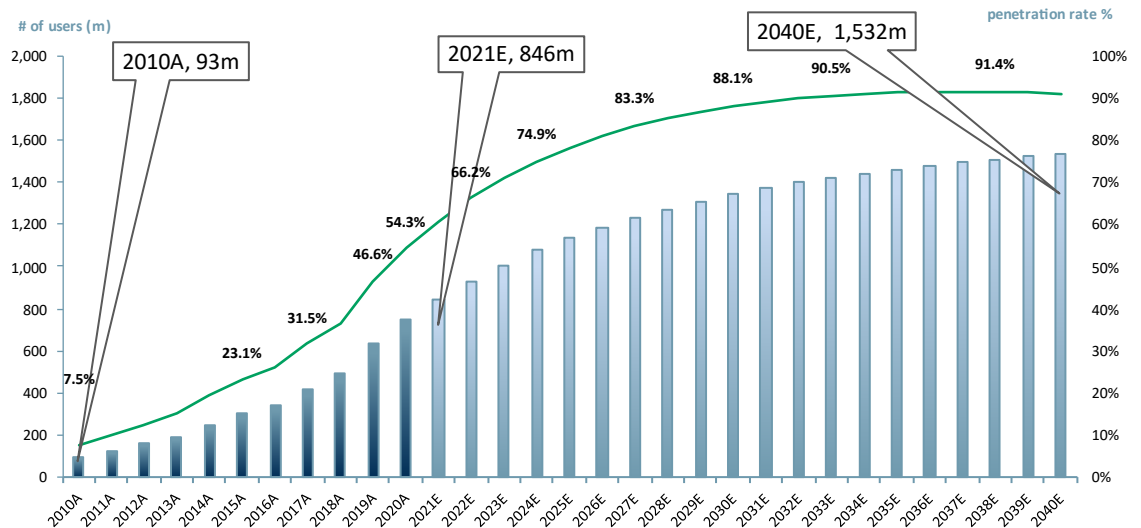
Exhibit 6: India internet – rural and urban user estimates demographic



Sources: ACF Equity Research Estimates, Kantar

Dev clever considers internet penetration and usage, both mobile and fixed line, a key driver to its growth opportunity.

Exhibit 7: India internet users forecast by numbers (m) to 2040E

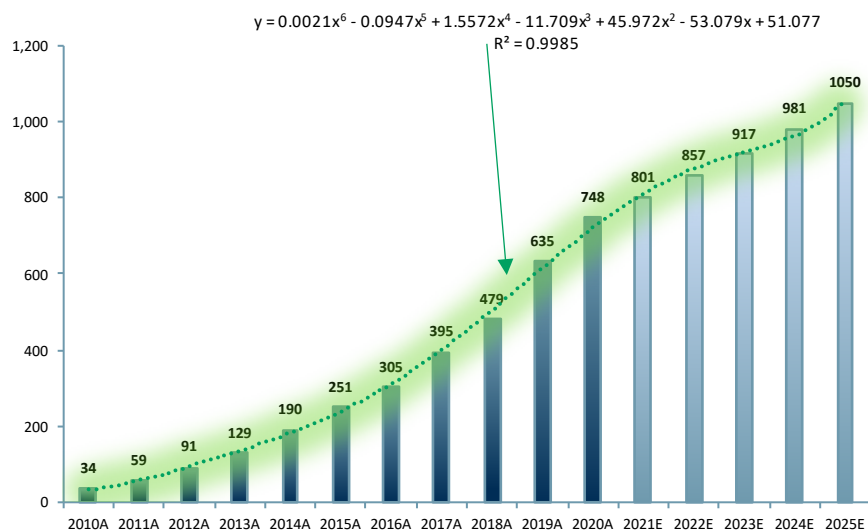


Sources: ACF Equity Research Estimates; World bank

In our estimates for India smartphone user growth out to 2025E (exhibit below) we have used a conservative 5-yr CAGR of 7% vs. market consensus CAGR of 8.6%.

Exhibit 8: India smartphone users forecast to 2025E

(~ smartphone users (m))



Sources: ACF Equity Research Estimates; Multilateral organisations; telco reports; trade associations

India’s progressive government policy underpins DEV’s strategy and developing market ambitions.

The new National Education Policy (NEP 2020) published by the Indian government encourages adoption of new learning methods and technologies.

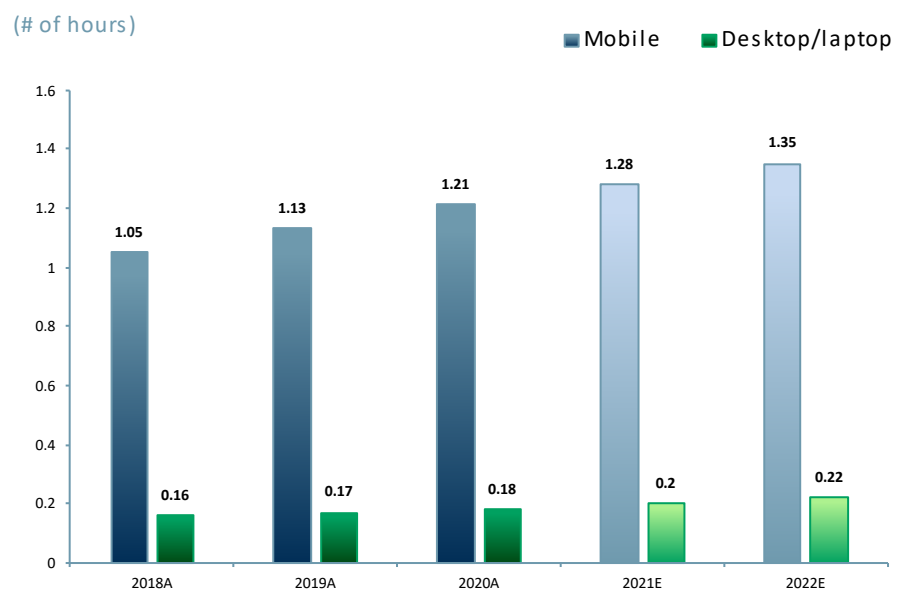
The government’s ‘Digital India’ initiative, combined with strong growth in internet penetration (largely via mobile devices), has created the world’s second largest internet market.

The UN’s World Population Prospectus 2019 forecasts that India’s population will reach 1,366m during 2021, the World Bank’s 2021 India population forecast is 1,394m. We estimate India internet penetration lies in the range 50-55% in 2021.

We also estimate that there are more than 550m regular internet users in India in 2021. Data from Hootsuite and We Are Social suggests there are ~625m active internet users in India in 2021 of which ~91.5% access the internet via mobile devices. The World Bank estimates 846m Indians have an internet connection of one form or another in 2021.

We infer from the internet usage and penetration data that India’s education technology (EdTech) market opportunity is growing rapidly and is significant.

Exhibit 9: Digital India usage estimates by device and no. of hours



Sources: ACF Equity Research Graphics; eMarketer

We have used a terminal growth rate for TV to reach a value range of 119-125p p/s at full dilution but when we use trading multiples and conservatively value DEV at a 40% discount to the median peer group EV/EBITDA multiple of 55.78x, YE24E DEV sales of £128m and discount this back using 9.9% WACC, we reach an implied DEV fair value per share of GBp 324.64

Beyond India - Dev Clever is also present in the US, Canadian and UK markets. The UK market has an estimated value of £3.4bn, according to data from Digital Economy Council. The UK market grew by 71.5% y/y in 2020, driven by lockdown measures and mandatory school closures. We infer that other hyper developed markets, such as the US and Canada, have developed at rate not entirely dissimilar to that of the UK market.

The insatiable demand for immersive learning technologies (AR / VR) lends significant support to our highly conservative valuation for Dev Clever and suggests room for significant upgrades, if DEV can execute broadly to plan based on the scale of the opportunity in the Indian market alone.

Management Team

➤ **CEO, Christopher Jeffries.**



Chris is the founder and CEO of Dev Clever. He has significant experience in the digital sector working for media brands such as Capital and MMI. He has also worked in consultant roles in digital ventures specialising in facial recognition technology, educational applications, and digital legacies. He founded Dev Clever in 2013 and is the principal architect behind its career engine and other learning tools.

➤ **CFO, Nicholas Abdo Rodney Ydilibi.**



Nicholas is a chartered accountant and joined Dev Clever on a full-time basis in April 2018. Prior to this, he spent 25 years at Walgreens Boots Alliance, where he held several senior roles. He is responsible for controlling the day-to-day finances of Dev Clever and ensuring that the business delivers its financial goals.

➤ **COO, Timothy Sean Heaton.**



Timothy joined Dev Clever in October 2019 as its Chief Operating Officer and was also appointed as an Executive Director of Dev Clever in May 2020. He has over 30 years' experience in digital transformation businesses, developing products, and selling software as a service (SaaS) platforms globally.

➤ **Non-Executive Director, David Rudi Ivy**



David has over 20 years of experience in the digital SaaS sectors. He served as an agency head, producing projects for the BBC, BT, Bank of England, Microsoft, AVG, Fairtrade and many others. He also founded email service platform dotMailer (DOTD.L, AiM), where he was instrumental in taking the company public and growing its

valuation to USD 1bn (GBP 750m). David has also been a private company NED and provided successful consultancy services to brands including Ebay, Monocle and Grosvenor. For over 7 years David was a Trustee of Amnesty International founded Grant Relief charity, Prisoners of Conscience.

➤ **Non-Executive Director, Chantal Benedicte Forrest**



Chantal is a governance expert and an experienced director, company secretary and trustee. Prior to Dev Clever, Chantal has worked as Company Secretary and in house Legal Counsel for Yorkshire Electricity Group Plc, WBB Minerals (now Sibelco UK), Electricity North West, and Yorkshire Water Services Ltd /

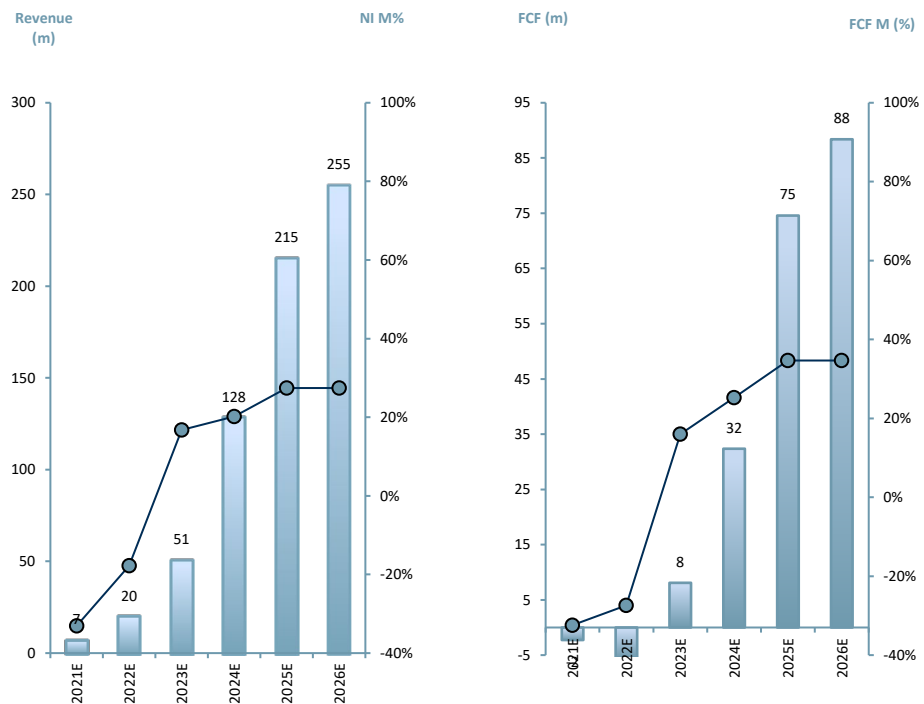
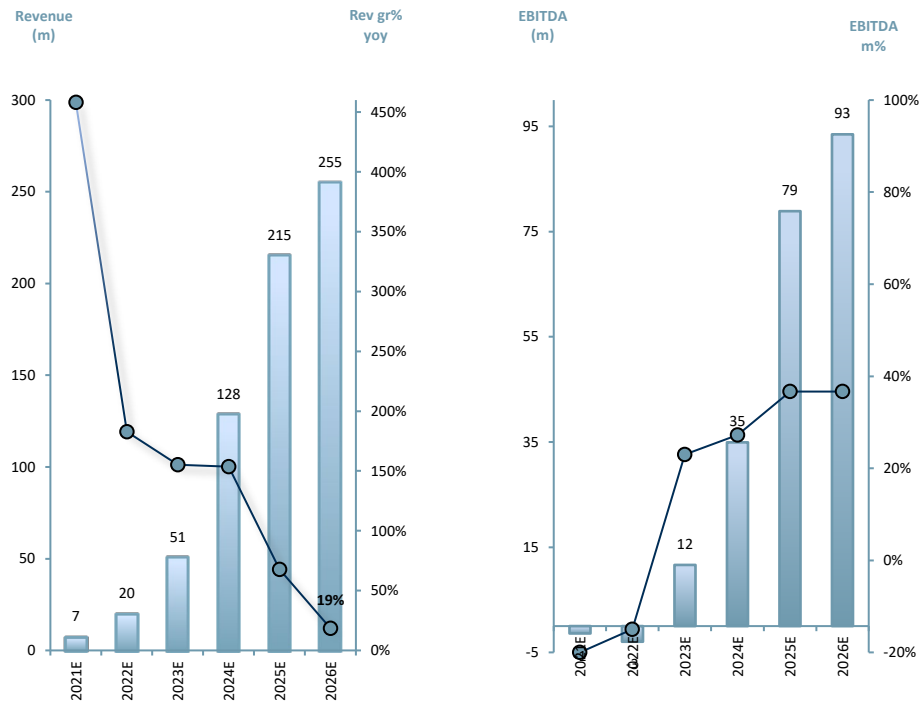
Kelda Group. Currently, Chantal is a Governor and Chair of the Governors' Health and Safety Committee for the Greenhead College. She is a corporate solicitor, is admitted as an attorney to the State Bar of California and as a barrister to the Bar of New South Wales, Australia.

Forecasts

Exhibit 10: Dev Clever financial metrics

The charts show our 5-year forecasts for key metrics of Dev Clever. Note that 2021E is close to end of year and our cash flows are accounted for appropriately so we show YE26E, which is used for our Terminal Value and discounted with an appropriate weighting.

Note that columns and lines show our forecast values.



Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important for assessing elements of balance sheet strength, nevertheless we are strongly of the view that only cash matters.

Valuation - DCF

Exhibit 11: Dev Clever WACC, DCF and Value Range

ACF est. £ (m)	2019A	2020A	2021E	2022E	2023E
Revenue	0.5	1.3	7.0	19.8	50.6
EBITDA	-1.0	-0.9	-1.4	-3.0	11.6
Net Income	-1.0	-0.9	-2.3	-3.5	8.5
FCF	-1.0	-1.0	-2.3	-5.4	8.1
CPS (diluted) (GBP)	-0.10	-0.10	-0.23	-0.54	0.81

We see fair value of Dev Clever at GBP 122.03 per share.

WACC Calc

Pre-tax cost of debt	8.0%
ETR	20.0%
After-tax cost of debt	6.4%
Current Leverage	0.7%
Debt (Weight)	0%
Equity (Weight)	100%
Target Leverage	10.0%
D / (D+E)	9.1%

ACF β adj levered	1.25
rf	0.90%
ERP	5.3%
Cost of equity	6.4%
Risk adj.	3.5%
WACC	10%

Note: Successful completion of feasibility study will significantly reduce our WACC.

We arrive at a discount rate of ~10% for Dev Clever as shown in the calculation here. We use an additional risk adjustment factor of ~3.5% as it is still in early stage of operations.

We have used a terminal growth rate for TV to reach a value range of 119-125p/s at full dilution but when we use trading multiples and conservatively value DEV at a 40% discount to the median peer group EV/EBITDA multiple of 55.78x, YE24E DEV sales of £128m and discount this back using 9.9% WACC, we reach an implied DEV fair value per share of GBP 324.64

Valuation Range

Projects	NPV (£ mn)	
Total NPV FCF (m)	1,192.7	
Terminal Value Contribution %	94.2%	
Terminal Growth rate	5.4%	
Net Debt/(Cash)	-31.0	
Fair Value (m)	1,223.7	
NoSh (m)	604	
NoSh (diluted) (m)	1,003	
Intrinsic Value Per Share (GBP)	122.03	
Close Price (GBP)	31.70	
VR (low - high)	118.98	125.08
VR Spread	5.00%	
Implied VR (low - high)	275.3%	294.6%

Note: implied value range in this ACF research note is based upon diluted shares in issue (0m) at the date of this note.

Sensitivity Analysis

Our valuation is conservative. We have focused largely on the India opportunity and down-played all other markets and market expansion opportunities. By 2025E in our model the India opportunity, created in part by the Veative Labs acquisition, accounts for ~85% of DEV's revenues. Whilst we continue to grow the UK revenue opportunity modestly, we ignore all other international revenue opportunities that DEV has for the purpose of the valuation range in this note.

We have used a terminal growth rate for TV to reach a value range of 119-125p p/s at full dilution but when we use trading multiples and conservatively value DEV at a 40% discount to the median peer group EV/EBITDA multiple of 55.78x, YE24E DEV sales of £128m and discount this back using 9.9% WACC, we reach an implied DEV fair value per share of GBP 324.64

Our terminal value approach is based upon a terminal growth rate rather than on trading multiples, always a more conservative approach. Where we do provide a trading multiples comparative valuation below, we discount this by 40%, which also illustrates how much more conservative a terminal growth rate is for valuation.

Our terminal growth rate in this note is based upon India real GDP growth rates since 1961, and market consensus forward expectations to 2026E (IMF et al).

We calculated the median and average for several conditions from which we then calculated our blended median and average values and took the mid-point between the two for our terminal growth rate of 5.4088%.

It is worth noting that the median is a far more reliable indication of central tendency than the mean, a point often missed in general discussion. Our blended median gives 5.7% terminal growth. To be conservative, we use the mid-point of 5.4%.

We have factored in a further risk adjustment modulation to account for execution risk associated with DEV's expansion program.

Exhibit 12: Terminal value growth rate using Indian GDP gr% 1961-26E

Indian Central Tendency for real GDP Growth	GDP real growth%	%▲
Average 1961A-2020A	5.0304	-0.1980
Median 1961A-2020A	5.7125	-0.0200
Average ex Covid 1961A-2019A	5.2544	0.0057
Median ex Covid 1961A-20219A	5.8299	-0.0100
Average + IMF forecasts 1961A-2026E	5.0304	0.0364
Median + IMF forecasts 1961A-2026E	5.7125	-0.1100
ACF Blended Average of above statistics	5.1050	-0.0520
ACF Blended Median of above statistics	5.7125	-0.0200
ACF mid point of blended average + median	5.4088	-0.0360

Sources: ACF Equity Research Estimates

We have assumed, arguably, a rather modest success ratio for DEV’s pilot programs as well as modest subscriber conversion rates for its career learning platform amongst other conservative factors.

When we substitute our estimates in the DCF valuation with a standard deviation of 5%, our implied fair value range per share is GBP 118.98 – 125.08.

Below in exhibit 13, we highlight the sensitivity of our Dev Clever fair value to changes in various input parameters. Our model is most sensitive to changes in discount rate and terminal (perpetuity) growth assumptions.

Exhibit 13: Valuation sensitivity to Price and WACC

WACC (%)	Implied Equity Value				
	Terminal Growth (%)				
	3.4%	4.9%	5.4%	5.9%	7.4%
8.9%	103.77	140.69	160.02	185.80	366.14
9.4%	94.20	123.84	138.65	157.70	271.95
9.9%	86.12	110.38	122.06	136.66	215.47
10.4%	79.21	99.39	108.81	120.32	177.85
10.9%	73.24	90.26	97.99	107.27	151.01
11.4%	68.03	82.54	88.99	96.61	130.90
11.9%	63.45	75.95	81.39	87.75	115.29

Sources: ACF Equity Research Estimates

In exhibit 14 below we show several publicly listed EdTech companies from around the globe. Most of these companies are targeting the US market, rather than India. In the same exhibit we also show several private EdTech players that are targeting the Indian market. To be conservative we use listed company multiples for our reverse DCF value below.

Trading multiples valuation (below) - ACF forecasts Dev Clever revenues YE21E of GBP 7.0m vs. 1.3m y/y up 439%. We expect DEV to become EBITDA positive YE22E. Nevertheless, in exhibit 16 below we conservatively value DEV at a 40% discount to the median peer group EV/EBITDA multiple of 55.78x, YE24E DEV sales of £128m and discount this back using 9.9% WACC, we reach an **implied DEV fair value per share of GBP 326.06**

Peer Group Comparators

Exhibit 14: Trailing Dev Clever peer group metrics

TTM Metrics / Company Name	Market	Tkr	MCAP GBP(m)	EV GBP(m)	P/ book	EV / REVS	EV / EBITDA
Public Peers							
Dev Clever	AiM	DEV.L	190	181	9.87x	55x	N/M
Chegg Inc.	NYSE	CHGG	6,298	6,027	6.43x	11x	52x
Instructure Holdings	NYSE	INST	2,556	3,098	3.37x	12x	60x
2U Inc.	NasdaqGS	TWOU	1,611	1,530	2.40x	2x	N/M
Skillssoft Corp	NYSE	SKIL	1,179	1,494	1.52x	N/A	N/A
Nerdy Inc.	NYSE	NRDY	566	585	N/A	N/A	N/A
Private Peers							
Byju's Inc.			N/A	13,181	N/A	46x	N/A
Unacademy			N/A	2,519	N/A	25x	N/A
Upgrad			N/A	879	N/A	6x	N/A
Average					3.43x	16.92x	55.78x
Median					2.89x	11.37x	55.78x

Source: ACF Research Estimates; Companies reports; Refinitiv.

Dev Clever does not make up a constituent of our average or median values in the peer group metrics at the bottom of Exhibit 14:. We have excluded Dev Clever from these values to make comparison with the rest of the peer group as clean and undistorted as possible.

Accelerated demand growth for EdTech tools and solutions has been evident during the height of the pandemic and its aftermath. We assess that though there will be some reversal in some markets in online learning activity, a permanent behavioral shift has taken place in what was already a strong global growth market.

The EdTech space has seen several IPOs recently, especially in the US. In India EdTech startups have received robust capital inflows over the last five years, attracting ~USD 4bn in capital between 2016 and 2021.

Peer Group Selection

Nerdy Inc (NRDY, NYSE listed) offers a curated direct-to-consumer (D2C) platform for live online learning. The company offers Nerdy, a platform that leverages technology, including artificial intelligence (AI), to connect learners of all ages to educators. It provides learning experiences across 3,000 subjects and multiple formats, including one-on-one instruction, small group classes, large format group classes and self-study.

Skillsoft Corp (SKIL, NYSE listed) is a US-based education technology company, which provides digital learning and talent solutions. The company provides solutions that help organizations to develop and retain their employees.

Instructure Holdings Inc (INST, NYSE listed) is an education technology company that provides learning platform for Higher Education as well as K-12 students. The company's learning platform supports more than 30m educators and learners at more than 6,000 organizations around the world.

Chegg Inc (CHGG, NYSE listed) is an education technology company. It supports students on their journey from high school to college and into their career with tools designed to help them absorb information in their course materials, succeed in their classes, save money on required materials and learn skills. Its services are available online.

2U Inc (TWOU, NASDAQ listed) is an education technology company that offers cloud-based software as a service (SaaS) platform that allows colleges and universities to deliver online degree programs. The company's SaaS technology consists of a learning environment (Online Campus), which acts as the hub for all student and faculty academic and social interaction.

Byju's Inc. (private) is an India-based EdTech company. It offers an education tutoring app among many other learning tools. Byju's was recently valued at £13.0bn, making it one of the world's most valuable educational technology companies.

Unacademy (private) is an Indian education technology company. The company has a series of offerings including preparation material for several professional and educational entrance exams.

Upgrad (private) is an India-based online higher education company providing programs in Data Science, Technology, Management and Law, to students, working professionals, and enterprises.

Valuation – Trading Multiples

In exhibit 15 below we show more detail of our Discounted Cash Flow (DCF) valuation for convenient comparison without trading multiples approach. **DCF** – Dev Clever value range GBP 118.98 – 125.08 fully diluted at 5% standard deviation: EBITDA margins increasing throughout the forecast period; Cost of capital at 9.91%; Effective Tax Rate (ETR) assumption is 20%.

In exhibit 16 below, we show a Dev Clever valuation based upon industry peer companies trading multiples (EV/EBITDA multiples) – fair value GBP 326.06 p/s.

Exhibit 15: Cash Flow Model

Dev Clever DCF (£m)	2021E	2022E	2023E	2024E	2025E Terminal Value	
EBITDA	-1.40	-2.97	11.63	34.93	78.88	
Working Capital	0.68	0.21	1.05	2.25	3.00	
Capex	-0.87	-2.45	-3.54	-2.56	-1.00	
Taxes	0.00	1.04	-0.24	-1.71	-16.18	
Cash flow after-tax	-1.59	-4.17	8.90	32.91	64.70	1678.48
NPV	-1.55	-3.71	7.20	24.21	43.30	1123.27
Total NPV	1192.72					
Debt	0.90					
Cash	31.90					
Implied equity	1192.72					
Shares (mn)	1002.80					
Fair value per share (GBP)	122.03					

Sources: ACF Research Estimates; Company reports

Trading Multiples based Valuation – We value DEV using EV/EBITDA. We use a 40% discount factor to the average peer group multiples (shown in Exhibit 14 above) to arrive at a fair value estimate of GBP 324.64 p/s fully diluted (see Exhibit 16 below). Our 40% discounted EV/EBITDA trading multiples valuation shows the conservative nature of our DCF TV terminal growth approach fair value of GBP 122 p/s.

Exhibit 16: Peer Group Valuation

Peer valuation - Dev Clever (£m except per share)	
2024 Revenue estimate	128.24
Multiple (x)	33.47
EV	4,291.57
Debt	0.90
Cash	31.90
Implied equity	4,322.57
Shares (mn)	1,002.80
Fair value per share (GBP)	431.05
Fair value per share (GBP) discounted @WACC	324.64

Sources: ACF Research Estimates; Company reports

Risks to our Assumptions

Execution risk – The company's success is dependent on the completion of its ongoing pilot projects without any hurdles. A successful completion of these pilot projects could lead to full contracts, thereby providing significant revenue generation for Dev Clever. Any failure in the completion of pilot projects could materially impact the revenue growth.

Low subscriber ratio – Dev Clever is for part of its revenue and margin development dependent on the successful conversion of free users to paid subscribers. The company has an element of revenue and margin development based upon a freemium model and assumes that it will be able to convert a certain percentage of users to subscribers. A lower than anticipated subscriber conversion ratio and an inability to attract users could adversely impact the viability of the business model.

Funding availability – Dev Clever has an aggressive expansion program which requires availability of capital. If the company is unable to raise capital, it will adversely impact its growth prospects. In addition, raising equity at a price that is too low will lead to dilution, while debt funding will increase interest costs and erode cash flow margins.

Technology obsolescence – Dev Clever operates in markets characterized by rapidly changing technologies. The company is dependent upon its ability to respond to the rapidly changing needs of end customers by developing or introducing new products and services and by continually upgrading its products and services on a timely basis. If the company is unable to respond rapidly to technology changes or shifts, its business performance could be materially affected.

Personnel - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (often ex-growth) companies.

Financial Projections

P&L £(m)	2019A	2020A	2021E	2022E	2023E
Revs	0.5	1.3	7.0	19.8	50.6
gr%		161%	458%	183%	155%
Total Expenses	-1.5	-2.2	-8.4	-22.8	-38.9
EBITDA	-1.0	-0.9	-1.4	-3.0	11.6
% Revs	-211%	-74%	-20%	-15%	23%
FV adj.	0	0	0	0	0
% Revs	0%	0%	0%	0%	0%
EBIT	-1.0	-1.1	-2.3	-4.4	10.6
EBT	-1.1	-1.1	-2.3	-4.4	10.6
% Revs	-222%	-84%	-33%	-22%	21%
ETR	4%	11%	0%	20%	20%
NI	-1.0	-0.9	-2.3	-3.5	8.5
% Revs	-212%	-75%	-33%	-18%	17%
Adj EPS (p)	-0.10	-0.09	-0.23	-0.35	0.84
Basic EPS (p)	-0.29	-0.22	-0.38	-0.58	1.40
Diluted EPS (p)	-0.29	-0.22	-0.23	-0.35	0.84
Balance Sheet £(m)	2019A	2020A	2021E	2022E	2023E
PP&E	0.0	0.1	0.7	2.5	5.6
Total Fixed Assets	0.2	1.3	1.8	3.9	7.4
Current assets	0.2	1.1	2.4	6.6	16.3
Cash	0.5	1.0	0.9	-4.5	1.5
Total Current Assets	0.7	2.2	3.2	2.1	17.8
Total Assets	0.9	3.5	5.0	6.0	25.2
Creditors	0.1	0.3	1.4	4.0	10.1
Other liabilities	0.1	0.3	3.2	5.1	9.7
Loans	0.0	0.0	0.0	0.0	0.0
Total Liabilities	0.3	1.0	4.9	9.4	20.1
Net Assets	0.6	2.5	0.2	-3.4	5.1
Share Capital	3.9	4.7	4.7	4.7	4.7
Accum. Profit/(loss)	-1.2	-2.0	-4.3	-7.9	0.6
Total Equity	0.6	2.5	0.2	-3.4	5.1
Total Equity & Liabilities	0.9	3.5	5.0	6.0	25.2
Basic NAV (GBP)	0.06	0.25	0.02	-0.33	0.51
Diluted NAV (GBP)	0.06	0.25	0.02	-0.33	0.51
Cash Flow £(m)	2019A	2020A	2021E	2022E	2023E
EBT Profit/(loss)	-1.1	-1.1	-2.3	-4.4	10.6
Finance costs	0.0	0.0	0.0	0.0	0.0
FV adj. + Other adj.	0.0	0.0	0.0	0.0	0.0
Cash Taxes	0.0	0.1	0.0	0.9	-2.1
WCap change	-0.1	-0.5	0.7	0.2	1.1
Net CFO	-0.7	-1.3	-0.8	-1.9	10.5

Source: ACF Research Estimates; Companies reports.

Our forecasts assume a conservative subscriber conversion rate.

We reach our forecast numbers here by assuming that Dev Clever can successfully develop new partnerships and enter new geographies as per its estimated timelines.

Glossary

Aldebaron DMCC Aldebaron DMCC (Dubai)

AR Augmented reality (AR) is an immersive tool in which real objects and environments are enhanced by computer simulation across multiple senses. Augmentations include visual, auditory, haptic, somatosensory, and olfactory. AR incorporates and combines three basic elements – real and virtual worlds, delivers real-time interaction, and high accuracy 3D rendering of both virtual and real objects. AR can work to be ‘constructive’ (additive to the natural environment), or destructive (filtering out elements of the natural environment). AR recreates a ‘world’, so it is perceived as a fully immersive aspect of the natural environment. AR is an extension of VR.

B2G Business to government (B2G) is a business model involving the sale of services and goods to government departments. It is one of three headline generally accepted business models - business to consumer (B2C), business to business (B2B) and business to government (B2G). Government departments or agencies publish a request for proposal (RFP) and businesses (generally on a pre-approved list) can bid for contracts by submitting responses to RFPs. However, the model may also include proposals initiated by businesses to government departments / agencies. Governments spend very considerable amounts and in developed nations at least, they are sovereign (highly reliable) payers.

CSC Scheme The Common Service Centres (CSC) Scheme (India) is project under the auspices of the Digital India Programme. The CSC is a pan-India network designed to enable the Government’s plan to create a socially, financially and digitally inclusive society irrespective of regional, geographic, linguistic and cultural differences across India. The project is designed to deliver much-needed information and services to underserved Indians in rural areas. A CSC is, at its base, a kiosk with a personal computer, a wireless connection and related equipment.

CSCA CSC Academy (CSCA) is an education institution in India that receives government funds to deliver professional learning to and for students with diverse social and educational

backgrounds and needs. CSCA is also responsible in India for designing and developing content and skill upgrade packages and their delivery through the CSC for education framework.

EBIT	Earnings before interest and tax (also often referred to or equates to operating profit).
EBITDA	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of UK GAAP or IFRS accounting standards. However, in certain cases it can act as a close proxy to free cash flow.
EBT	Earnings before tax. Also often expressed as PBT – profit before tax.
EdTech	EdTech is shorthand that refers to the Education Technology market.
FCF	Free Cash Flow generated in ACF's models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash-based costs including net interest payable have been deducted.
JV	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle. JV can also refer to more informal arrangements.
K-12 Students	K-12 students in India are those in primary education: Children aged from four or five and aged up to 11 or 13 are K-12 students qualifying for primary education. Primary education is also referred to as primary school, junior school, preparatory and pre-preparatory school.
KV	The Kendriya Vidyalaya (KV) Sangathan (lit. 'Chain of Central Schools') is a system of central government schools in India that are instituted under the aegis of the Ministry of Education, Government of India. As of August 2021, the KV had a total of 1,248 schools in India, and three abroad in Moscow, Tehran and Kathmandu. It is one of the world's largest chains of schools and is controlled by 25 Regional Offices and 05 ZIETs (Zonal Institute of Education and Training) under KVS (HQ). The KV is non-profit organisation and its schools are affiliated to the Central Board of Secondary

Education (CBSE) in India. Originally the objective of the KV was educate the children of the Indian Defence Services personnel posted away from home locations. However, the KV is now open to all central government employees.

Lenovo VR Classroom

Lenovo VR Classroom is an end-to-end VR platform that includes hardware, device and classroom management software and supporting services and is aimed at the market for delivery of so called next-generation educational experiences.

NEP

The New Education Policy (NEP) in India aims to standardise and make universal education from pre-school to secondary level. The NEP was approved in July 2020 by the Union cabinet

NISA

National Independent Schools Alliance (NISA) is a platform that brings together budget private schools (BPS) across India to give them a unified voice to address their concerns about legislations and bylaws that apply to them and to facilitate educational and other quality improvements in schools.

NoSh

Number of Shares in issue (NoSh).

NPV

Net Present Value (NPV) refers to the current value of future cash flows generated by the company

SaaS

Software as a Service (SaaS) is a periodic subscription model in which rather than owning a software program outright, the buyer pays periodically to 'rent the use the of the software'. SaaS has various advantages for the vendor including making it easier to protect against software copying and licence fraud, and generally greater revenues per user over time. For the buyer, SaaS has the advantage of making software becomes an operational rather than capital investment cost.

Shareholders' Equity

Shareholders' equity is a line on the balance sheet calculated from the deduction of total liabilities from total assets and represents the value (or lack of it) available for distribution to shareholders should the entity wind up operations. It differs from the equity value expressed in market capitalisation (MCap), which is number of shares in issue (NoSh) multiplied by share price. The ratio Debt/Equity commonly uses the Debt/MCap formula as opposed to the Debt/Shareholder equity formula.

STEM

Science Technology Engineering Mathematics (STEM) education is an interdisciplinary approach in which

academically rigorous concepts are coupled with real world lessons so students can apply STEM subjects in a context that connects the subjects to school, community, work and global enterprise.

TILG

Inspirational Learning Group Ltd (TILG)

Veative Labs

Veative Labs provides an immersive learning solution using the world’s largest library of interactive, curriculum-aligned AR/VR modules for STEM, ELL and virtual tours. Veative’s immersive platform is designed to host and manage immersive content and subs via a web platform and native apps on AR/VR devices.

Victar VR

Victar VR is Dev Clever’s LaunchMyCareer virtual reality engine and guide creating a 360° gamified environment for students that channels them through a process of discovery, resulting in a career matching and a personalised profiling of the student for an educator to pick up and then use to extend career education. Dev Clever believes that VR technology and career discovery creates pedagogical opportunities and bridges a gap between the theoretical and the actuality of career discovery.

VR

Virtual Reality (VR) is three-dimensional computer-generated simulation of an image or an environment allowing direct interaction by the user. VR requires a combination of software and hardware worn by the user e.g., visors, gloves and helmets.

WACC

Refers to the weighted average cost of capital for the firm.

WEF

The World Economic Forum (WEF) is an international organization for senior politicians and top business leaders (and de facto, senior journalists) with a Geneva, Switzerland, HQ. WEF is designed to bring political and business leaders together in one forum to discuss the global economy and as such is well covered by senior journalists. Topics discussed include but are not limited to political, economic, social, and environmental concerns. It is best known for its Davos Swiss ski resort meeting.

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