To
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

To
Listing Department,
National Stock Exchange of India Limited
C-1, G-Block, Bandra - Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 540403, Scrip Symbol: CLEDUCATE
ISIN: INE201M01029

Sub: Transcript of Investors Earnings Call pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Ma'am/Sir(s),

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our disclosures dated May 03, 2024, and May 09, 2024, please find enclosed the Transcript of the Earnings call held on May 09, 2024, with the Analysts / Investors.

The aforesaid information will also be hosted on the Company's website at www.cleducate.com.

Kindly take the above details on record.

Thanking You
For CL Educate Limited
ARJUN WADHWA
Digitally signed by ARJUN WADHWA
Date: 2024.05.15 15:29:47 +05'30'

Arjun Wadhwa
Chief Financial Officer

Place: New Delhi
Date: May 15, 2024

"CL Educate Limited Q4 FY 2024 Earnings Conference Call"

May 09, 2024

Management:

Mr. Nikhil Mahajan – Executive Director & Group CEO, Enterprise Business, CL Educate Limited

Mr.Arjun Wadhwa – CFO, CL Educate Limited

Earnings Call Link: CL Earnings Conference Call Q4 FY24

Results Link:

- Consolidated Results – Q4 FY24
- Standalone Results – Q4 FY24

Investor Presentation: CL Investor Presentation Q4 FY24

CL Educate Limited: Earnings Conference Call – Q4 FY 2024

Arjun Wadhwa: Good Afternoon, ladies, and gentlemen, and welcome to **CL Educate Limited's Q4 FY24 Analyst Call**. My name is **Arjun Wadhwa**. I'm the CFO of CL Educate and I'll be your host today. Welcome again to our homegrown Metaverse platform called VOSMOS. By now I'm sure everyone is familiar and comfortable with it. We've been using it for the last couple of years now for our investor and analyst calls. This call as always will be recorded, transcribed and made available in the investor zone on our website within the next 48 hours. Should you have any questions during the course of our session please type them in the chat box at the bottom right hand corner of your screen, we will address them at the end of the session.

Joining me today on this conference call is **Mr. Nikhil Mahajan**, our Executive Director and Group CEO. Unfortunately, **Mr. Satya Narayanan**, our Chairman, cannot be with us today he's got a touch of the flu. I'd like **Nikhil** to spend some time walking us through the financials and the business updates following which we would be happy to take your questions.

Nikhil over to you.

One more request to everyone is if you could please make your screens to full screen mode; that way you'll be able to see the presentation a little bit better.

Mr. Nikhil Mahajan: Good afternoon everybody, let me give you a brief overview on the year. The overall year has been a good year which has shown that things are more or less back to normal after a severe downturn which the business, especially ours, faced during the COVID years. So this year we have seen our revenues grow by 12% over last year from Rs.297 crores to over Rs.332 crores. The growth rate of 12% is more or less in line with what we had anticipated at the beginning of the year; though we are hoping to grow by at least 1-2% points more than what we achieved. Our EBITDA has grown by 18% during the same period. So basically due to the margin expansion the EBITDA increase in absolute terms is outpacing the revenue growth and we expect this trend to continue in the years to come. Our PBT has grown by about 12% and our business PAT has grown again by 12%. I just want to bring attention to everybody, last year we had we had an exceptional one-time reversal of deferred tax of Rs.7 crores which was added to our net taxation. So our net taxation was a negative of Rs.4 crores last year. Compared to this year our net taxation is Rs.6 crores so basically there is a Rs.10 crore movement from last year to this year on the taxation part and that has on absolute terms might seem to indicate a lower PAT, but net of that one-time deferred tax adjustment our path has grown by about 12% this year. This year also has been a year of significant investments in terms of hiring and expanding our business leadership not only in our EdTech business but also in our MarTech business as well as expanding internationally into newer geographies especially Indonesia and the US, where we restarted our operations last year with me relocating to the US to give a greater push to our international operations. We expect that in the coming years our international expansion will continue to drive an accelerated revenue growth as well as a margin expansion. Our cash position currently seems to be pretty healthy despite a Rs.10crore buyback which we affected during the year. Our gross cash has increased by about Rs.6 crores from Rs.109 to Rs.115 crores and our net cash, though, has decreased post buyback from Rs.99 Rs.95 crores. Our borrowings have increased but that is predominantly towards the year end there were large chunks of big projects under way at execution and some of the vendor payments have to be taken care of towards the end of the year. Our borrowings also increased due to the consolidation of 361Degree Minds Consulting Pvt. Ltd.("361 DM) in which we increased our share from 11%-39% in February 2024 and now post the second phase of the transaction we are now close to 54%. As a result of effective management control and board control the consolidation of financials resulted in overall borrowing increase of Rs.2.2 crores.

Let me spend some time on the segment wise business update. As shared earlier our revenues expanded by 12%. Our EBITDA expanded by 18%. The EBITDA and revenue expansion in EdTech and MarTech followed slightly different trends. In EdTech our revenue expansion was 16% while the EBITDA expansion was about 13%. MarTech showed a highly divergent trend, with revenue expanding by about 6% but margin expanding by a healthy 29% which was predominantly driven by two parameters- one being the pivoting of the revenue mix to higher margin business thereby effectively increaseing our gross margin and hence the follow-through into the business EBITDA. Second a rapid expansion in our international business portfolio in Singapore, Indonesia, and the US where we grew by about 35% where the margins are significantly higher than the Indian operations, so that the combination of these two factors have resulted in a EBITDA increase by about 29%.

I'll spend some time on a broad business-wise update. Let me come to test-prep first. FY24 we saw our volume expansion by about 10% in terms of enrollment and the billing also has increased by 10% that would basically mean more or less consistent or constant average realization per student. However, in different product segments we saw different measures where in some product segments saw ARPU expansion and in certain product segments in our endeavor to increase volumes there were price rationalizations which are undertaken which broadly brought up a flattish ARPU. However, going forward we are reasonably confident of a 3-5% ARPU expansion in the current fiscal year. Our MBA volumes have increased, the billing has increased by 11%. In the UG segment our billing increased by 9%, enrollments were up 19% with IPM and BBA showing a significant expansion. Law numbers declined predominantly because of the change in the testing calendar, earlier the exam used to happen in the month of May, however, the last two times the exam has now moved to December which resulted in the total number of test-takers declining by close to 30% because lots of grade 12 students felt that they would not be able to effectively compete in after adequate preparation if they were to write the exam in December. So a lot of students who would have written the examination, if exam was to be held in May actually chose not to write and hence did not probably come forward for some kind of preparation. Over the last 6 - 9 months we have undertaken significant leadership bandwidth enhancement in the test prep team and those will start reflecting in terms of higher business in the coming fiscal year. Just to add the new centers which were added was the number was 25 and we expect somewhere between 30 to 40 new centers to go live in the current fiscal year. Now the other part of our business which is basically either platform monetization or institutional business and the publishing business. Our platform business increased by over 42% with a very healthy 70 new client addition. We launched a new addition of Common Application Form which I had updated in our last investor call. So, in the first 4 months between November and when we launched the platform till March end, we have on boarded 40 institutions and during this period about 3,000+ forms were sold. We are extremely positive about the direction this new initiative will take in the coming years and we are expecting a multiple fold increase in the revenues through form sales through the platform. On the publishing business it's been a steady business. Publishing revenues increased by over 19%, there was a significant margin expansion because of moderation in paper prices. As I shared about 12 months ago paper prices had hit the roof but they have now cooled down by about 25% in the last 6 - 9 months, have been pretty stable in the last quarter and we expect that the price stability will hold and the enhanced margin should only get better in the new season because of price hikes which we will go through within certain select title segments. Our online sales through our own channel has been increasing sequentially quarter on quarter, and now roughly around 40% of our sales comes through online platforms, whether through portals like Amazon, Flipkart, Meesho, etc. or through our own product sale website over the last couple of years. Post-COVID, we pivoted significantly from retail and distribution channel led to a B2B and institutional model and we are now going deeper and deeper via that model. The distribution led sales have now declined to just about 15% to 20% of our total sales with online and B2B, and institutional sales accounting for closer to 80%. And we expect that this percentage will not increase marginally in the coming years.

Now a brief update on the MarTech business, the business increased by about 10%. The growth in total revenue was about 10%. We had 56 new clients as compared to the last year, there was a significant enhancement in EBITDA predominantly driven by a positive change in the revenue mix towards higher margin businesses and also a larger chunk of revenue getting contributed from international markets predominantly Singapore, Indonesia and the US where the gross margins are significantly higher and better and we are able to cross-leverage lower cost from of delivery from India. Certain sectors where we had some of our prime customers, the marketing spends have been muted because of overall environmental factors especially in IT and FMCG as you might be aware IT sector has been going through a lean expansion phase & FMCG has seen flattish volume expansion so their marketing spends through us have been slightly on the downward side but that has been more or less balanced out by addition of some of the new notable clients like SBI, Nike, Deloitte, Hewlett Packard, etc. We continue to add new customers and we expect going forward the customers which were added last year will contribute about 10 to 15% of the revenue in the coming year and will continue to expand customer base in the current year.

There is a brief snapshot I will want to share, we have been focusing on our international expansion for the last couple of years and so if you look at our international revenues, they have grown by about 32% in the year gone by, the MarTech revenue increase internationally has been 34% and in the EdTech segment that revenue expansion has been about 28%. Indonesia and US have contributed to 50% of the growth internationally in the MarTech business and we expect that these two markets will contribute significantly in the next couple of years. In our international revenue expansion in the EdTech side, we have started, as I shared in a last couple of conversations, we have started direct university partnership tie-ups. We are currently in the process of running a pilot program with seven top US universities and we expect more and more direct partnerships to come our way in the next two years. Our premium admission consultancy business grew by about 58% over the previous year and business in the Middle East has been growing steadily with a 20% volume expansion and a 16% billing expansion. We currently have 6 locations operational there and we are looking to double that number in the next 12 months. We are extremely positive that our international business will continue to grow much faster in pace as compared to India business at a much faster pace.

I think with that I come to an end of the presentation we'll be happy to take any questions.

Arjun Wadhwa: Thanks Nikhil. I don't see any questions yet on my board so we'll just wait a couple of minutes to see if anyone has any specific queries. Also I'll just pause a minute and leave our contact numbers on the screen in case you need to get in touch with me that's my email ID and my phone number. My colleague Amit, who is an integral part of our finance team and has been with us for more than 10 years, is also mentioned there so you can write in to either of us or to our IR team at Wisdom IR and we'd be happy to come back to you.

There's a couple of questions here so far Nikhil, the first question is what are the potential revenues that we lost due to the change in the law examination and can we regain them in FY 25? And then there are more questions in other domains.

Mr. Nikhil Mahajan: See due to the change in the academic calendar of the test, the number of test takers has declined by about 30%, As a, market leader in this segment, we have increased our focus on the outreach. We are going into more and more schools talking about law as a career, how attractive it is. So while it might take a couple of years for the test takers to come back, there is also a campaign independently running requesting the consortium to probably move back the exam back to the April-May season. But keeping that possibility aside we expect that the number of test takers will go backwards to the original numbers in a couple of years and CL being a market leader a large chunk of that increased test taker segment will proportionately come to us and our enhanced marketing spend, enhanced student connect, and enhanced penetration in the schools will help us increase our market share and hence increase our law volumes in the coming couple of years

Arjun Wadhwa: And you know just to add to that from a total revenue perspective this year compared to last year our law numbers in terms of total billing was actually flat despite the decrease in the number of students who enrolled so we managed to maintain similar revenues to where we were last year but yeah we are about Rs.8-10 crores short of where we would like to be and where we were in the pre-COVID years before the law market was impacted, but as Nikhil said we see this as a temporary phenomenon and we hope that things will return to some semblance of normalcy in the months ahead. There are a few more questions now related to student growth in CUET our numbers so just I see a lot of questions on number of enrollments growth in numbers, number of students in category A versus category B. Just to share with you, from an overall perspective we are one of the very few listed entities who operate in the test prep space and the data that you seek is predominantly competitive intelligence and we are a little wary of making that so easily available on a call of this nature. For our competitors we have to work hard to get information on market share and how much our competitors grow on a year-on-year basis so we're a little wary of making those kind of numbers available from a specificity perspective but what we're happy to share, you know, is how we grow from on a general perspective without getting into specific numbers. So from a CUET perspective we'd be happy to share that we have increased our student numbers by close to about 50%. Our focus in CUET specifically this year was to see if we could focus on growing market share rather than necessarily focus on growing revenues, and to see how much we could push the envelope in terms of getting more students to enroll. CUET, as you're all aware, is still at a very nascent stage of its introduction. The exam is practically brand new and it is also at a stage where the exam is exceptionally easy because of the nature of the exam. Right now, coaching is not really necessary for you to clear the subject domains, so people tend to join coaching more for the English preparation and for the GT, which is the general aptitude test, so we've seen a significant growth in in numbers across those segments. We've done this in some cities at the cost of ARPU, as Nikhil mentioned, with a specific focus on growing numbers. So our CUET student growth was in the range of about 50%. There are more questions in terms of how many students have enrolled with us this year, just to share it our numbers would be in the 75 to 85 thousand range and as I said we'll stick to sharing ranges rather than going into specifics.

There are questions about our CUET and our international business revenues, this year those will be in the Rs.18 to 25 crore range. Again, we're not getting into specifics but just to go into some sort of a numbers so that you have an idea about the same.

There are a few more questions; we recently transferred our Africa subsidiary to our Singapore subsidiary was that done as a precursor to a de-merger?

No Rahul, when we have plans to share any specifics about a de-merger we'll go into those details in due course. Right now the objective was very simple, our Africa business focuses specifically on the education side of our business with an emphasis on growing Africa as a continent for us. We've got a couple of centers that we've partnered with, a couple of locations in Kenya, we're exploring Tanzania as a market, we're looking at Nigeria where we've got a first partner center as well so the CL Africa business owns that side of the business and so we've set up a second subsidiary in Singapore, a CL subsidiary. The original subsidiary that used to exist in Singapore was a Kestone subsidiary. So to ensure that there is specific focus both on the EdTech and the MarTech business driven through two different domains and two different streams, the Africa business was transferred from the Kestone Singapore subsidiary to the CL Singapore subsidiary and we will continue to manage our test prep and our EdTech growth ambitions through the Singapore subsidiary for our international market growth.

Akshat is asking have you closed any centers this year.

Yes Akshat, we have. As it is a part of every business there will always be numbers added and numbers which will reduce and also there will be renewals of contracts so just to share with you, Akshat of course, you've been around here for a long time you've attended a number of calls but for those of you who haven't, typically our centers are on a 3-year contract with us and every three years they go through a renewal process. So we've had a bunch of renewals, a few exits, and you know and about 25 new additions. So just to give you an estimate, that number would have been about between renewals and additions that number would have been in the 40 to 50 range and another you know 10-15 would have shut over the course of this year.

As the buyback could not be completed is the company looking for any other avenues to reward the shareholders?

Nikhil would you like to pick this question up?

Mr. Nikhil Mahajan: We are always at the lookout for maximization of shareholder wealth. As and when any corporate action is deemed appropriate from a shareholder perspective we discuss during our Board Meeting every time and as and when the board takes a final decision, the decision will be communicated and shared. At this point of time, no specific action has been decided and we'll keep you posted as and when any final decision does take place.

Arjun Wadhwa: Nikhil there are few more questions that I'll throw at you. There are queries about the revenue breakup in the MarTech segment between physical and virtual for FY24 from Ishan and while I have you for a minute on Kestone there's a question of Akshat on the MarTech profitability in this quarter, how it has varied, and what has been the impacts on the MarTech business this quarter specifically.

Mr. Nikhil Mahajan: See let me answer the first question first, the total virtual revenue to both the virtual events platform and some bits of meta commerce of transformations into 3d environment would be in the currently the range of 6 to 7% of the total revenue, going forward we see this percentage increasing marginally every year by 1-2% points of the total revenue and we are hoping to hit that in 3 to 5 years. 20% of over total revenue comes from the technology enabled business and the remaining 80% to come from the physical events and the current other services. So as of now as I said 6 to 7% is what comes from the virtual events technology business.

What was the second question Arjun? The profitability in Q4.
The Gross Margins of most of our businesses in the MarTech side are more or less stable. However, there are different cycles which this business follows because in East Asia, especially Singapore and Indonesia, to some extent you have the Chinese New Year which shuts down that part of the world for about 4 weeks. Indonesia went through elections so there was a large period of hiatus in business. So Q4 in certain terms was slightly muted. However, the opening for the current fiscal year has been reasonably strong usually because different multinationals in different geographies have different year endings. At the start of the new fiscal, their budgets get released at different points of time. Usually our best quarters are Q2 and Q3 with Q1 and Q4 being slightly muted, since they contribute larger chunk of revenues hence the profitability. Broadly there were some one-time adjustments of older projects etc. older costs which we closed which flowed in from Q3 and into Q4 and hence there was slight mutation of profitability in Q4 but overall I think we are on track to maintain a 10½ - 11%, a bit on that business going forward at least in the coming year.

Arjun Wadhwa: Nikhil, while I have you, Sameer is asking what are our plans to use the Rs.100 crores cash that we have and if there are any M&A opportunities being identified right now?

Mr. Nikhil Mahajan: Yes, we are always on the outlook of inorganic opportunities, both, in the EdTech, MarTech, and associated areas. Right now there are initial discussions which are evaluations of opportunities happening if and when we take a final decision, and we get the board approval to proceed forward we will come back and share. Till then, we are happy to have that cash in our books, kept securely in fixed deposits. There are active opportunities both in EdTech as well as MarTech space being evaluated and we are hopeful that something would come through in the next 2 to 4 quarters.

Arjun Wadhwa: Thanks Nikhil. I'll take the next set of questions there are a whole bunch of questions on our ARPUs and why they don't match with our fees numbers that are listed on our website. Just to give you a little bit of context, in terms of how our products are priced. We operate across three segments there's the premium segment, which includes classroom programs, there's the pouch segment, which is a more like a middle category segment where products are priced between Rs.1000 and 9000. The premium segment is typically Rs.9 to 10 thousand plus, and then there's the sachet segment, which is sub Rs.1000. So we operate across all these segments, we compete with players across all these segments whether it's through a test series program or an interview GD prep, Personality Development Program or you know whether it's someone who's operating only in the material space or the video program space so that is what impacts the ARPU. It also gives us significantly greater number of enrollments and helps us improve our market share and complete across multiple levels. I hope that answers your query on why our ARPUs are different and not matching with our different fees quantum?

There are specific questions on how does our how does the CapEx work for our business?
Specifically, just to share on the EdTech side, we largely work on a negative CapEx kind of model. We haven't added any physical new study centers for our own offline business at all over the last couple of years. We've predominantly focused on adding more franchisee locations and the franchisee business works on the franchisee giving a product license fee and a brand license fee. So the brand license fee is to put up the Career Launcher board outside the center and a product license fee is for the specifics in terms of the whether you're going to run an MBA program or a CUET program or a law program and so on and so forth. So we predominantly work on a negative CapEx model as far as our core test prep business goes. Where we do continue to make investments are three specific areas, we invest in

product, we invest in people, and we invest in technology and our investments in product and technology especially and in content development in our test prep business and in the Metaverse, in the Vosmos, on the technology platforms that we use for the MarTech business get classified under the head of intangibles on our balance sheet and you can access those kind of figures there. They would be in the Rs.13 crore odd range for this year and we see that those kinds of investments are typically amortized anywhere between 5 to 10 years, on an average of 7 years and we will continue to make such investments over the years ahead but probably at a reducing rate of about 15 to 20% compared to what we did this year. I hope that answers your question.

I'm just looking through the questions to see if there's anything else which we haven't answered as yet. Nikhil may I throw it back to you, a gentleman is asking if we can share a little bit of information about the test prep industry as a whole and how things will move and if we have any plans to enter in the NEET or the JEE examination space?

Mr. Nikhil Mahajan: So, the test prep industry can broadly be classified into two segments, one which is aptitude centric and one which is knowledge centric. So, JEE, NEET, civil services etc. would largely follow what we call as the knowledge centric exams while MBA, Law, banking, study abroad, international education, BBA, IPM, are more like aptitude, mathematics, English, reasoning based examinations which we call as aptitude based test. As of now we are predominantly present in the aptitude based testing. We used to have small portions of our product offerings in JEE and NEET in very select markets. For now we do not have any plans to get into JEE and NEET on a pan-India national level. So we'll continue to focus on our products where we are market leaders like MBA, Law, IPM, BBA and CUET and the markets for some of them are large and big enough for us to expand our market share and keep growing for the next couple of years. If any time in future there are appropriate right valued inorganic opportunities which come across, we'll value them on merit.

Arjun Wadhwa: Thanks Nikhil, last two-three questions that have come in expected revenue growth and margins for FY 25 where do we see ROCE heading in the near future and when will EBITDA start getting the benefit of operating leverage?

Mr. Nikhil Mahajan: As an organization, we do not give very specific revenue and margin guidance, ever since we have been listed for the last 8 years. So I will resist from giving you any specific guidance on that. More generally, my expectation is that we should be able to grow at a level slightly better than what we grew this year from the previous year. Margin expansion in terms of EBITDA should reflect our endeavor which I have outlined a couple of years ago, to have our EBITDA margin increase by 100 basis points every year for the next couple of years and I think that should hold. I think the last couple of years after physical reopening post-COVID, we have been in a significant reinvestment mode to get students back into the classroom environment and that warranted significant investments in infrastructure, people and marketing. I think a significant chunk of those investments and re-establishment of on-ground facilities and premiumness is more or less done and behind us and some bit of operational leverage should begin to kick-in FY 25 and a significantly large chunk of it should start reflecting in FY 26 because most of the centers, newer centers, which have got signed up in the last 12 to 18 months will start reaching a certain threshold and start contributing both in revenue, growth and profitability at CL level. Almost 24 months after the starts, their takeoff has been slightly slow in terms of their revenue growth predominantly due to the comeback from the COVID-19 era but I think things are now more or less back to where we were pre-COVID and going forward I think things are going to be significantly smoother in terms of both revenue growth as well as EBITDA margin expansion.

Arjun Wadhwa: Right, thank you so much Nikhil and thank you everyone who joined in the call today. Appreciate you giving us your time and look forward to catching up with you really soon when we meet again for our Q1 FY 25 investor interactions.

Thank you once again and have a good day.

For more information, regarding CL Educate you can visit our corporate website:

Annual Report | Financial Statements | Quarterly Results | Telegram Channel

For further information, please contact:

Amit Kanabar

Sr. Manager – Finance & Strategy CL Educate Limited
Tel: +91 11 4128 1100
Email: amit.kanabar@careerlauncher.com