



ERIK PENSER BANK

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eEducation Albert

Impressive B2B revenues

Solid B2B growth; lower B2C

Revenues reached SEK 51.0m in Q2, suggesting growth of 64% y/y. Organic growth came in at -5%, explained by the company investing less in marketing, meaning lower growth in B2C. Albert had campaigns in B2C over the summer that will add to growth during Q3 2023. ARR at the end of the quarter was at SEK 206.1m. Growth was 58% y/y and -5% q/q. The reason behind the q/q decline can be traced back to the lower marketing investments. EBITA came in at SEK -6.9m for the quarter. This can be compared with SEK -12.6m last year. The improvement stemmed from the initiatives the company announced with its Q4 2022 report, with operational cash flows for H1 of SEK -2.7m versus SEK -32.6m during H1 2022.

Shift in revenues not reflected in valuation

Albert targets turnover of SEK 500m by 2025. We believe this should be the basis for both estimates and valuation. We consider the acquisitions being finalised in early 2023 is a major step along the path towards this goal. In our view, Albert should see a revaluation in the wake of these acquisitions thanks to a much greater proportion of B2B revenues than before. These are less volatile than their B2C counterparts, justifying a higher valuation. Moreover, we believe its journey towards profitability and positive cash flows during H1 2023 is not reflected in the share price.

On track towards profitability and new revenue mix

Given that the company is now prioritising its path to profitability, we lower our total revenue estimates by 8.5% for 2024 and 13.1% for 2025. This is a direct consequence of us reducing forecasts for marketing investments in the future. Based on the lower marketing investments, we only reduce our EBITDA estimates by SEK 2.5m for 2024 and SEK 9.2m for 2025. We also make a minor adjustment to our fair value, taking it to SEK 45–47 (47–50). We do not see Albert's journey towards profitability as reflect in its current share price.

Change in estimates			Forecast (SEK m)				Value and risk				
	23e	24e	25e	2022	2023e	2024e	2025e	Fair value	SEK 45,0 - 47,0		
Total revenue	-2,6%	-8,5%	-13,1%	141	220	266	344	Share price	SEK 8,5		
EBITDA, adj.	-46,7%	-7,5%	-13,7%	>100%	55%	21%	29%	Risk level	Medel		
EPS, adj.	-7,0%	-83,4%	-99,6%	-71	-3	28	60	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">Price Performance 12 months</div>			
Upcoming events			EBIT, adj.	-102	-66	-31	0				
Q3 - report	23 November 2023		EPS, adj.	-5,6	-2,9	-1,1	0,0				
Q4 - report	23 February 2024		EPS growth, adj.	N.m.	N.m.	N.m.	N.m.				
Company facts (SEK m)			BV/share	13,6	9,2	8,1	8,1				
Number of shares	25m		EBIT margin	Neg.	Neg.	Neg.	0,0%				
Market capitalization	247		ROE, adj.	Neg.	Neg.	Neg.	0,1%				
Net debt	-95		ROCE, adj.	Neg.	Neg.	Neg.	0,1%				
EV	152		EV/Sales	1,8x	0,7x	0,6x	0,4x				
Free float	74%		EV/EBITDA	-	-	5,3x	2,5x				
Daily trading volume, average	10k		EV/EBIT	-	-	-	1189,4x	Conflicts of interest			
Bloomberg Ticker	ALBERT SS EQUITY		P/E, adj.	-	-	-	2432,8x			Yes	No
Analyst			P/BV	1,5x	1,1x	1,2x	1,2x			Liquidity provider	✓
Rikard Engberg	rikard.engberg@penser.se		FCF yield	-	-	4%	15%			Certified adviser	✓
			Net debt / EBITDA	1,5x	30,1x	-3,8x	-2,5x	Transactions 12m	✓		

Investment case

Albert holds a leading position in the European edtech market, which grew by an average 32% in 2020–22. This is partly a result of the coronavirus pandemic but also because school systems today are struggling to manage with only analogue platforms. Unlike the markets in the US and Asia, the European market is particularly fragmented, but we believe Albert can play an active role in its consolidation thanks to its leading market position.

We believe sustainability is a key driving force in Albert's sales – tied in with no.4 of the UN's Sustainable Development Goals: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The company's activities aim to increase the availability of study help for children at a significantly lower cost than many other alternatives. As a result of its acquisitions, Albert can now work towards better and more accessible education in a number of European countries.

Company profile

Albert has developed the leading platform for mathematics and a number of other subjects in the Swedish market, and it has started its expansion into other European countries. The platform is module-based and linked to national curriculums, which means it can rapidly build a presence in a new market and expand the range of topics.

Albert sells its product as SaaS solutions to parents of primary school children. The company currently has ARR (annual recurring revenues) of SEK 206m. By selling its services on a subscription basis, Albert reduces the volatility in its revenues and enables stable long-term growth. The company targets turnover of SEK 500m in 2025, which is partly the basis for our estimates.

In Europe, there are currently only 15 edtech companies with a valuation exceeding USD 100m, and Albert has proven itself one of the leading consolidators in this fragmented market. We anticipate economies of scale from the position it has built for itself.

Valuation

We have chosen to apply a multiples valuation using our 2025 estimates for Albert. We have then discounted this to present value using a discount rate of 15% as a proxy for IRR, which leads to a fair value of SEK 45–47.

The quarter in detail

B2C: Turnover in the B2C segment came in at SEK 23.9m, representing y/y growth of 5.8%. During the quarter, the company reduced its investments in marketing, which can explain this lower growth. It tested campaigns during the summer, and we expect these to bring an influx of customers. Around 40% of the company's online customers in Sweden signed annual subscriptions during the quarter, which should reduce the churn. It launched a version of Albert Teen in the UK market, focusing on the country's national tests (GCSEs), and this prompted robust customer inflow from this market. During Q2, the acquired language services company Holy Owl's launched in the Swedish market, marking the first of the larger synergy effects Albert had anticipated following the completion of the acquisition in January.

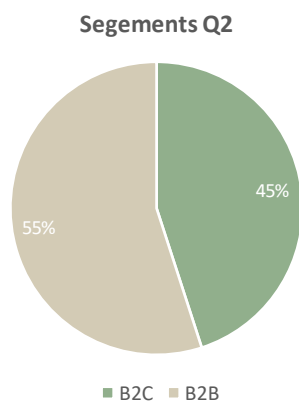
B2B: Turnover from the B2B segment reached SEK 27.1m, suggesting growth of 217% y/y. Growth was 29.7% q/q. The high q/q growth stemmed from the company having secured several large MATs (multi-academy trusts) in the UK market. This represents a shift in strategy from having typically sold to more and smaller schools. During the autumn, Albert will begin selling products from Strawbees to former Sumdog customers in the UK market. We expect this to generate further growth. We consider its pipeline ahead of the UK school year in Q3 as good.

EBITA reached SEK -6.9m in Q2, compared with SEK -12.6m in Q2 2022 and SEK -7.1m in Q1 2023. The y/y improvement showcases that the company has – just as it communicated in Q4 2022 – reduced its marketing investments so as to reach profitability sooner. This is confirmed by the revenue mix, with B2B revenues accounting for 55%. We believe the company will gradually move towards profitability over the coming quarters.

Cash flows from operations reached SEK -5.2m, with an improvement from SEK -21.5m in Q2 2022. This suggests the company is closing in on positive cash flows.

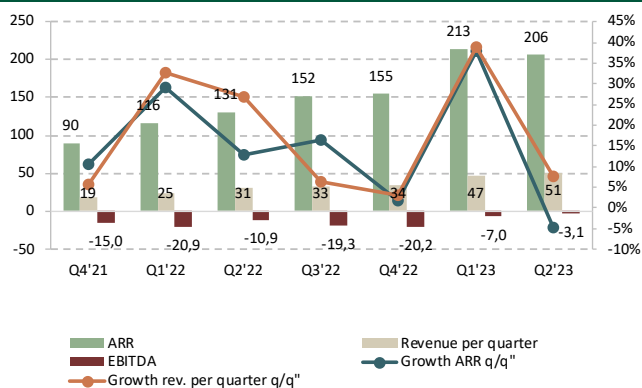
In conclusion, we expect Albert to continue on its path to profitability in the short term, as communicated in Q4 2022.

New revenue mix will reduce volatility...



Source: Company

...as Albert approaches profitability



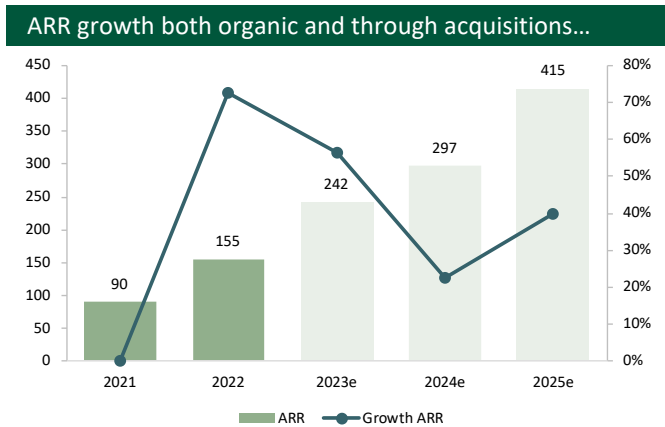
Source: Company

Estimate changes

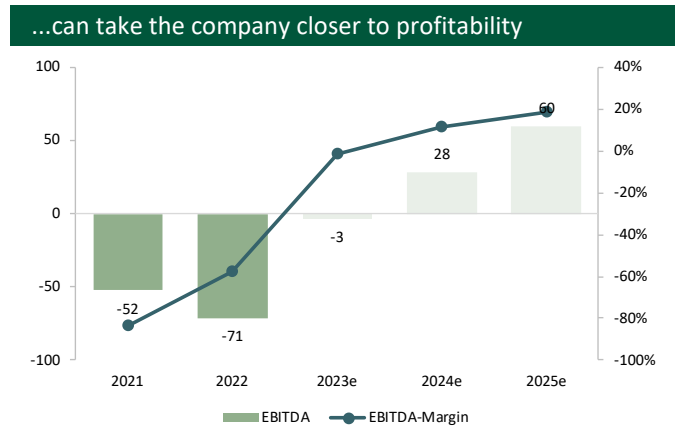
Given the lower marketing investments in Q2, we reduce our sales estimates by 5% for the current year and by 11% for 2024–2025, while ARR for the same period comes down by 15% on average. This reason for this is that we also lower our marketing investment estimates, which in turn affects B2C growth. We see this as justified by the increased focus on profitability in the group. We believe the negative ARR growth q/q is a short-term consequence of the reduced marketing investments and so we expect growth to return, hand in hand with school term starts in Q3 and Q4.

We expect that the path towards profitability will mean ongoing lower investments in the future but that during 2025, the company should achieve sufficient scale to again accelerate investments, leading us to anticipate an uptick in growth during our forecast period.

We decrease our 2024 EBITDA estimate by SEK 2.5m. The reason why EBITDA is coming down at a lower rate than turnover is that we expect Albert to be more conservative with its marketing investments in the future. For 2025, we lower our EBITDA estimate by SEK 9.2m and expect the company to then have the capacity to accelerate marketing investments again, as reflected in our growth estimates.



Source: EPB



Source: EPB

Valuation

In our view, the companies most like Albert and that should form the basis for valuation are listed software companies. Albert has recently been valued more in line with consumer-oriented subscription service providers, though. And Albert has even underperformed these over the past year. Historically, these companies have traded at a premium, thanks to their robust growth.

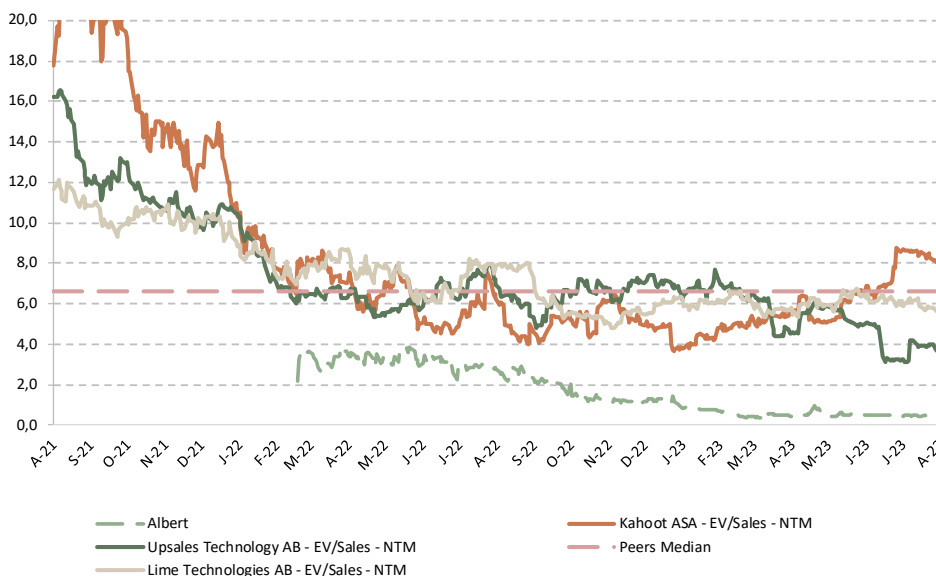
Previous premium on subscription services lost on fwd. EV/Sales...



Source: Factset

We believe that as the B2B business comes to represent a larger share of revenues, the company will need to invest less than the relative turnover in customer acquisitions, which should propel it towards profitability. We expect this in 2024. Moreover, Albert has increased its focus on selling annual subscriptions rather than charging monthly. This should lead to reduced churn, which means lower marketing investments in order to maintain growth. Increased annual subscription sales strengthen the cash flows, as these are paid in advance. We thus see no risks associated with Albert's cash flows in the coming years.

...despite acquisitions making it closer to a B2B-SaaS company



Source: Factset

We believe that, thanks to its changed revenue mix stemming from the three acquisitions completed in Q1, Albert should be valued more in line with listed software companies on the Stockholm exchange. In setting our fair value, we have applied a discount of some 30% to these. The company is thus valued around 10% lower than companies we have looked at that deliver subscription services to consumers. Our new fair value is thus SEK 45–47 (47-50). In our view, the implicit WACC at which Albert trades reflects a significantly higher risk profile than we believe is justified for the company.

We do not believe implicit WACC accurately reflects Albert's risk profile

DCF valuation

Valuation output		WACC assumptions		Terminal value assumptions	
Sum of PV of FCF (explicit period)	407	Risk free nominal rate	2,5%	Long term growth rate	2,0%
PV of terminal value (perpetuity formula)	305	Risk premium	5,5%	Long term EBIT margin	25,0%
Enterprise value	712	Extra risk premium	6,0%	Depreciation (% of sales)	5,0%
Latest net debt	-95	Beta	0,0	Capex (% of sales)	5,0%
Minority interests & other	0	Cost of equity	15,0%	Working cap. (% of sales)	4,0%
Equity value	807	Cost of debt (pre-tax)	0,0%	Tax rate	22%
No. of shares outstanding (millions)	18	Tax rate	0%		
Equity value per share	45,8	Target debt/(debt + equity)	10%		
		WACC	15,0%		

Sensitivity analysis

Sensitivity analysis

		Long-term growth rate					Long-term EBIT margin						
		1,0%	1,5%	2,0%	2,5%	3,0%			20,0%	22,5%	25,0%	27,5%	30,0%
WACC	11,5%	47,8	49,0	50,4	51,9	53,6	WACC	14,0%	44,2	47,3	50,4	53,5	56,6
	12,0%	45,6	46,8	48,0	49,4	50,8		14,5%	42,2	45,1	48,0	50,9	53,8
	15,0%	43,6	44,7	45,8	47,0	48,3		15,0%	40,4	43,1	45,8	48,5	51,2
	13,0%	41,8	42,7	43,7	44,9	46,0		15,5%	38,7	41,2	43,7	46,3	48,8
	13,5%	40,0	40,9	41,9	42,9	43,9		16,0%	37,1	39,5	41,9	44,2	46,6

Source: EPB

Income statement

	2020	2021	2022	2023e	2024e	2025e
Net sales	24	63	123	202	250	328
Other operating income	6	8	18	17	16	16
Total revenue	30	70	141	220	266	344
Cost of goods sold	0	0	0	-17	-38	-49
Gross profit	30	70	141	203	229	295
Other Operating Expenses	-50	-123	-213	-206	-200	-235
EBITDA	-21	-52	-71	-3	28	60
EBITDA, adjusted	-21	-52	-71	-3	28	60
EBITA, adjusted	-21	-52	-71	-3	28	60
Amortization	-5	-5	-31	-63	-60	-60
EBIT	-26	-57	-102	-66	-31	0
EBIT, adjusted	-26	-57	-102	-66	-31	0
Net Financial Items	0	0	0	1	0	0
Profit before tax	-26	-57	-102	-65	-31	0
Profit before tax, adjusted	-26	-57	-102	-65	-31	0
Taxes	0	0	5	4	4	0
Net income	-26	-57	-98	-61	-27	0
Net income, adjusted	-26	-57	-98	-61	-27	0
<i>Sales Growth</i>	-	>100%	>100%	55%	21%	29%
<i>Gross Margin</i>	>100%	>100%	>100%	>100%	91,4%	89,9%
<i>EBIT Margin, Adjusted</i>	Neg.	Neg.	Neg.	Neg.	Neg.	0,0%
<i>EPS, Adjusted</i>	-1,55	-3,37	-5,64	-2,88	-1,08	0,00
<i>EPS Growth, Adjusted</i>	-	N.m.	N.m.	N.m.	N.m.	N.m.

Source: eEducation Albert, EPB

Cash flow statement

	2020	2021	2022	2023e	2024e	2025e
EBIT	-26	-57	-102	-66	-31	0
Other Cash flow Items	5	6	28	64	60	60
Changes in working capital	9	-1	8	0	-3	-6
Cash flow from operating activities	-12	-52	-66	-2	26	54
Investments in Fixed Assets	-6	-8	-17	-17	-16	-16
Other Cash flow from investments	0	-5	-66	-45	0	0
Cash Flow From Investments	-6	-13	-83	-63	-16	-16
Free cash flow	-18	-65	-148	-64	10	38
New share issue / repurchase	66	249	0	67	0	0
Change in liabilities	-1	-1	0	-8	0	0
Cash flow from financing	65	248	0	59	0	0
Cash flow	48	183	-148	-6	10	38
Net debt	-69	-251	-104	-99	-109	-147

Source: eEducation Albert, EPB

Balance sheet

	2020	2021	2022	2023e	2024e	2025e
ASSETS						
Goodwill	0	0	46	71	52	33
Other intangible assets	1	12	21	89	89	89
Other fixed assets	5	9	48	76	53	27
Total fixed assets	5	22	115	236	194	149
Inventories	0	0	0	1	1	1
Accounts receivable	0	5	7	22	27	37
Other current assets	3	1	77	12	14	16
Cash and cash equivalents	69	251	104	99	109	147
Total current assets	71	258	189	134	151	201
TOTAL ASSETS	77	280	304	370	345	350
EQUITY AND LIABILITIES						
Equity	70	267	239	229	202	202
Total equity	70	267	239	229	202	202
Other long-term liabilities	1	0	28	53	52	49
Total long-term liabilities	1	0	28	53	52	49
Accounts payable	0	2	7	10	12	17
Other current liabilities	5	10	30	78	78	82
Total current liabilities	6	13	36	88	91	99
TOTAL EQUITY AND LIABILITIES	77	280	304	370	345	350

Source: eEducation Albert, EPB

Growth and margins

	2020	2021	2022	2023e	2024e	2025e
Revenue growth	-	>100%	>100%	55%	21%	29%
EBITDA growth, adjusted	-	N.m.	N.m.	N.m.	N.m.	>100%
EBIT growth, adjusted	-	N.m.	N.m.	N.m.	N.m.	N.m.
EPS growth, adjusted	-	N.m.	N.m.	N.m.	N.m.	N.m.
Gross margin	>100%	>100%	>100%	>100%	91,4%	89,9%
EBITDA margin	Neg.	Neg.	Neg.	Neg.	11,4%	18,2%
EBITDA margin, adjusted	Neg.	Neg.	Neg.	Neg.	11,4%	18,2%
EBIT margin	Neg.	Neg.	Neg.	Neg.	Neg.	0,0%
EBIT margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	0,0%
Profit margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	0,0%

Source: eEducation Albert, EPB

Return

	2020	2021	2022	2023e	2024e	2025e
ROE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	0%
ROCE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	0%
ROIC, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	0%

Source: eEducation Albert, EPB

Capital efficiency

	2020	2021	2022	2023e	2024e	2025e
Inventory / total revenue	-	0%	0%	0%	0%	0%
Accounts receivable / total revenue	0%	8%	5%	10%	10%	11%
Accounts payable / COGS	-	-	-	59%	33%	34%
Total short-term liabilities / total cost	12%	10%	17%	39%	38%	35%
Working capital / total revenue	-10%	-8%	34%	-24%	-18%	-13%
Capital turnover rate	0,4x	0,3x	0,6x	1,0x	1,3x	1,7x

Source: eEducation Albert, EPB

Financial position

	2020	2021	2022	2023e	2024e	2025e
Net debt	-69	-251	-104	-99	-109	-147
Equity ratio	91%	95%	79%	62%	59%	58%
Net debt / equity	-1,0x	-0,9x	-0,4x	-0,4x	-0,5x	-0,7x
Net debt / EBITDA	3,3x	4,8x	1,5x	30,1x	-3,8x	-2,5x

Source: eEducation Albert, EPB

Per share data

	2020	2021	2022	2023e	2024e	2025e
EPS	-1,55	-3,37	-5,64	-2,88	-1,08	0,00
EPS, adjusted	-1,55	-3,37	-5,64	-2,88	-1,08	0,00
FCF per share	-1,05	-3,83	-8,57	-3,03	0,39	1,53
Book value per share	4,12	15,7	13,6	9,17	8,09	8,09
Number of shares, m	17,0	17,0	17,6	25,0	25,0	25,0
Number of shares after dilution, average	17,0	17,0	17,3	21,3	25,0	25,0

Source: eEducation Albert, EPB

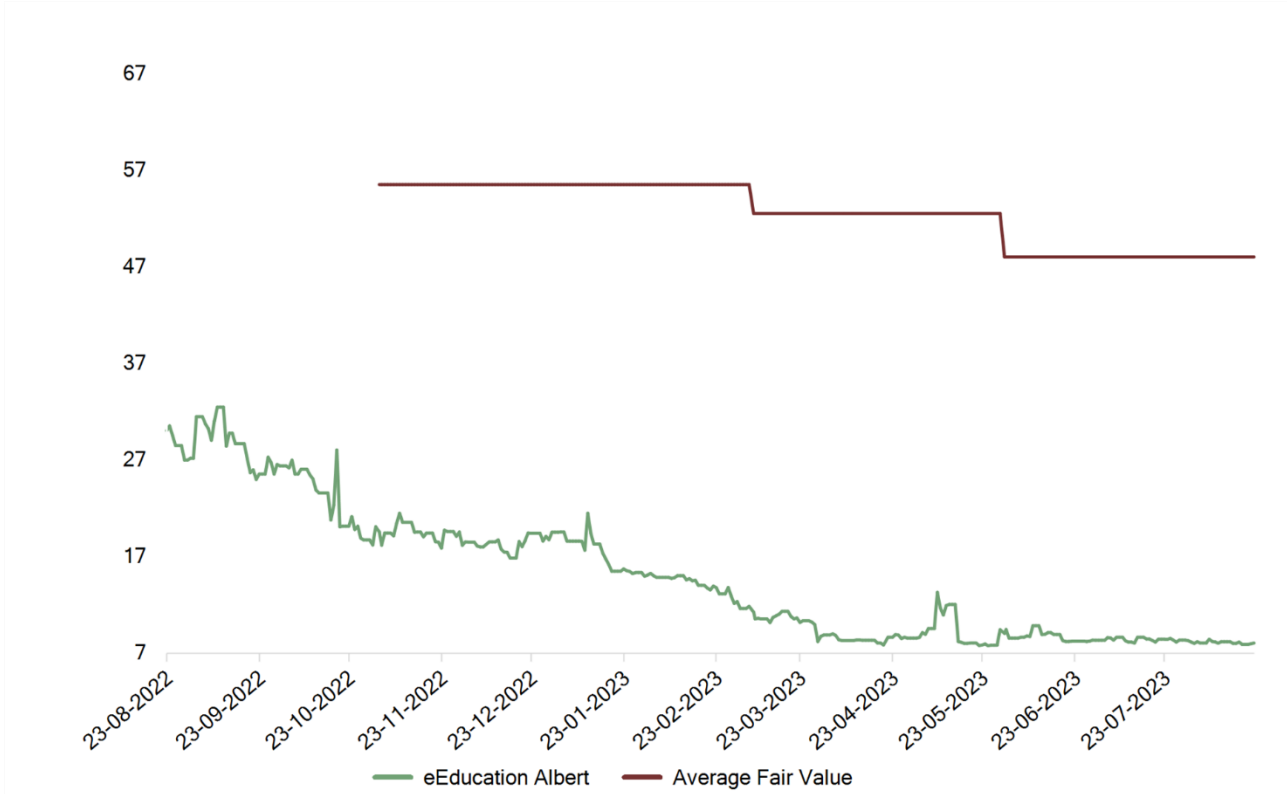
Valuation

	2020	2021	2022	2023e	2024e	2025e
P/E, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	2 432,8x
P/BV	Neg.	2,7x	1,5x	1,1x	1,2x	1,2x
P/FCF	Neg.	Neg.	Neg.	Neg.	25,2x	6,5x
FCF-yield	Neg.	Neg.	Neg.	Neg.	4%	15%
Dividend yield	Neg.	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	Neg.	6,9x	1,8x	0,7x	0,6x	0,4x
EV/EBITDA, adjusted	Neg.	Neg.	Neg.	Neg.	5,3x	2,5x
EV/EBIT, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	1 189,4x
EV	Neg.	483	248	152	152	152
Share price, year end	-	43,2	20,0	9,9	9,9	9,9

Source: eEducation Albert, EPB

Share Price and Fair Value Chart

eEducation Albert (ALBERT SS EQUITY)



Source: EPB, IDC

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