



CUBEWEALTH

COURSERA INC. EQUITY REPORT

MAY 6, 2021

COURSERA INC.

BY THE NUMBERS

TICKER: COUR

PRICE: \$42.01

coursera

Coursera, Inc. operates an educational content platform that connects learners, educators, and institutions worldwide. As of December 31, 2020, the company offered approximately 4,000 courses across a range of domains, including data science, technology, business, health, social sciences, and arts and humanities.

It had approximately 77 million learners registered on its platform along with 2,000 organizations, 4,000 academic institutions, and 300 government entities to upskill and reskill their employees, students, and citizens. The company was formerly known as Dkandu, Inc. Coursera, Inc. was incorporated in 2011 and is headquartered in Mountain View, California.

N/A

**DIVIDEND
YIELD**

+32%

**IPO
RETURN**

\$5.3B

**MARKET
CAP**

ANALYSIS

Coursera hit the public markets via an IPO on March 31st, 2021 at \$33 per share and now trades at about \$42 per share. The company has been growing in popularity over the years as many people are using Coursera's platform to educate themselves across a wide range of skills.

In fact, this demand for education has never been higher as the ground beneath our feet in the workforce is shifting rapidly. According to estimates based on data from the International Labour Organization, the global workforce will grow by 230 million people by 2030. This is expected to happen at a time when up to half of today's jobs, around 2 billion, are at high risk of disappearing by 2030 due to automation and will require a completely new skillset from people.

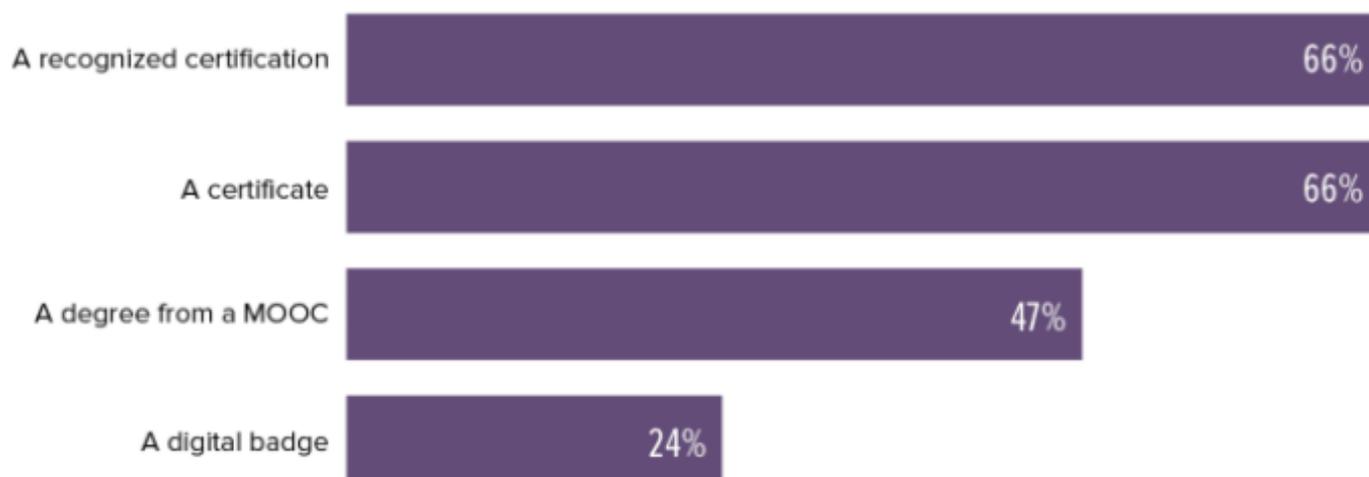
The driving force behind Coursera's business is two-pronged. First, the cost of formal education today is growing at an absurd rate and has left thousands upon thousands of individuals with exorbitant student debt. At the time of this writing, the student debt balance stands at nearly \$1.6T at an average of \$37,584 per person. Secondly, many companies are looking passed degrees and focusing more on talent and experience. Elon Musk recently joined prominent business leaders who have also questioned the need for four-year degrees, such as Apple CEO Tim Cook and Siemens USA CEO Barbara Humpton. Cook said in 2019 that about half of Apple's US employment last year included people without four-year degrees. Cook reasoned that many colleges do not teach the skills that business leaders need most in their workforce, such as coding. Humpton also dismissed the idea that a four-year degree guarantees career-readiness: "All too often, job requisitions will say they require a four-year degree, when in fact there's nothing about the job that truly requires a four-year degree — it merely helped our hiring managers sort of weed through the crowd and get a smaller qualified candidate group," Humpton said at the White House in 2019.

According to surveys, nine in 10 employers report being ready to accept candidates without four-year college degrees to fill positions.

Companies are open to hiring candidates with a recognized certification (66 percent), a certificate (66 percent), an online degree from massive open online courses (47 percent) or a digital badge (24 percent) in lieu of a bachelor's degree, according to a survey of 600 HR leaders conducted by The Learning House, which provides technology for managing online degree programs, and Future Workplace, an HR advisory and research firm.

Considering Nontraditional Pathways

Nearly all employers say they are open to accepting candidates who don't have a four-year college degree. Alternative credentials employers say they are open to include:



In an open letter to the nominated secretaries of labor and education shared on Jan. 28, IBM asked the Biden administration to consider "new pathways" to careers — including apprenticeships, hybrid education models and public-private partnerships in order to "rethink the way we approach education, skills training and hiring in this country."

IBM also stated a need for a "standard, national infrastructure" upon which workers can share verified, recognized skills with seeking employers. The program, which would allow the job market to function beyond seeking a resume or degree.



The list of advocates goes on and on.

Hiring managers in a Feb. 4th U.S. Chamber of Commerce Foundation report said skills are more important than degrees and that job requirements need to be re-evaluated.

The report, "Hiring in the Modern Talent Marketplace," revealed that the 500 hiring decision-makers polled value working with higher education to ensure that what's taught in school aligns with the labor economy's needs. Acknowledging the skills shortage as a hiring challenge, the respondents identified their top three goals in 2020 as retaining more talent (41%), recruiting top talent (35%), and reducing time to hire (26%).

While 74% of respondents said their organizations incorporate credentials in job requirements, only a quarter said they use credentials to assess candidates.

Research data and analytics firm Qlik conducted on behalf of the Data Literacy Project came to the same conclusion as the chamber's report; 60% of Qlik's respondents said skills and experience are weighted greater than degrees in vetting candidates. Only 18% of respondents gave degrees more weight in hiring.

"As a nation, we need to move toward a skills-based approach for educating and hiring where the skills taught in the classroom directly align to the skills required for a career," says Cheryl Oldham, senior vice president of the U.S. Chamber of Commerce Foundation's Center for Education and Workforce. Of the global working-age population of more than 5 billion people, approximately 83% have had no post-secondary education, according to data from the Wittgenstein Center Human Capital Explorer - all of these individuals will be in need of access to higher learning.

We even saw this last summer when President Donald Trump signed an executive order on June 26th that directed the federal government to take the emphasis off whether a job candidate has a college degree and instead assess an applicant's job skills.

Put simply, we are living in different times.

Coursera plays into this shift of learning in a massive way.



Coursera for Individuals

Learners consume content from COUR's diversified portfolio, which is designed to meet a wide variety of goals and preferences.

The full Coursera catalog includes the following offerings:

- 1,000+ Guided Projects: Gain a job-relevant skill in less than two hours for \$9.99
- 4,600+ Courses: Learn something new in 4-6 weeks for free, or for prices up to \$99
- 500+ Specializations: Gain a job-relevant skill in 3-6 months for \$39-\$99/month
- 25+ Professional Certificates: Earn a certification of job readiness for an in-demand career in 3-9 months for \$39-\$99/month
- 15+ MasterTrack Certificates: In 3-12 months, earn a university-issued certificate from a module of a university degree and credit that can be applied to that degree in the future for approximately \$2,000-\$6,000
- 25+ Degrees: Earn a bachelor's or master's degree fully online for approximately \$9,000-\$45,000.



Coursera for Enterprise

Coursera is available to institutions around the world, allowing businesses, academic institutions, and governments to enable their employees, students, and citizens to gain critical skills aligned to the job market of today and tomorrow.

- ***Coursera for Business***: helps employers upskill and reskill their teams to drive innovation, competitiveness, and growth. Our content in data science, technology, and business is especially relevant to employers
- ***Coursera for Campus***: empowers academic institutions to offer job-relevant online education to students, faculty, and staff. Our content from leading universities and academic integrity features are especially relevant to colleges that allow students to earn credit towards their college degree by taking online courses
- ***Coursera for Government***: helps federal, state, and local governments deliver workforce reskilling programs to provide in-demand skills and paths to new jobs for an entire workforce.

As of December 31, 2020:

- Over 76M learners on their platform
- Over 2,000 organizations, including over 25% of Fortune 500 companies, were paying customers of Coursera for Business
- Over 100 government agencies and organizations were paying customers of Coursera for Government
- Over 130 colleges and universities were paying customers of Coursera for Campus.
- In 2020 alone, learners logged 75 million course enrollments, watched 576 million lectures, and completed 123 million assessments

	Consumer	Enterprise	Degrees
Revenue model	Learners access content for free and pay to earn course certificates upon completion, including one-time payments for single courses or subscriptions for multi-course offerings	Institutions access our catalog of learning products (excluding Degrees) and pay for annual seat license subscriptions	Universities partner with us to develop and deliver online degrees and pay a percentage fee based on student tuition
Visibility	Predictable cohort behavior	1 to 3 year contracts	2-10 year partner contracts
Go-to-Market	Direct to Consumer	Enterprise Sales	Direct to institution / Partnership model





Coursera has over 4,500 free programs for learners and these are usually intended to get users on the site so they can upsell and offer paid courses.

Of the approximately 46 million registered learners on their platform as of December 31, 2019, approximately 2.3 million had paid for a course or offering equating to 5% conversion. As of December 31, 2020, of the approximately 77 million registered learners on their platform, approximately 3.6 million had paid for a course or offering equating to 4.7%, down from the 5% the year before.

Learning Offering	Payment Basis	Duration*	Price
Guided Projects	One-time	Less than 2 hours	\$10
Courses	One-time	4-6 weeks	Free - \$99
Specializations	Upfront, Subscription	3-6 months	\$39 - \$99 / month
Professional Certificates	Upfront, Subscription	3-9 months	\$39 - \$99 / month
Coursera Plus	Subscription	Monthly, Annually	\$399 / year

Coursera also generates revenues through Degrees. They partner with universities worldwide to develop and deliver fully online bachelor’s and master’s degrees to a global learner audience. Universities admit students and pay Coursera a percentage fee based on the online student tuition in a given period. Degrees partner contracts generally have initial terms between two to ten years in length.

As of December 31, 2020, COUR partnered with 13 universities to offer 26 bachelor’s and master’s programs with over 11,000 enrolled Degrees students across institutions, including Arizona State University, the University of Illinois, The University of London, University of Michigan, and University of Pennsylvania.

Let's examine the progress COUR has made over the years.

	Year Ended December 31,							
	2017	2018	2019	2020				
Total Registered Learners	30.1	37.3	46.4	76.6				
(in millions)								
	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of Degrees Students	2,762	4,255	5,986	6,217	7,184	8,079	11,504	11,900
			As of December 31,					
			2019	2020			2019	2020
Paid Enterprise Customers			240	387			240	387
			As of December 31,					
			2019	2020			2019	2020
Net Retention Rate			106%	114%			106%	114%

COUR has grown their registered learners from 30.1M in 2017 to 76.6M at the end of 2020. This gain of 46.5M learners is a CAGR of 36.5%. It must be noted that before the pandemic hit, COUR had a CAGR of 24%. The pandemic was a huge tailwind for the company as they gained more than 30M registered learners in the year after only gaining 9.1M in the year before.

Total paid enterprise customers grew 61.3% Y/Y as well from 240 to 387.

Another nice statistic is their net retention ratio, which is similar to a net dollar based expansion rate we see across SaaS firms. This grew from 106% to 114%, meaning that existing customers are spending more with them Y/Y.

Case Studies



The United Nations Development Programme has 20,000 employees across 170 countries focused on global international development, as of January 2021.

The UNDP's mission is organized around a set of 17 Sustainable Development Goals to help achieve the UN's 2030 Agenda for Sustainable Development. To enable employees to deliver on these goals, the UNDP needed programs to build employee skills in leadership, management, career development, and digital transformation, for example. In 2017, the UNDP engaged with Coursera to support the flagship People Manager Development Programs, which offer training for new and experienced managers in areas like leadership and people management development. Coursera also provided courses in AI, cybersecurity, big data, technical areas (e.g., international development), and design thinking to better leverage technology to enhance the UNDP's development impact. The UNDP also uses Coursera for its newly launched SPARK Programme to enable women, based in over 100 country offices, to plan, manage, and excel in their careers with courses related to career development and management.

Many national officers never had the opportunity to attend a university outside their home country and these learners appreciated the opportunity to receive certificates from Coursera and global universities.

In 2017, the UNDP started with 1,500 enrollments and by 2020 it had expanded its engagement with Coursera to over 4,000 enrollments. To date, more than 3,000 UNDP employees have enrolled in Coursera courses.

Case Studies



Novartis is a global healthcare company headquartered in Switzerland with 110,000 employees across 140 countries.

Novartis wanted to nurture employee curiosity to retain talent in a highly competitive pharma talent industry and continue to develop creative solutions to the world's biggest healthcare challenges. They chose Coursera as a partner to help establish a culture of learning that delivers critical data science, digital, business, and soft skills.

In 2018, Novartis launched a 490 enrollments pilot with Coursera. In 2019, Novartis expanded its partnership with Coursera to 9,000 licenses, and added free tuition reimbursement for online Degrees as well as MasterTracks in data science.

In 2020, due to positive learner feedback and increasing demand for online learning, Novartis' agreement with Coursera was expanded to provide Enterprise-wide access as well as a new "Friends and Family" program. Today, over 23,000 Novartis employees have logged 80,000+ enrollments in 3,600+ distinct courses and guided projects, developing skills across data, technology, business, human skills, and health domains.

As of February 5, 2021, over 70 employees were pursuing online Degrees or MasterTrack Certificates in data science.

Case Studies



In 2013, the eLearning Office at the University of Illinois Urbana-Champaign Gies College of Business was exploring new channels to extend their programs beyond campus. The team was inspired by the potential of online degrees and saw an opportunity to redesign its MBA experience to address the challenge of declining MBA enrollments across the industry.

In 2016, the University of Illinois launched the first online iMBA degree program on Coursera with more than 200 students. The program has since experienced significant reach and scale, receiving more than 3,200 applications for its fall 2020 cohort and attracting students from over 90 countries and 46 U.S. states.

Over 1,500 students have successfully graduated from the program since 2017. The iMBA program is now one of the fastest-growing MBA programs in the world. Following on the success of the iMBA program, the Gies College of Business has expanded its digital offerings to a total of three Masters' degree programs with the launch of the Online Master's of Accounting (iMSA) and the Master of Science in Management on Coursera.

Main Competitors



CUBE'S TOP PROS



MULTIPLE
ECONOMIC
TAILWINDS



MAJOR UNTAPPED
INTERNATIONAL
MARKET

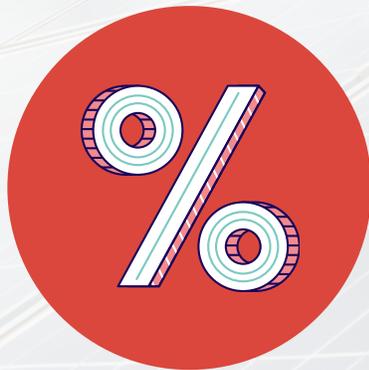


MASSIVE
\$2T TOTAL
ADDRESSABLE
MARKET

CUBE'S TOP CONS



COMPETITION
GROWING FROM
FREE CONTENT
PLATFORMS



NET RETENTION OF
LEARNERS IN
QUESTION POST
PANDEMIC



UNABLE TO TURN
PROFIT DURING
BEST YEAR

FINANCIAL STATEMENTS

BALANCE SHEET

	December 31, 2020	March 31, 2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 79,878	\$ 158,072
Marketable securities	205,402	122,729
Accounts receivable, net of allowance for doubtful accounts of \$48 and \$146	40,721	35,582
Deferred costs	14,077	16,149
Prepaid expenses and other current assets	14,993	18,666
Total current assets	355,071	351,198
Property, equipment and software, net	18,644	21,080
Operating lease right-of-use assets	21,622	20,276
Intangible assets, net	10,570	10,313
Restricted cash	2,548	2,548
Other assets	9,169	9,407
Total assets	\$ 417,624	\$ 414,822
Liabilities, Redeemable Convertible Preferred Stock, and Stockholders' Deficit:		
Current liabilities:		
Educator partners payable	\$ 39,005	\$ 41,360
Other accounts payable	12,897	9,813
Accrued compensation and benefits	12,997	8,354
Operating lease liabilities, current	7,926	7,973
Deferred revenue, current	76,080	85,254
Other current liabilities	4,739	5,052
Total current liabilities	153,644	157,806
Operating lease liabilities, non-current	18,305	16,676
Other liabilities	644	623
Deferred revenue, non-current	4,562	3,513
Total liabilities	177,155	178,618
Commitments and contingencies		
Redeemable convertible preferred stock:	462,293	462,293
Stockholders' deficit:		
Common Stock	—	—
Additional paid-in capital	126,408	140,803
Treasury stock	(4,701)	(4,701)
Accumulated other comprehensive income	20	23
Accumulated deficit	(343,551)	(362,214)
Total stockholders' deficit	(221,824)	(226,089)
Total liabilities, redeemable convertible preferred stock, stockholders' deficit	\$ 417,624	\$ 414,822

Cash and cash equivalents at the end of Q1 2021 stood at \$280M which was slightly less than the \$285M in Q1 2020. It must be noted, though, that this Q1 report does not include the IPO proceeds.

As per COUR's S1-A filing, pro-forma cash and equivalents on hand is in the ballpark of \$711M. This is also why in the next slides you will see an outstanding share count in the 40M range but its in the 130M range after taking into account shares issued for IPO, conversion of convertible preferred stock, stock options, and shares available for future grants.

	<u>Actual</u>	<u>Pro Forma(1)</u>	<u>Pro Forma as Adjusted(2)(3)</u>
	(in thousands)		
Cash, cash equivalents and marketable securities	\$ 285,280	\$ 285,280	\$ 711,626
Total assets	\$ 417,624	\$ 417,624	\$ 842,641
Working capital(4)	\$ 201,427	\$ 201,427	\$ 627,741
Redeemable convertible preferred stock	\$ 462,293	\$ —	\$ —
Additional paid-in capital	\$ 126,408	\$ 588,700	\$ 1,015,014
Accumulated deficit	\$(343,551)	\$(343,551)	\$ (343,551)
Total stockholders' (deficit) equity	\$(221,824)	\$ 240,469	\$ 666,783

With around \$700M in net cash and 130M shares outstanding at a \$42 share price, COUR's enterprise value is around \$4.75B.

All in all, COUR has an excellent balance sheet - even more so now after the IPO.

FINANCIAL STATEMENTS

INCOME STATEMENT

	Three Months Ended March	
	31,	
	2020	2021
	(in thousands)	
Revenue	\$ 53,847	\$ 88,362
Cost of revenue ⁽¹⁾	24,951	38,826
Gross profit	28,896	49,536
Operating expenses:		
Research and development ⁽¹⁾	15,783	22,140
Sales and marketing ⁽¹⁾	20,696	32,613
General and administrative ⁽¹⁾	7,086	13,144
Total operating expenses	43,565	67,897
Loss from operations	(14,669)	(18,361)
Other income (expense):		
Interest income	696	80
Other expense, net	(252)	(7)
Loss before income taxes	(14,225)	(18,288)
Income tax expense	89	375
Net loss	\$ (14,314)	\$ (18,663)
Net loss per share attributable to common stockholders—basic and diluted	\$ (0.40)	\$ (0.45)
Weighted average shares used in computing net loss per share attributable to common stockholders—basic and diluted	35,666,172	41,218,355

	Year Ended December 31,		Change	
	2019	2020	\$	%
(dollars in thousands)				
Revenue:				
Consumer	\$ 121,011	\$ 192,909	\$ 71,898	59%
Enterprise	48,262	70,784	22,522	47%
Degrees	15,138	29,818	14,680	97%
Total revenue	\$ 184,411	\$ 293,511	\$109,100	59%

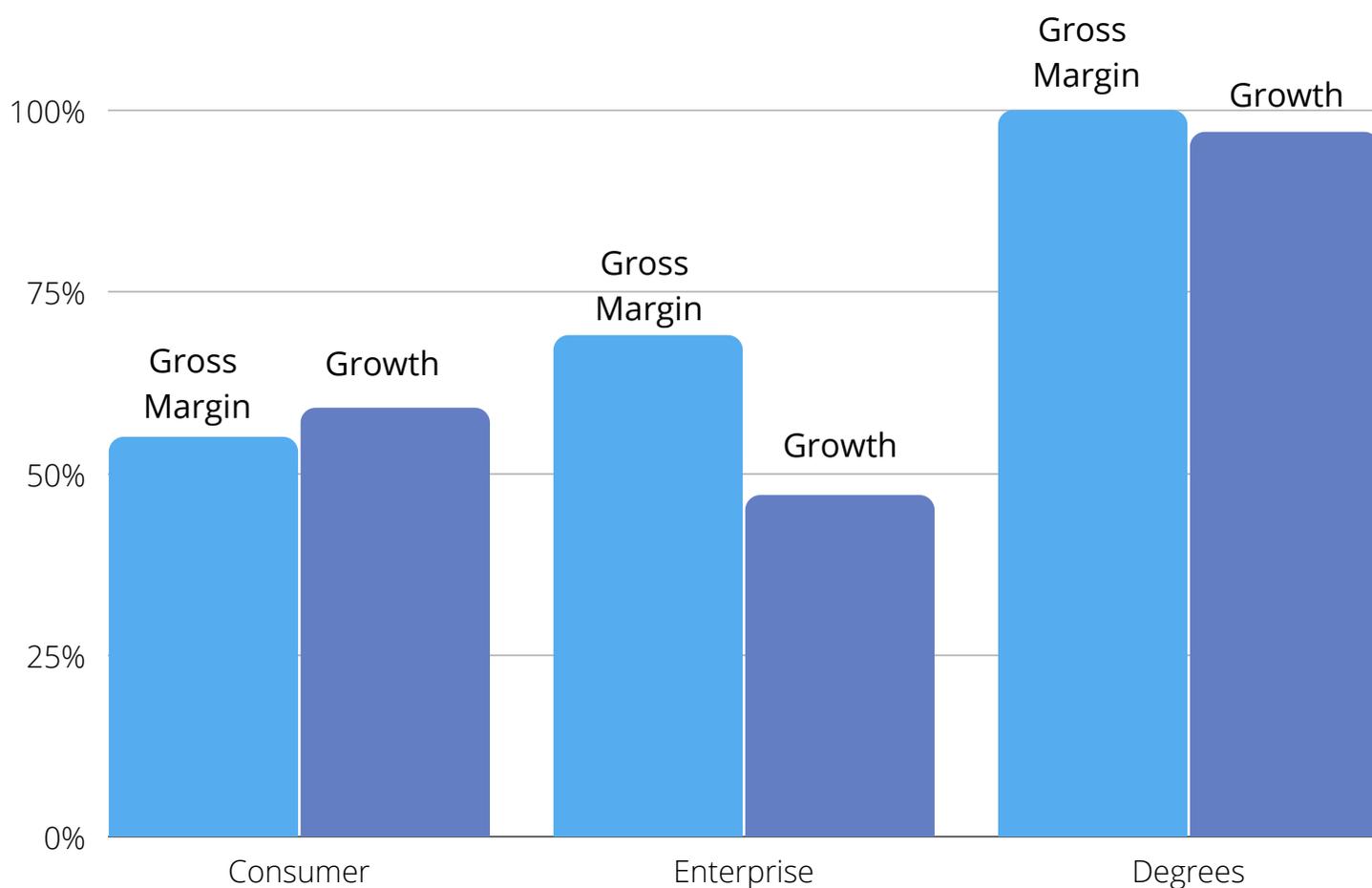
For the year ended December 31, 2020, revenue from Consumer learners totaled \$192.9M, representing a 59% Y/Y increase from December 31, 2019 which is also what total revenue grew at. Enterprise revenues experienced 47% growth and Degrees witnessed the fastest growth at 97% Y/Y.

51% of their revenue came from outside the United States during both of the years ended December 31, 2019 and 2020.

	Year Ended December 31,			
	2017	2018	2019	2020
(in thousands, except percentages)				
Consumer Revenue	\$85,667	\$107,554	\$121,011	\$192,909
YoY Growth		26%	13%	59%
Enterprise Revenue	\$ 7,422	\$ 26,812	\$ 48,262	\$ 70,784
YoY Growth		261%	80%	47%
Degrees Revenue	\$ 2,541	\$ 7,406	\$ 15,138	\$ 29,818
YoY Growth		191%	104%	97%
Total Revenue	\$95,630	\$141,772	\$184,411	\$293,511
YoY Growth		48%	30%	59%

The very important gross margin figure also grew to 52.7% in 2020 vs. 51.4% in 2019. As Degree and Enterprise revenue make up a larger portion of revenues, we expect gross margins to make their way towards 60% by 2024. We place additional emphasis on Degrees due to their 100% margins which will propel free cash flow later in the decade.

	Year Ended December 31,			
	2017	2018	2019	2020
	(in thousands, except percentages)			
Consumer Gross Profit	\$43,076	\$57,607	\$64,645	\$106,509
Segment Gross Margin %	50%	54%	53%	55%
Enterprise Gross Profit	\$ 4,717	\$19,011	\$34,184	\$ 48,972
Segment Gross Margin %	64%	71%	71%	69%
Degrees Gross Profit	\$ 2,541	\$ 7,406	\$15,138	\$ 29,818
Segment Gross Margin %	100%	100%	100%	100%



Now let's take a dive into the Q1 numbers just released yesterday.

	CONSUMER	ENTERPRISE	DEGREES
REVENUE	\$51.9M +61% y/y	\$24.5M +63% y/y	\$12.0M +81% y/y
SEGMENT MARGIN	\$29.7M 57% of revenue	\$16.6M 68% of revenue	\$12.0M 100% of revenue
KEY BUSINESS METRICS ¹	82M registered learners +5M in the quarter	479 paid enterprise customers +84% y/y 113% net retention rate for paid enterprise customers	13,493 degrees students +88% y/y

- Total revenue was \$88.4M, up 64% from \$53.8M a year ago.
- Gross profit was \$49.5M or 56.1% of revenue, up 71% from \$28.9M a year ago.
- Net loss was -\$18.7M or -21.1% of revenue, compared to -\$14.3M or -26.6% of revenue a year ago.
- Adjusted EBITDA was -\$10.1M or -11.5% of revenue, compared to -\$9.9M or -18.4% of revenue a year ago.
- Net cash used in operating activities was -\$4.3M, compared to -\$7.5M a year ago.
- Free cash flow was -\$8.6M, compared to -\$9.9M a year ago.
- FY2021 revenue guidance in the range of \$369-\$381M, implying 28% growth Y/Y at the midpoint.

QUARTER TAKEAWAYS

- Enterprise growth bounced back from 47% seen in 2020 to 63% in Q1
- Degrees growth continued hot streak with 81% growth
 - Degrees Students reached 13,493, up +88% Y/Y
 - Welcomed 10 new university partners, spanning the globe from the U.S. and Latin America to the Middle East and Asia.
- Consumer growth remained steady at 61% Y/Y
- Gross margins grew to 56.1% vs. 52.7% in 2020 - this is biggest takeaway by far for CUBE during the quarter
 - If Degree growth continues at current pace it will help with multiple expansion as COUR will near tech giants in gross margins if it can get into 60%+
- Net Retention Rate (NRR) for Paid Enterprise Customers was 113%, down 1% from 2020 but still very impressive.
 - This NRR is why CUBE projects perpetual growth at 5% on our model because current spending trends from existing customers continues to grow very well. Even pre-pandemic they were spending 6% more with COUR
 - True test of NRR will be in Q2 and Q3 this year. This remains biggest question mark for company
- 5 million new Registered Learners added during the quarter for a total base of 82 million
- While 2021 guidance does call for about 28% revenue growth, next quarter sees only about 2% Q/Q sequential growth which is most likely the reason for shares sliding after the report
 - It also implies quite a big slowdown for the rest of the year in terms of revenue growth because Q1 growth was 64% Y/Y in totality. This implies about 15% growth on average Y/Y for the next 3 quarters

FINANCIAL STATEMENTS

CASH FLOW

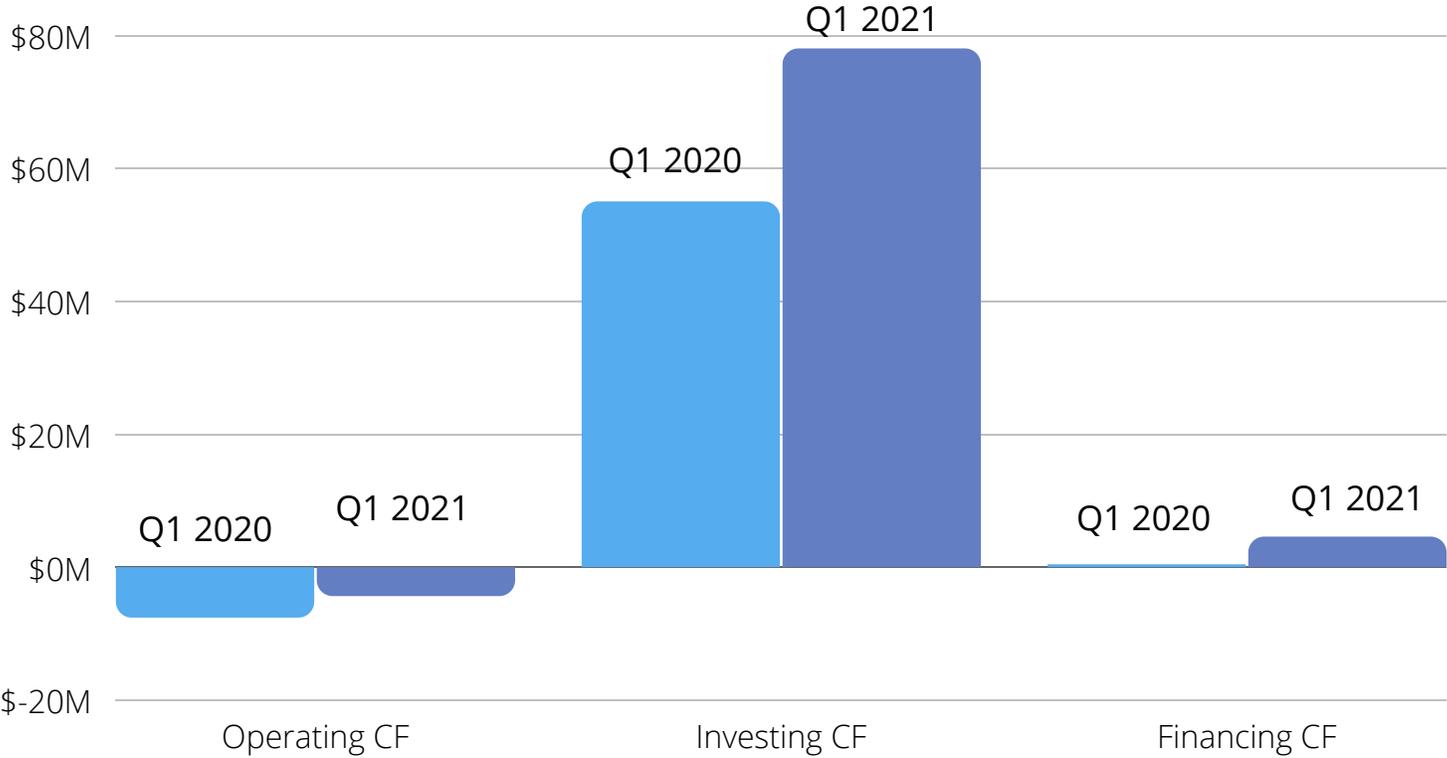
	Three Months Ended March 31,	
	2020	2021
Cash flows from operating activities:		
Net loss	\$ (14,314)	\$ (18,663)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,993	2,931
Stock-based compensation	3,014	5,284
Amortization or accretion of marketable securities	(149)	177
Other	40	98
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,414)	5,041
Prepaid expenses and other assets	909	260
Operating lease right-of-use assets	1,264	1,345
Educator partners and other accounts payable	2,133	(3,032)
Accrued and other liabilities	(7,052)	(4,330)
Operating lease liabilities	(1,368)	(1,582)
Deferred revenue	9,408	8,124
Net cash used in operating activities	(7,536)	(4,347)
Cash flows from investing activities:		
Purchases of marketable securities	(5,939)	—
Proceeds from maturities of marketable securities	63,359	82,500
Purchases of property, equipment, and software	(582)	(307)
Capitalized internal-use software costs	(1,774)	(3,985)
Purchases of content assets	—	(170)
Net cash provided by investing activities	55,064	78,038
Cash flows from financing activities:		
Proceeds from exercise of stock options	421	8,564
Payment of deferred offering costs	—	(4,061)
Net cash provided by financing activities	421	4,503
Net increase in cash, cash equivalents, and restricted cash	47,949	78,194
Cash, cash equivalents, and restricted cash—Beginning of period	59,845	82,426
Cash, cash equivalents, and restricted cash—End of period	\$ 107,794	\$ 160,620
Cash, cash equivalents, and restricted cash—End of period		
Cash and cash equivalents	\$ 103,935	\$ 158,072
Restricted cash	3,090	2,548
Restricted cash in prepaid expenses and other current assets	769	—
Cash, cash equivalents, and restricted cash—End of period	\$ 107,794	\$ 160,620



For the year ended December 31, 2020, net cash used in operating activities was \$15.0M, primarily consisting of net losses of \$66.8M, adjusted for non-cash charges of \$26.5M and net cash inflows of \$25.3M provided by changes in operating assets and liabilities.

For Q1, operating cash flow burn only came in at -\$4.3M, which is down from -\$7.5M in Q1 2020. As for free cash flow (operating cash flow - capex), this came in at -\$8.6M in Q1 2021 vs. -\$9.9M in Q1 2020.

With cash and equivalents over \$700M, COUR is in no need of additional capital at their current cash burn rate. CUBE expects about -\$39M in cash burn in 2021, followed by -\$12M in 2022, and then reaching free cash flow of \$28.9M in 2023 (5% free cash flow margin). In other words, unless COUR expects to make acquisitions, investors should not expect to see any dilution from the company anytime soon.

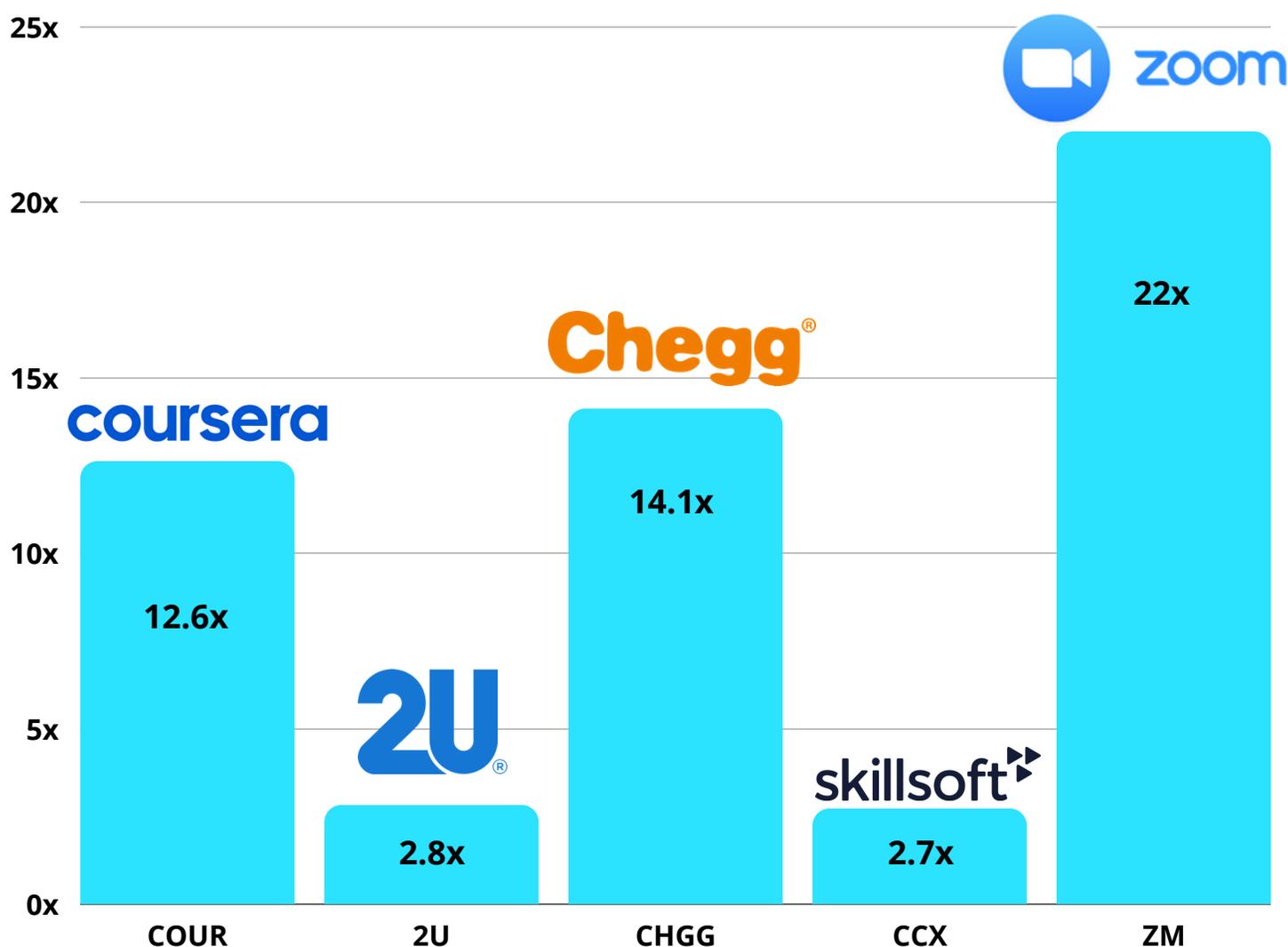




COUR FUNDAMENTALS

We are going to compare Coursera (COUR) to other educational type stocks making a slight exception for Zoom (ZM) due to the tailwind of classrooms using their platform to conduct sessions. The other more direct comparisons include 2U (TWOU), Chegg (CHGG), and Skillsoft (CCX).

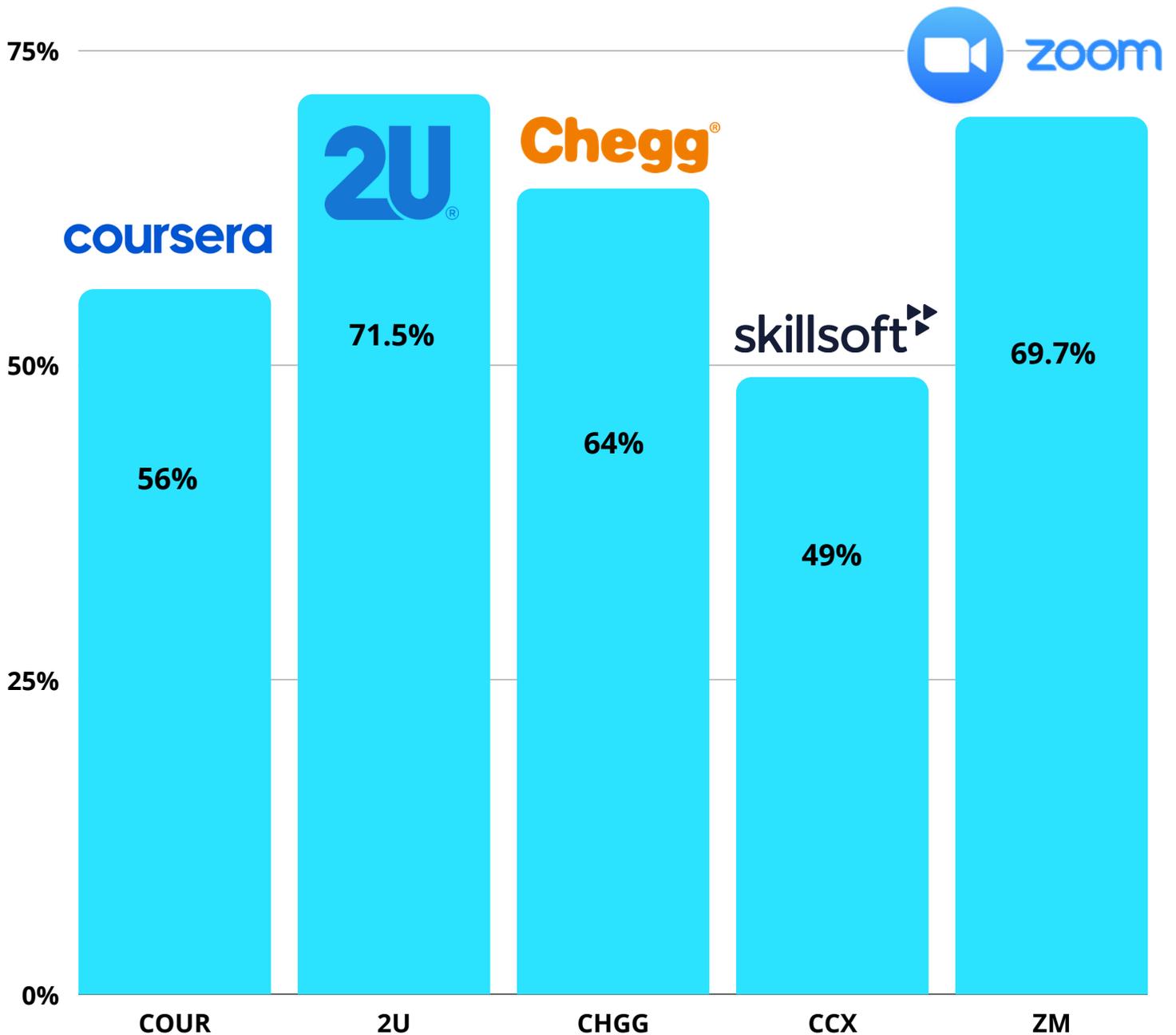
Here we are comparing enterprise value to revenue multiples for 2021.





COUR FUNDAMENTALS

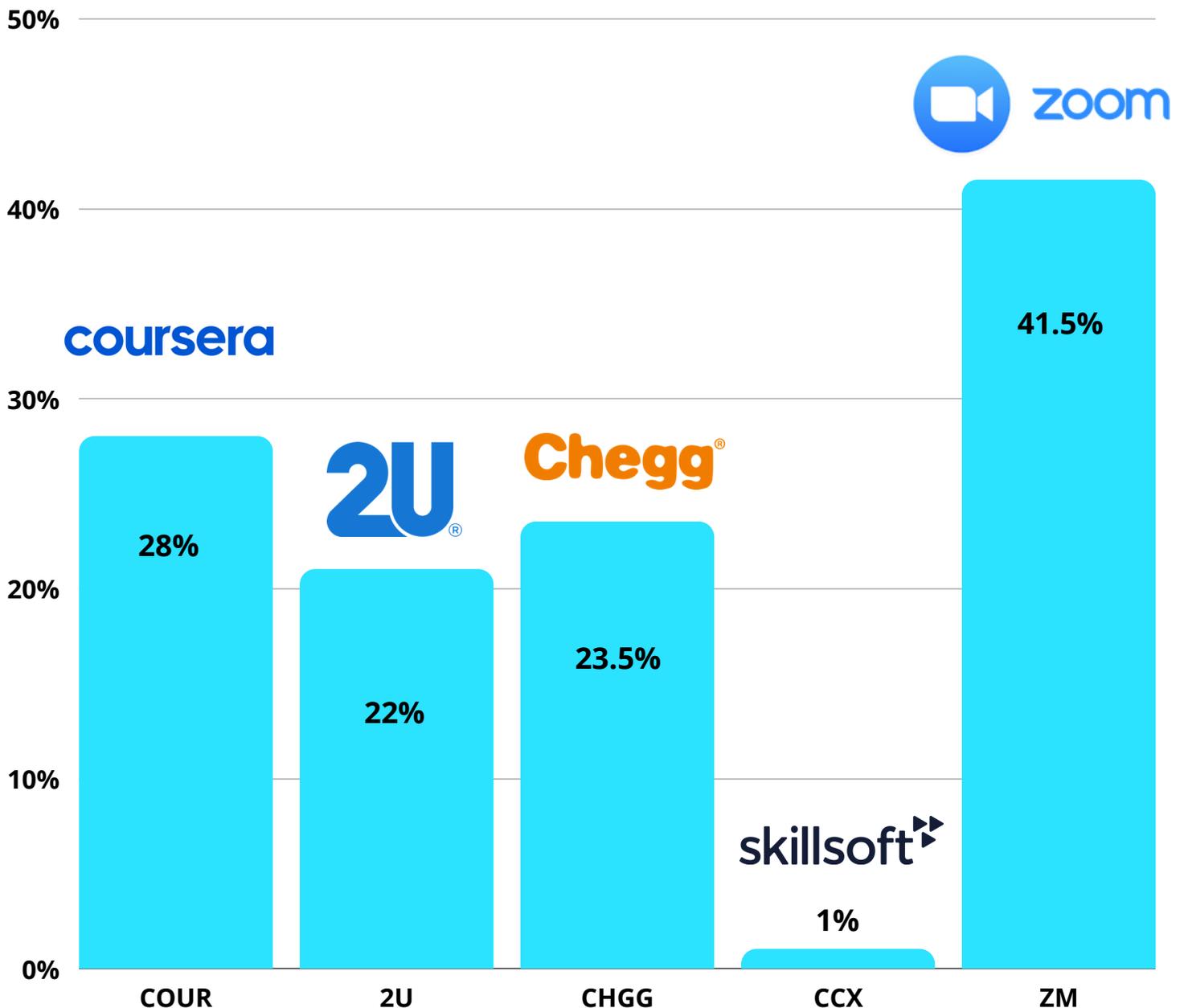
Here we are comparing gross margins for each company.





COUR FUNDAMENTALS

Here we are comparing expected revenue growth rates in 2021.





COUR DCF MODEL

Attached in the email, as well as in the Vault, you will see the discounted cash flow model. Here are the following variables used:

- Discount Rate: 7.2% +/- 0.50%
 - Beta: 0.90 (benchmarked average between 2U, Chegg, Pearson)
 - 30 YR Treasury (Risk Free Rate): 2.25%
 - Market Risk Premium: 5.50%
- Perpetual Growth Rate: 5% +/- 0.25% (driven by continued adoption of edtech, strong tailwinds from costly traditional education, \$2T total addressable market, and current net expansion rates)
- CUBE Projections for free cash flow
 - 2021: -\$38.6M, 2022: -\$12M, 2023: \$28.9M, 2024: \$66.5M, 2025: \$114.7M, 2026: \$147.2M, 2027: \$180.9M, 2028: \$189.9M, and 2029: \$224.4M
 - We anticipate 60% gross margins in several years driven by growth in enterprise and degree segment revenue mix
 - We believe by the end of the decade COUR will be able to achieve free cash flow margins of 22.5% as general & administrative expenses in comparison to total revenue will fall dramatically as business scales
- Shares Outstanding: 130M
- Current price at time of report issuance: \$42.01

Model predicts:

- **Base case: \$44.81 (+7%)**
- **Bull Case: \$69.36 (+65%)**
- **Bear Case: \$32.76 (-22%)**



COUR

TECH ANALYSIS





TECHNICAL ANALYSIS SUMMARY

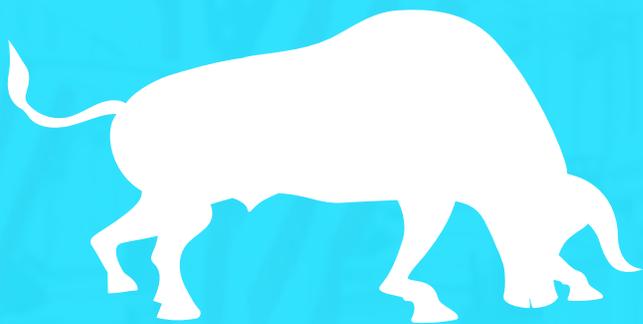
Looking at the charts, COUR looks like it has more downside. It's always difficult to chart companies that have just hit the public markets but with the data we currently have it looks like there is support at \$40.20 that was seen on April 20th.

If that level is unable to hold, we believe shares of COUR are heading to the daily S1 of \$35.76.

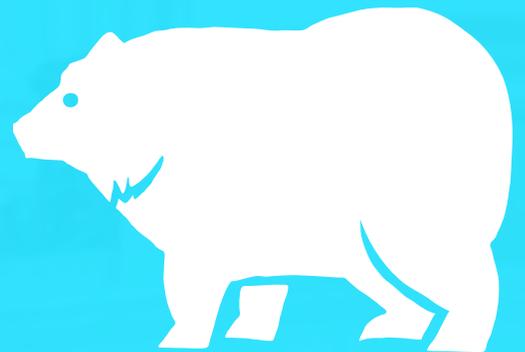
To the upside, COUR has resistance at the 10 day moving average of \$45.39 and the 20 day moving average of \$46.66. If those levels break, COUR shares would head to the pivot of \$49.15. At this time, the charts are indicating a greater probability of \$40.20 coming.



BULLISH OR BEARISH?



VS.



*Ultra
Bullish*



Bullish



Neutral



Bearish

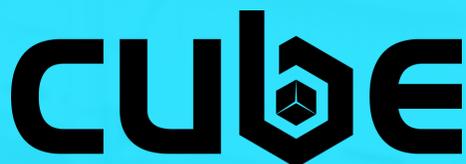


*Ultra
Bearish*

**MORE BULLISH
(POSITIVE)**



**MORE BEARISH
(NEGATIVE)**



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COUR CONCLUSION

Over the course of the last several reports, CUBE has wanted to put a marker between certain CUBE levels and we are going to start doing so with Coursera.

CUBE is moderately bullish on COUR. While COUR did meet much of our requirements in an investment, the main issue revolves around valuation. At over 12x this year's EV/Sales and our free cash flow projections, we think shares are slightly undervalued but do not believe COUR is an investment that is going to provide investors with 2-3x returns in the next 12-18 months. The company has done a phenomenal job growing their business but much of that is currently being reflected in the share price as we believe fair value is around \$45 per share.

Current risks that remain are net retention ratios as the economy opens up and overall competition - more specifically as it relates to the rise of free educational platforms like that of Khan Academy and Code Academy. Ultimately this comes down to a valuation story for CUBE and if shares do fall to the low-to-mid \$30s our rating would move fully to the next CUBE level of "Bullish".

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