

ETEC 522 A1

Transcription

Welcome, my name is Mark Pepe. I'm a Music Educator and operatic tenor from Vancouver British Columbia, and this is my Educational Venture Analysis.

Today I will be discussing the EdTech venture Codecademy.

They recently launched Codecademy for Business, and having myself role play as an investor in the EdTech field. Let's see if this is a worthy investment.

My questions to be answered for investing are:

Do the founders...

- have a goal?
- have a growth plan?
- have funding?
- have competitors?

What is Codecademy?

Codecademy is an online learning platform to learn coding. They offer courses on Subjects likes Web Development, Data Science, and Computer Science, and specific courses on Languages like HTML & CSS, Python, JavaScript, SQL to name a few. There are not just courses, but career paths. For example, rather than just learning HTML, you can follow a Web Development career path that will include HTML, CSS, and JavaScript which would include front-end and back-end developing.

Who are the founders, and why did they start this venture?

Codecademy was founded in a dorm room at Columbia University in 2011 by co-founders Zach Sims and Ryan Bubinsky.

Prior to Codecademy, Sims, the CEO, worked for GroupMe and drop.io while in school. He eventually dropped out of Columbia University to help solve the problems with modern education.

While at Columbia University, Bubinsky, CTO, developed algorithms as a researcher at Columbia University Medical Center. He graduated with a degree in Biophysics and Computer Science.

Both Sims and Bubinsky were TIME Magazine's "100 Most Influential People of 2013." Forbes Magazine and Inc. Magazine featured in "30 under 30 List."

Sims and Bubinsky found that there was a disconnect, a gap of knowledge and skill, between being in university and being in the workforce. They wanted to close that gap by teaching programming so that users who are seeking it can learn employable digital skills. They realized that learning didn't

just happen in the classroom, but with peers. This platform was designed to be adjunct to a traditional four year undergraduate degree while filling the need for a low cost education.

In an article published by Medium (2021), Sims said their master plan in 2011 was:

1. Help learners get the skill they need to find jobs and upgrade their careers
2. Help companies stay relevant by equipping their employees with digital skills
3. Build a platform to connect consumers and companies to each other and new opportunities based on those skills.

Who is using Codecademy?

Sims says they tend to fall into one of two buckets: those who are learning a discrete skill set, perhaps to build a website in a pinch, and those who are gainfully employed but looking to climb the ladder or switch jobs and who see Codecademy as a way to spend a couple of hours a week to develop the skills to get there. Roughly 60 percent of users are based in the U.S.; the rest are elsewhere, including in India and Brazil. “The need for coding skills “isn’t a U.S.-only phenomenon,”

Codecademy is for someone who wants to build their skill and knowledge for modern computing and design. Sims calls them Career Upskillers (those learning skills to perform better in their existing jobs), and Career Switchers (those becoming full-time developers).

It’s designed for the 21st century, asynchronous, anywhere learning. I do have a bias, because I have personally used, and subscribed to Codecademy last year during the pandemic. I would use it during my lunch breaks, prep time during my work day while teaching. It can be used on a desktop, laptop, tablet, or phone. A user can learn anything either for interest, to build upon their skills, or to learn something specific in a reasonable amount of time. A feature that it includes is as one progresses through lessons the work will automatically save so that it can be picked up where it was left off. This is valuable for the user in the workplace who is constrained by time. There are also forums available for discussion, and answers to common questions.

Where are they heading?

Codecademy currently has 150,000 paying Pro customers. They want to help learners. In 2020 during the COVID pandemic, they gave away 100,000 subscriptions to K to 12 learners who were out of school, and another 100,000 to people who lost work.

Their new product, Codecademy for Teams (which is part of Codecademy for Business - which also includes an Enterprise edition) launched beta in the fall of 2020 and already has 600 clients. These customers are non-technology companies like banks, consulting firms, and small businesses in data-literacy and tech-specific programming. Investors are seeing this as an awakening among companies that it is necessary to train employees. Customers include IBM, The Motley Fool, The Guardian, and even the University of Washington.

What are the investors saying?

Investors believe in this venture, after the initial seed round, Codecademy has gone through four funding rounds.

Codecademy started with \$12.5 million dollars in funding through an initial seed round in June 2011, \$2.5 million Series A in October 2011, \$10 million Series B in May 2012, \$30 million Series C in July

2016 Recently, Codecademy has received \$40 million in new capital in a Series D funding round. This was led by Owl Ventures, an EdTech focused venture capital fund. Amit Patel, managing director of Owl Ventures said “Codecademy has been on our radar for a long time, as one of the early, long-standing leaders in online learning,” In an article by EdSurge (2021), Sims said “We have worked on building a really capital efficient business over time...we’ve been cashflow positive for more than 18 months at this point.” Sims says that the new capital will be used to acquire businesses, expand into international markets, with India being a focus. As well as expanding the current curriculum.

Furthermore, to go through that many rounds of funding shows investors support the venture, believe in the aims and causes of the business, and are positive for a good return on their investment.

Other investors include Sir Richard Branson’s Virgin Group, and Index Ventures.

Where does Codecademy fit in the market?

I thought I would do my own quick study using Google Trends. I compared Codecademy with Udemy, Udacity, W3Schools, and freeCodeCamp as search terms, worldwide, between January 1st 2020 to May 31st 2021.

Udemy is searched the most, followed by W3Schools, with Codecademy and Udacity roughly at par, and freeCodeCamp being searched the least.

What does this mean? Even though Udemy is searched 16x more than Codecademy it not only offers courses in Python, Excel, JavaScript. It also offers other course content such as drawing, marketing, music, and personal development. In my opinion, having a more diverse course offering explains the large gap. Udemy courses cost around \$20.

The second large gap with Codecademy is with W3Schools. W3Schools is a great resource for references, examples, tutorials, and it even offers individual courses that cost around \$95. W3Schools provides excellent reference for when one is in a pinch to look up a specific piece of code. I definitely used W3Schools when learning in Codecademy.

Looking at this data, Codecademy’s main competitor which is at roughly the same amount of average searches is Udacity. Udacity seems to offer more than Codecademy but comes in at \$529 per month for a pay as you go user.

freeCodeCamp is free! It offers certifications for JavaScript, Python, to name a few.

From a purchasing stand-point it offers a mid-tier price point at \$240 per year, or \$40 per month, it also offers student pricing at \$150. But it does offer flexible pricing for small teams and enterprise packages which includes interactivity between users and progress reports.

Educational Venture Analysis

Even though it sits in the average for users I still see this as a worthwhile investment. The founders Sims, and Bubinsky, demonstrate integrity because they implemented their masterplan. This is shown by the large paying user base of 150,000 paying users, the focused planned expansion into India - which has a huge tech sector. According to Business Standard, this sector has increased its contribution to India's GDP from 1.2% in 1998 to 7.7% in 2017, and their recent venture into small business and enterprise with Codecademy for Business. Which allows for entire teams and companies to develop skilled workers and create connections in the company. Furthermore, the fact

that they are in the black with a positive cash flow shows that this company is in good financial hands and is fiscally responsible. As an investor, I would trust to have my investment Codecademy. Having been a user at one point, and I will probably join again, I'd like to say that I believe in the company. Even Warren Buffet says, "invest in a company that you yourself would like to own." Sims, Bubinsky, and the rest of the team are in this business for the long haul which makes this a valuable and worthy investment, in my opinion.

This concludes my Educational Venture Analyst Report, thank you for watching and listening.

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