



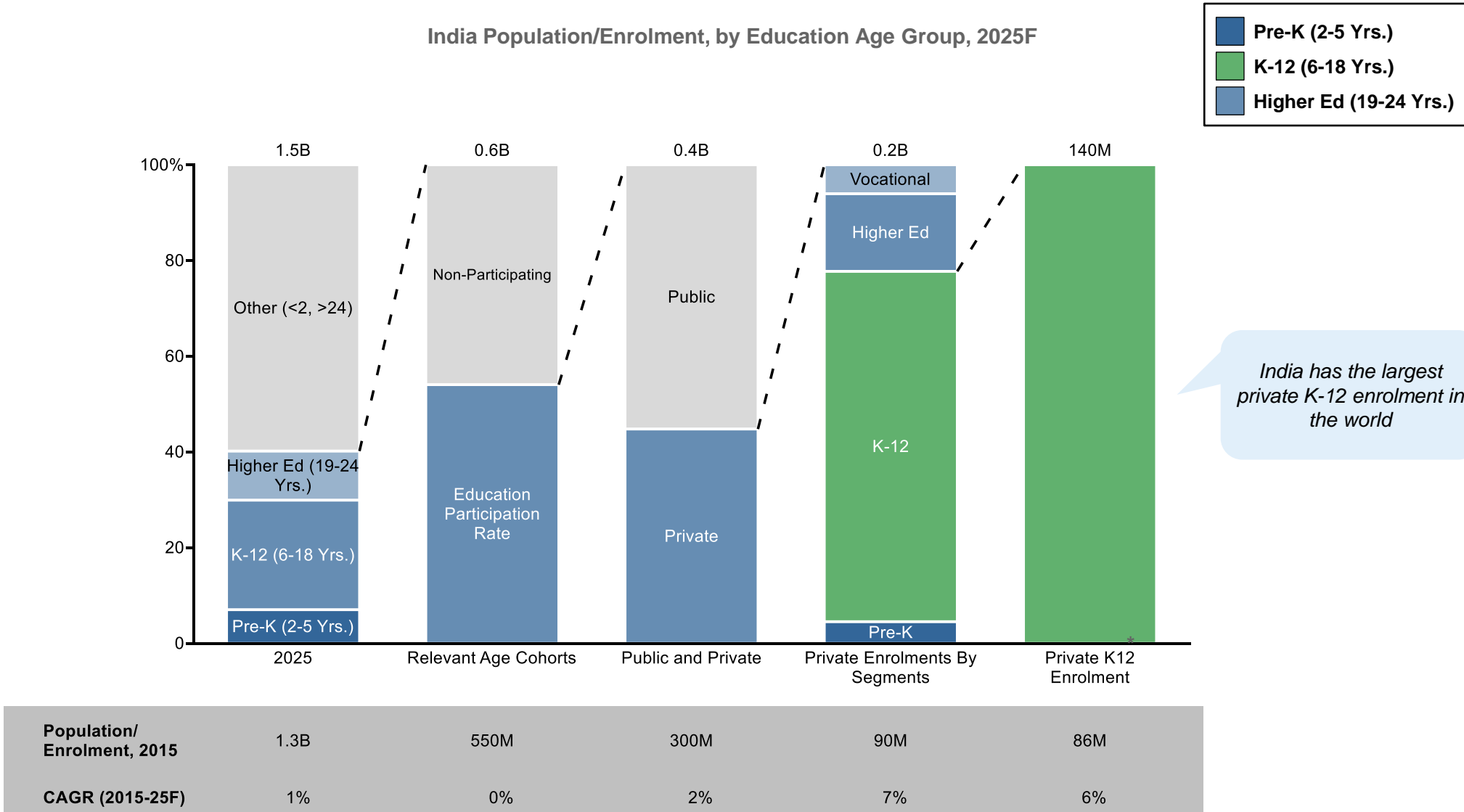
Perspectives on Global Education and K-12 Sector

EY-Parthenon

March 2020

India Education Overview

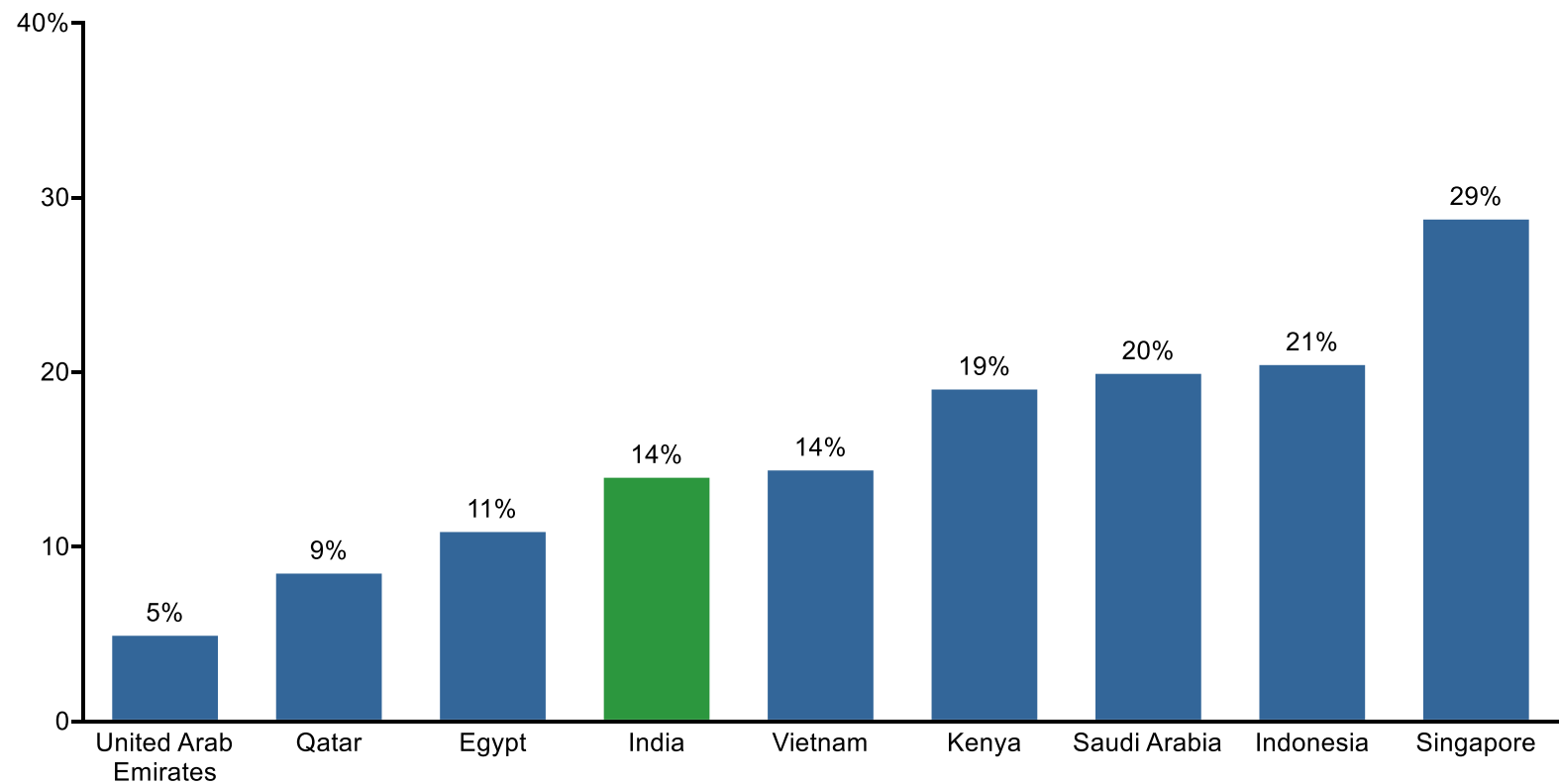
~50% of the ~400M children enrolled in some form of education in India are expected to be enrolled in private education by 2025, translating to ~140M students in the private K-12 school system



India Education Overview

India spends among the lowest on education amongst similar emerging economies

Expenditure on Education as a Percentage of Total Government Expenditure, 2018*

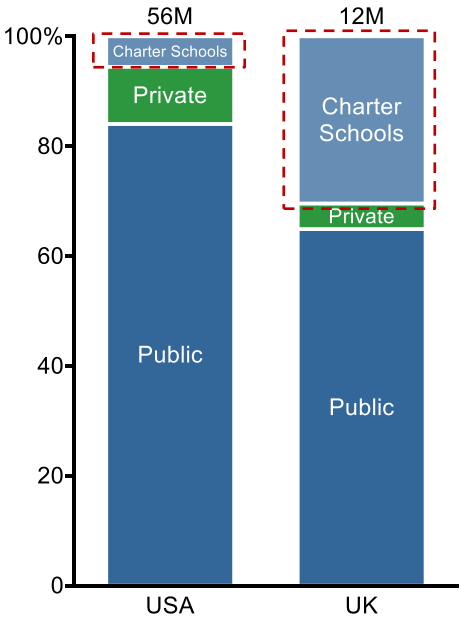


K-12 Perspectives

The global private education market enrolls ~500M students; demand is shifting from public to private K12 providers and for profit education frameworks exist across most markets

Developed markets with large public systems but growing charter independent schools (*privately run but publicly funded*)

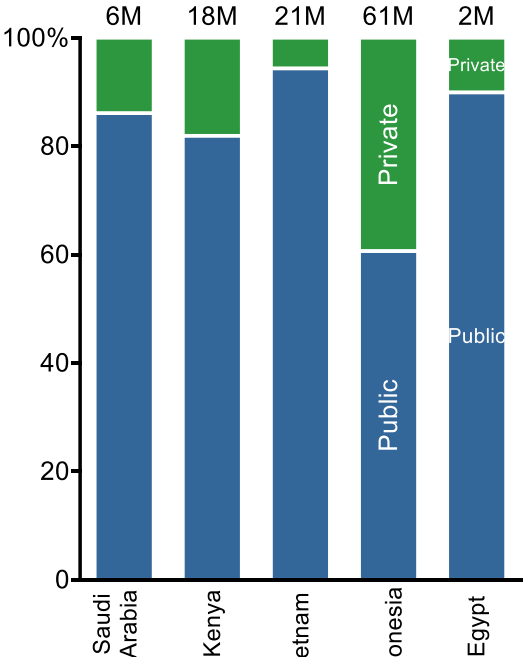
Public, Private, and Charter School Enrolment, 2018



Public enrolment CAGR, '15-'18	0%	1%
Charter enrolment CAGR '15-'18	4%	11%
Charter enrolment share, 2018	6%	30%
Charter enrolment share, 2015	5%	25%

Emerging markets with historically larger public systems, losing share to fast-growing demand for private education

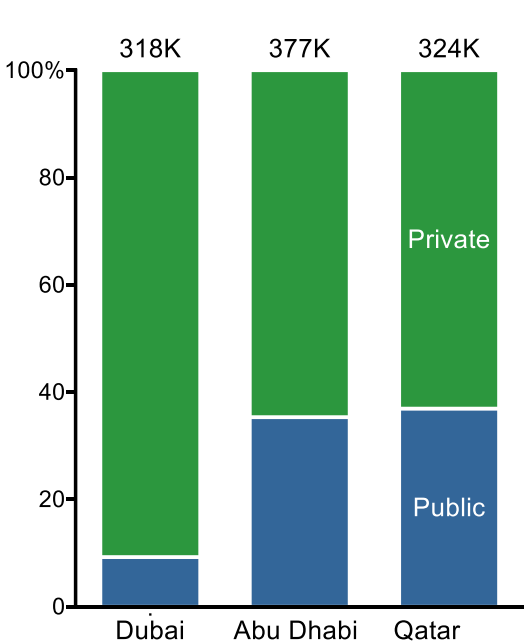
Public and Private Enrolment, 2018



Private enrolment CAGR '15-'18	3%	6%	9%	9%	6%
Public enrolment CAGR '15-'18	-4%	3%	1%	-2%	3%
Private enrolment share, 2015	11%	17%	5%	32%	9%
Private enrolment share, 2018	14%	18%	39%	39%	10%

Emerging markets with larger private enrolment continuing to grow

Public and Private Enrolment, 2018



Private enrolment CAGR '15-'18	5%	5%	5%
Public enrolment CAGR '15-'18	2%	2%	2%
Private enrolment share, 2015	90%	65%	62%
Private enrolment share, 2018	91%	65%	63%

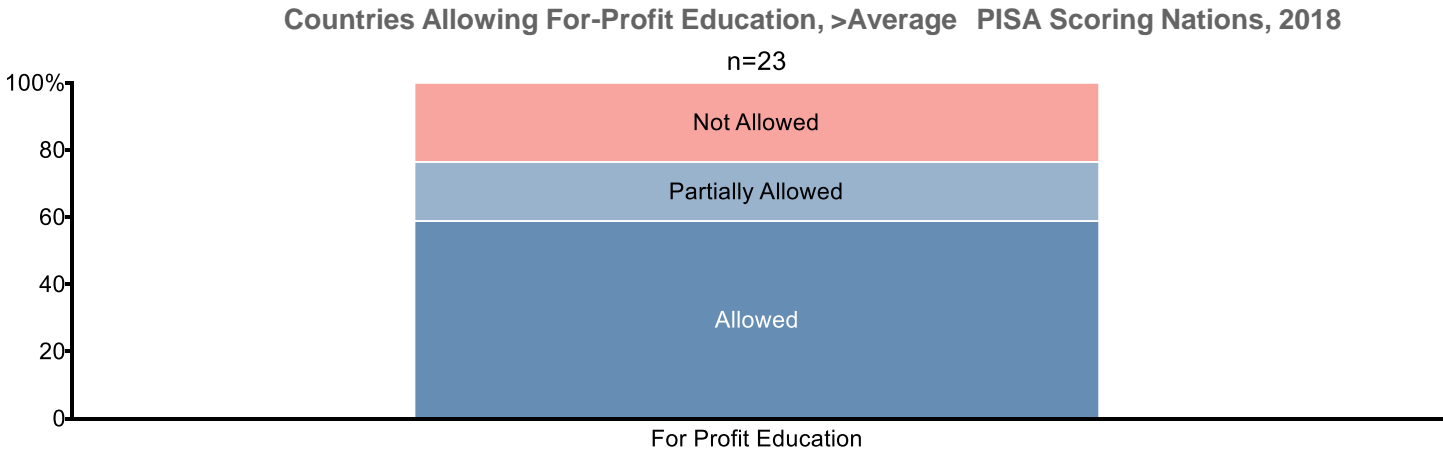
K-12 Perspectives

Regulatory environments in fast-growing economies are mostly favourable to the private sector, such systems have also catalysed better learning outcomes

- Unfavourable
- Moderate
- Favourable

	Singapore	Thailand	Vietnam	Indonesia	Dubai	Abu Dhabi	Oman	South Africa	Egypt	Kenya	Morocco	Uganda	India
Profit Repatriation	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Foreign Ownership	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
For-Profit Operations	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
PISA (Grade 4 Math Average)	569	419	NA	379	435		NA	NA	NA	NA	368	NA	NA

Majority of the top performing* countries on PISA tests allow for-profit education



* Countries where performance is higher than the OECD average. This is the mean score in PISA 2018 in mathematics.

K-12 Perspectives

Studies also show that privately-operated schools perform better than their public peers on metrics such as resources for instruction and disciplinary climate

Country	Average index of disciplinary climate <i>(positive sign indicates better disciplinary climate in private schools)</i>	Average index of material resources for instruction <i>(positive sign indicates better resources in private schools)</i>	Average index of teacher shortage <i>(positive sign indicate more teacher shortages in private school)</i>
Brazil	+	+	-
Dubai	+	+	-
Qatar	+	+	-
Indonesia			+
Thailand		+	-
New Zealand	+	+	-
Portugal	+	+	
Australia	+	+	-

K-12 Perspectives

A shift to private education is driven by better learning environment, and relatively better outcomes



Better Learning Environments

- ~58.7% of Indians cite “better environment for learning” as a major factor for opting for private schools till Grade 12
- Parents seeking the best educational opportunities for their children are **willing to pay more** to secure the **better resources offered by private schools**

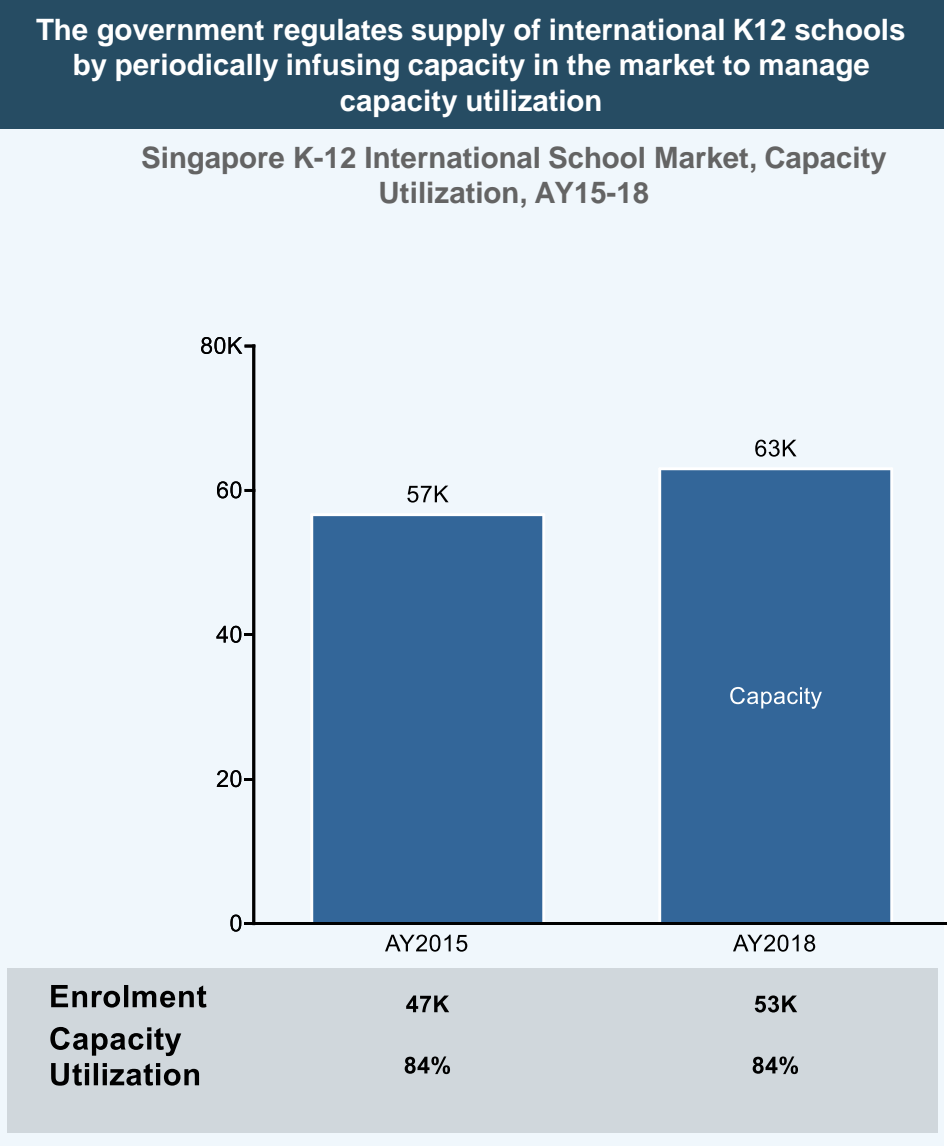
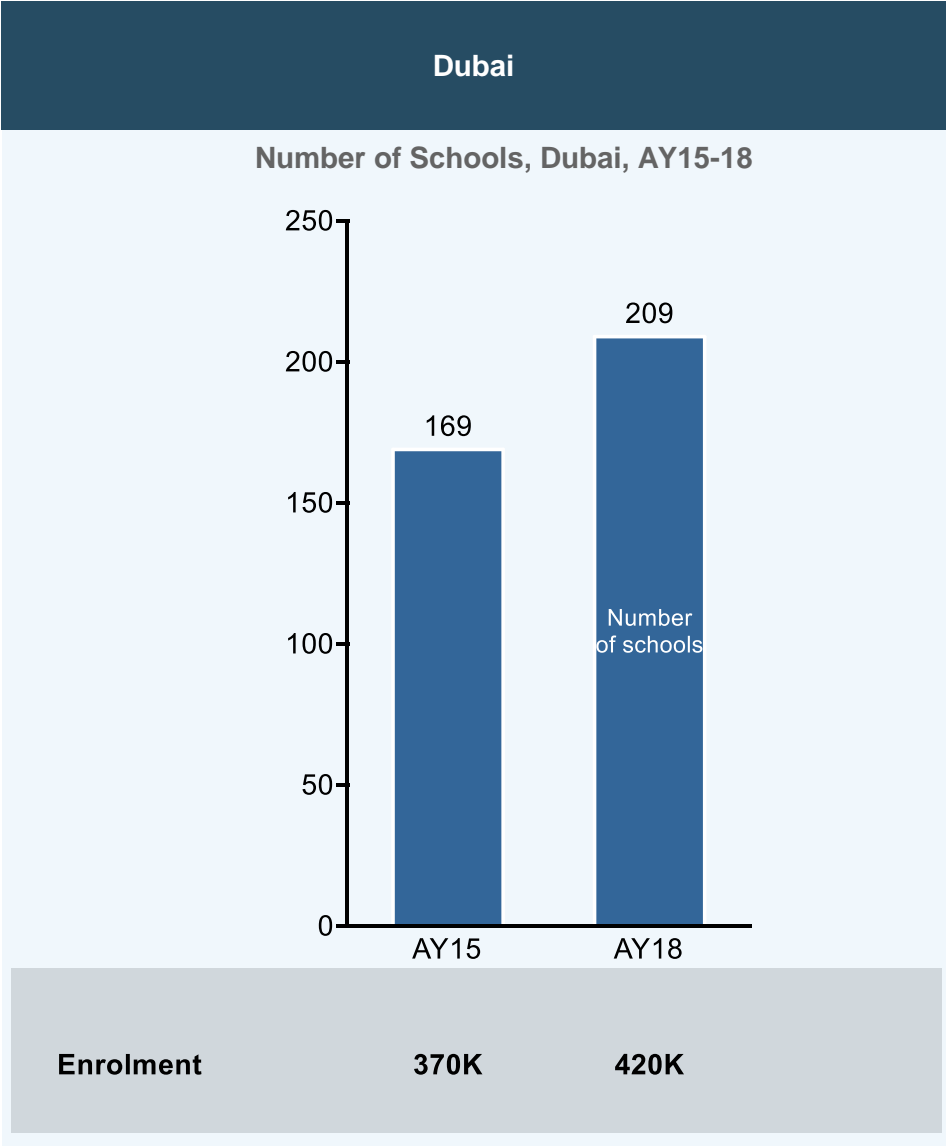


Better Outcomes

- Students in private schools have **fared better** than their public school counterparts across multiple countries
- For example, In India ~40% more students in private schools could **do simple division** as compared to those studying in public schools
- A 2011 study in Nigeria found that private school students consistently **achieve significantly better outcomes** than government school students
- The 2016 National Education Assessments in Ghana found a **23.5% difference** between the highest average scores for private versus public school pupils

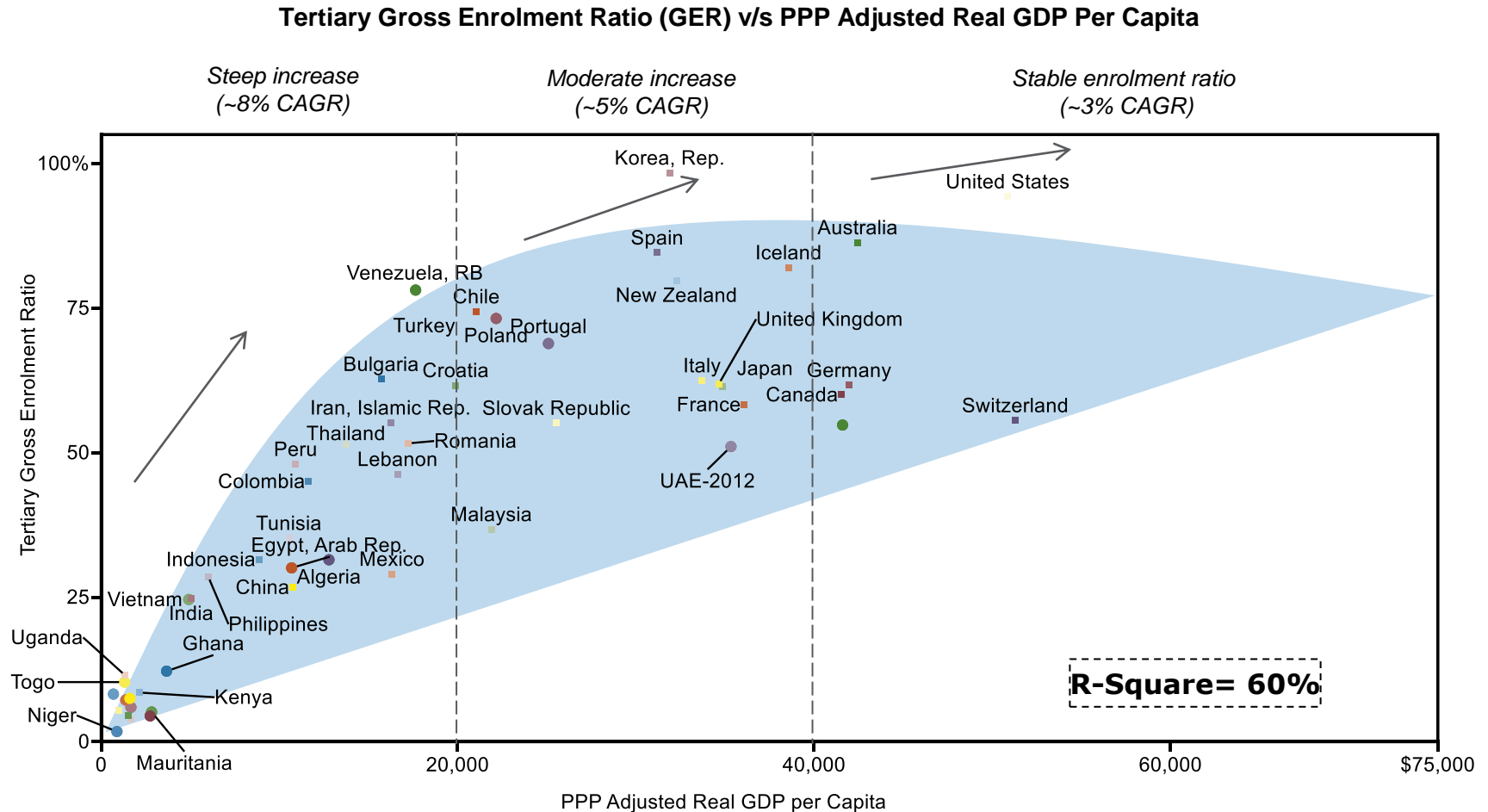
K-12 Perspectives

Favourable regulatory environments are also correlated to increased capacity in the private schools; seats are filled quicker in higher-ranked private schools



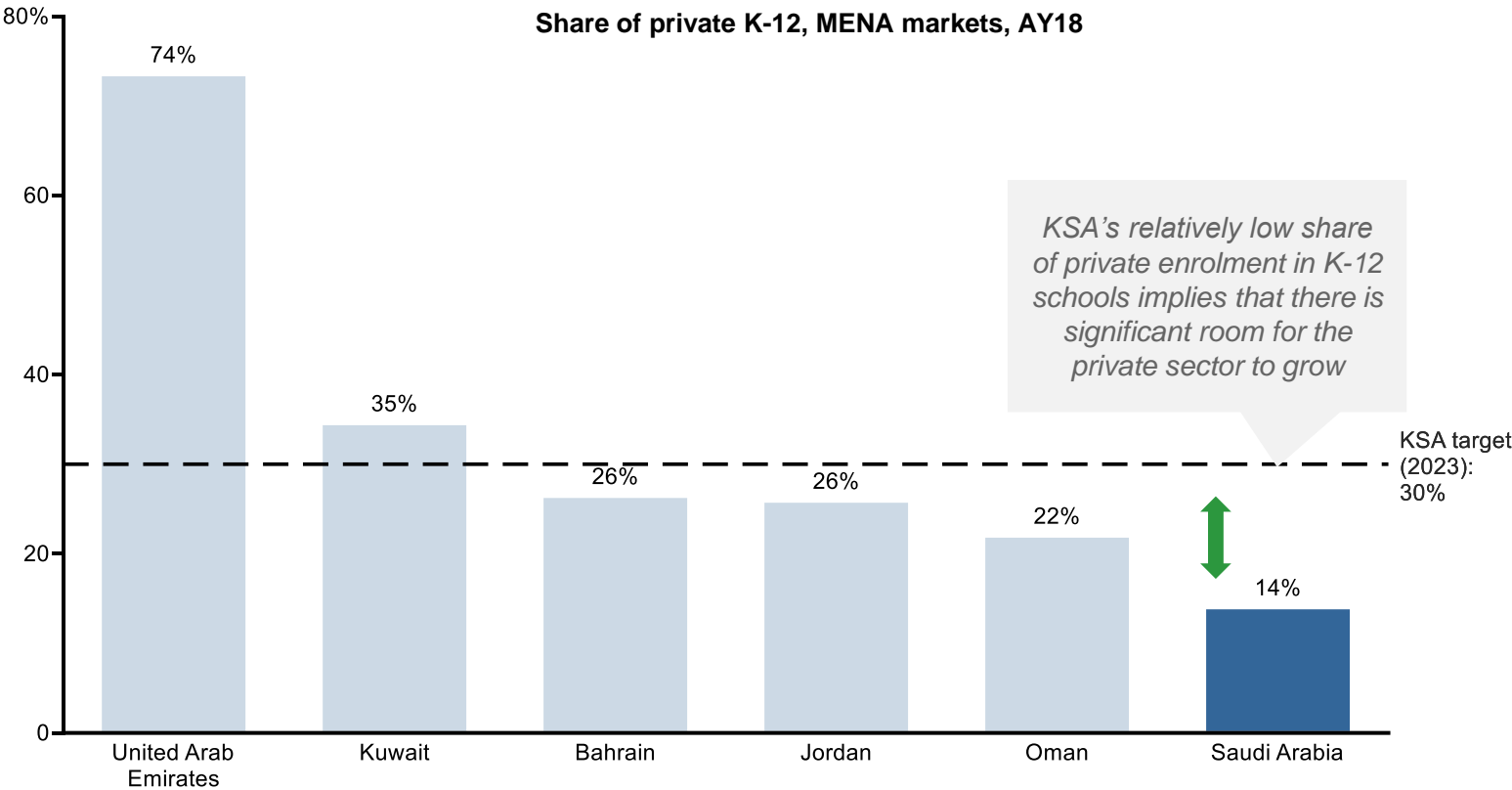
K-12 Perspectives

The clear correlation between a country's economic progress and increased attainment at each education level further reiterates the need for strong school systems that can quickly and efficiently add capacity to meet growing enrolment demand



K-12 Perspectives

The Saudi government has set a privatization target for K-12 schools and has launched initiatives aimed at raising private sector participation in K-12

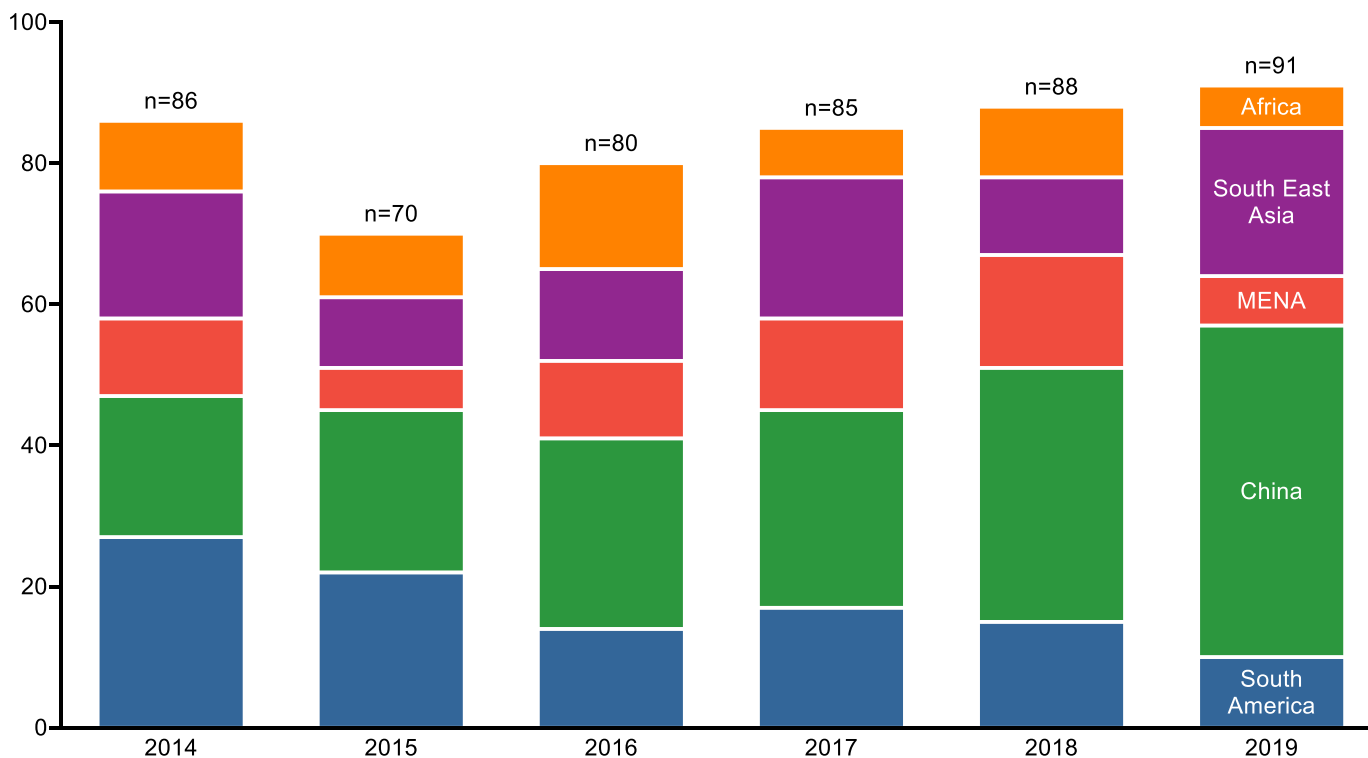


In order to be able to take advantage of the growing demand for private education and to leverage the Saudi Government's desire to encourage privatization, the government created a privatization committee and strategy

K-12 Perspectives

Favourable regulations have helped drive more than \$1B of deal flow in the K-12 sector in emerging markets*; education investment requires patient, long-term capital, and in the K-12 segment, provides negative working capital

Education Transactions,
PE, Corporate and non-tech, 2014-2019



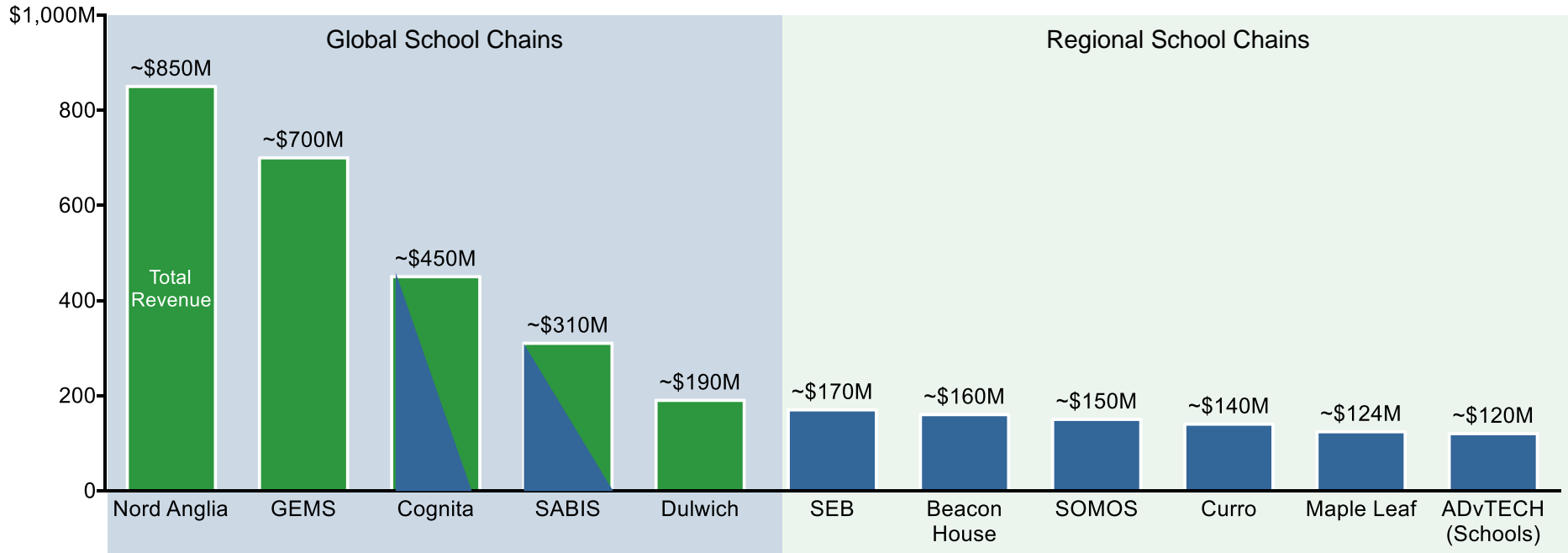
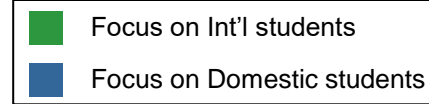
% deals in K-12	23%	24%	18%	27%	22%	21%
# K-12 deals	25	24	19	28	23	21

*Includes deals with disclosed deal values only

K-12 Perspectives

Ability to access private capital has enabled international school operators to invest both in improving quality and adding more capacity thereby enabling them to serve a much larger and diverse pool of students across the world

Estimated Tuition Revenues of Scale K-12 Companies, 2016



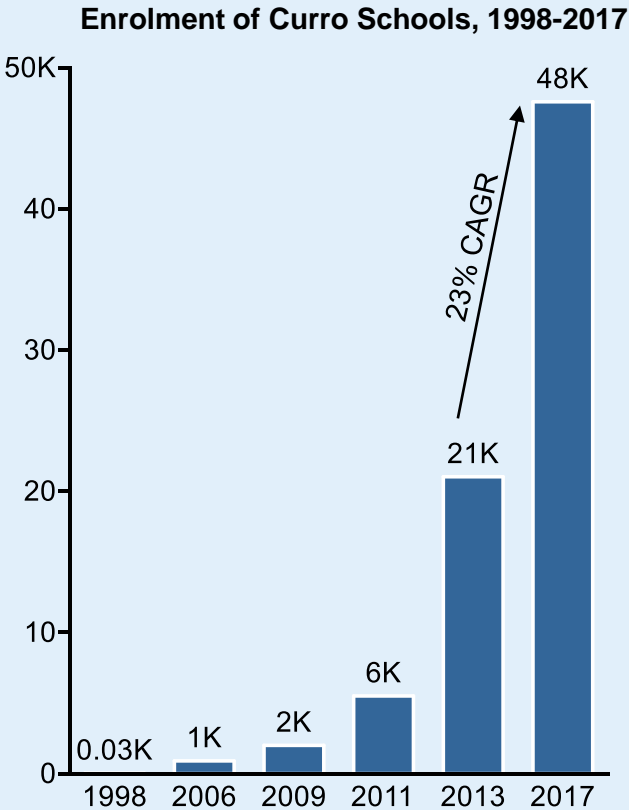
Latest funding	\$4.3B	\$1B	\$2.3B	NA	NA	NA	NA	\$1.5B	NA	\$124M	NA
Total funding	\$480M	\$1.2B	\$521M	NA	NA	NA	\$11.3M	\$365M	Public	\$3.94M	Public
Number of Schools	46	87	67	58	10	36	170*	32	54	46	47
Total Enrolment	34K	105K	22K	48K	7K	48K	274K	29K	48K	19K	24K
Geography Focus	Global	Middle East	UK, Singapore	Middle East	S.E. Asia	Brazil	Pakistan	Brazil	South Africa	China	South Africa

Private for profit providers have fewer constraints to deploy capital and can add seats at a significantly faster rate than public sector operators



Case Study: Curro Schools were able to quickly add capacity to meet enrolment demand

- 1 Among the 10 largest for-profit school groups, headquartered in South Africa (based on learner numbers globally)
- 2 Vision: Making independent school education more accessible
- 3 Four different brands operating at different tuition fee points
- 4 Curro grew to 127 schools in 2017
- 5 Plans to develop 80 new campuses by 2020, and reach 500 schools by 2030
- 6 It is now developing a tertiary education business run under “Stadio Holdings”



Number of campuses	1	2	3	12	26	54
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K-12 Perspectives

Involvement of corporates in the K-12 sector have created affordable, scalable school systems that cater to the rising middle class as a more cost-efficient proposition, such as Innova Education

Year Established: 2011

Founder: Carlos Rodriguez Pastor, CEO of **Sector:** Mid-priced, affordable K-12

Ownership: Family-run conglomerate, part of InterGroup

Student Enrollment



~50,000

Fee



\$100/ month

Started in: Peru

International Reach: Opened its first school in Mexico in 2019

The Challenge

- Lift up the middle class of a developing economy through education
- Redesign the K–12 learning experience for a growing network of schools—from the curriculum to the teacher training to the school buildings—with an eye toward expansion and a goal to provide international-quality education at an affordable price.

The Product

- Curriculum, teaching strategies, buildings, operational plans, and an underlying financial model to run the network of schools and position it to scale quickly.
- 60 school network

Innova Schools are a Peruvian network of affordable private schools

How it Works

► **Pedagogy:** blended-learning model. A typical day is spent with student rotating through two different configurations:

- **Collaborative Component:**

30 students collaborate with each other for peer-to-peer learning while one teacher acts solely as a guide. Everyday, a new challenge is proposed by the teacher, on which students ideate in groups and propose and present a possible solution

- **Self-led Component**

60 students work independently through ed-tech products like Khan Academy, Pearson's My Learner etc. Teachers simply act as moderators: reminding students of the skills they should be on pace to learn, where those resources can be accessed, and then giving them autonomy to drive their own learning.

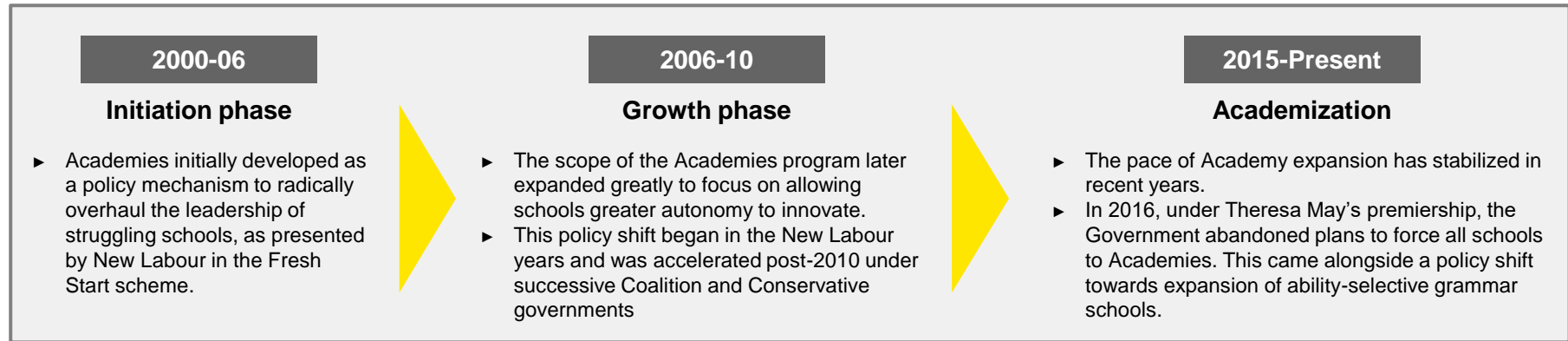
► **Teacher Resource Centre:** stocked with over ~20K lesson plans to guide the teachers with lesson delivery since it hires inexperienced teachers owing to lower salaries

Infrastructure

- Modular structures created with open spaces and flexible furniture to complement the blended learning model.
- For example: to ease the transition between collaborative component and self-led component, classrooms are designed with sliding walls so that two smaller classrooms could be transformed into a large one, allowing one teacher to supervise two classes during independent learning sessions

K-12 Perspectives

The UK introduced Academies and Free Schools to allow public schools to be run by private operators



Overview of school system in the UK, by category

	Academies	Free Schools	Maintained	Independent
Overview	A school autonomous from local authority (LA) control, either on its own (SAT) or as part of a chain of Academies (MAT)	A type of new Academy set up in response to local demand; can be set up by community groups, such as parents and teachers	State-funded schools under LA control; includes special school types such as grammar schools (selective) and Pupil Referral Units (e.g., for excluded pupils)	Fee-paying schools outside the scope of the state-funded system
Curriculum	Exempt from National Curriculum	Exempt from National Curriculum	Must follow National Curriculum	Exempt from National Curriculum
Assessment	Must assess students as per funding agreement	Must assess students as per funding agreement	Required to assess pupils at all key stages taught	Not required to perform national testing, but majority do
Funding	Disbursed directly from central government	Disbursed directly from central government	Disbursed by local authority	Privately funded
Autonomy in spending	Freedom in how funds spent	Freedom in how funds spent	"Central services" portion of budget is held by LA	Freedom in how funds spent
Screening allowed?	No	No	Yes for grammar schools only	Yes

K-12 Perspectives

The US charter school model has provided a much wider set of choices to parents across different income and ethnic segments



Metrics	US charter schools
Introduction	<ul style="list-style-type: none">▶ Federal support for public charter schools began in 1995 with the authorization of the Public Charter Schools Program (PCSP), administered by the U.S. Department of Education▶ More than ~6.8k charter schools are now open across US (~6% of U.S. public school students)▶ Charter operators can be both for profit as well as not for profit school operators
Model	<ul style="list-style-type: none">▶ Most states have a charter law that articulates which entity or entities can authorize new charter schools▶ The U.S. Department of Education competitively awards charter school start-up grants (CSP funding) to states that apply, based on projected estimates of their level of chartering activity
Success	<ul style="list-style-type: none">▶ More choices for parents (and significantly higher performance in some cities) where quality school choices are limited▶ Attract more talent to schools and provide greater flexibility in curriculum and operations (including labor) compared to district schools▶ In some markets, collaboration and sharing with district schools to improve the quality of education across the system

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