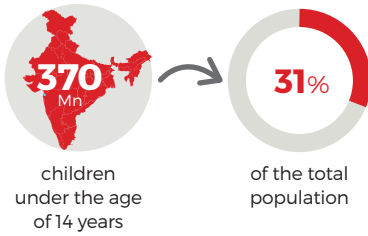




PE Investment

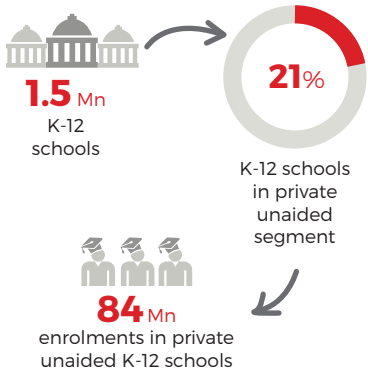
in K-12 Schools in India



India has one of the youngest populations in the world, making education a priority sector in the country. There are nearly 370 Mn children under the age of 14 years, forming about 31% of the total population.

There are an estimated 1.5 Mn K-12 schools in India, of which approx. 21% are in the private unaided segment, with enrolments of around 84 Mn students.

K-12 SCHOOLS



A paradigm shift

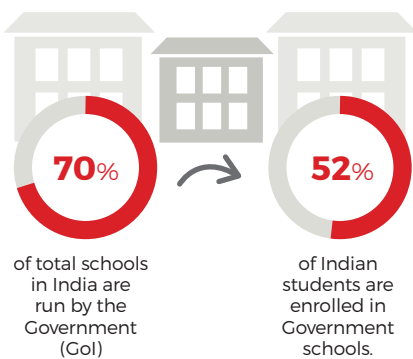
With an average of 52 births every minute, the country's population is projected to grow at a steady rate of 1.02% p.a. for the next 5 years. The consistent increase in the young population point towards the tremendous growth potential for the K-12 education sector in India. Though this clearly demonstrates the scale of the growing market, there are important changes that are influencing the structure, composition, and opportunity in the K-12 market. In recent years, the K-12 market has undergone a massive makeover and this paradigm shift is mainly due to the interplay between:

1 Government's inability to provide quality education

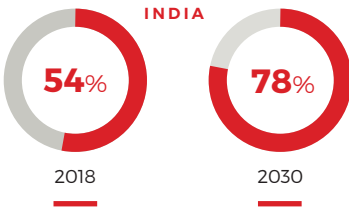
The allocation towards the education sector in the Union Budget has been relatively low in the past years. There is no significant rise in the net allocated funds for facilitating quality education and establishing infrastructure facilities in line with the rising demand. The quality of education in government schools is dismal due to high student teacher ratio and lack of proper facilities.

The Government of India (GoI) has also failed to take necessary steps to upgrade the chain of Kendriya Vidyalayas (KVs) (best ranked public schools) to cater to the rising demands for quality education. Presently, there are only 1235 KVs enrolling a total of 1.3 Mn students. GoI has proposed to build 50 new KVs in 2019 but the number is still insufficient with demand outpacing supply. The GoI is highly dependent on corporate funding to build infrastructure for providing quality education as evident in draft education policy (2019) which urges philanthropists and corporates to focus their CSR spends on schools.

GOVERNMENT SCHOOLS



MIDDLE CLASS HOUSEHOLDS



2 The emerging Indian middle class

wing to rapid economic development, India has witnessed a huge upsurge in middle class households in past decade. It is estimated that additional 500 Mn middle and high income earners will get added to the economy until 2030.

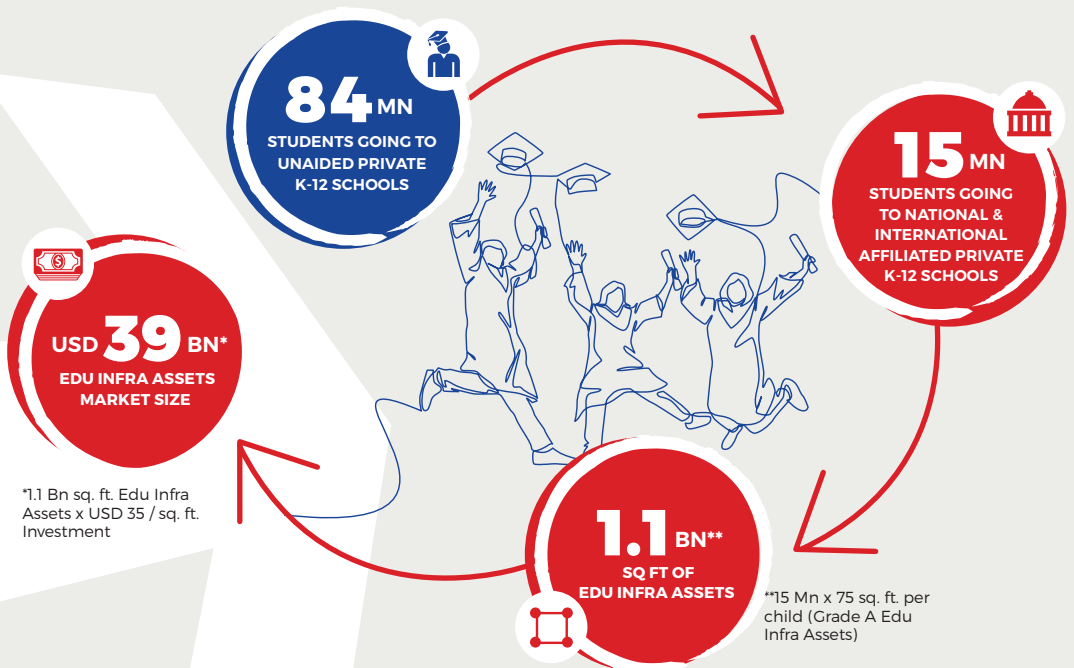
These middle-class families are the new pillars of consumption. Parents in this income segment aspire to train their young minds in most cohesive schooling environment putting great emphasis on a practical driven approach for studies. Increasing demand for private schools largely stems from these aspirations, which in turn shapes the K-12 opportunities.

3 Accessible Private Education

Unlike other nations where private education is only for the elite and upper class, private education in India is accessible by middle-class households as well. It is estimated that c. 40% of the Indian parents pay fee in price range of USD 300 – USD 1600 per student per year which primarily constitutes the urban lower and middle class household.

The choice of a private school is determinant of parent's income bracket. As the income level increases, parents prefer to send their kids to private school offering better experience and infrastructure.

EDU INFRA MARKET SIZE



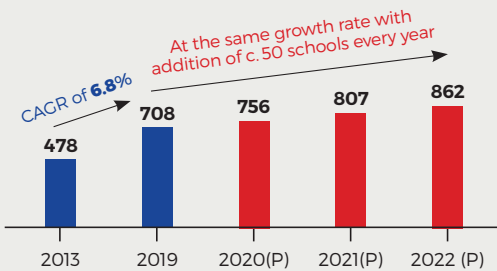
International curriculum school market: Key Growth Drivers

DRIVER | 1

Increasing affordability and willingness of Indian middle class to spend

It is estimated that the urban Indian parents spend an average of about 5%-6% of their disposable income on education. There is a distinct increase in Indian middle class with high disposable income and affinity to spend on better education, translating to higher demand for national and international curriculum schools. The market has witnessed acceptance of international schools in the last decade wherein the number of schools have increased from c. 480 in 2013 to 700+

GROWTH OF INTERNATIONAL BOARDS AFFILIATED SCHOOLS



DRIVER | 2

Changing aspirations of parents

In today's fiercely competitive job market, education is highly prioritized by Indian parents, who are willing to make numerous sacrifices to meet education expenses. There is also a strong perception and preference towards international curriculum school as they are expected to offer better global alignment, exposure to a much wider variety of study areas and more hands on teaching methodologies.

89% Parents are ready to make personal sacrifices to meet education expenses of their children

26% Parents drastically reduced or completely stopped leisure activities and holidays

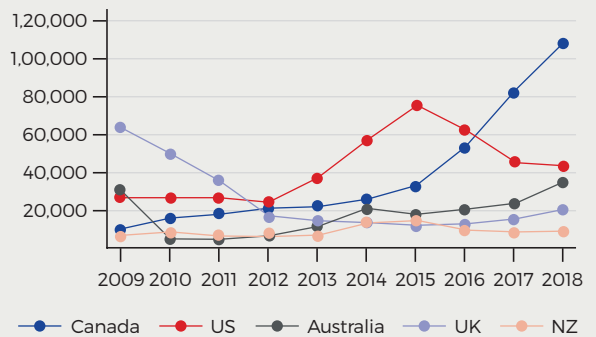
34% Parents have changed their working style, work long hours to support to their child's education

DRIVER | 3

Increase in students opting to go abroad for higher studies and for employment in the recent years

Students who wish to pursue their higher studies overseas typically prefer international boards for better exposure and alignment. Over the last decade, there is a sharp increase in students going abroad for higher studies, especially to USA, UK, Canada and Australia.

GROWTH IN INDIAN STUDENTS GOING ABROAD



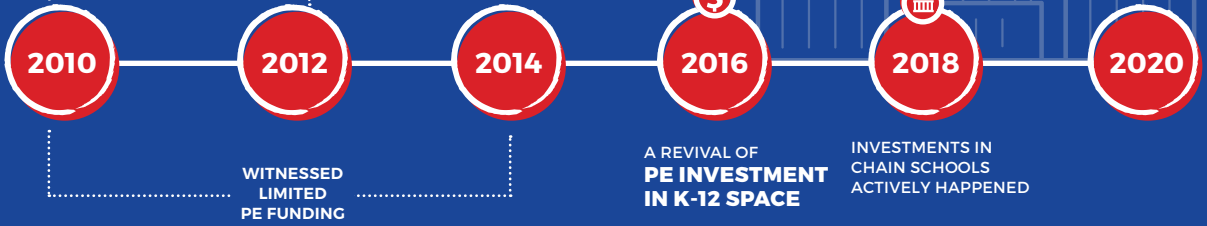
*Source: Competitive Careers

DRIVER | 4

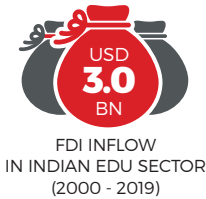
Increase in acceptance of international curriculum by Indian universities

With increasing number of students enrolling under international boards, there has been a wider awareness and acceptance of students passing out from these boards by Indian universities. Mismatch in admission dates (IB results dates are typically after admission cut off dates in most Indian universities/ colleges) is being managed by providing predicted scores based on past performances and provisional admissions. Indian universities have also developed a Grade to Percentage conversion system, making accepting international board pass outs easier. Institutions such as Delhi University, University of Mumbai, Christ University, etc. as well as several entrance exams bodies for design, architecture and medicine are now accepting these changes.

- ASCENT CAPITAL INVESTS USD 13 MN IN PEOPLE COMBINE
- RELIANCE CAPITAL INVESTED USD 14 MN IN PATHWAYS WORLD SCHOOL.
- NEW SILK ROUTED INVESTED USD 25 MN IN SRI CHAITANYA



REVIVAL IN PE INVESTMENTS IN K-12



Major drivers for revival in PE funding

The total Foreign Direct Investment (FDI) inflow into the Indian education sector for the period ranging from April 2000 to December 2019 stood at USD 3.0 Bn.

Source: Department for Promotion of Industry and Internal Trade Statistics

ACCEPTABLE STRUCTURES

The present investment structures have stood the test of time and are widely accepted by PE investors. The well-defined investment structure ensures a hassle-free path for investors, thus facilitating quick decision making and speedy evaluations at their end.

EVOLUTION OF PLAYERS

Operators have matured over the years and are ready to meet the higher standards of professionalism and governance that PE investors demand. New private players are emerging and leading the way by overcoming 3 major challenges faced by education sector-expansion, equity, and excellence.

SUPPORTIVE GOVERNMENT REGULATIONS

To establish India as a preferred destination for Education, GoI has initiated schemes like 'Study in India' which will aid in enrolment of foreign students in Indian higher educational institutions. GoI is also extending support for the development of private universities. Currently, there are 127 deemed & 349 private universities across India.

TECHNOLOGY LED GROWTH

Education sector is in boom buoyed by disruptive and innovative tech-led practices. The traditional operators have partnered with EdTech start-ups to provide a transformative experience through smart classrooms and e-learning. India has emerged as 2nd largest e-learning market after USA which is further expected to reach USD 1.96 Bn by 2021.

SCALE & SIZE

India has a strong network of 30+ national school chains with each having USD 75Mn+ annual turnover. Several private/deemed universities with 50+ acres campus and world-class infrastructure facilities are also emerging in different parts of country. The annual turnover of top 50 private & deemed universities is expected to be USD 100 Mn+ each.

RECESSION RESILIENT SECTOR

Education sector has largely shown resilience towards the economic fluctuations and business shocks. Embracing the digital wave and tech revolution in education space, its capability to withstand the disruptions in business cycles has made it a lucrative investment avenue providing secure returns to the investors.

Marquee Deals in K-12 Space



Nord Anglia Education, a UK-based school chain backed by **CPPIB** and **Baring PE**, acquired Oakridge International a popular private school chain in Hyderabad for USD 200 Mn in February 2019.

KKR

Global investment firm **KKR & Co** acquired a majority stake in education provider EuroKids International Pvt for USD 209 Mn from the existing investor consortium led by Gaja Capital in September 2019.



Ryan EduNation invested USD 18 Mn to acquire Pearson India's managed school platform in December 2019. **Ryan EduNation** is a managed school platform jointly operated by **Foundation Holdings** (UAE-based family investment office) & **Ryan International Group of Institutions**.



Cognita, a global private schools' group backed by **Jacob Holdings** based out of Zurich, added India to its network through acquisition of Chirec International School (Hyderabad) for USD 100 Mn in November 2019.

Morgan Stanley



Morgan Stanley PE & Banyan Tree invested USD 75 Mn in Narayana Group of Educations' education service firm NSPIRA in 2018. Narayana Group of Educations has 200+ schools mainly in South India. NSPIRA has previously raised USD60 Mn from Olympus Capital Asia Credit and CX Partners' mezzanine fund in 2016.



Xander Group Plc invested USD 17 Mn in Bengaluru based Carmel School in Feb 2018.

PROVIDENCE EQUITY

Providence Equity Partners, the US private equity firm that owns major international providers Study Group and Galileo Global Education, has acquired NACE Schools from Magnum Capital in 2017. NACE operates 7 schools under The Indian Public Schools (TIPS) brand in Tamil Nadu & Kerala



Kaizen invested USD 4 Mn in Sequoia backed K-12 Techno Services in 2016. K-12 Techno runs Orchids International Schools across India.





Cerestra has closed deals in EduInfra market to the tune of USD 150 Mn and have forged strong partnership with 4 leading Global and National School Operators.



2016 Partnered with **Witty Group of Institutions**

Acquired 2 Witty International Schools. WGI operates chain of pre schools & K-12 schools across Maharashtra & Rajasthan.



2016 Partnered with **Jain Group of Institutes**

Acquired 4 Jain Public Schools across Karnataka, Andhra Pradesh and Chattisgarh. JGI is an established school chain with a portfolio of 85 operational educational institutions



2017 Partnered with **Saint Mary's Educational Society**

Acquired Sancta Maria International School in Hyderabad (Telangana). St Mary's is a renowned education provider with 38+ years of experience.



2018 Partnered with **EuroKids Group**

Acquired Billabong International School in Pune (Maharashtra). EuroKids is India's leading childhood care, pre-schools, daycare, K-12 schools operator.



2020 Extended partnership with **Jain Group of Institutes**

Acquired eduinfra assets of Jain International Residential Schools (Full Boarding & Weekly Boarding) in Bengaluru (Karnataka).

Marquee Deals in Non K-12 Space

1

STUDENT HOUSING



Falcon Edge Capital invested an undisclosed amount in Stanza Living in July 2019. Stanza Living is a student housing startup with 45,000 beds across 10 Indian cities.



Times Internet along with existing investors **Kalaari Capital** and **500 Startups** invested USD 8 Mn in Oxfordcaps in March 2019. Oxfordcaps is a branded and tech-enabled student housing startup with 15,000 beds across 12 cities.



HDFC Ltd invested USD 10 Mn for acquisition of 25% stake in **Goldman** backed Good Host Spaces Pvt Ltd in August 2018. Good Host Spaces Pvt. Ltd offers student housing facilities under the brand name New Door.



Cerestra ventured into student housing through acquisition of residential blocks of Jain International Residential School and Engineering University located within Jain Global Campus in Bengaluru (Karnataka) in January 2020.

Marquee Deals in Non K-12 Space

2

ED TECH



Manta-Ray Ventures Limited invested USD 5 Mn in Cuemath in December 2019. Cuemath is an ed-tech startup offering after-school math learning programmes and counts **Sequoia Capital** & **CapitalG** (Google Capital) among its existing investors.



Tiger Global and **West Bridge Capital** invested USD 42 Mn in Vedantu in August 2019. Vedantu is an online tutoring platform and counts Accel, Omidyar Network India and TAL Education among its existing investors.



Qatar Sovereign Fund invested USD 150 Mn in Byju's in July 2019. Byju is India's edtech unicorn that counts General Atlantic and Chinese conglomerate Tencent amongst its existing investors.



Steadview Capital, **Sequoia Capital**, **Nexus Venture Partners** and **Blume Ventures** jointly invested USD 50 Mn in Unacademy in June 2019. Unacademy is India's largest online learning platform.



Gaja Capital invested USD 25 Mn in Educational Initiatives in July 2018. Educational Initiatives is an ed-tech company recognized for its adaptive learning offerings and counts Footprint Ventures, IFMR, and Novak Biddle Venture Partners as its existing investors.

3

OTHERS



Soft Bank backed First Cry, online store for baby and kids' products entered into education space through the acquisition of Oi Playschool in November 2019. The company plans to expand the network of Oi Playschools to 1000 across the country by 2024.



Cerestra Knowledge Center is a dedicated research desk focusing on the niche real estate segments like education, life sciences among others.

Cerestra Advisors is a research led private equity firm investing in "Socially Relevant" and "Business Critical" assets.