



PARTHENON

Investing in Asian Education: Opportunities and Challenges

Prepared for the HKVCA-Parthenon
MasterClass

Hong Kong

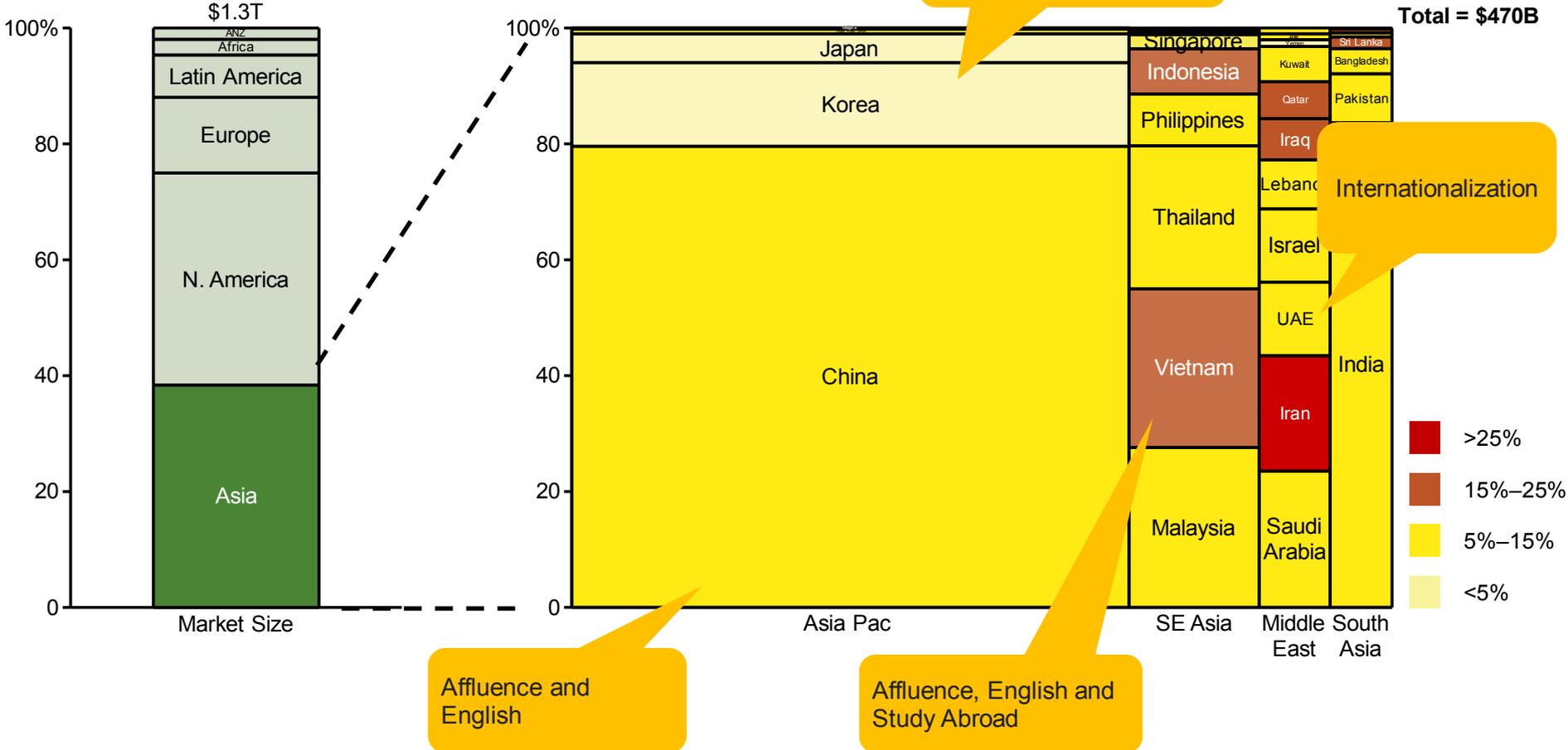
December 2014



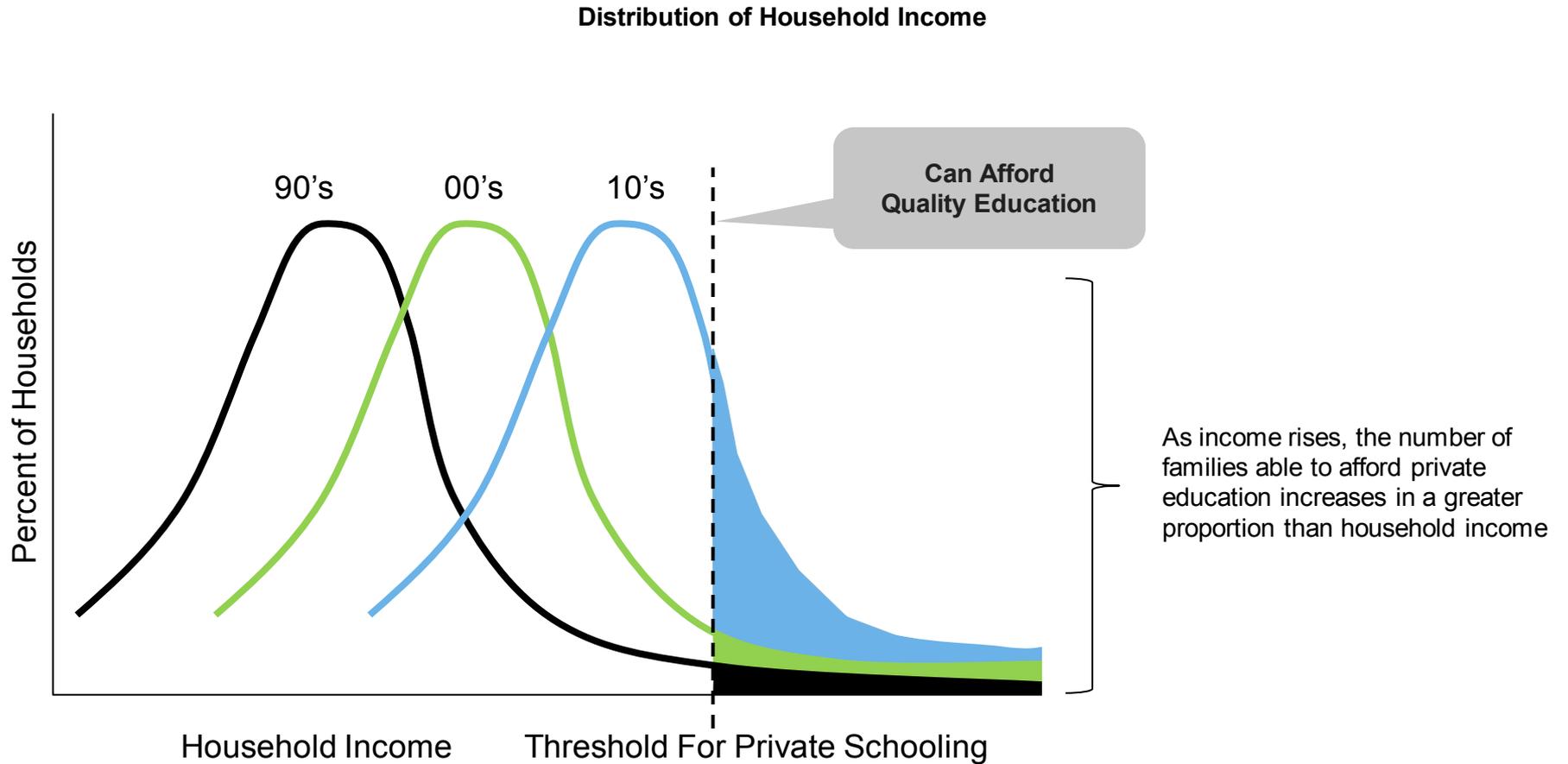
Globally, private education is a \$1.3T market. Asia accounts for 40% of this spend

Private Education Market Size in Asia, By Region, 2012

Private Education Market Size, By Continent, 2012



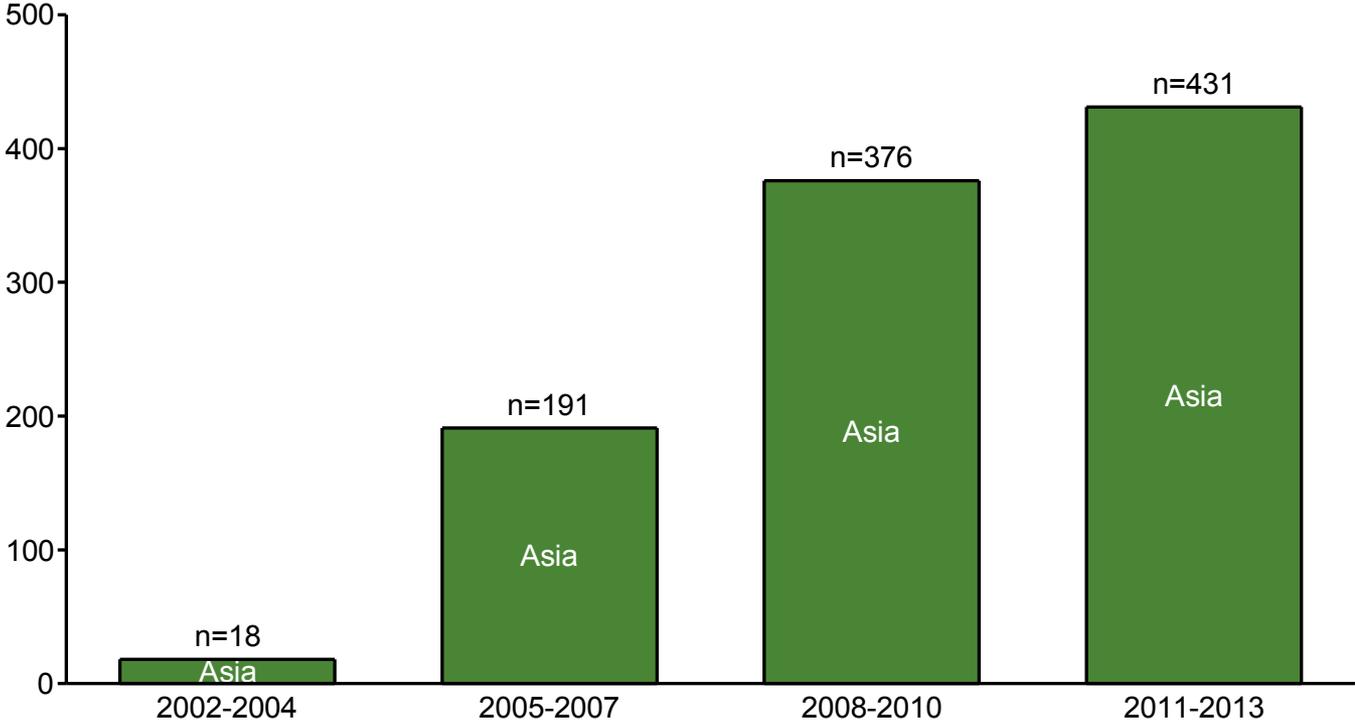
Globally education markets are fueled, primarily, by rising household wealth



As average household income rises, the number of households above the private education affordability threshold rises more quickly

The last decade has witnessed an exponential increase in investor participation in Asian Education

Completed M&A Activity in Emerging Private Education Markets, 2000-2013



Global Deals Totals	2002-2004	2005-2007	2008-2010	2011-2013
	101	349	637	788

Education segments vary widely in character

	1 Long-Term Revenue Visibility	2 High Barriers to Entry	3 Demand Greater than Supply	4 Prices Rising Higher Than Inflation	5 Negative Working Capital
Higher Education	✓	✓	✓	✓	✓
K-12	✓	✓	✓	✓	✓
Transnational Education	~	✓	✓	✓	✓
English Language Learning	~	~	~	✓	✓
Vocational Education	~	~	~	~	✓
Publishing	~	~	~	~	~

Evaluate assets on the strength of their attributes

Common Challenges to Investing in Education

**Fragmented
Markets**

**Small
Assets**

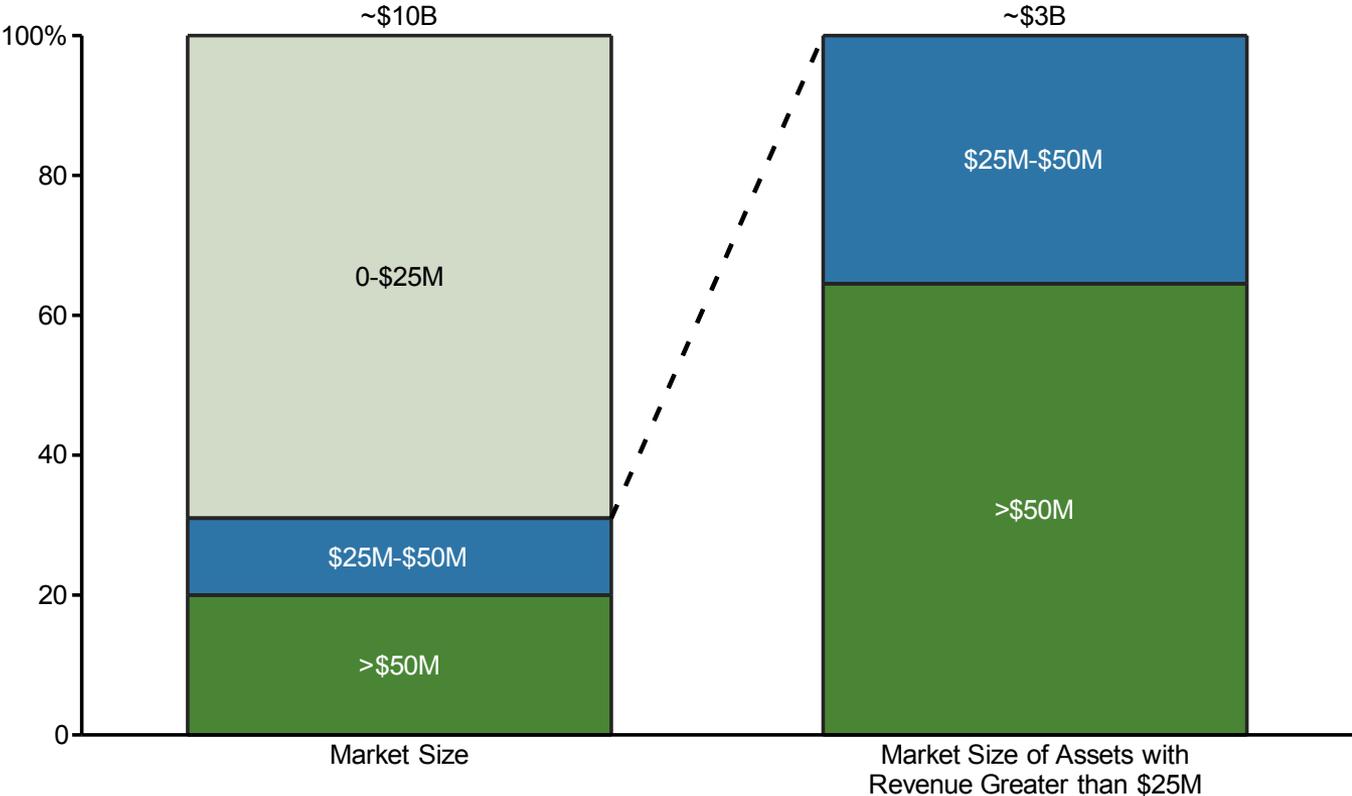
**Sparse
Information**

**Time-
Consuming
Process**

Regulations

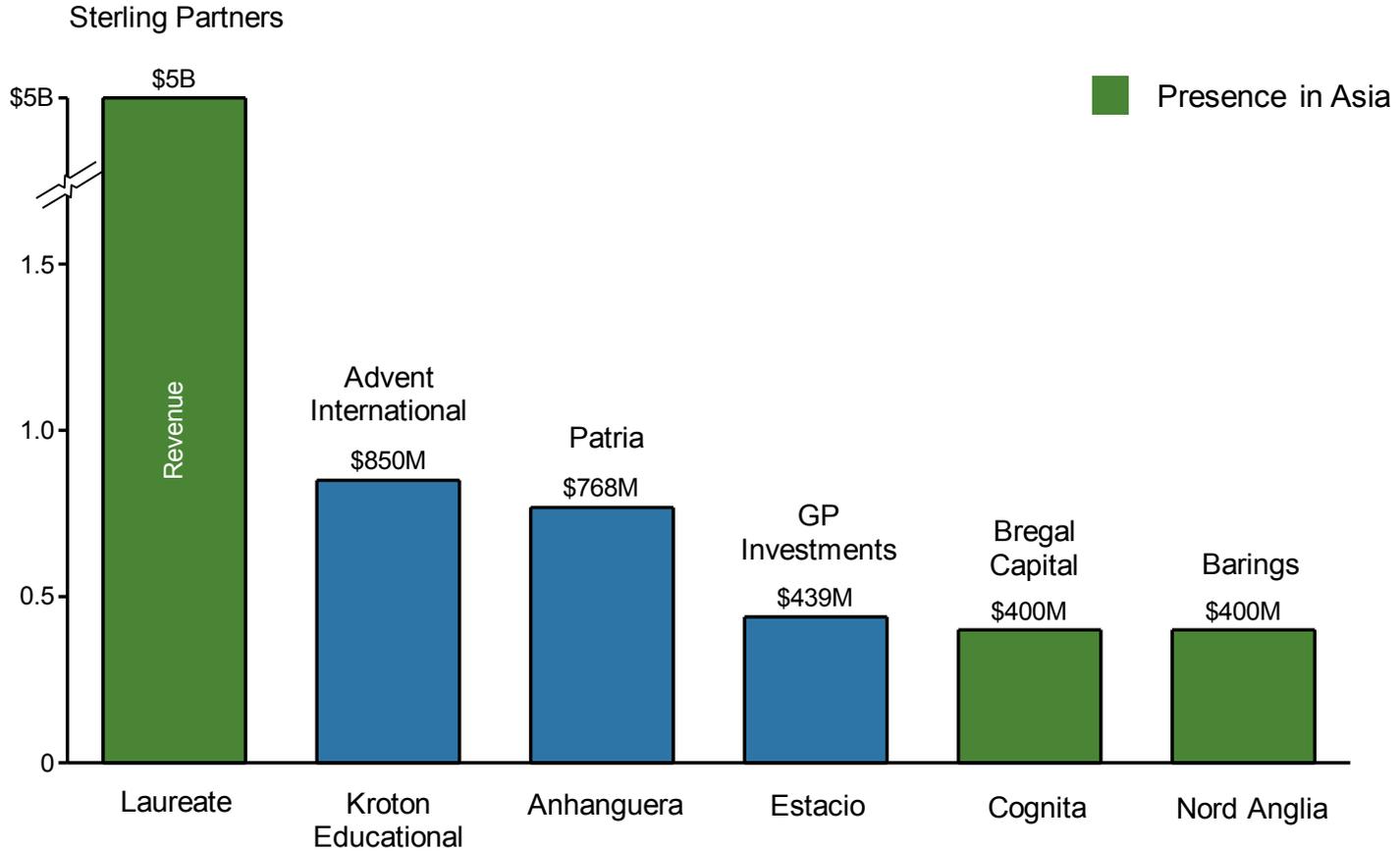
Asset scale remains a key challenge for investors looking at education in Southeast Asia

Market Size of Assets by Revenue Size in Target SEA Countries, 2013



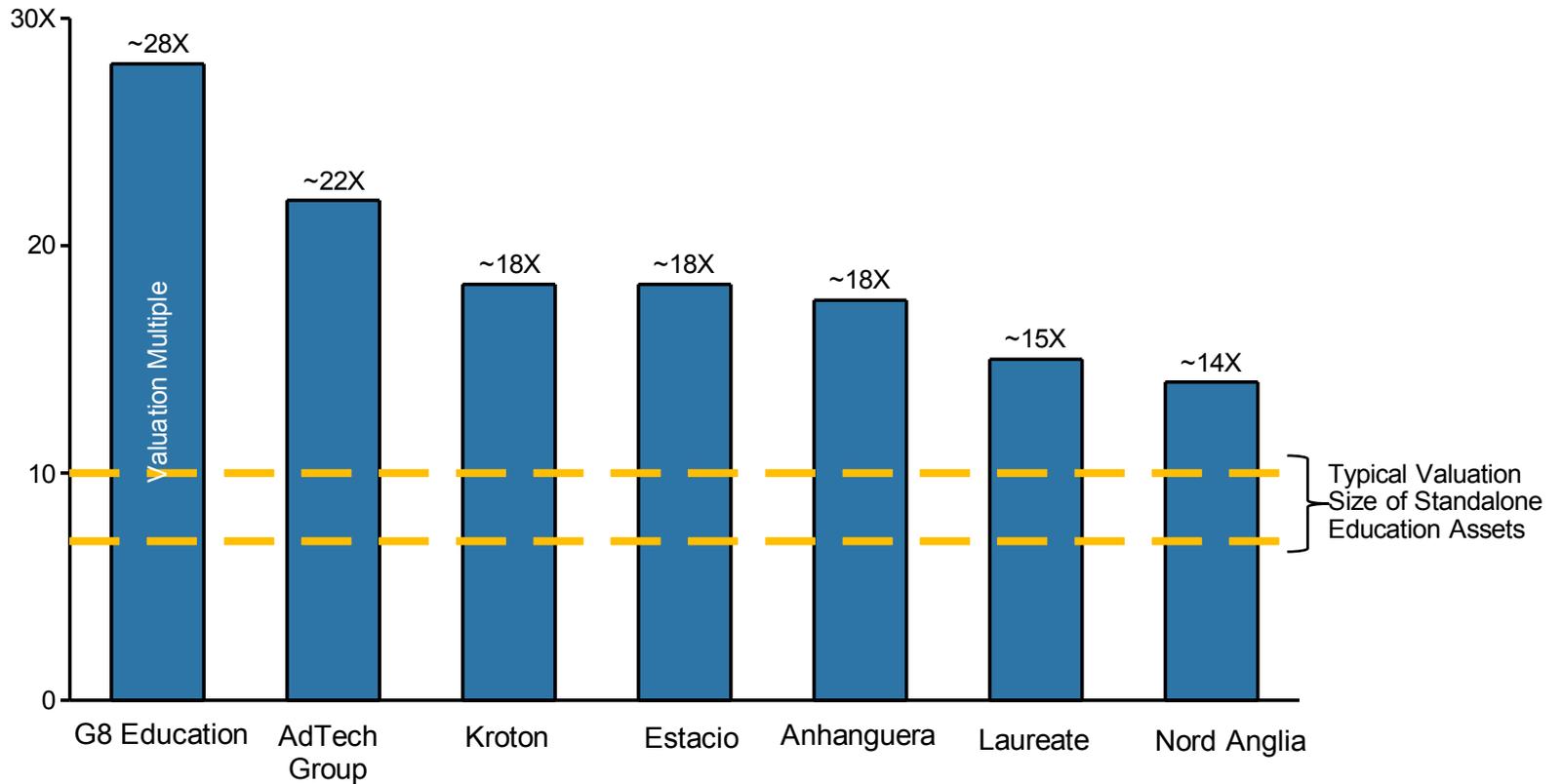
Invest in education platforms to build scale businesses and generate returns

Annual Turnover of Select Education Companies, FY 2013



Education platforms deliver superior returns to investors

EBITDA Multiple, Global Education Companies, 2013



What are the drivers of value creation?

1

Business

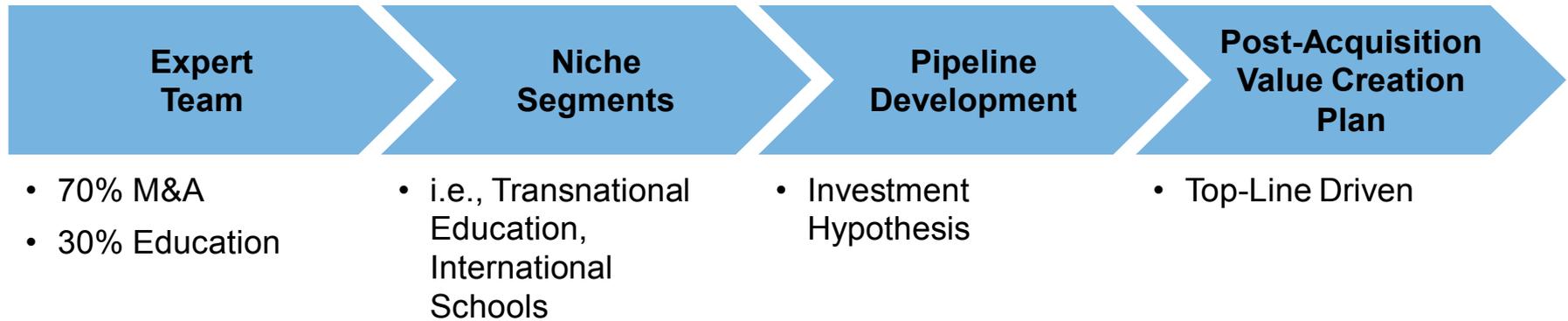
1. Top-Line Initiatives
 - a) Pricing
 - b) Student Acquisition
2. Operational Best Practices
3. Cost Rationalization May Not Yield High Returns

2

Financial

1. 5 Characteristics of Education
2. Scarcity of Scale Assets
3. Premium for Entry

Investments require systematic approaches to building scale



About Parthenon and the Education practice

About Parthenon and EY

Parthenon combined with Ernst & Young LLP on August 29, 2014. Parthenon is a leading advisory organization focused on strategy consulting. We are committed to combining our unconventional thinking with our clients' smarts to deliver actionable strategies. In today's complex business landscape, creativity has become a necessary ingredient for sustained success. Together with EY, we have an ideal balance of strengths – specialized expertise with broad executional capabilities, intimate client relationships with larger networks of support, and proven processes along with a progressive spirit – to unlock opportunity for our clients, amplify the impact of our strategies, and make Parthenon the global partner of choice for business leaders.

About Parthenon's Education practice

Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education practice – the first of its kind across management consulting firms – has an explicit mission and vision to be the leading strategy advisor to the global education industry. To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across public sector and non-profit education providers, foundations, for-profit companies and service providers, and investors. Parthenon has deep experience and a track record of consistent success in working closely with universities, colleges, states, districts, and leading educational reform and service organizations across the globe.

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