Opportunities in the China Education Market

Prepared for the HKVCA-Parthenon MasterClass

Hong Kong

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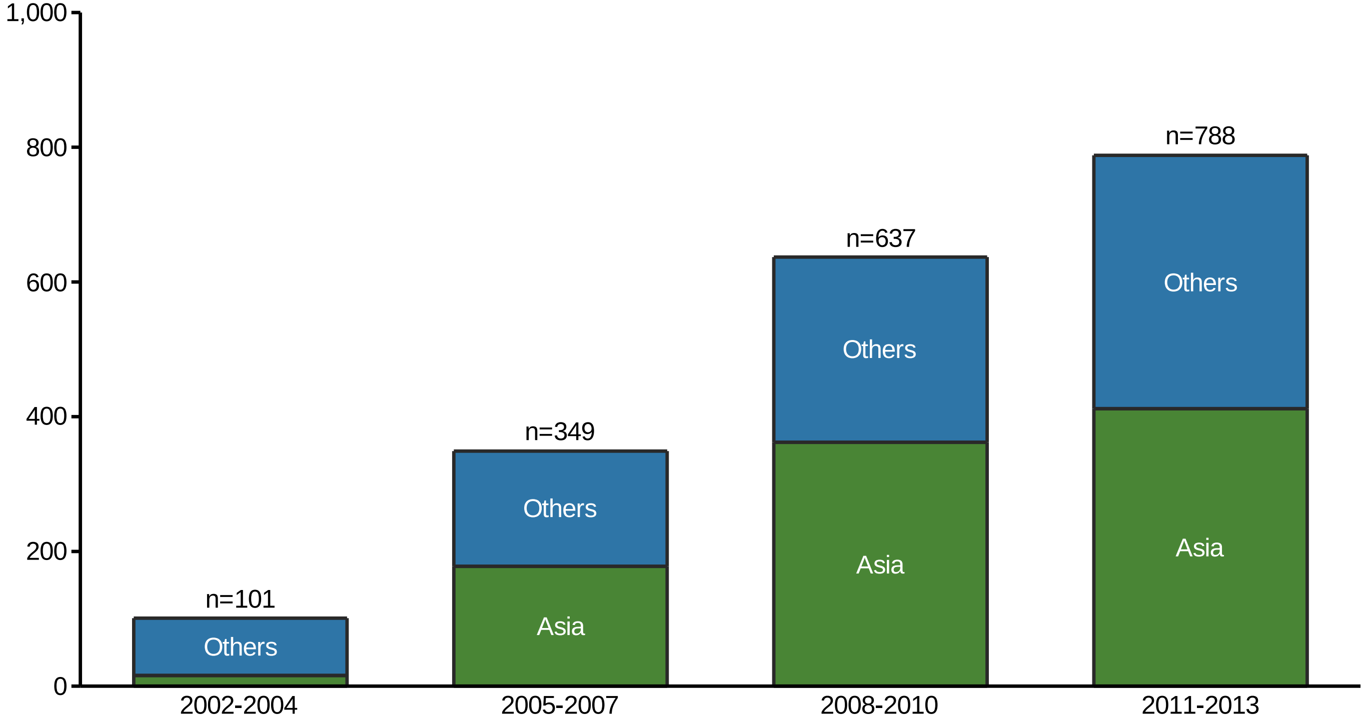
Interest in Education sector in Emerging Markets is increasing

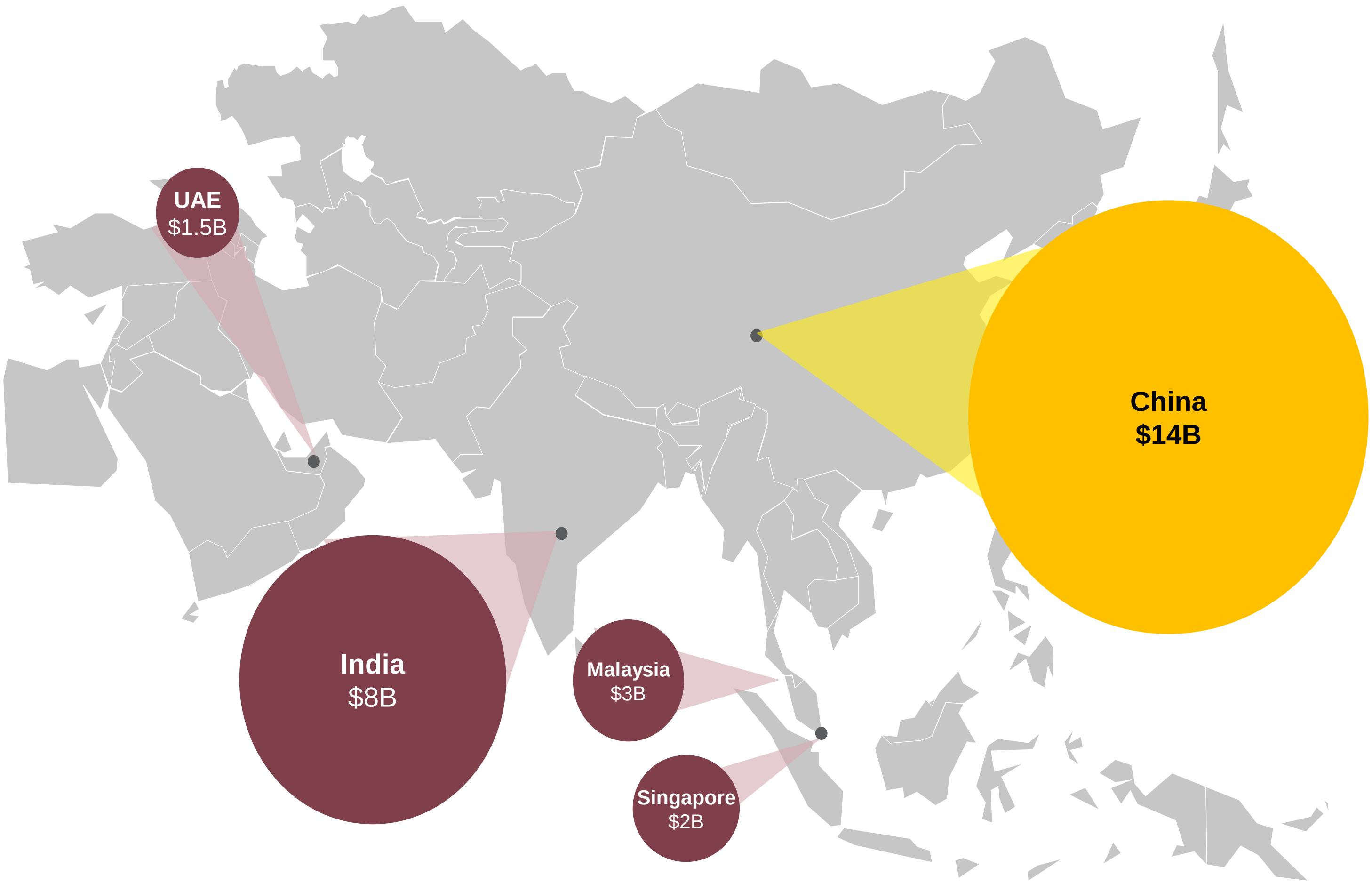
Completed M&A Activity in
Emerging Private Education Markets, 2000-2013



% Deals in Asia	16%	51%	57%	52%

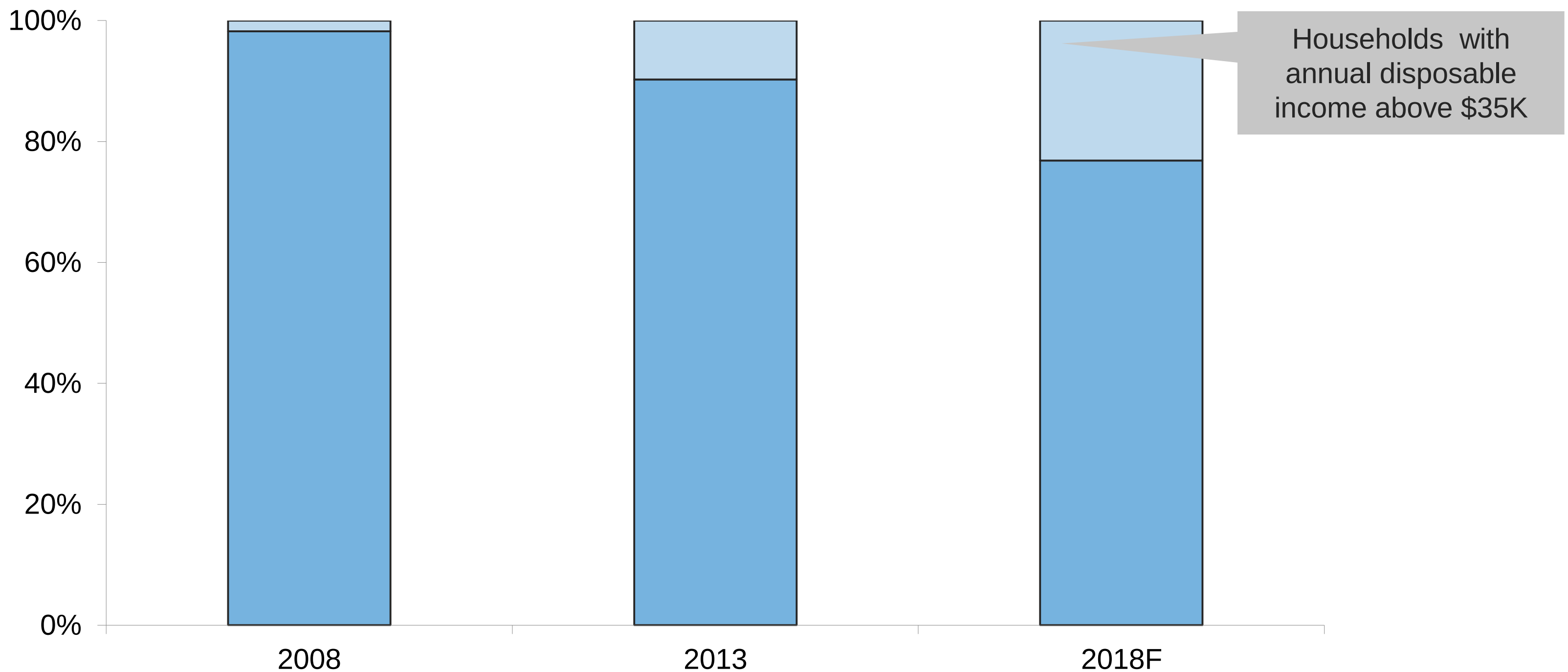
China is the largest private Education market in Asia

Private K-12 and Higher Ed Market Sizes in Asia, 2012



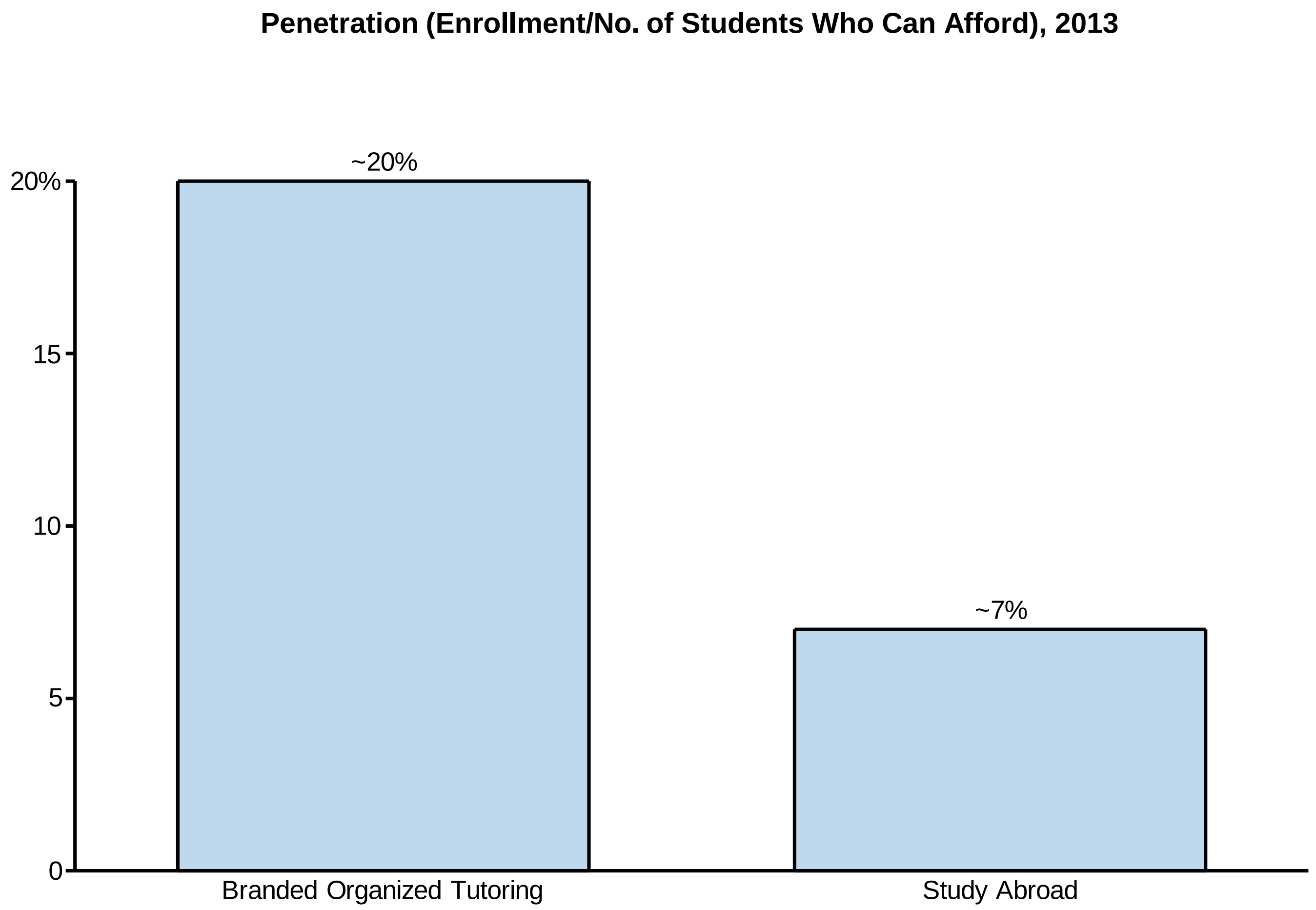
Growth in China is being driven by increasing affordability…

China Annual Disposable Income and Population in Major Education Target Age Group, 2008 – 2018F



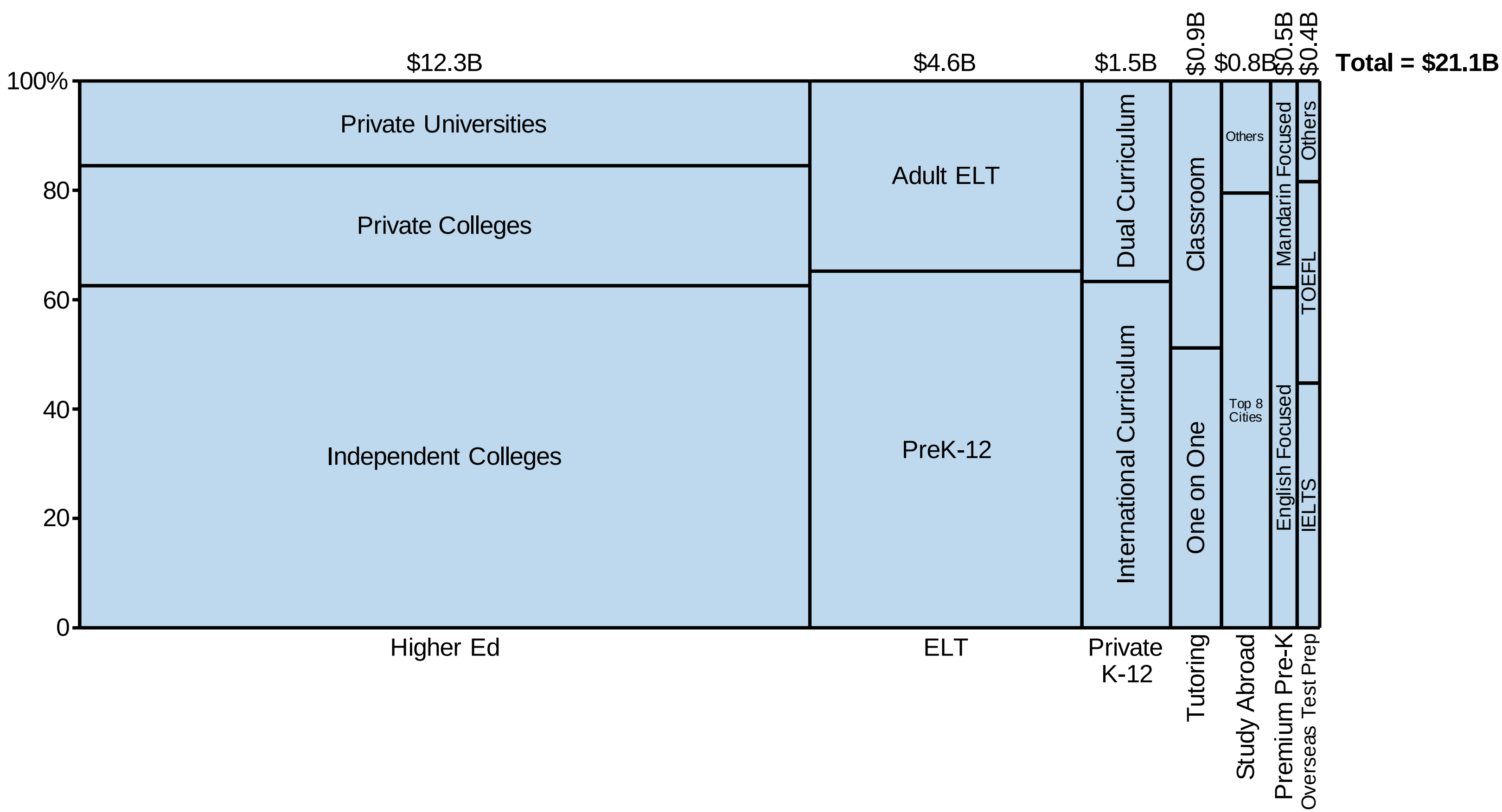
Households with annual disposable income above $35k are expected to continue growing at 21% per year

…And low penetration of private services



The total Chinese private education market is $21B

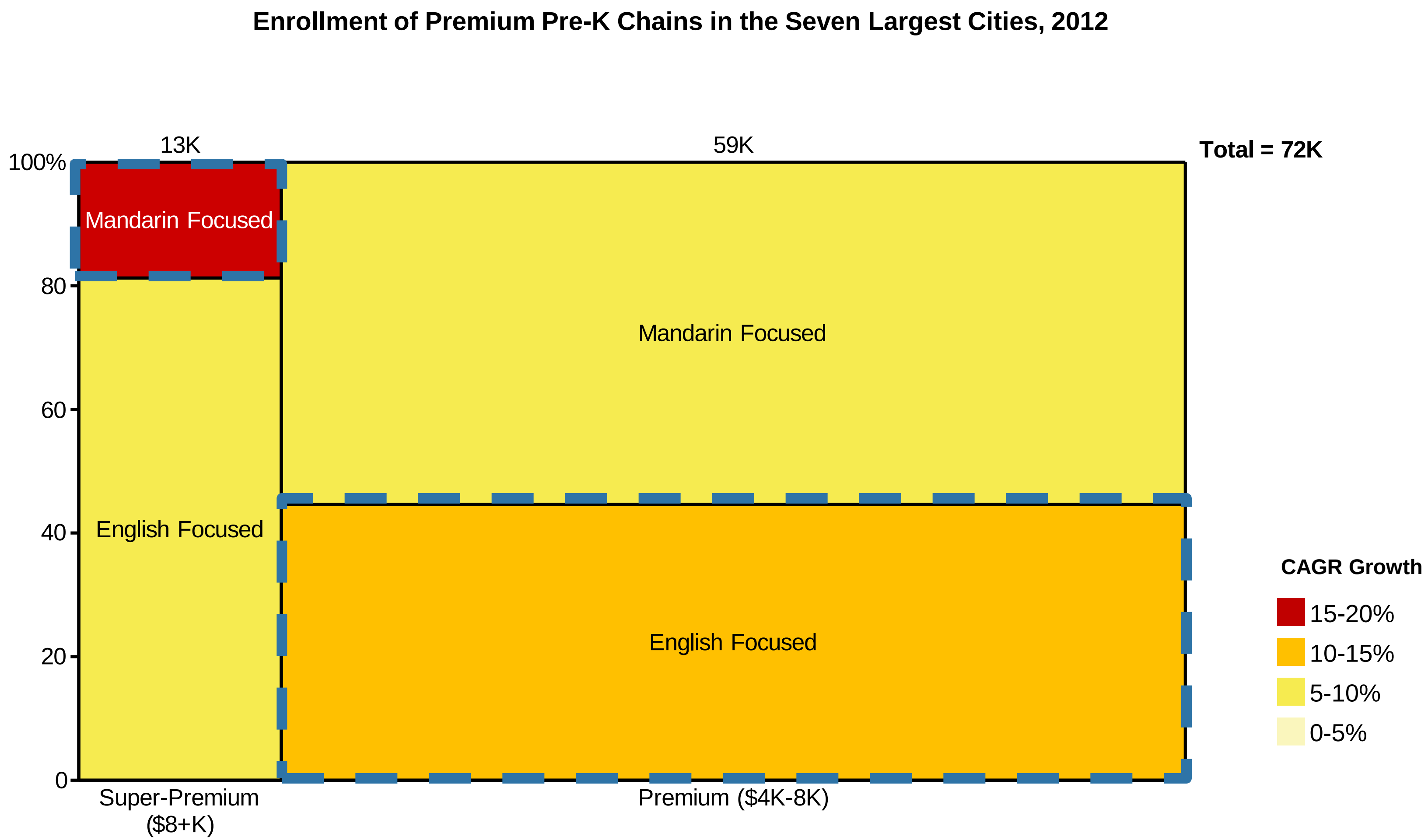
Market Size of the China Private Education Market, 2013



Major Investment Themes

- **Early Years**
  - **Pre-K**
- English Language
  - ELT
  - Dual Curriculum Schools
- Study Abroad
- Education Tech

Dual language offerings are growing faster



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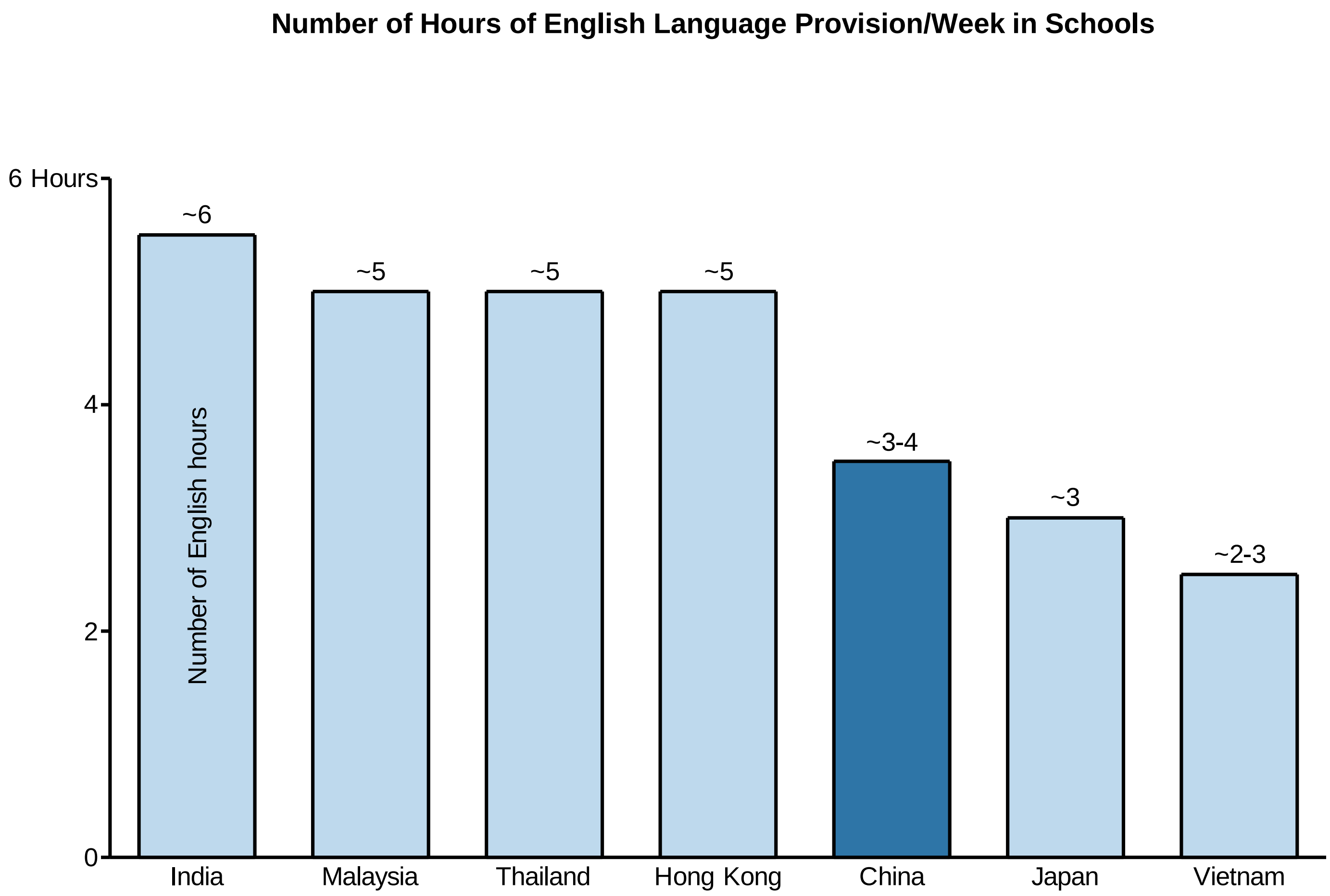
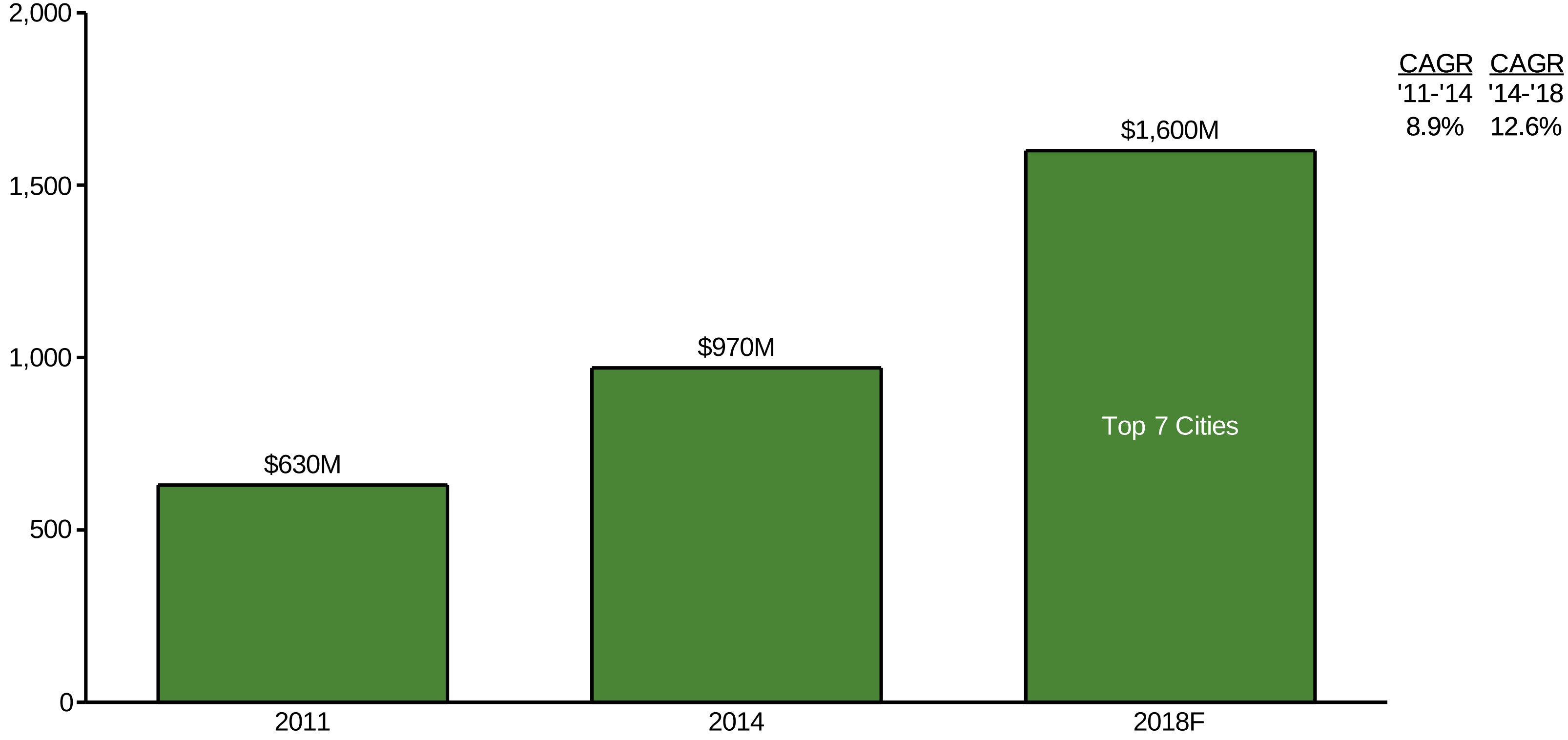
China has among the lowest in-school provision of English language



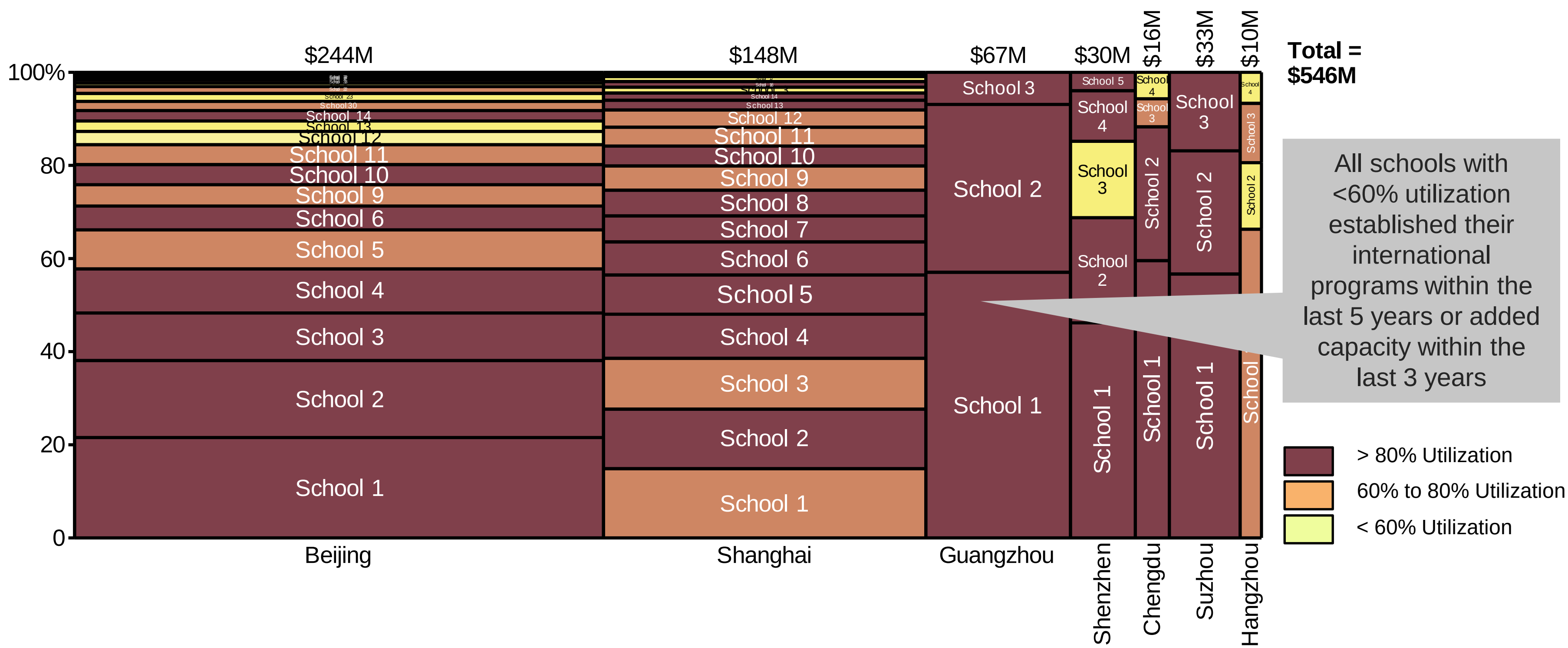
The ELT market is forecast to continue growing at ~13% a year in the major cities

ELT Market Size by City, 2011-18F



Dual curriculum market in the 7 largest cities is ~$550M and enrolls ~54K students

Market Size of Dual Curriculum Schools by Cities, 2012



	Beijing	Shanghai	Guangzhou	Shenzhen	Chengdu	Suzhou	Hangzhou
Total Enrollment	19K	13K	7K	4K	3K	5K	2K
Average Price ($)	13K	11K	9K	7K	6K	6K	4K
Number of Schools	21	20	3	5	4	3	4

Regulatory Landscape – Shanghai Example

Licensing	Fee Control
• G10-12 international programs looking to continue operations need to be inspected and accredited by the Shanghai Education Committee • All international program operators must own private school licenses and have qualified faculty • Public schools are not allowed to partner with external operators for international program operations	• Intended number of new enrolments and tuition fee changes of all international programs need to be reported to and approved by the local education committee • Public operators are not allowed to charge premiums on international programs; tuition fees must be set at the same as the schools' regular PRC curriculum programs

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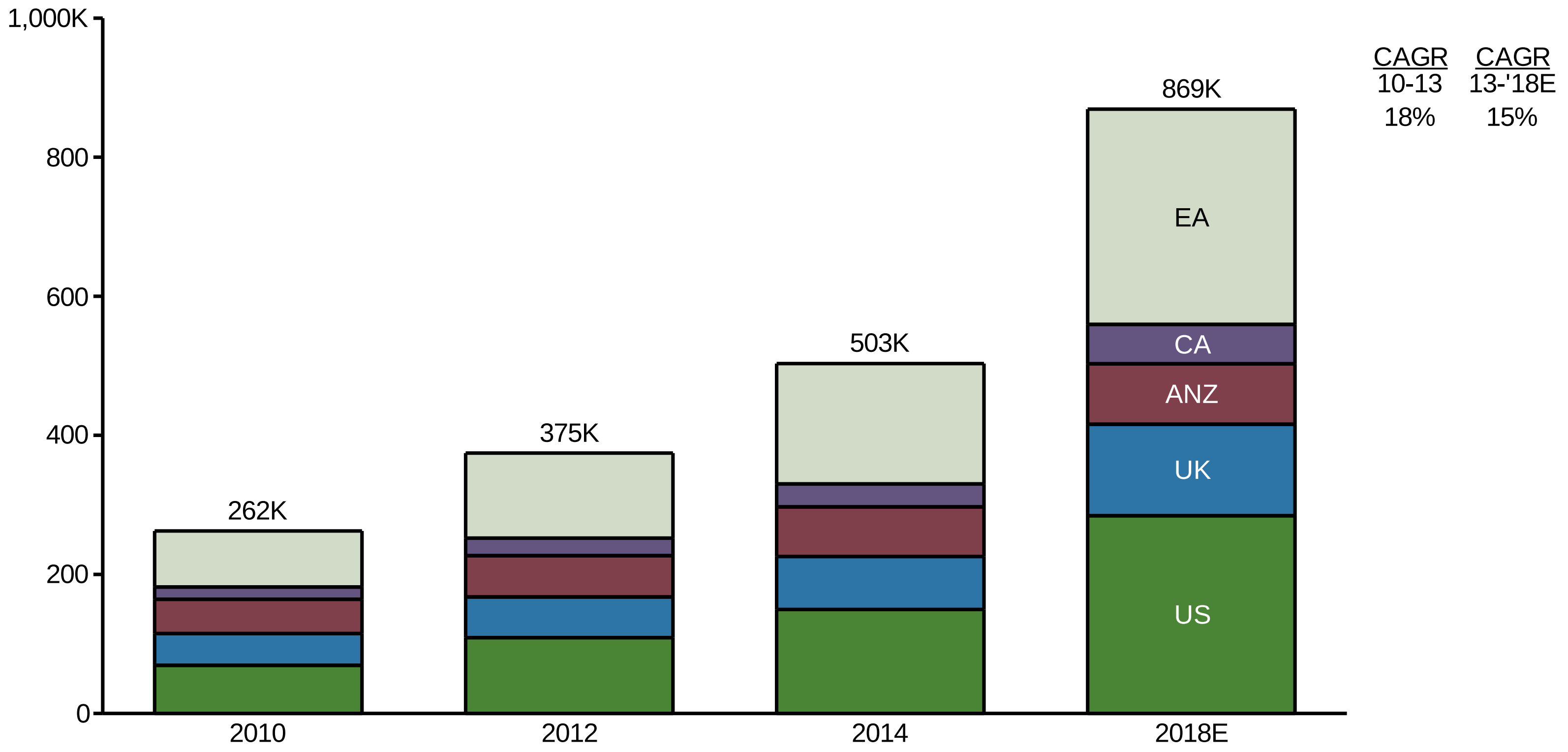
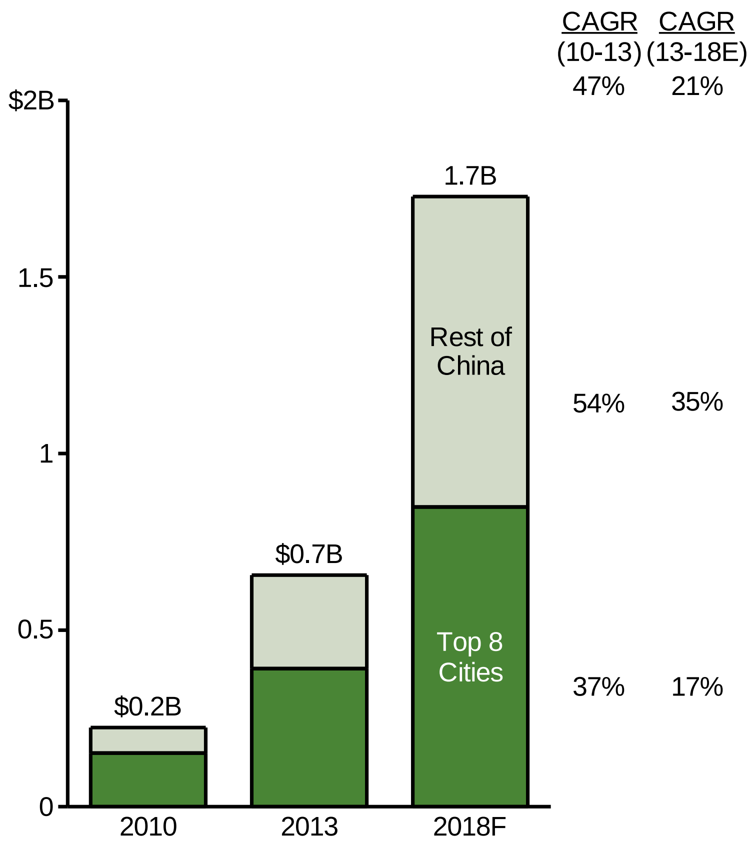
The flow of Chinese students studying is expected to grow at 15% for next four years

Number of Chinese Students Commencing Overseas Education, 2010-18F

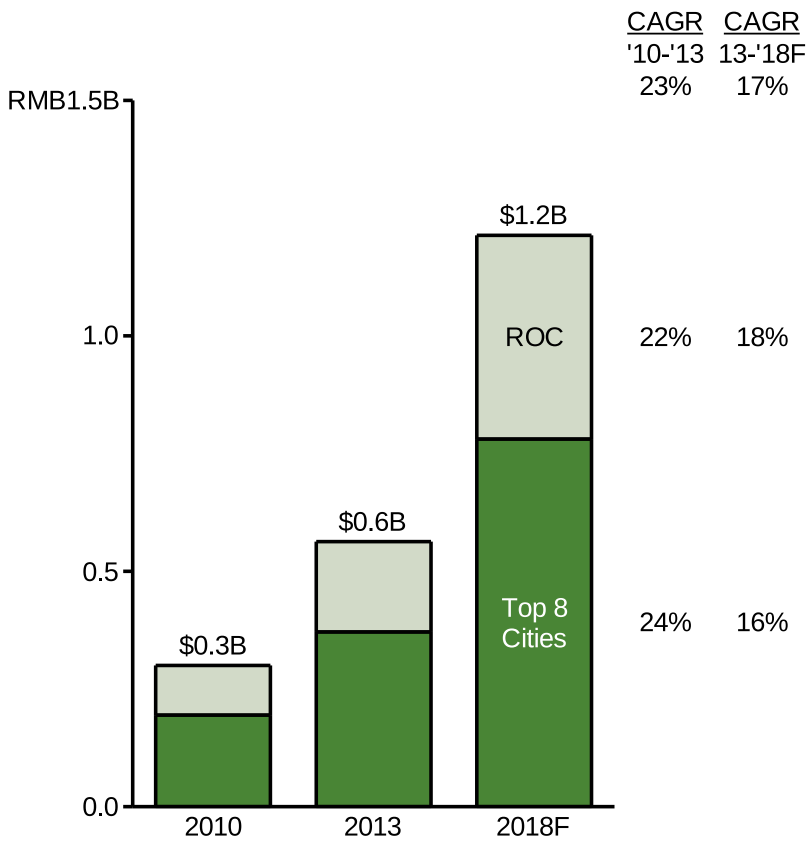


Business based on the study abroad theme are witnessing growth

China Total Organized Test Preparation Market Size , USD, 2010-18F



China Total Agent Market Size, USD 2010-18F



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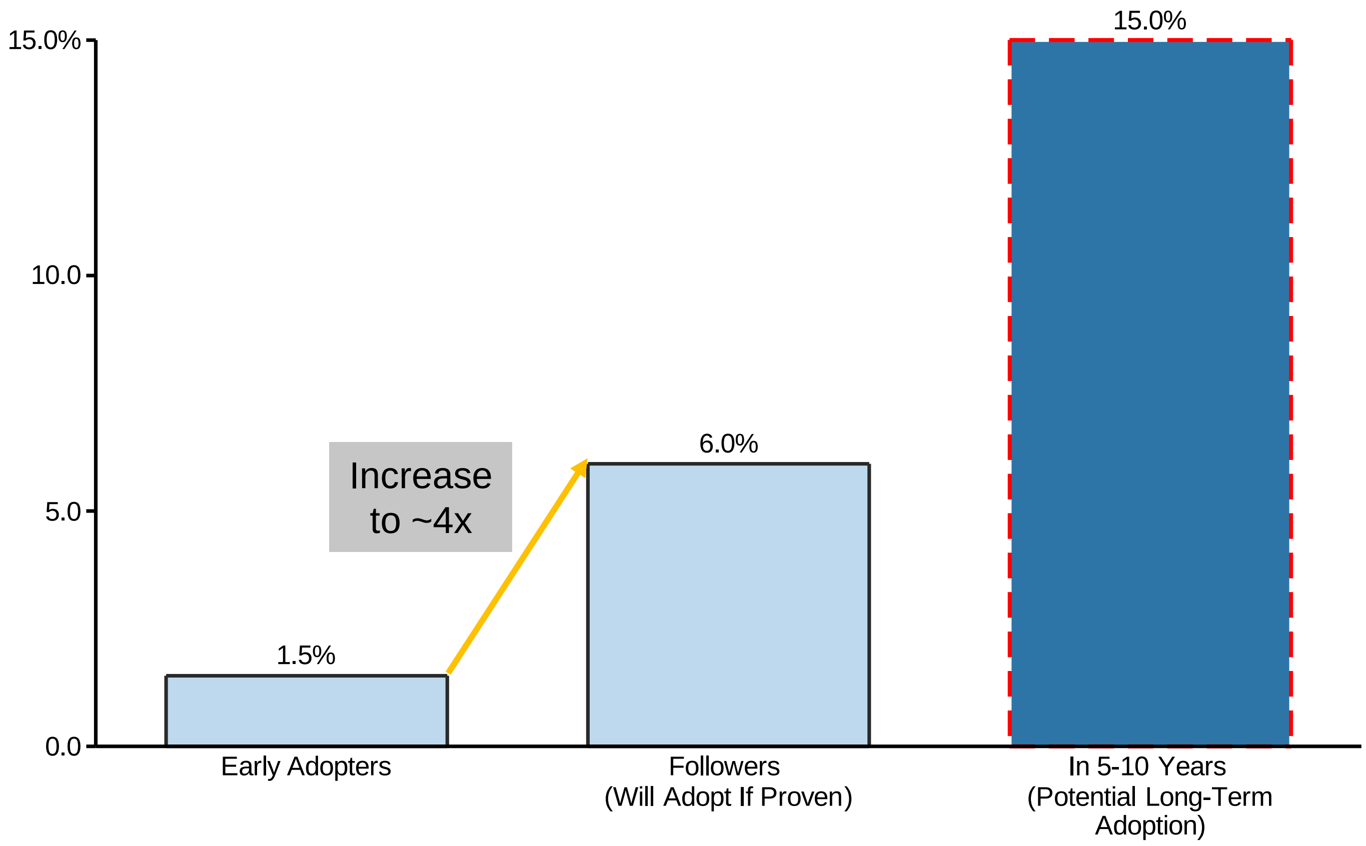
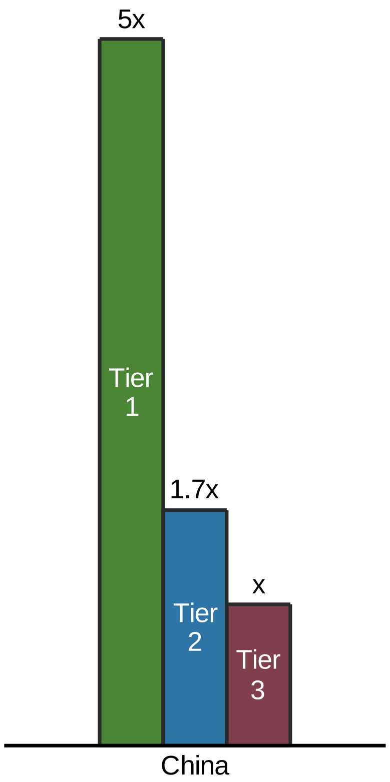
Education Technology Adoption increases significantly once efficacy is proven to customers

Potential Online Curriculum Adopters as Percent of Population,
Based on a Survey of 2,000+ Chinese, Brazilian, South African, and Indian Parents

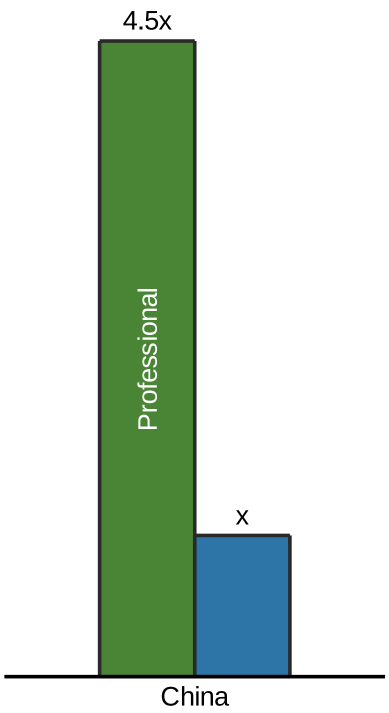


In China, parents in Tier 1 cities, especially those with a "professional" background, are more willing to support online education for their children

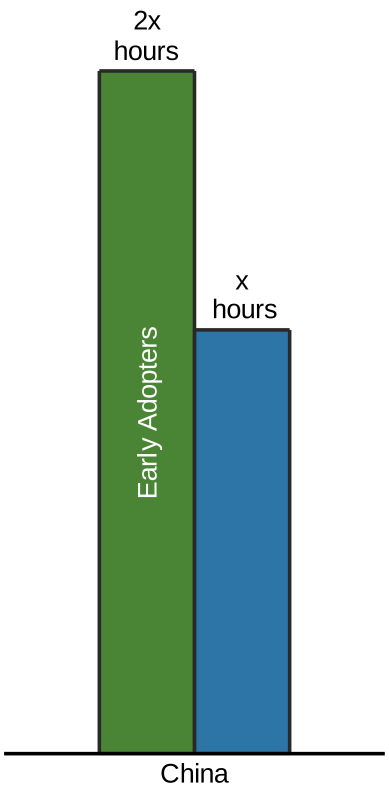
Willingness of Online Adoption by City Type



Willingness of Adoption by Profession



Time Spent Per Day With Child for Education by Profession



Value Addition Opportunities Among Chinese Education Companies

- Student Acquisition
- Site Selection
- Pricing
- Operations Improvement/Cost Optimization

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