

9 hours and 10 minutes ago

Education investors seek piece of low-income market

By **Beth Koike** | São Paulo

Between 2013 and 2017, the number of students in public elementary schools fell 8%, while the volume of enrollments in private schools grew 7%. This trend is likely to continue, and 1 million students of elementary schools are expected to migrate to private institutions over the next five years, according to consultancy EY Parthenon. Considering that, education groups and investors are looking at the market of schools for the class C, the lower-middle class.

This year, Grupo SEB, of businessman Chaim Zaher, announced a R\$50 million investment to create a chain of schools, Luminova, charging up to R\$560 a month, and another group of investors and entrepreneurs is injecting at least R\$25 million in Escola Mais, whose monthly tuition is R\$690 for full-time school.



(center) and Guilherme Affonso Ferreira Filho

Cassio Beldi (left) José Aliperti

Investors in Escola Mais include Bahema Educação, holding company of the Afonso Ferreira family; Mint, an asset-management firm that invests mainly in the education sector; and Ágathos Educacional, chain of schools that carry the Anglo and Objetivo brands whose partners include Luiz Castanho, father of Daniel Castanho, chairman of education group Anima. The three hold 60% in Escola Mais, with the rest belonging to founders José Aliperti, Günther Mittermayer and Marina Castellani.

Felipe Miglioli, partner of EY Parthenon, says there is a market opportunity in the segment of schools for the class C, since the students may come both from public schools when the economy improves and from other more expensive private schools when there is a crisis. “In the city of São Paulo, there are 5,000 private schools, with 15% charging less than R\$500 a month. Often, the quality of education at these schools is very similar to that of the public network,” Mr. Miglioli says.

“We chose to open our first unit in Penha because it is the region in the east zone with the worst performance in Enem among private schools,” Mr. Aliperti said, referring to a neighborhood in São Paulo. Mr. Aliperti worked before at Colégio Porto Seguro and at an education startup. The initial investment was R\$5 million, into developing educational content and renovating the building, which currently hosts 60 students.

Missed payments in this first class of Escola Mais is less than 1%, same level of Bahema’s premium schools. “When the parents have the perception of quality of education, they are more committed, regardless of income,” argues Guilherme Affonso Ferreira Filho, CEO of Bahema, which owns Escola da Vila, Parque and Balão Mágico, whose monthly fees are around R\$2,500.

Both Escola Mais and Luminova entered this market with the proposal of offering low-cost schools with good quality and modern methodologies. In both cases, there is English class every day, adaptive learning with technological platforms, group work for development of socio-emotional abilities and other tools adopted in schools by more expensive schools. A point in common is that these two schools have as shareholders groups that also own premium schools. SEB owns Concept, known for innovative pedagogical methodologies and tuition of around R\$8,000 a month.

Unlike these schools for high-income students, whose margins are high, the institutions for lower-income groups have another way of operating. “This is a type of business that needs to have scale to profit,” says Cássio Beldi, founding partner of Mint. Indeed, Escola Mais intends to raise R\$20 million from investors next year to open two other units in 2020, also in the east zone of São Paulo. The goal is to reach 2022 with about 13 units in São Paulo.

Before investing in the premium segment, Bahema analyzed the market of schools for lower-income students, but gave up because of the scale challenge. The project of Escola Mais was presented in 2015, and Bahema decided to join as minority investor, with a 15% stake, giving total freedom to the founders. “Our main focus continues being the other schools, but we know there is a growth limit in the high-income group. At the same time, we are aware of the big challenges of the low-cost school market,” Mr. Affonso Filho says. One challenge is the knowledge gap faced by public-school students once they enter private school. Escola Mais serves students of elementary and high school.

In the long run, the partners of Escola Mais foresee the possibility of the next federal government having partnerships with private schools in basic education, mainly those with experience in the low-income segment. Future Economy Minister Paulo Guedes is an advocate of offering vouchers in the basic public education. “Today, the government spends R\$700 per student in basic education in Brazil. In São Paulo, that value rises to R\$1,200. It is more than our monthly fees, and the quality of education is bad,” Mr. Aliperti says.

© Copyright Valor Econômico S.A. All rights reserved.

Exclusive content for subscribers to Valor International. Printed by User

This material can't be published, rewritten, redistributed or broadcast without authorization from Valor Econômico.

Read our terms and conditions on <https://www.valor.com.br/international/about-legals/terms-conditions>
(/international/about-legals/terms-conditions)