



## **Education: Mega Trends and Opportunities in Africa**

### **May 2019, AFSIC – Investing in Africa**

**Sudeep Laad**  
L.E.K. Consulting  
Global Education Practice



# L.E.K. Consulting is a leading global strategy consulting firm

## Project team presence



Team of senior staff worldwide, providing local market knowledge



Dedicated professionals, with extensive industry and consulting experience



Strong education sector client base and relationships spanning all key geographies



Established in 1983



19 offices



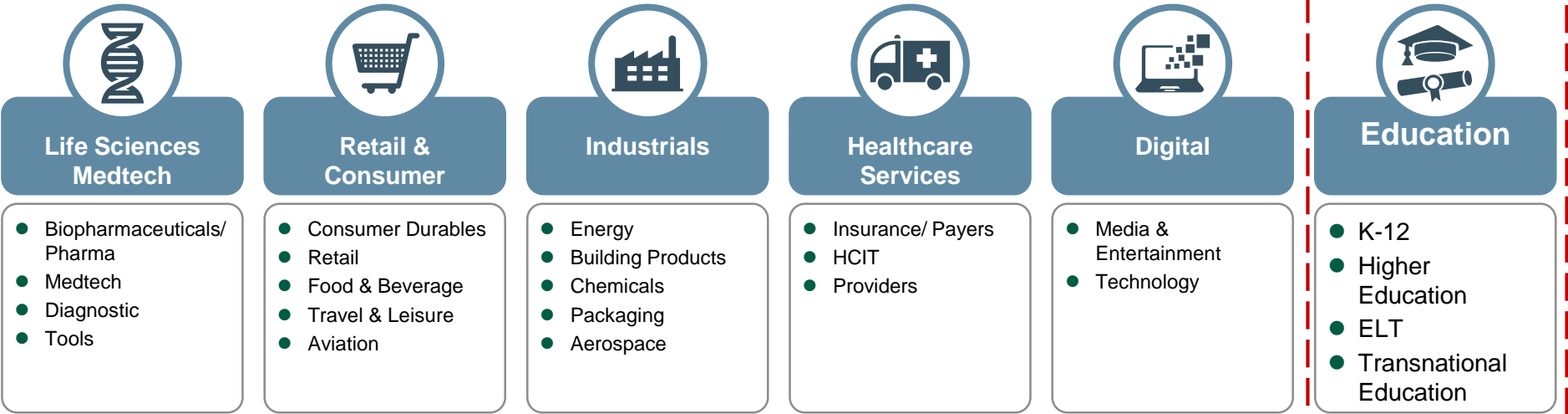
~125 partners



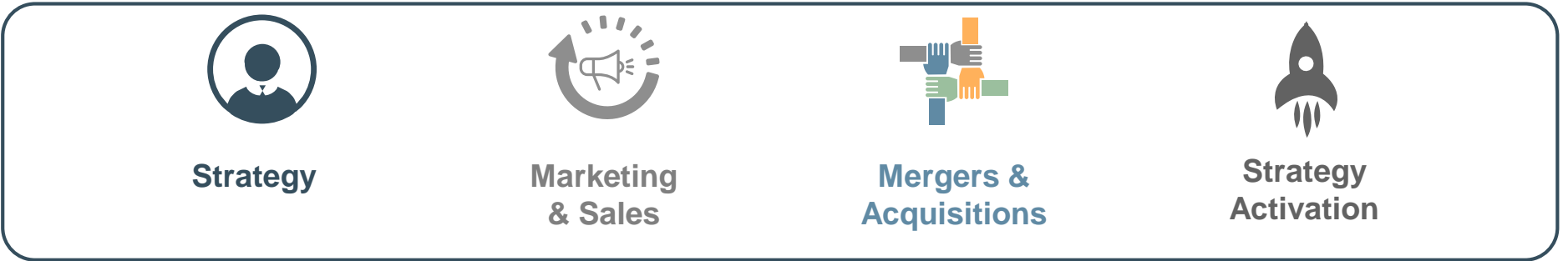
~1400 staff

# L.E.K. Consulting: Sector and Capability Experience

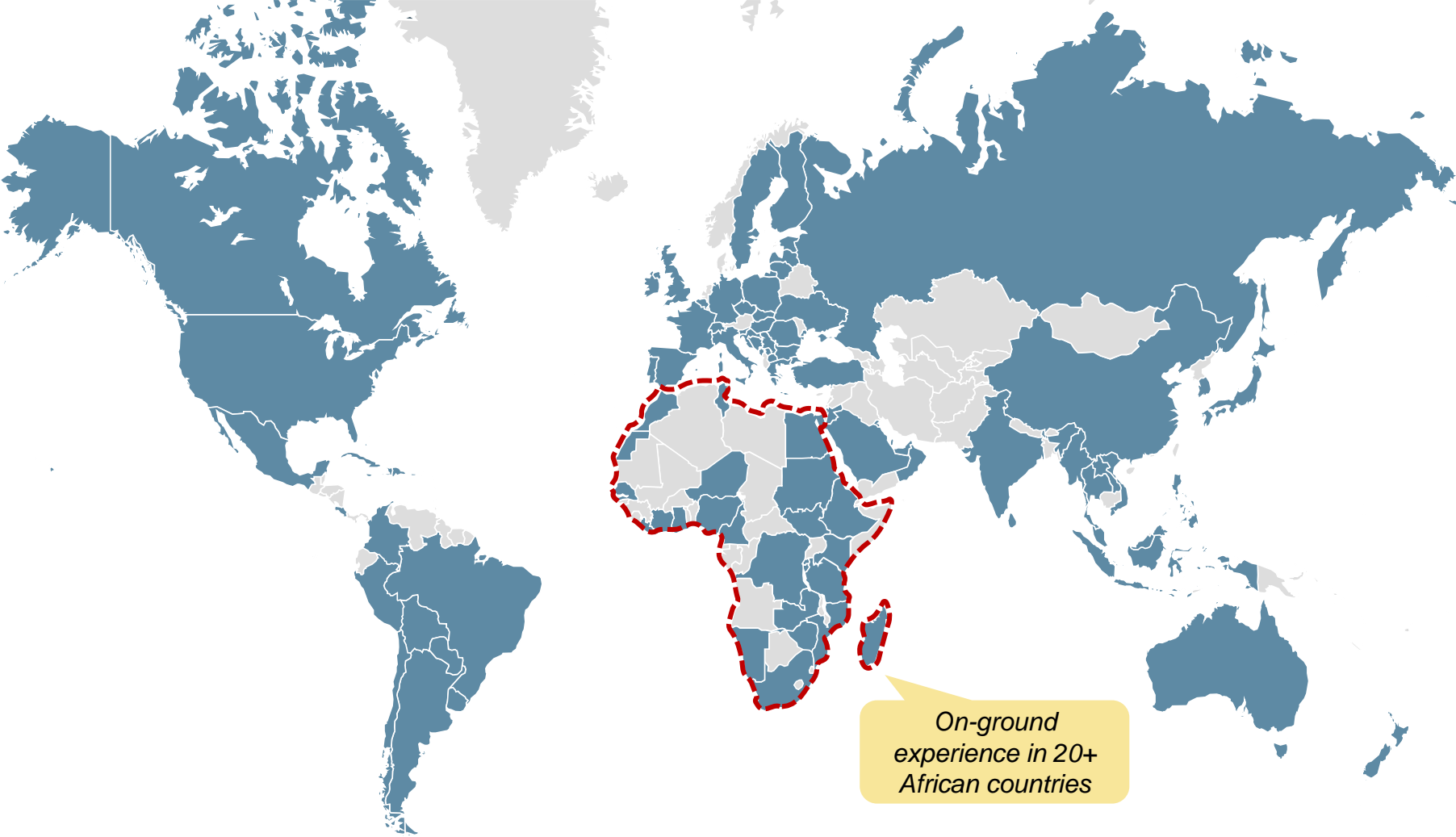
## Sector experience



## Service lines



# L.E.K. Global Education Practice



■ = Education cases led on-ground by members of L.E.K. Global Education Practice

# L.E.K. Global Education Practice

Select List of Countries and Education Segments with On-Ground Experience\*

|                                 | Asia Pacific |       |       |           |          |             |           |          |          |         | Middle East |              |        |     |          | Africa |       |       |       |         |         |         |        |         |              | Latin America |         |        |        |           | Europe |       |          |        | North America |        |         |       |             |    |        |    |   |   |   |   |   |   |   |   |   |   |   |
|---------------------------------|--------------|-------|-------|-----------|----------|-------------|-----------|----------|----------|---------|-------------|--------------|--------|-----|----------|--------|-------|-------|-------|---------|---------|---------|--------|---------|--------------|---------------|---------|--------|--------|-----------|--------|-------|----------|--------|---------------|--------|---------|-------|-------------|----|--------|----|---|---|---|---|---|---|---|---|---|---|---|
|                                 | Australia    | China | India | Indonesia | Malaysia | Philippines | Singapore | S. Korea | Thailand | Vietnam | Qatar       | Saudi Arabia | Turkey | UAE | Ethiopia | Egypt  | Kenya | Gabon | Ghana | Nigeria | Liberia | Morocco | Rwanda | Senegal | South Africa | Tanzania      | Tunisia | Uganda | Zambia | Argentina | Brazil | Chile | Colombia | Mexico | Peru          | France | Germany | Spain | Switzerland | UK | Canada | US |   |   |   |   |   |   |   |   |   |   |   |
| Early Years                     | •            | •     | •     | •         | •        | •           | •         | •        | •        | •       | •           | •            | •      | •   | •        | •      | •     | •     | •     | •       | •       | •       | •      | •       | •            | •             | •       | •      | •      | •         | •      | •     | •        | •      | •             | •      | •       | •     | •           | •  | •      | •  | • | • | • | • | • | • |   |   |   |   |   |
| K-12                            | •            | •     | •     | •         | •        | •           | •         | •        | •        | •       | •           | •            | •      | •   | •        | •      | •     | •     | •     | •       | •       | •       | •      | •       | •            | •             | •       | •      | •      | •         | •      | •     | •        | •      | •             | •      | •       | •     | •           | •  | •      | •  | • | • | • | • | • | • | • | • |   |   |   |
| Higher and Vocational Education | •            | •     | •     | •         | •        | •           | •         | •        | •        | •       | •           | •            | •      | •   | •        | •      | •     | •     | •     | •       | •       | •       | •      | •       | •            | •             | •       | •      | •      | •         | •      | •     | •        | •      | •             | •      | •       | •     | •           | •  | •      | •  | • | • | • | • | • | • | • | • |   |   |   |
| Transnational Education         | •            | •     | •     | •         | •        | •           | •         | •        | •        | •       | •           | •            | •      | •   | •        | •      | •     | •     | •     | •       | •       | •       | •      | •       | •            | •             | •       | •      | •      | •         | •      | •     | •        | •      | •             | •      | •       | •     | •           | •  | •      | •  | • | • | • | • | • | • | • | • | • |   |   |
| English Learning and Tutoring   |              | •     | •     | •         | •        | •           | •         | •        | •        | •       | •           | •            | •      | •   | •        | •      | •     | •     | •     | •       | •       | •       | •      | •       | •            | •             | •       | •      | •      | •         | •      | •     | •        | •      | •             | •      | •       | •     | •           | •  | •      | •  | • | • | • | • | • | • | • | • | • |   |   |
| Other Ancillary Services        | •            | •     | •     | •         | •        | •           | •         | •        | •        | •       | •           | •            | •      | •   | •        | •      | •     | •     | •     | •       | •       | •       | •      | •       | •            | •             | •       | •      | •      | •         | •      | •     | •        | •      | •             | •      | •       | •     | •           | •  | •      | •  | • | • | • | • | • | • | • | • | • | • | • |

Note: \*This table provides information on the countries and education segments which the L.E.K. Global Education Practice members have worked on

# Spotlight on Education: Mega Trends and Themes in Africa

---



**The Africa Advantage**

---



**Education: The Ultimate Consumer Good**

---



**Investing in Education: Trends and Themes**

# Which is the most populous continent in the world?

---

**World Population 2018**  
(in billions)

**World Population 2050**  
(in billions)

**World Population 2100**  
(in billions)

***“1 in 6”***

***“1 in 4”***


***“1 in 2.5”***

Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, custom data acquired via website.

# Which is the fastest growing economy globally?

---

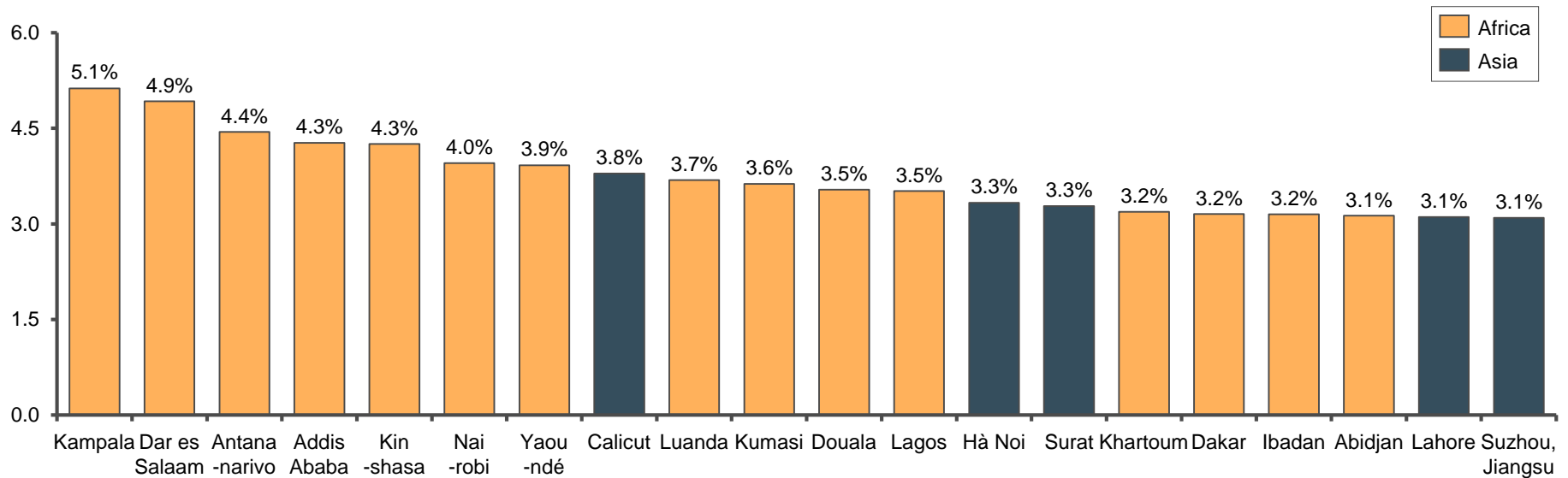
Annual GDP growth  
2019

 Africa  
 Non-Africa



# Rapid Urbanization: Fastest growing cities

Urban agglomerations with highest population growth<sup>1</sup>  
(2015-35)  
Percentage



## Increasing urbanization is expected to drive up consumption expenditure in Africa

In much of Africa, high fertility is fueling rapid urban population growth, implying that increasing urbanization in the region is often not indicative of economic dynamism.

AFRICA IN FOCUS

**Africa's emerging economies to take the lead in consumer market growth**

Landry Signé | Wednesday, April 3, 2019

Africa is one of the fastest-growing consumer markets in the world. Household consumption has increased even faster than its gross domestic product (GDP) in recent years—and that average annual GDP growth has consistently outpaced the global average. In light of the increasing affluence, population growth, urbanization rates, and rapid spread of access to the internet and mobile phones on the continent, Africa's emerging economies present exciting opportunities for expansion in retail and distribution.

Note: <sup>1</sup>Population of Urban Agglomerations with 2.5m inhabitants or more in 2015

Source: United Nations Population Division, Population of urban Agglomerations, 2018, Brookings Institution, Quartz

# Surge in consumer-driven businesses

## Increasing investments and growth of consumer businesses in Africa

This week, as the Forum on China-Africa Cooperation (FOCAC) opened, President Xi Jinping announced that [China will be providing \\$60 billion in financial support to Africa](#). President Xi

Airtel's Africa arm gets \$1.25 bn from 6 investors, IPO to follow

BUSINESS  
COCA-COLA RAISES AFRICAN INVESTMENT TO \$17BN

Alphabet will also increase its funding to African startups, provide \$20 million in grants to digital nonprofits, and offer modified versions of products (such as YouTube) in Africa —

With over [650 million mobile subscribers](#) in Africa, it's no wonder so many multinationals, entrepreneurs and educators are looking to tap the continent's potential.

And according to the International Air Transport Association (IATA), Africa is set to become one of the fastest growing aviation regions in the next 20 years with an annual expansion of nearly 5%.

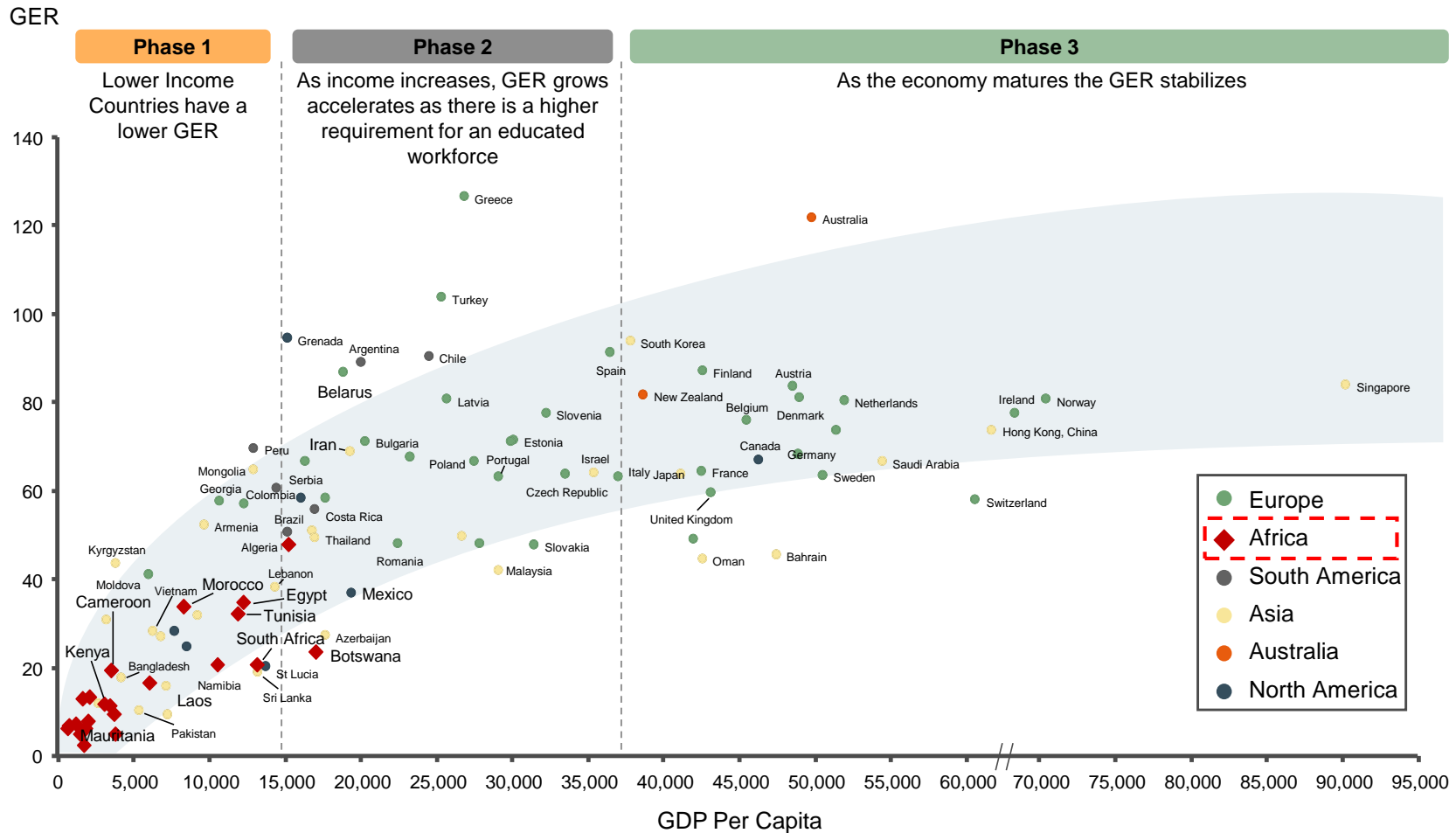
RABAT, Feb 7 (Reuters) - Radisson Hotel Group plans to operate 130 hotels in Africa by 2022, up from 50 this year as it seeks to reinforce its foothold on the continent, the company said in a statement on Thursday.

CASABLANCA: Coca-Cola is aiming to increase the brand's penetration across North Africa, investing in new bottling plants and strengthening its distribution in order to reach consumers who drink little or no Coke, the brand's top executive in the region has said.

AccorHotels, the largest hotel operator in Africa with brands like Sofitel, Novotel and Ibis, set the pace back in July with an ambitious partnership with Qatar-based Katara Hospitality for a [\\$1 billion fund](#) to drive expansion in sub-Saharan Africa's hotel market. AccorHotels

# Education: Strong Correlation with Economic Growth

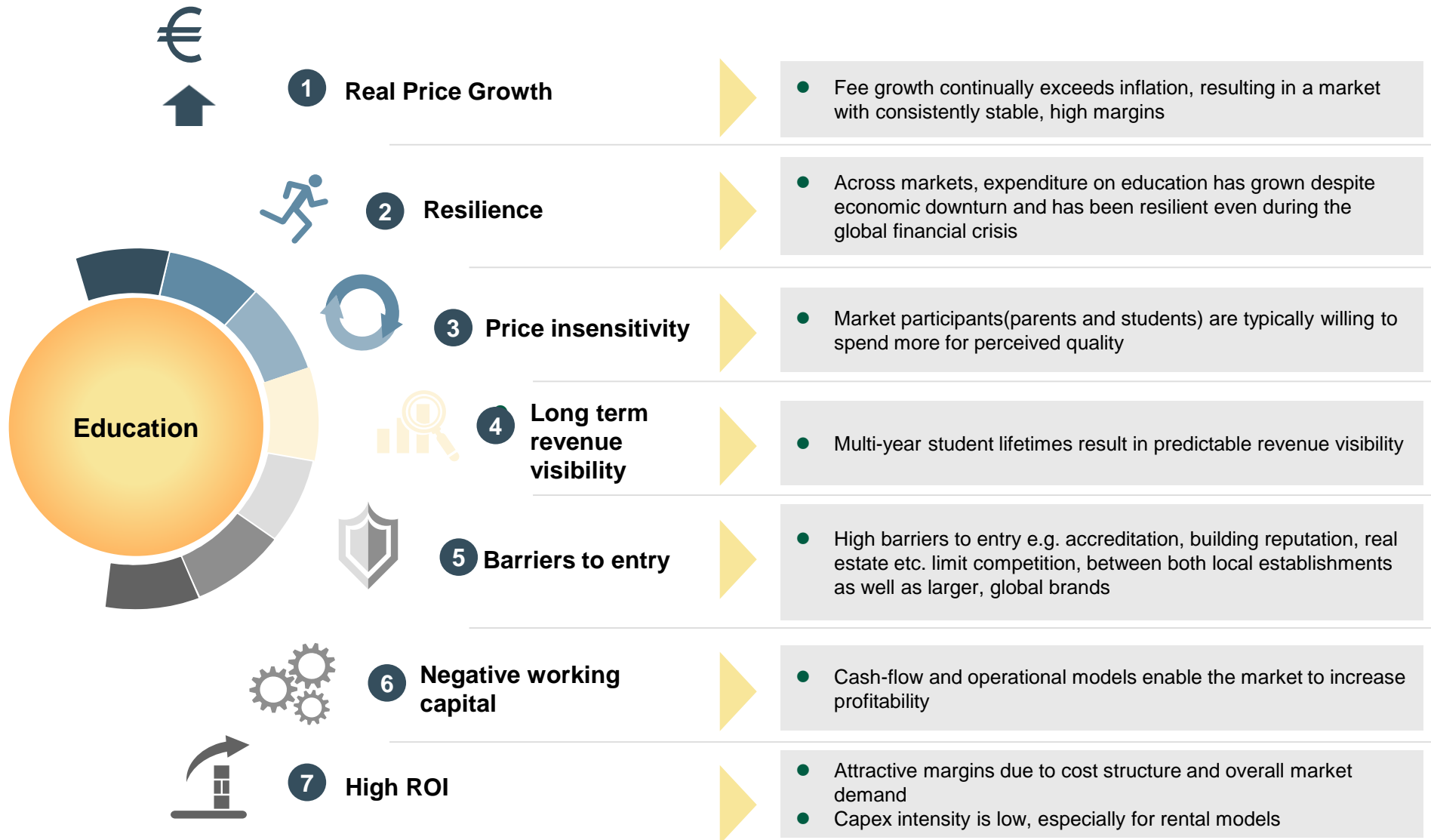
GDP per Capita (PPP) and Tertiary GER, All Countries, 2017



Note: Correlation factor between GER and Ln(GDP) is 0.79 ;  $y=0.2058\ln(x) - 1.4762$ ;  
 For countries where 2017 data is not available, 2016 data has been used for both GER and GDP per capita

Source: Euromonitor, UNESCO Institute of Statistics

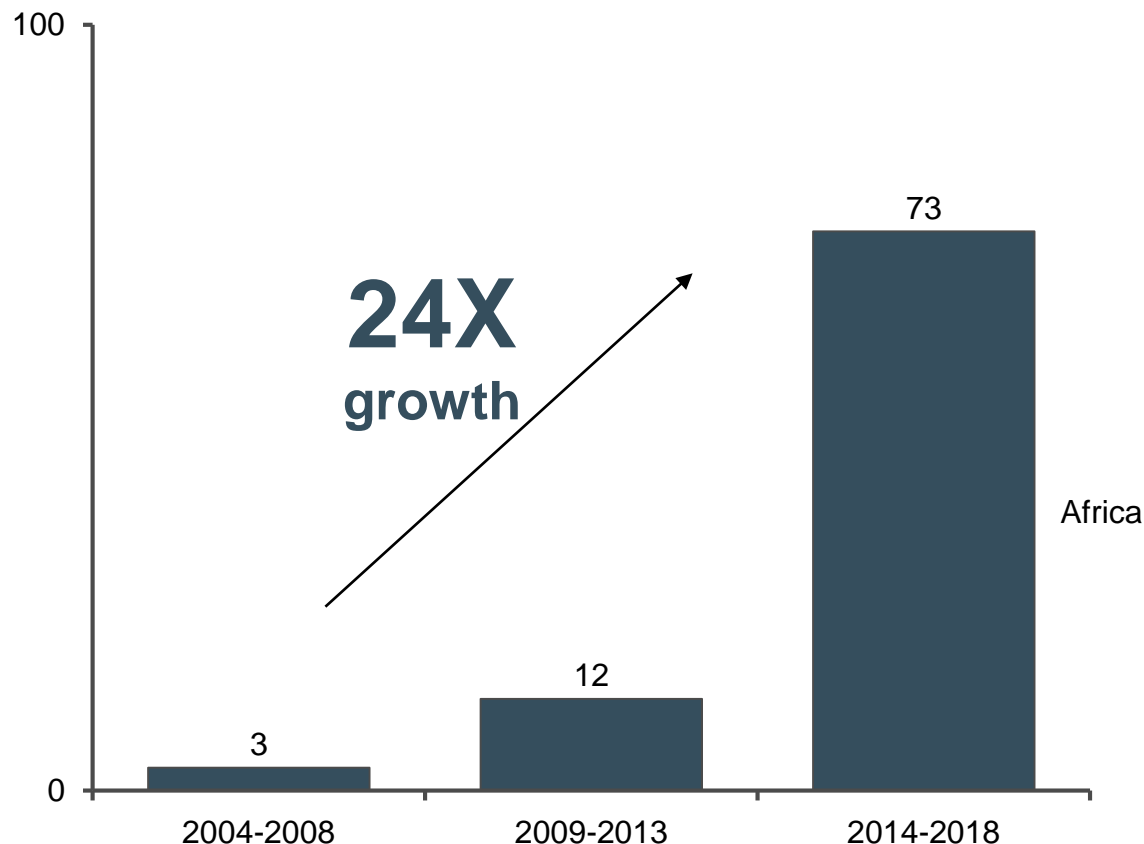
# Attractive business model characteristics



Source: L.E.K. research and analysis

# Increasing investment activity; poised to go mainstream

Number of disclosed education deals by year in Africa (2004-2018)



| Value (M USD) | 2004-2008 | 2009-2013 | 2014-2018 |
|---------------|-----------|-----------|-----------|
|               | ~ 47M     | ~161M     | ~715M     |

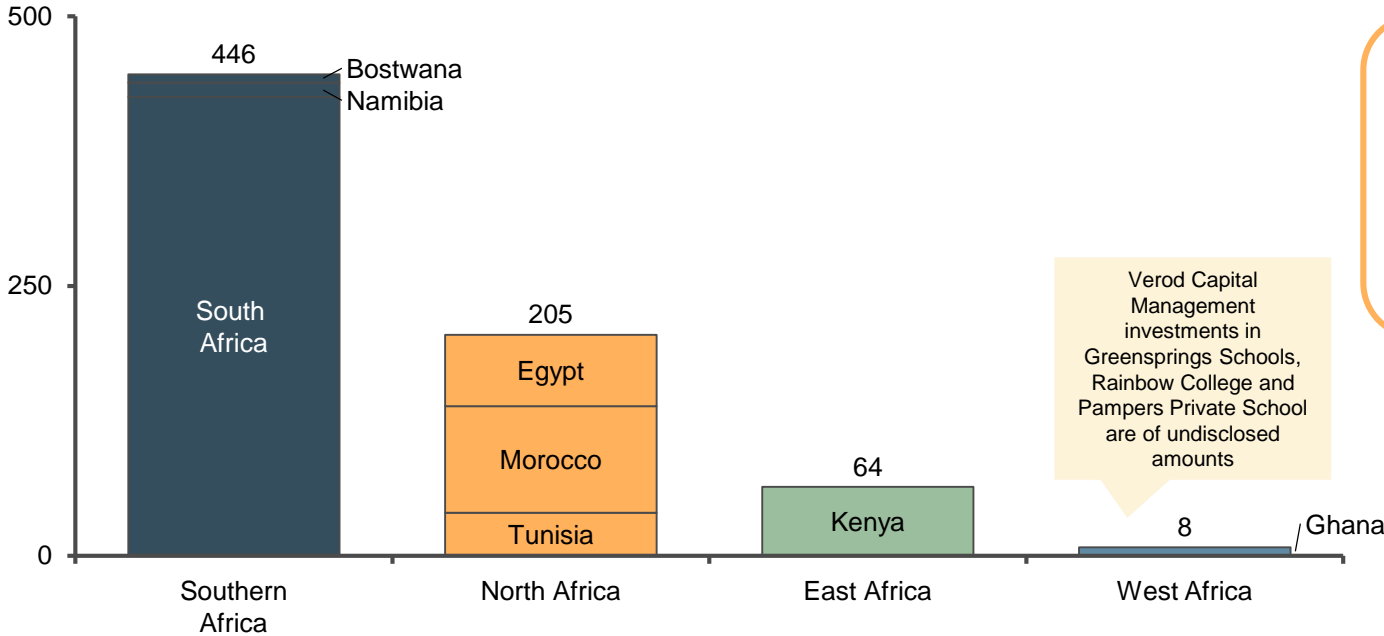
## Largest Deals in Africa between 2004-2018

Deal value

|         |   |                                 |
|---------|---|---------------------------------|
| Target: |    | <b>\$123M</b><br>(South Africa) |
| Bidder: |    |                                 |
| Target: |    | <b>\$65M</b><br>(South Africa)  |
| Bidder: |    |                                 |
| Target: |    | <b>\$56M</b><br>(Egypt)         |
| Bidder: |    |                                 |
| Target: |   | <b>\$55M</b><br>(South Africa)  |
| Bidder: |  |                                 |
| Target: |  | <b>\$54M</b><br>(Morocco)       |
| Bidder: |  |                                 |

# South and North Africa seeing most investment activity

**Total size of disclosed education deals  
(Millions of USD)  
2014-2018**



**\$800M+**  
**capital**  
Total disclosed capital  
deployed (2012-2018)

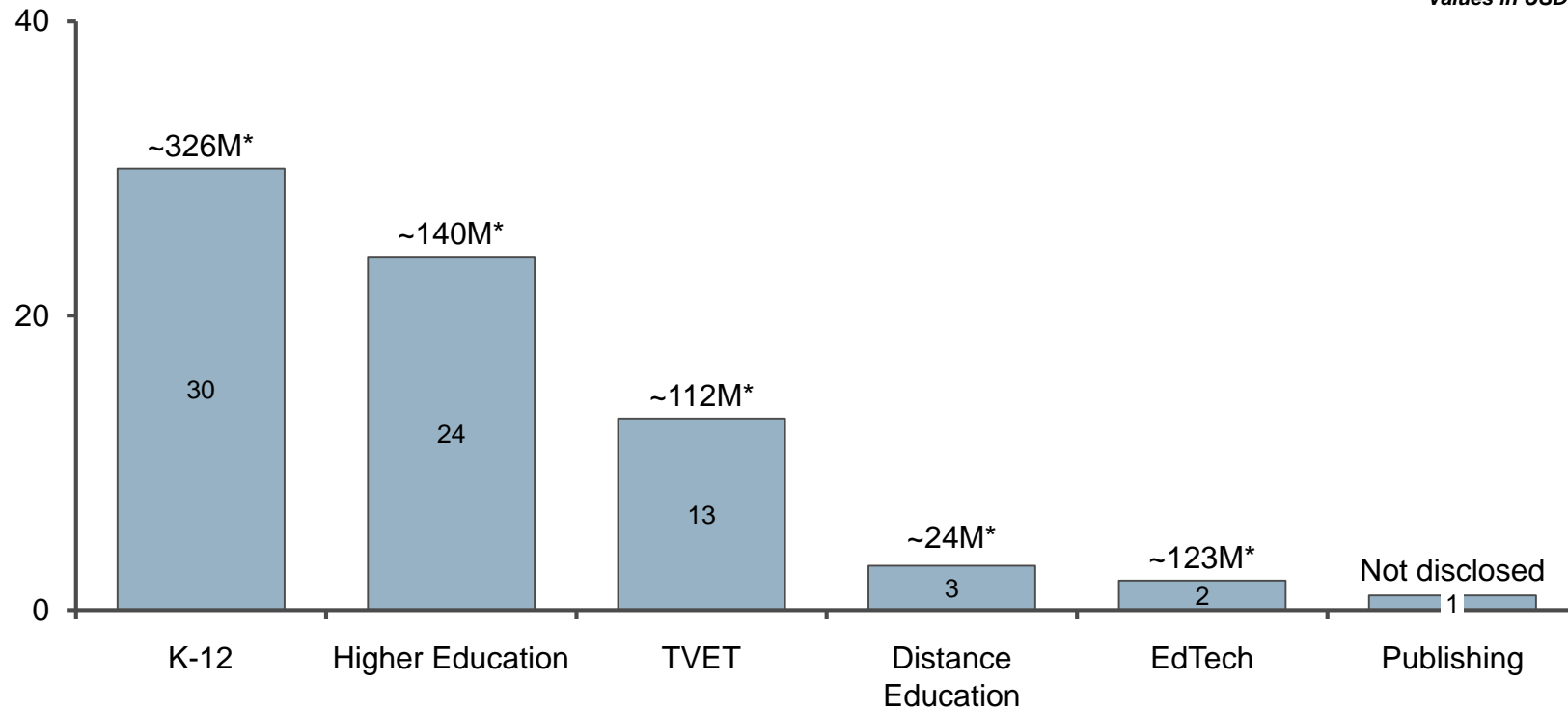
|                                  | Southern Africa | North Africa   | East Africa  | West Africa                    |
|----------------------------------|-----------------|--|--------------|--------------------------------|
| <b>Number of disclosed deals</b> | 23              | 7  | 6            | 1                              |
| <b>Average deal value</b>        | \$20M           | \$27M  | \$14M        | \$7.7M                         |
| <b>Target</b>                    | getsmarter      | M.T.S.B. Middle East Technical School, Ministry of Education, British School | St. Ignace's | INTERNATIONAL COMMUNITY SCHOOL |
| <b>Bidder</b>                    | 2U              | EFGHERMES  | EDUCAS       | AFRICINVEST                    |

Source: Mergermarket, Investor reports, Company websites

# Core delivery sectors lead the way

Number of deals in Africa, By segment of education and total disclosed deal value\*  
2014-2018

\*Values in USD millions



|               |  |                                |  |  |  |  |  |
|---------------|--|--------------------------------|--|--|--|--|--|
| <b>Target</b> |  |                                |  |  |  |  | <b>Deals in Africa by education sub-sector</b> |
| <b>Bidder</b> |  | <b>KMR Holding Pedagogique</b> |  |  |  |  |  |

Note: \*Number of deals includes both deals with disclosed and undisclosed values  
Source: Mergermarket, Investor reports, Company websites

# Education Sector Investments in Africa: Key Trends

## 1 Platform Building

| Sector           | Investor | Target | Geography    |
|------------------|----------|--------|--------------|
| Higher Education |          |        | Pan-Africa   |
| Higher Education |          |        | Morocco      |
| K-12             |          |        | Africa       |
| K-12             |          |        | Nigeria      |
| K-12             |          |        | Ghana        |
| TVET             |          |        | South Africa |

## 2 Global brands and branch campuses

| Sector           | Investor | Target | Geography                |
|------------------|----------|--------|--------------------------|
| Higher Education |          | -      | Ghana                    |
| Higher Education |          |        | South Africa             |
| Higher Education |          | -      | Morocco and South Africa |
| Higher Education |          |        | South Africa             |
| TVET             |          | -      | Nigeria                  |

## 3 Local consolidation and geographic diversification across Africa

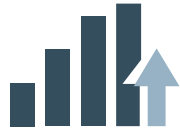
| Sector                    | Investor | Target   | Geography    |
|---------------------------|----------|----------|--------------|
| K-12 and Higher Education |          |          | Zambia       |
|                           |          |          | Kenya        |
|                           |          |          | Kenya        |
| Higher Education          |          | <br><br> | South Africa |
| K-12                      |          | <br>     | Kenya        |

## 4 Innovation driving venture capital investment

| Sector              | Investor | Target | Geography    |
|---------------------|----------|--------|--------------|
| Higher Education    | <br>     |        | Nigeria      |
| E-learning          | <br>     |        | Kenya, Ghana |
| Vocational training | <br>     |        | Africa       |
| EdTech              |          |        | South Africa |



# Emerging Opportunities: Mid-Price & Budget K-12 Schools



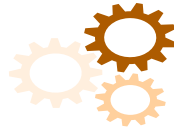
## Demand Drivers



Poor Quality of Public Education



Rising Middle Class



## Business Model Innovation



Teachers



Technology



Infra/ Capex



## Evidence of Success



**NOVA PIONEER**  
SCHOOLS FOR INNOVATORS & LEADERS



**SPARK™**  
Schools



**FIS** FLIPPER INTERNATIONAL SCHOOL  
ፍሊፕፐር ኢንተርናሽናል ትምህርት ቤቅ

|                      |        |        |        |
|----------------------|--------|--------|--------|
| Avg. Fee Point (USD) | \$5.5K | \$3.5K | \$1.0K |
|----------------------|--------|--------|--------|

Note: <sup>1</sup>Includes Lagos, Luanda, Abuja, Accra, Cairo, Cape Town, Pretoria, Addis Ababa, Durban, Nairobi, Casablanca, Johannesburg, Kampala, Dar Es Salam and Tunis; assuming an average spend on education at 10% of annual disposable household income

Source: Euromonitor

# Emerging Opportunities: Working Adults Opportunity

---

Public sector seats alone are insufficient to meet student demand for tertiary education

<20% of the working age population holds a tertiary degree in the major African markets

# Emerging Opportunities: Supplementary Education

---

Note: Industry Participants interviewed n=5 (Egypt), n=7 (Nigeria), n=8 (South Africa)

Source: L.E.K. Research & Analysis, Industry Participant Interviews

# The key to succeed in Africa is by focusing on top cities which have a high concentration of the affluent population in the region

---

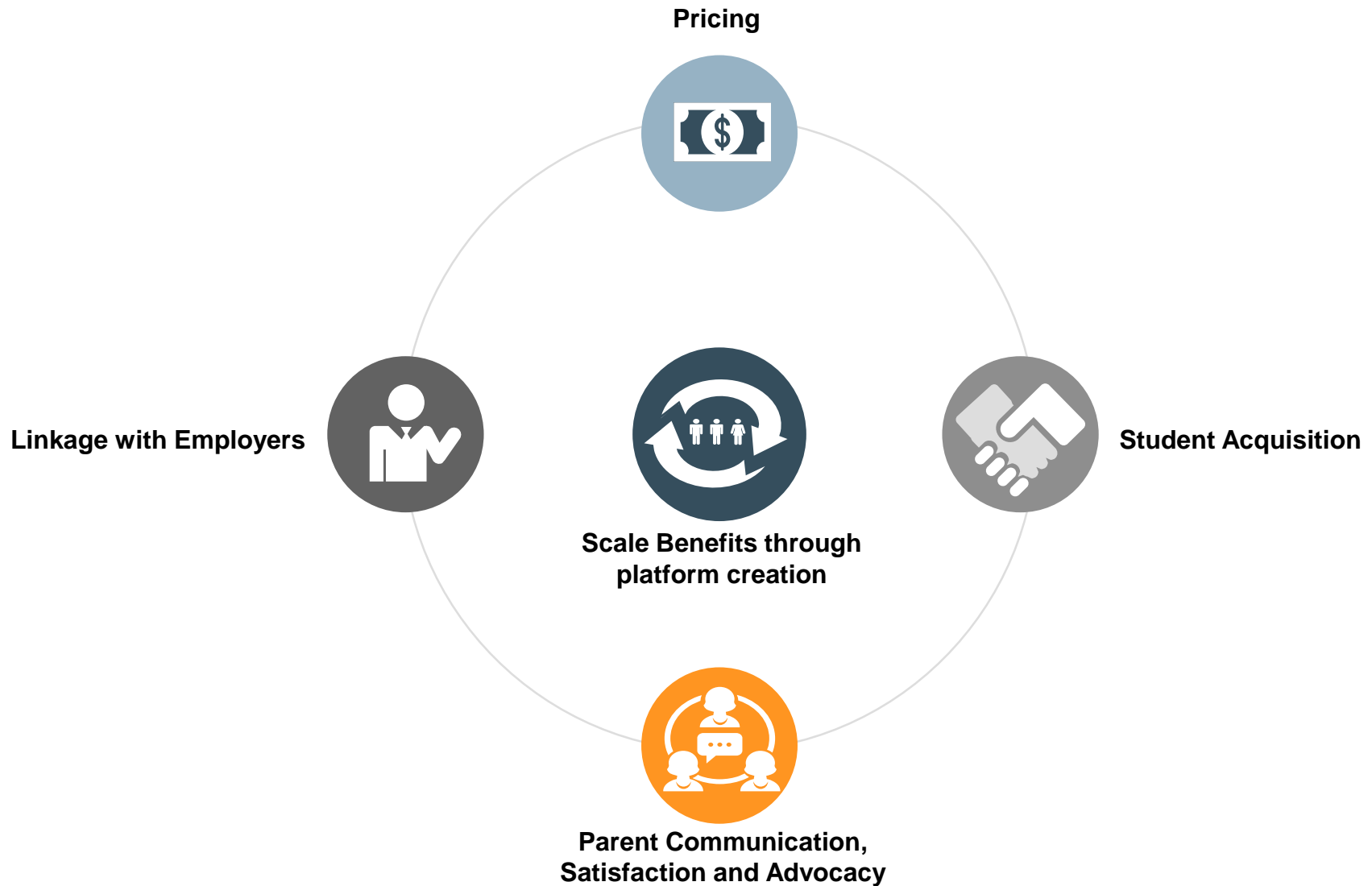
---

Note: <sup>1</sup>Definition of the city is as per Euromonitor, in some cases it can also refer to the greater metropolitan area

Source: Euromonitor, ISC Schools Survey

# Value Creation Levers for Investors

---



# L.E.K. Consulting's Global Education Practice Leaders

---



**Ashwin Assomull**

Partner

[a.assomull@lek.com](mailto:a.assomull@lek.com)



**Danish Faruqui**

Partner

[d.faruqui@lek.com](mailto:d.faruqui@lek.com)



**Anip Sharma**

Partner

[Anip.Sharma@lek.com](mailto:Anip.Sharma@lek.com)



**Sudeep Laad**

Principal

[s.laad@lek.com](mailto:s.laad@lek.com)



**Maryanna Abdo**

Senior Manager

[m.abdo@lek.com](mailto:m.abdo@lek.com)

# Appendix

---

# Regional spotlight: themes and trends across regions

## North Africa

- a. Healthy price points have resulted in scalability of education businesses (compared to rest of Africa)
- b. K12: Double digit growth in K12 segments in Egypt, Morocco driven by demand for private/private international schools focusing on English/French based education
- c. Strong growth in tertiary education despite regulatory restrictions (e.g. capacity, price caps in Egypt). Strong M&A activity – **Honoris United Universities** (**University Central** in Tunisia; **Mundialopis, EMSI** in Morocco); **Helios, DPI and MCP** invest in **KMR**, **KMR** acquires **UIC Laureate** (Morocco), **LCI Education** acquires **HEM** (Morocco), **CI Capital Holdings** invests in **Taaleem (NUB)** in Egypt
- d. Egypt market open for foreign branch campuses however still to be translated into action

## East Africa

- a. Strong growth in K12 segment driven by increase in affordability and demand for quality;
  - i. Mid-price segment sees high growth (**ADvTECH Makini, Fanisi Capital – Kitengela, Nova Pioneer** expanding and operating multiple schools)
  - ii. Premium segment sees consolidation (**GEMS acquired Hillcrest**) as well as new school opening (**Brookhouse Runda, Inspired** and **Crawford, ADvTECH**)
- b. Strong demand in tertiary and TVET resulting in scalability however price points continue to be low - M&A activity yet to take-off
- c. Rwanda continues to be a hub for EdTech innovation

## West Africa

- a. Nigeria is the largest addressable market, however Accra and Ivory coast are emerging to be preferred hubs for West Africa
- b. Strong fundamentals for growth in K12 driven by demand for quality education; Sector has attracted private equity investments from PE (**Verod Capital – Greensprings, Rainbow; AfricInvest ICS Ghana**)
- c. Strong demand for tertiary education and TVET however unemployment levels have resulted in subdued growth in tertiary sector; Foreign univ entering through branch campuses (such as **Lancaster Univ Ghana Campus**)

## Southern Africa

- a. Major listed companies (**ADvTECH** and **Curro**) continuing consolidation in both K12 and Higher Ed
- b. K12: Premium segment is either consolidated or marked by legacy schools; shift in focus to large and high growth mid-market/budget schools; Emergence of new age mid-market/budget private K12 such as **Nova Pioneer, Spark, Enko** etc.
- c. Tertiary space continues to see M&A – **Stadio** listing and continued acquisitive growth, **Investec** invested in **Richfield**, **ADvTECH** acquires **Monash South Africa** from **Laureate**; Strong demand for distance education – **Honoris United Universities, HUU (Actis)** holds **Mancosa, Regent**; Continued policy push on vocational sector through YES, BEE schemes

