



# Brazil Education Technology Market

L.E.K. Perspectives

February 2023

These materials are intended to supplement a discussion with L.E.K. Consulting. These perspectives will, therefore, only be meaningful to those in attendance. The contents of the materials are confidential and subject to obligations of non-disclosure. Your attention is drawn to the full disclaimer contained in this document.



## Agenda

- **Stock watch – Brazil v/s Other International markets**
- **Brazil Education Technology market – Key Trends and Themes**

# Key observations based on the performance of the Brazil stock index vis-à-vis the global peers

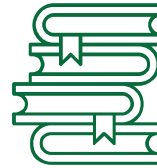
Stock performance



Themes



**1** Brazil's stock index has performed better relative to the other major global indices in the last two years. Similarly, the Brazil tech stocks have performed better relative to the global tech indices in that timeframe



**2** Within Ed-tech, LATAM has performed better than the other markets in recent years (21-22) and within Education, the performance has been similar to other global peers



**3** Companies with profit growth have witnessed an increase in the stock price vis-à-vis companies growing revenue at the cost of margins

# Key observations based on the performance of the Brazil stock index vis-à-vis the global peers

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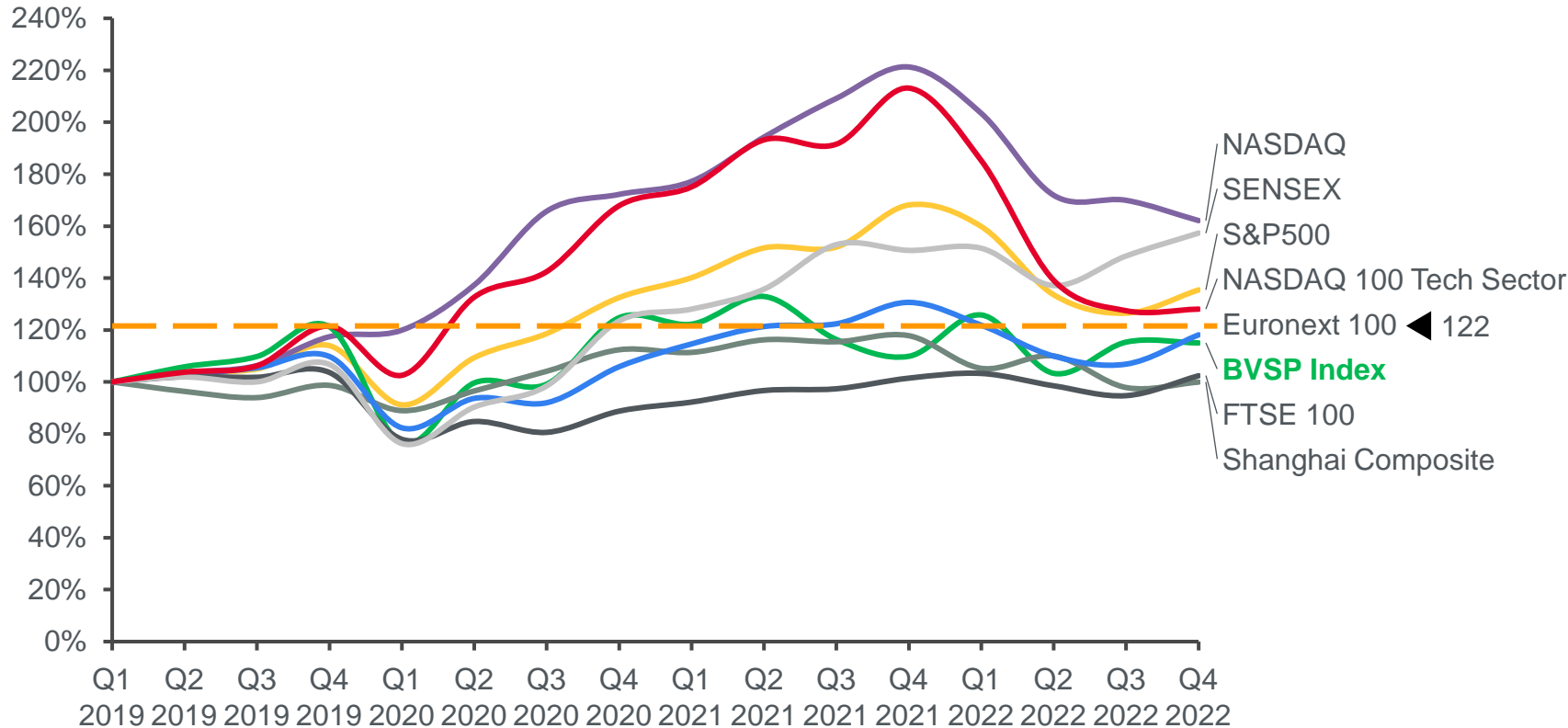
# While global indices have declined in value, BVSP has demonstrated resilience especially between 2021 and 2022

Stock performance

Brazil Resilience

## Major stock market indices performance Q12021-Q42022

Percentage change



### Year-on-Year percentage change in index movement<sup>1</sup>

	2020-21	2021-22
	28%	(27%)
	22%	4%
	27%	(19%)
	27%	(40%)
	23%	(10%)
	60%	5%
	14%	1%
	5%	(15%)
<b>Avg.</b>	<b>26%</b>	<b>(13%)</b>

Note: <sup>1</sup>Price movement calculated from the change in price of underlying index from the 4<sup>th</sup> quarter of more recent year over 4<sup>th</sup> quarter of previous year  
 Source: Thomson Reuters, L.E.K. research and analysis

# ~2/3 of technology-driven companies are currently trading below pre-pandemic 2020 prices, with some of the major tech indices declining to as low as ~50% from their pre-pandemic prices. However the tech stocks in Brazil have demonstrated resilience relative to other major tech indices

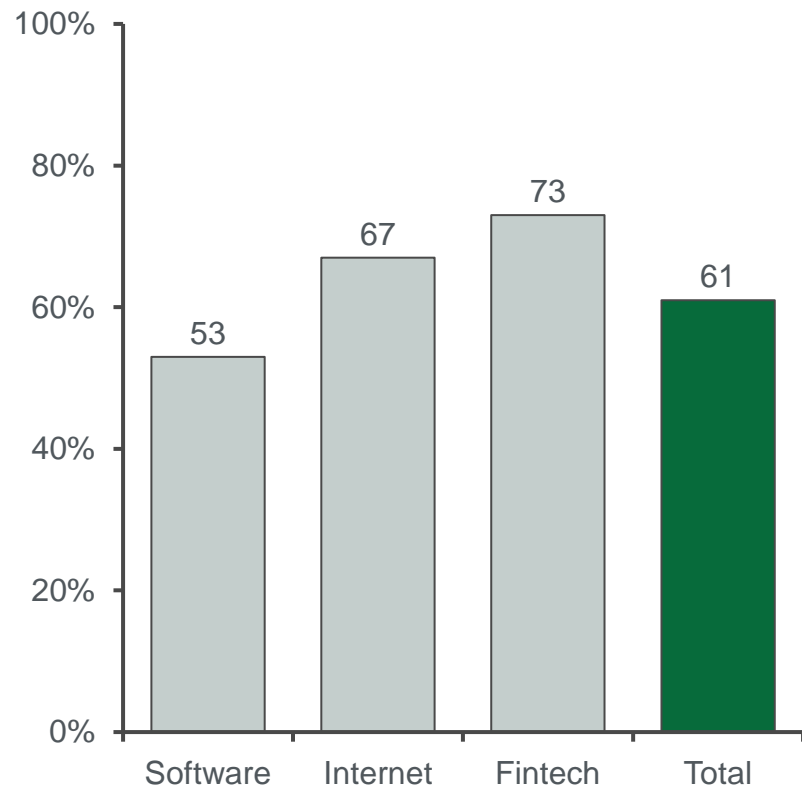
Stock performance

Brazil Resilience

% of Companies (global) with present prices<sup>1</sup> lesser than Pre-pandemic 2020 prices

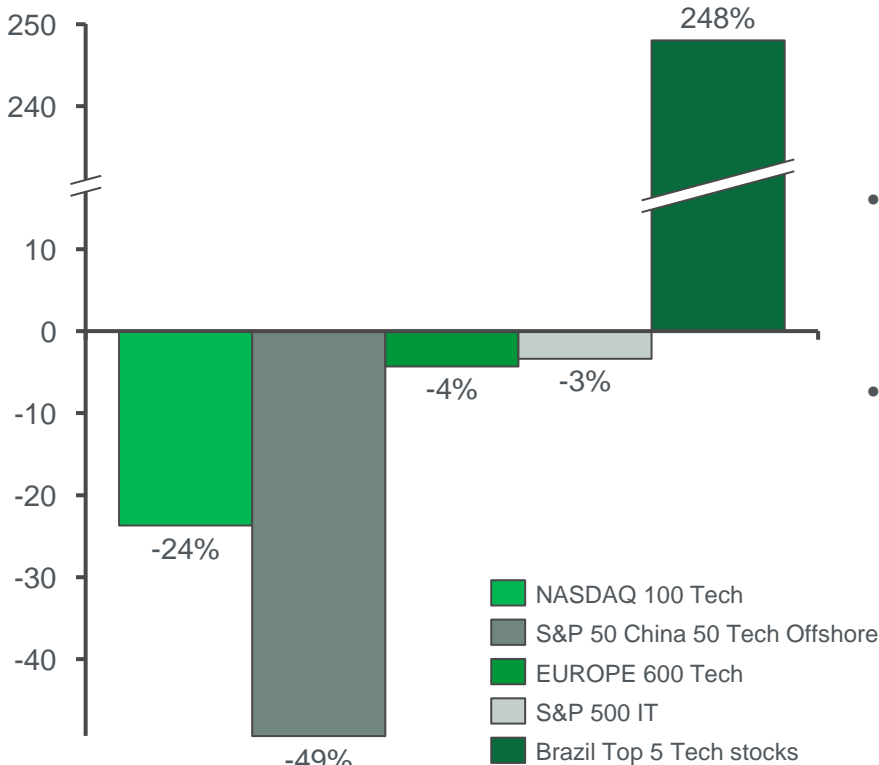
2022

Percentage



Major technology indices price movement from 2020 to 2022  
2020-22<sup>1</sup>

Percentage change



## Commentary

- Investors in tech stocks have changed their perspective since late 2021, in line with the macroeconomic trends - **persistent inflation, war, and the looming recession**
- This has caused some of the tech indices major indices to fall as much as 49% even from their post pandemic prices
- 50-60% of Software, Internet and Fintech companies are currently trading at prices lower than their pre-pandemic prices

*"Brazil is trading at a 30% discount to historical averages, while the rest of the world is at a 5% premium, "There should be positive equity returns on a 12- to 24-month view"*

*-- Daniel Gewehr, portfolio manager at São Paulo-based WHG Asset.*

Note: <sup>1</sup>All prices are captured in May 2022, Year-on-Year changes in price are calculated from 4<sup>th</sup> quarter of recent year over 4<sup>th</sup> quarter of previous year. For BOVSPA (Brazil) since there isn't any tech index, a weighted average of the prices of top 5 (Multilaser, Intebras, Positivo, Allied Technology, Livetech) tech stocks (taking weights in the ratio of their free float market capitalization) has been taken

Source: Sequoia Capital, L.E.K. research and analysis

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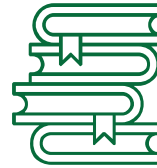
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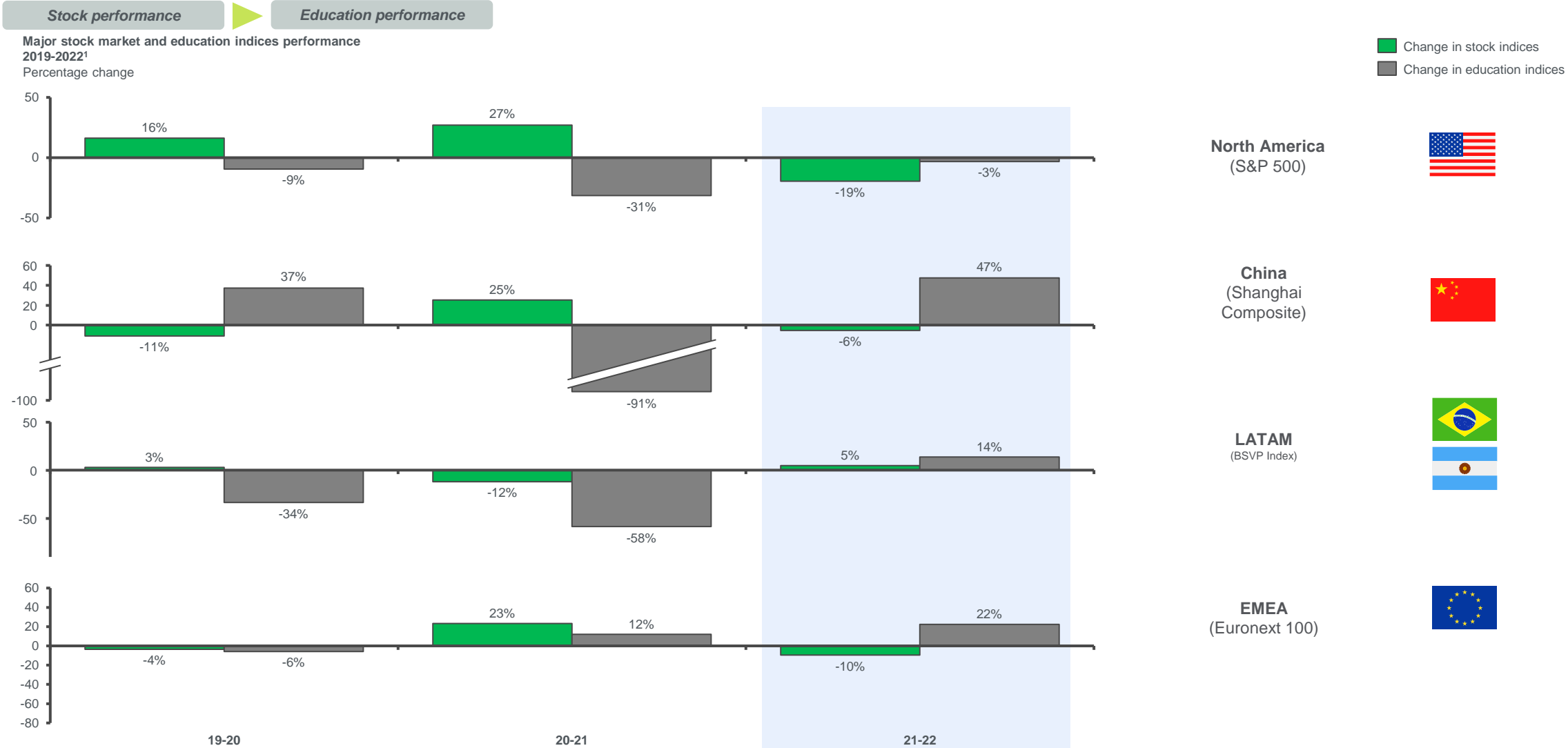


**2** Within Ed-tech, LATAM has performed better than the other markets in recent years (21-22) and within Education, the performance has been similar to other global peers



**3** Companies with profit growth have witnessed an increase in the stock price vis-à-vis companies growing revenue at the cost of margins

# Over the past one year, Latin America and China Stock and education indices are observed to be more resilient than other geographies



North America  
(S&P 500)



China  
(Shanghai Composite)



LATAM  
(BSVP Index)



EMEA  
(Euronext 100)





# While in traditional education Latin America has performed broadly in line with other global markets however in Ed-tech Latin America and China are observed to be more resilient than other geographies over the past one year

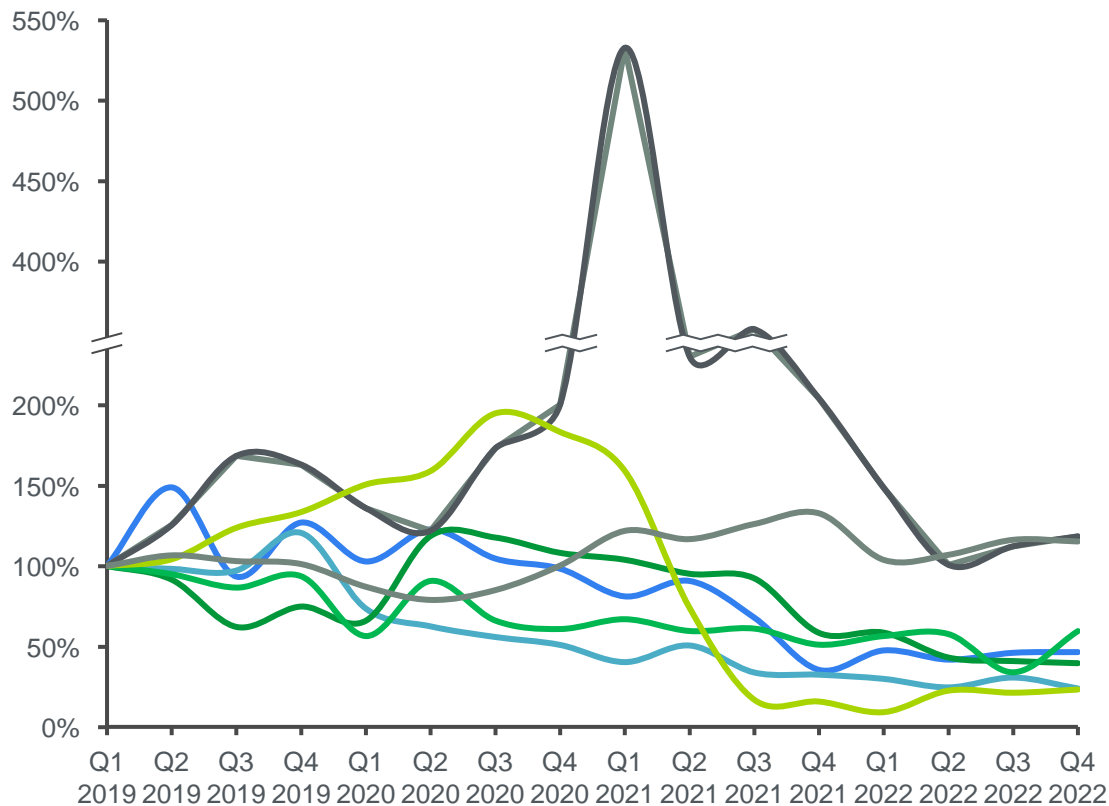
Stock performance

Education performance

## Security price<sup>1</sup> movement by sector and region

Q12019-Q42022

Percentage change



- Shift toward distance learning supported by the EdTech
- High investments in new-age technology in developing nations

- Federal Reserve hiked interest rates led to a decline in M&A
- Ed-tech saw a growth phase from 2016-2019 followed by decline due to recovery of existing providers post covid

- Regulatory change in 2021 issuing price guidelines and restricting for-profit firms
- Firms pivoted operations and normalized to stabilization

- Historical decline due to strong competition from online education and the absence of regulatory pull factors
- The decline was largely due to weak Brazilian economic growth from 2019 onwards further accentuated by Argentine crisis

**Latin America EdTech<sup>2</sup>**

**North America EdTech**

**China EdTech**

**EMEA EdTech**

**Latin America Education<sup>2</sup>**

**US Education**

**Global Education**

## Year-on-Year change

	2019-20	2020-21	2021-22
Latin America EdTech <sup>2</sup>	(23%)	(64%)	31%
North America EdTech	45%	(46%)	(32%)
China EdTech	37%	(91%)	47%
EMEA EdTech	23%	2%	(42%)
Latin America Education <sup>2</sup>	(58%)	(36%)	(26%)
US Education	(35%)	(16%)	17%
Global Education	(1%)	32%	(13%)

Note: <sup>1</sup>Stock prices were captured at the end of each quarter i.e., March, June, September, and December at closing price, <sup>2</sup>All Latin America stocks are Brazilian-based companies

Source: Thomson Reuters, L.E.K. research and analysis

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## Companies with earnings growth have a continued to maintain/grow stock price – Latin America (1/2)

Stock performance

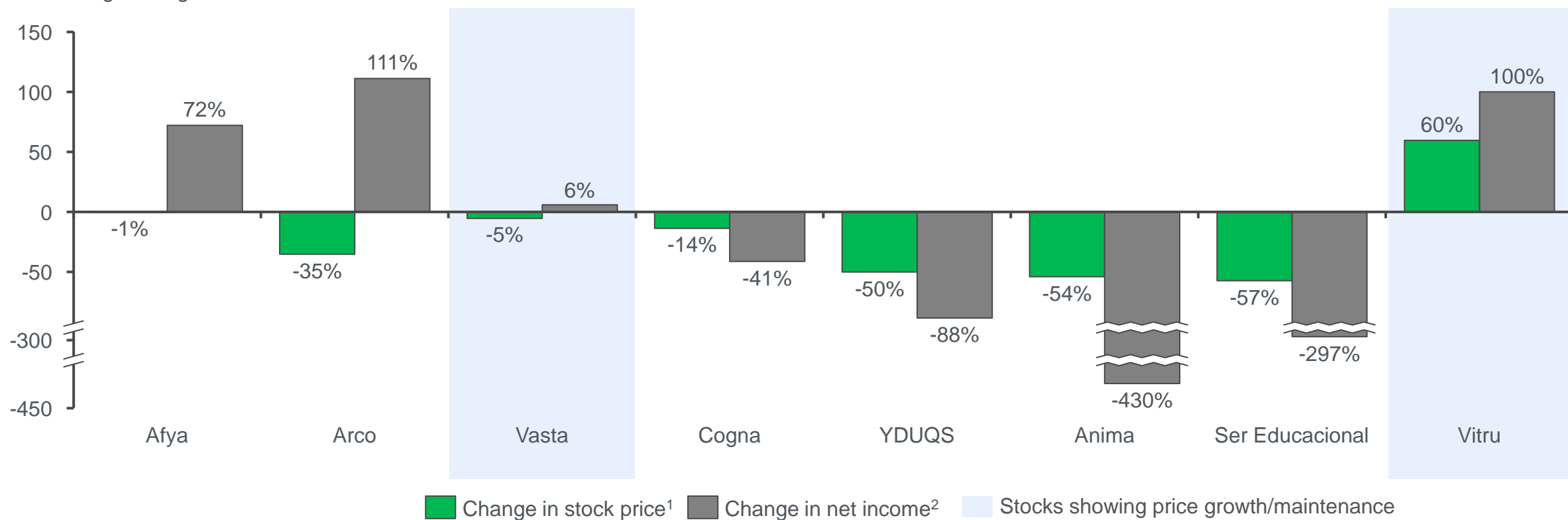


Education performance

### Selected education stock prices and key performance metrics

2021-22

Percentage change



Note: <sup>1</sup>Movement in prices are calculated from Q42021 to Q42022, <sup>2</sup>Change in net income is calculated from total net income of Q1-Q3 of 2021 comparing to Q1-Q3 of 2022

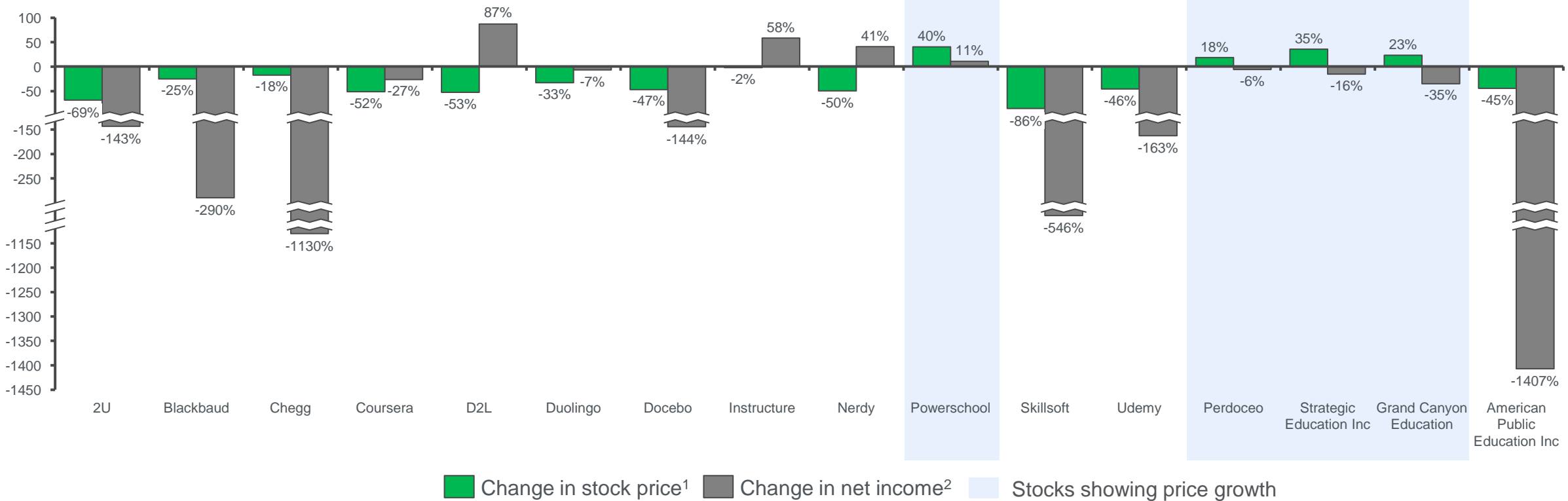
Source: Thomson Reuters, Sequoia Capital, L.E.K. research and analysis

# While earnings have declined for most companies In 2022, companies with appreciation in earnings/controlled decline in earnings have performed better in terms of stock price not facing a stick depreciation relative to others– North America (2/2)

Stock performance ▶ Education performance

## Selected education stock prices and key performance metrics

2021-22  
Percentage change



Note: <sup>1</sup>Movement in prices are calculated from Q42021 to Q42022, <sup>2</sup>Change in net income is calculated from total net income of Q1-Q3 of 2021 comparing to Q1-Q3 of 2022  
Source: Thomson Reuters, Sequoia Capital, L.E.K. research and analysis

# With rising cost of capital and reduced funding appetite, primarily, companies with demonstrated profitability along with consistent top-line growth have seen an increase in stock price

Stock performance



Outlook

## Near-Term



- The focus on **near-term momentum** is shifting toward **companies which can demonstrate current profitability**
- With the **rising cost of capital and downward pressure on spending power**, the market is signalling a strong preference for companies who can generate cash today

## Medium-Long Term



- Going forward, companies with **consistent revenue growth** and disciplined financial management that translates into **improving profit margin** are expected to **outperform the market as opposed to growing Revenue at compromised margins**



## Education Technology

- **Education technology** emerges as an exciting sector, with **Brazil hosting a majority of EdTech investments** in Latin America
- The Edtech companies with **differentiated propositions across value chain** stand out as **winners** in this sector

## Agenda

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- **Brazil Education Technology market – Key Trends and Themes**

# Key themes of Brazilian education technology sector

Brazil EdTech

Themes



1

Within Latin America, Brazil has seen majority of the investments in Education Technology



2

Based on the deal traction, underlying market, and demonstrated scale, six segments look attractive –  
Sistema/Courseware, Upskilling, Online Tutoring, LMS/SMS, Online ELT, HE Services



3

Within these six segments, there are 41 potentially attractive assets that are at different stages of growth



4

Key assets in this list have a differentiated proposition across the value chain

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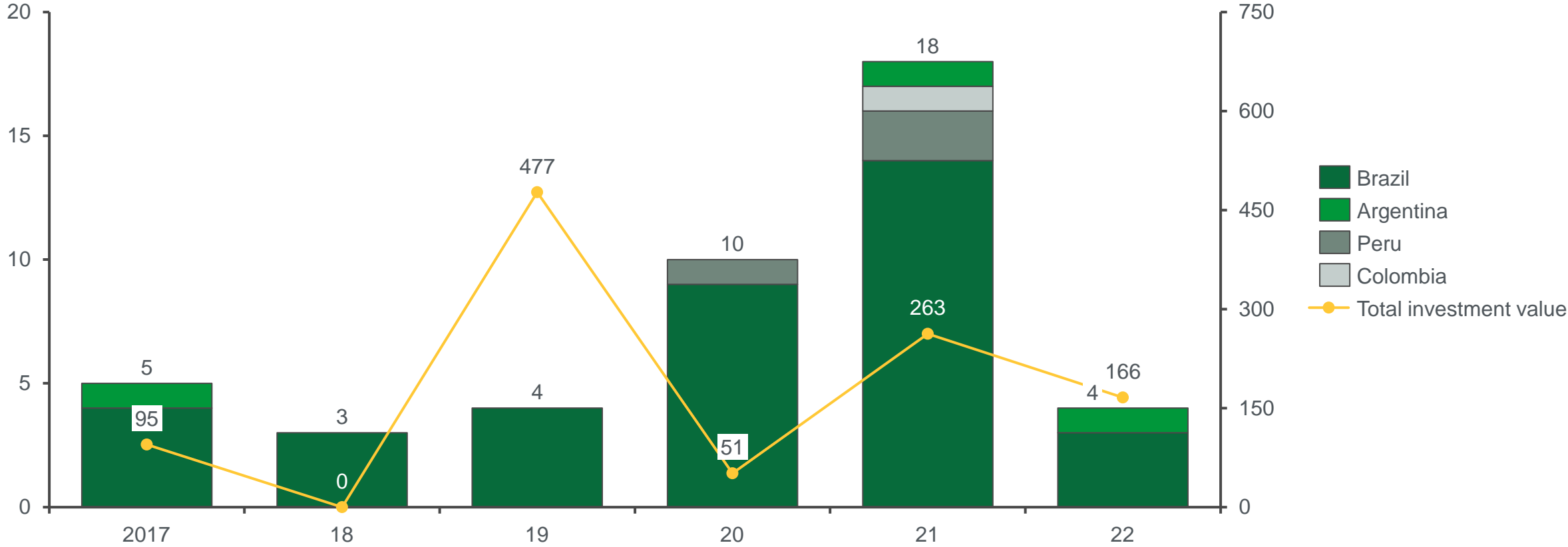


# Brazil has been attracting majority of education technology investment in Latin America

Brazil EdTech ▶ Investment trends

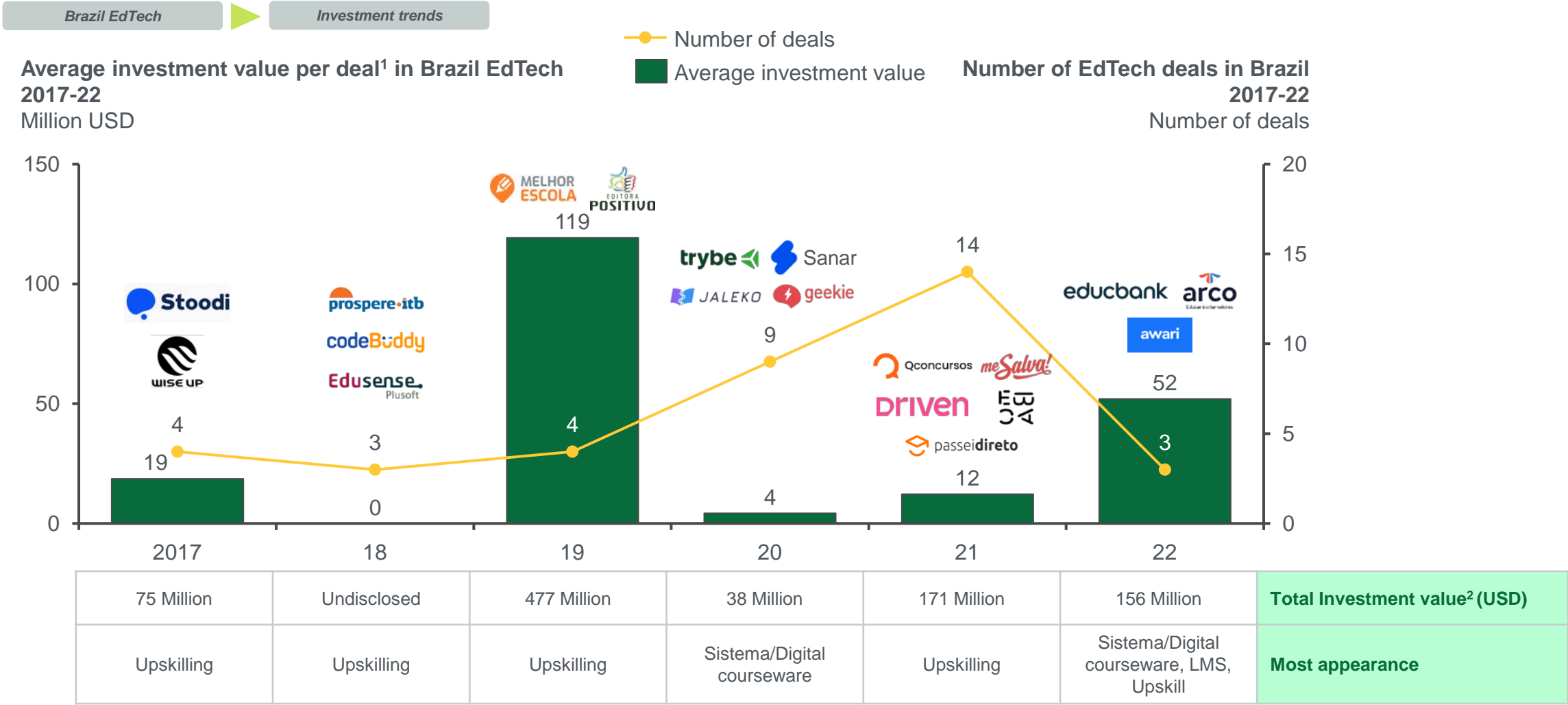
**Number of EdTech deals in Latin America 2017-22**  
Number of deals

**Investment value<sup>1</sup> to EdTech sector in Latin America 2017-22**  
Million USD



Note: <sup>1</sup>Some of the investment deals are undisclosed in value  
Source: Mergermarket, L.E.K. research and analysis

# Various segments of ed-tech assets have attracted investments in Brazil, lead by major investments in upskilling and digital courseware



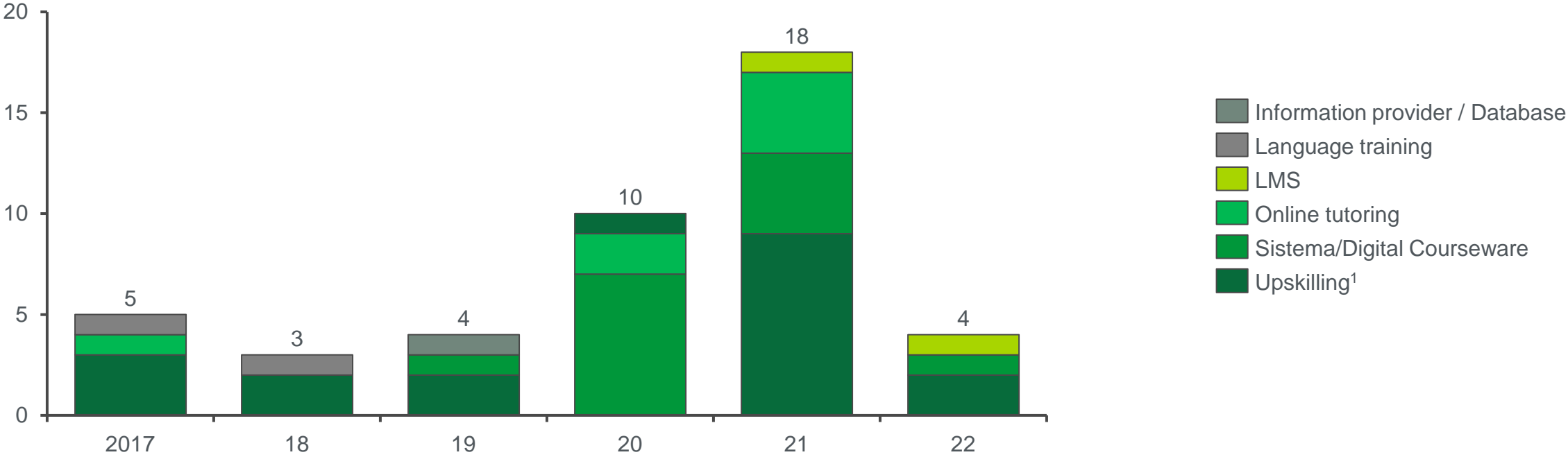
Note: <sup>1</sup>Some of investment deals are undisclosed in value, <sup>2</sup>Considered of all disclosed deals  
Source: Mergermarket, L.E.K. research and analysis

# Upskilling is the leading sub-segment in terms of number of deals in Latin America from 2017-21, followed by Sistema/Courseware, and online tutoring

Number of EdTech deals by sub-segment, LatAm region

2017-22

Number of deal

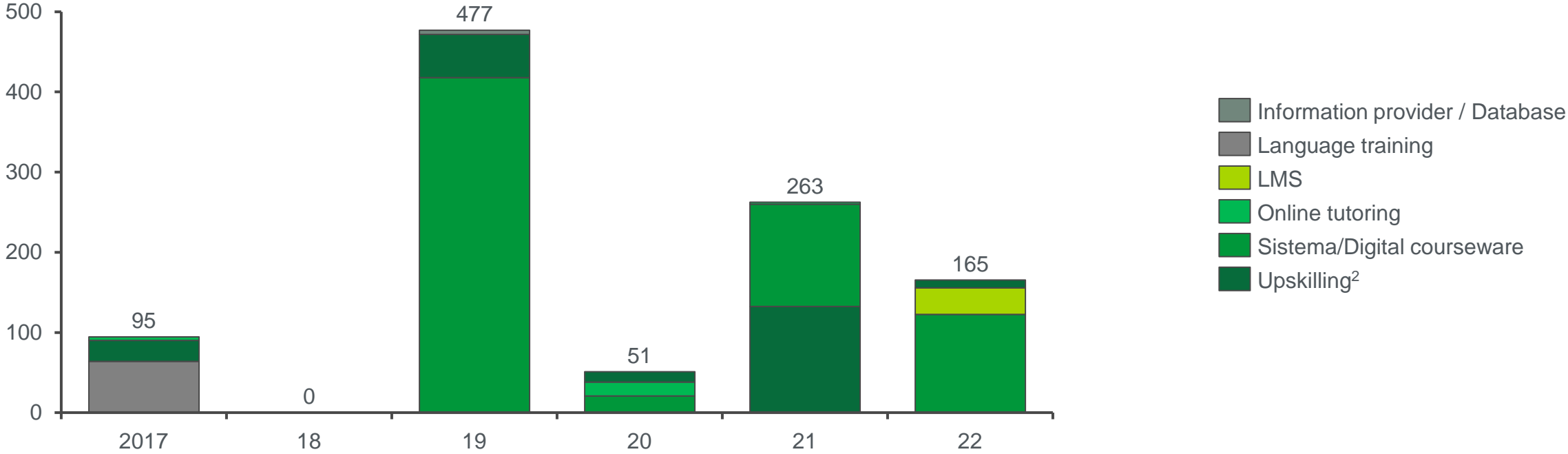


Upskilling	Upskilling	Upskilling	Sistema/Digital courseware	Upskilling	Upskilling	<b>Most appearance</b>
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Note: <sup>1</sup>Upskilling sub-segment includes corporate training providers  
 Source: Mergermarket, L.E.K. research and analysis

# Sistema/Digital courseware assets received the most investment in terms of value with ~ USD 700 million in Latin America's education technology sector

Investment value<sup>1</sup> in EdTech by sub-segment, LatAm region  
2017-22  
Million USD



Language training	Undisclosed	Sistema/Digital Courseware	Sistema/Digital Courseware	Sistema/Digital Courseware	Sistema/Digital Courseware	<b>Highest investment value segment</b>
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Note: <sup>1</sup>Some of investment deals are undisclosed in value, <sup>2</sup>Upskilling sub-segment includes corporate training providers  
Source: Mergermarket, L.E.K. research and analysis

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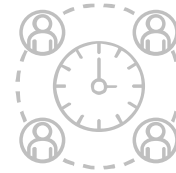
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
# 6 sub-segments have been identified as the most attractive areas within education technology in Brazil (based on investment attractiveness and deal activity) including courseware, upskilling, language training, LMS, online tutoring, and online HE support services

Brazil EdTech

Investment trends

Sub-Segments	Deals and investment <sup>1</sup>		Highlight deals	Sector attractiveness
 <b>Sistema / Digital courseware</b>	<b>13</b> Deals	<b>USD 689</b> Millions	General Atlantic, a PE firm, acquired ~37% of Arco worth ~USD 122 millions in 2022	
 <b>Upskilling / Corporate training</b>	<b>20</b> Deals	<b>USD 235</b> Millions	Base Partners, a VC firm, acquired ~11% of Trybe, an upskill provider, in its series B funding round in 2021	
 <b>Language training</b>	<b>2</b> Deals	<b>USD 64</b> Millions	Sforza Holding Group acquired 35% stake in Wise-Up, a Brazil-based language school in 2017	
 <b>Learning Management System</b>	<b>2</b> Deals	<b>USD 33</b> Millions	Undisclosed information	
 <b>Online tutoring</b>	<b>7</b> Deals	<b>USD 25</b> Millions	Somos Educacao invested ~USD 4.5 millions in Stoodi in 2017	
 <b>Online HE support services</b>	<b>1</b> Deals	<b>USD 1</b> Millions	Undisclosed information	
 <b>Information provider / Database</b>	<b>1</b> Deal	<b>USD 5</b> Millions	Quero Educacao invested ~USD 5 millions in Brazilian school finder platform, Melhor Escola in 2019	 <i>Specific investment to acquired database</i>

Note: <sup>1</sup>Recorded deals and investments from 2017 to 2022; some deals are not disclosed investment amount, Source: Mergermarket, L.E.K. research and analysis

**Legend**  Low investment attractiveness  
 High investment attractiveness

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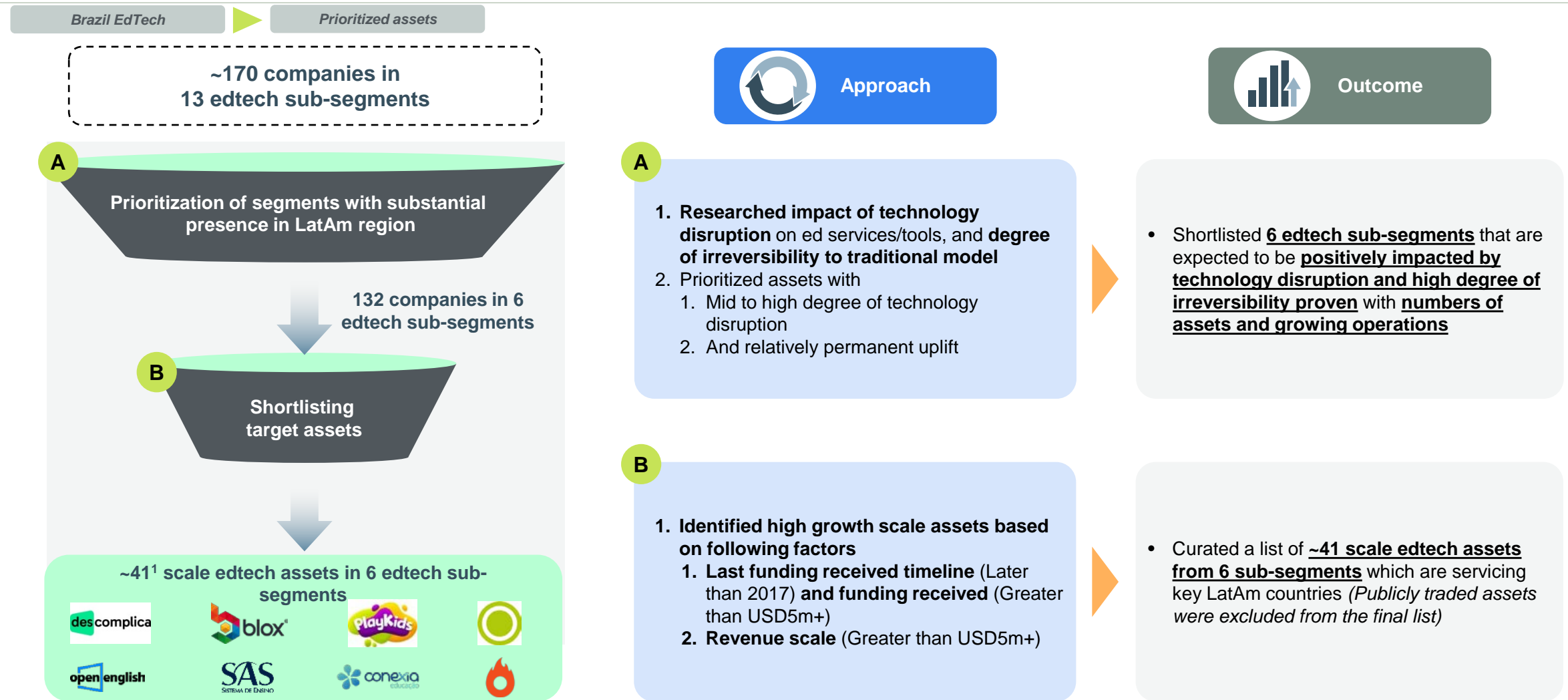
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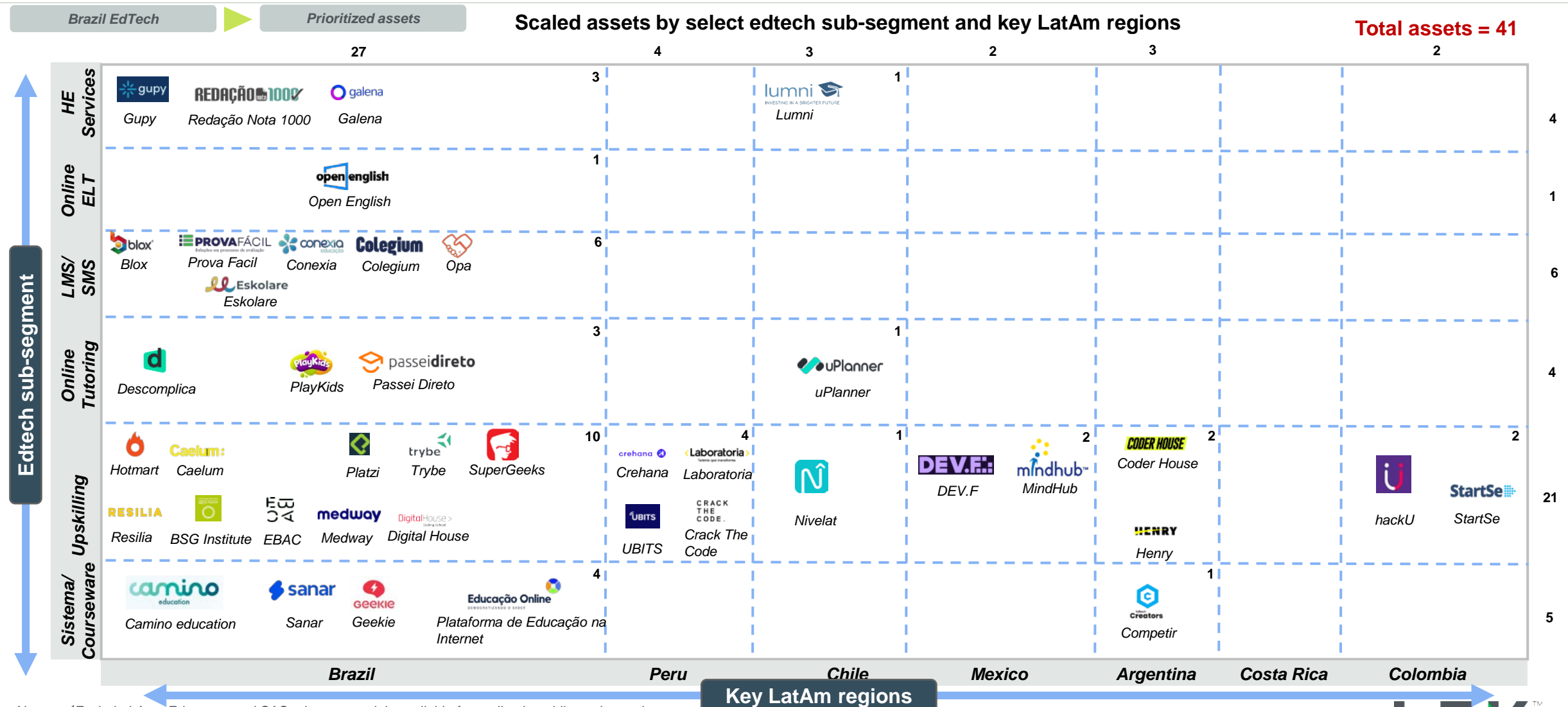
# There are 56 scale Ed-tech assets in LATAM across 6 of the top sub-segments



Note: <sup>1</sup>L.E.K. Consulting shortlisted a total of 43 scale edtech assets, of which 2 are publicly-traded asset, hence they were eliminated in the final recommended list  
 Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, company website, L.E.K research and analysis

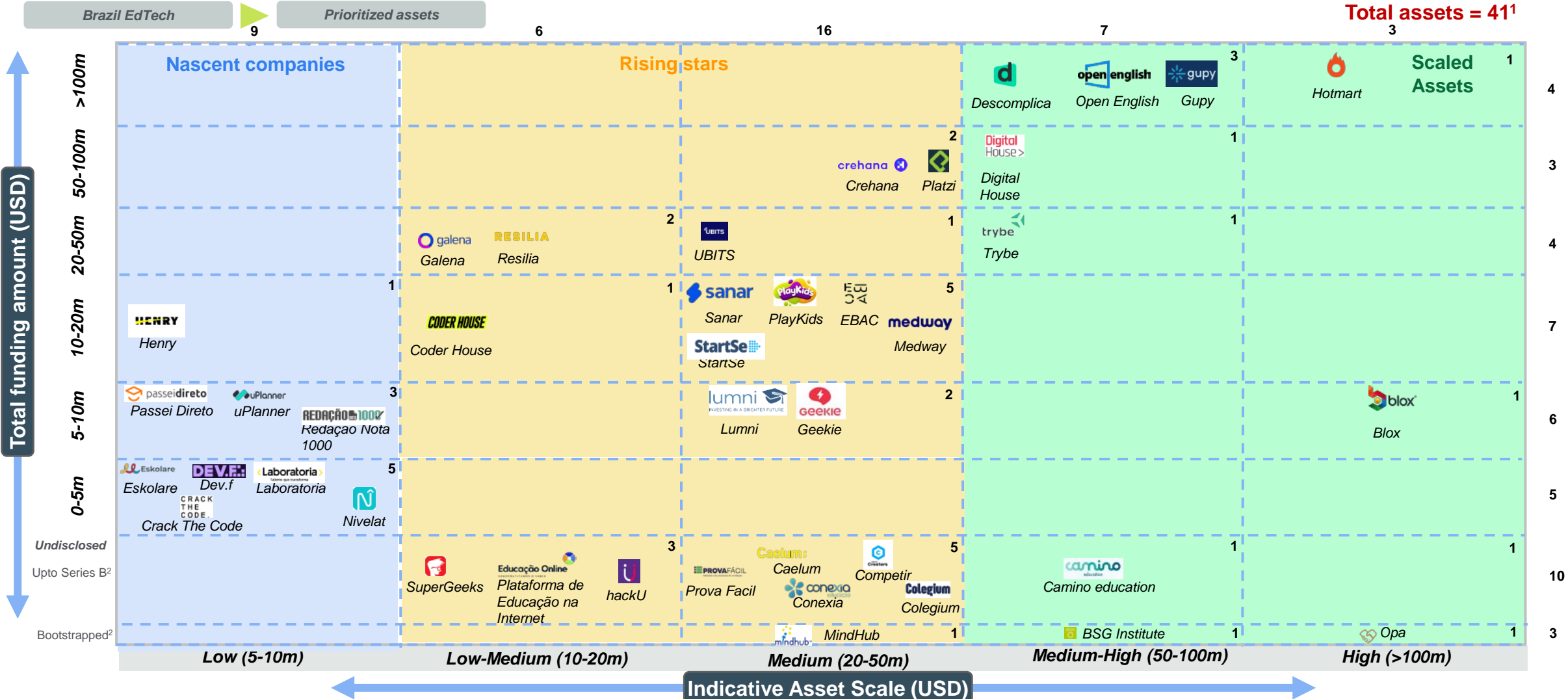


# Upskilling, LMS, and Digital Courseware in Brazil have the highest number of scaled assets, while the major sub-segment in other Latin American countries is upskilling



Note: <sup>1</sup>Excluded Arco Educacao and SAS educacao as it is available for trading in public equity market  
 Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, company website, L.E.K research and analysis

# Assets with demonstrated scale and fundraise track record can be prioritized from the identified list as Nascent companies, Rising stars and Scaled Assets



Note: <sup>1</sup>Excluded Arco Educacao and SAS educacao as these are already trading in public equity market. <sup>2</sup>Indicative stage of funding based on secondary research Source: Mergermarket, Crunchbase, HolonIQ, various news articles and press releases, company website, L.E.K research and analysis

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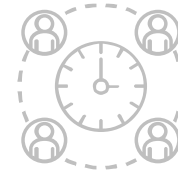
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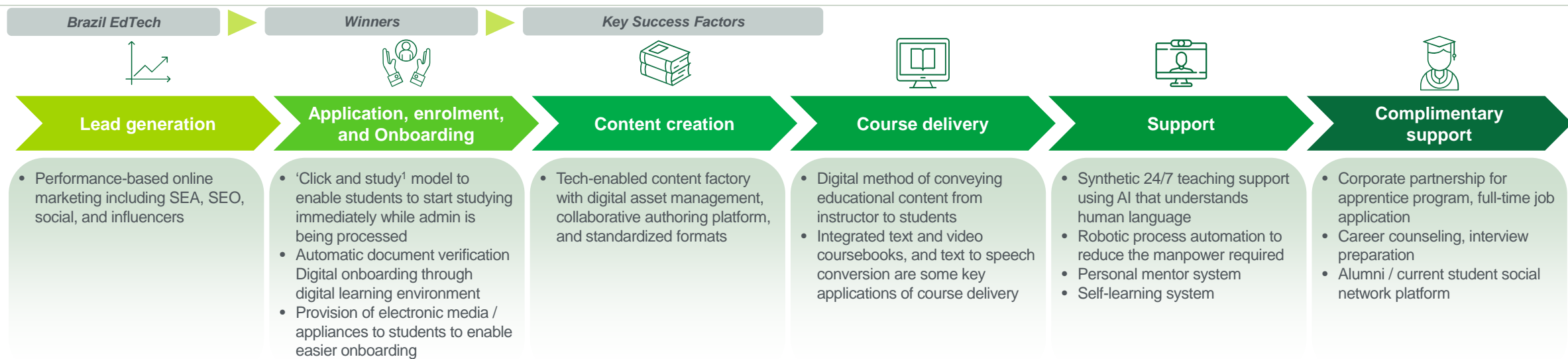
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# Investible assets in the winner sub-segments differentiate themselves throughout the customer journey, right from lead generation to support



<b>Upskilling</b>	<i>Key players focus on lead generation through content delivery further complimented with extensive support after user already consumed the content</i>		
<b>Online tutoring</b>	<i>Winners differentiate themselves right from onboarding, content creation, creativity in content delivery and continuous learning support</i>		
<b>Sistema / courseware</b>	<i>Leading providers are placing strong focus on providing a one-stop solutions and expanding their product offerings beyond digital content</i>		<i>Not applicable</i>
<b>LMS / SMS</b>	<i>Not applicable</i>	<i>There is an emphasis on providing a one-stop solution and expanding product offerings beyond core LMS / SMS</i>	<i>Not applicable</i>
<b>Online ELT</b>	<i>Winners differentiate themselves right from lead generation to student's support</i>		
<b>HE service</b>	<i>Leading providers are placing strong emphasis on delivery of supporting tools and extensive post-usage services</i>		

Note: <sup>1</sup>Click and study refers to the process in which students can begin their degrees without processing the whole suite of complete documentation which improves onboarding time for students  
 Source: L.E.K. research and analysis

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## Paradigm shift for growth capital: Asset watchlist – Latin America (1/4)

Brazil EdTech

Prioritized assets

No. 2	Asset	EdTech sub-segment	HQ Country	YoE	Revenue Scale (mUSD)	Last funding (Year)	Last funding (Stage)	Total Equity Funding / Market Cap (if listed) (mUSD)	Key Investors	Description
1.	 Hotmart	Upskilling	Brazil	2011	>100	2021	Series C	>100	General Atlantic and GIC	Platform to create online courses / digital business
2.	 Blox	LMS/SMS	Brazil	2017	>100	2021	Seed	5-10	Google, Bossanova Investimentos	Platform for educational institution to manage student's learning performance and institution operation
3.	 Opa	LMS/SMS	Brazil	2016	>100	(indicatively bootstrapped)	Undisclosed	Undisclosed	Undisclosed (bootstrapped)	Platform for student, teacher, school, and parent to communicate
4.	 Descomplica	Online tutoring	Brazil	2012	50-100	2021	Series E	>100	500 Startups, Social Capital, Amadeus Capital Partners, Valar Ventures, Valor Capital Group	Online tutoring for ENEM Brazil prep
5.	 Open English	Online ELT	Venezuela, Florida (HQ)	2007	50-100	2022	Series D	>100	TCV, Insight Partners, Flybridge	Online English course and learning resources
6.	 Gupy	HE services	Brazil	2015	50-100	2022	Series B	>100	Riverwood Capital, Soft Bank, Google, Oria Capital, Valor Capital Group, Canary	Recruitment and selection platform that uses artificial intelligence to make the process faster and more assertive
7.	 BSG Institute	Upskilling	Peru	2001	50-100	(indicatively bootstrapped)	Undisclosed	Undisclosed	Undisclosed (bootstrapped)	Programs and courses related to information technology education
8.	 Digital House	Upskilling	Brazil	NA	50-100	50-100	2021	50-100	Omidyar Network, Endeavor Catalyst	Online certified courses provider
9.	 Trybe	Upskilling	Brazil	NA	50-100	Series B	2021	20-50	Undisclosed	Online technical skills education provider

Source: Crunchbase, Mergermarket, L.E.K. Research & Analysis

Categorization based on funding and scale



Nascent



Rising stars



Scaled

INDICATIVE ESTIMATES












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## Paradigm shift for growth capital: Asset watchlist – Latin America (2/4)

Brazil EdTech

Prioritized assets

No.	Asset	EdTech sub-segment	HQ Country	YoE	Revenue Scale (mUSD)	Last funding (Stage)	Last funding (Year)	Total Equity Funding / Market Cap (if listed) (mUSD)	Key Investors	Description
20.	 Camino Education	Digital courseware	Brazil	2019	50-100	Series A	2019	Undisclosed	Kaszek Ventures	A platform providing an active learning platform to support schools worldwide
21.	 Geekie	Digital courseware	Brazil	2011	20-50	Series B	2015	5-10	Mitsui & Co, Omidyar Network, Gera Venture Capital, Virtuose	a web-based platform providing personalized educational content using adaptive learning technology
22.	 UBITS	Upskilling	Colombia	2013	20-50	Series B	2022	20-50	Riverwood Capital, Owl Ventures, Stanford Graduate School of Business	Upskilling and reskilling platform focusing on corporate employee
23.	 Coder House	Upskilling	Argentina	2019	10-20	Series A	2021	10-20	Monashees	Live online courses in programming, design, data, and marketing
24.	 SuperGeeks	Upskilling	Brazil	NA	10-20	Seed	Undisclosed	Undisclosed	Undisclosed	A platform that educates children and adolescents on programming and robotics
25.	 Galena	Online HE support services	Brazil	2020	10-20	Series A	2022	20-50	Altos Ventures, Exor Seeds	Pre-employment platform that support recruitment process
26.	 Resilia	Upskilling	Brazil	NA	10-20	Series B	2022	20-50	Undisclosed	Upskilling platform with emphasis in training full-stack developers
27.	 EBAC Online	Upskilling	Brazil	2020	20-50	Series A	2022	10-20	Baring Vostock Capital Partners	Offer short online courses with physical training in design, marketing, and coding
28.	 StartSe	Upskilling	Colombia	2014	20-50	Series A	2021	10-20	Undisclosed	Multidiscipline upskilling platform with physical solution
29.	 Medway	Upskilling	Brazil	2017	20-50	Series A	2022	10-20	Undisclosed	Offer online courses for medical professional and student
30.	 Crehana	Upskilling	Peru	2014	20-50	2021	Series B	50-100	Wayra, Clearly Social Angels, Rethink Education, Mountain Nazca, Acumen	Online certified courses provider

Source: Crunchbase, Mergermarket, L.E.K. Research & Analysis

Categorization based on funding and scale



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## Paradigm shift for growth capital: Asset watchlist – Latin America (3/4)

Brazil EdTech

Prioritized assets

No.	Asset	EdTech sub-segment	HQ Country	YoE	Revenue Scale (mUSD)	Last funding (Stage)	Last funding (Year)	Total Equity Funding / Market Cap (if listed) (mUSD)	Key Investors	Description	
10.	 Lumni	Online HE Support Service	Chile	NA	20-50	Series A	2021	5-10	Undisclosed	Provides funding for HE	
11.	 Prova Facil	LMS/SMS	Brazil	1999	20-50	Series B	2013	Undisclosed	Confrapar	Automates the process of creating, applying, and correcting exam	
12.	 Caelum	Upskilling	Brazil	2004	20-50	(indicatively pre Series B)	2017	Undisclosed	Crescera Investimentos	Online courses provider (technical skills)	
13.	 Competir	Digital courseware	Argentina	1998	20-50	(indicatively pre Series B)	Undisclosed	Undisclosed	Undisclosed	Content solutions for schools and home school	
14.	 Colegium	LMS/SMS	Chile	NA	20-50	(indicatively pre Series B)	Undisclosed	Undisclosed	Undisclosed	School management system that handle administration tasks	
15.	 Conexia	LMS/SMS	Brazil	NA	20-50	(indicatively pre Series B)	Undisclosed	Undisclosed	Undisclosed	Platform to help teacher and student improve outcome through performance management	
16.	 Mindhub	Upskilling	Mexico	NA	20-50	Bootstrapped	Undisclosed	Undisclosed	Undisclosed (bootstrapped)		
17.	 PlayKids	Online tutoring	Brazil	2013	20-50		2015	Undisclosed	10-20	MOBILE	Tech and literature-based learning content for kids
18.	 Sanar	Digital courseware	Brazil	2014	20-50	Series B	2022	10-20	DNA Capital, Valor Capital Group, e.bricks Ventures, Vox Capital	Digital healthcare educational platform	
19.	 Platzi	Upskilling	Brazil	2012	20-50	Series B	2021	50-100	Prosus, Foundation Capital, Google	Online education platform offers classes on marketing, programming, business, and design	

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## Paradigm shift for growth capital: Asset watchlist – Latin America (4/4)

Brazil EdTech		Prioritized assets										
No.	Asset	EdTech sub-segment	HQ Country	YoE	Revenue Scale (mUSD)	Last funding (Stage)	Last funding (Year)	Total Equity Funding / Market Cap (if listed) (mUSD)	Key Investors	Description		
31.	Crack The Code	Upskilling	Peru	2021	5-10	Seed	2021	0-5	Undisclosed	Online academy empowering children and youth through code and technology.		
32.	Henry	Upskilling	Argentina	2020	5-10	Series A	2022	10-20	Accion Venture Lab, Y Combinator	Platform that tailor online courses to developer and data scientist		
33.	Passei Direto	Online Tutoring	Brazil	2020	5-10	Series B	2020	5-10	Bossanova Investimentos, Headline, Valor Capital Group, etc.	Largest study platform in Brazil with access to study material and videos		
34.	Eskolare	LMS/SMS	Brazil	2021	5-10	Seed	2021	0-5	Bossanova Investimentos	Provider of a a fully customized platform for online sales for education		
35.	Laboratoria	Online Tutoring	Peru	2017	5-10	Seed	2017	0-5	Undisclosed	An online tutoring platform specially dedicated to women		
36.	Plataforma de Educacao na Internet	Sistema/Courseware	Brazil	2014	10-20	(indicatively pre Series B)	2014	Undisclosed	General Atlantic	A platform developing content, technology, and services for schools in Brazil		
37.	Nivelat	Upskilling	Chile	2021	5-10	Pre-seed	2021	0-5	CORFO	A learning platform for companies using AI, Gamification, and Microlearning		
38.	uPlanner	LMS/SMS	Chile	2021	5-10	Series B	2021	5-10	Wayra, Acumen LatAm Impact Ventures, Scale Capital	Management software to integrate current EdTech with AI-based platforms		
39.	Dev.f	Upskilling	Mexico	2020	5-10	Seed	2020	0-5	Capital Invent	Platform providing online courses people in an accessible and inclusive way		
40.	Redacao Nota 1000	HE Services	Brazil	2016	5-10	Seed	2016	5-10	Leonardo Teixeira	An online writing correction platform that provides a structured and detailed evaluation of each text.		
41.	hackU	Upskilling	Colombia	NA	10-20	Pre-seed	2021	Undisclosed	Undisclosed	An e-learning platform that provides education and training through WhatsApp		

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