



**International
Finance Corporation**
World Bank Group

The IFC in Support of Private Higher Education

Private Capital & Higher Education: roles, outcomes and possibilities

Leveling the International Playing Field
May 2011



IFC is a Member of the World Bank Group

IBRD
International Bank
for Reconstruction
and Development

Est. 1945

Role: To promote institutional, legal and regulatory reform

Clients: Governments of member countries with per capita income between \$1,025 and \$6,055.

Products:

- Technical assistance
- Loans
- Policy Advice

IDA
International
Development
Association

Est. 1960

To promote institutional, legal and regulatory reform

Governments of poorest countries with per capita income of less than \$1,025

- Technical assistance
- Interest Free Loans
- Policy Advice

IFC
International
Finance Corporation

Est. 1956

To promote private sector development

Private companies in member countries

- Equity/Quasi-Equity
- Long-term Loans
- Risk Management
- Advisory Services

MIGA
Multilateral
Investment and
Guarantee Agency

Est. 1988

To reduce political investment risk

Foreign investors in member countries

- Political Risk Insurance



Shared Mission: To Promote Economic Development and Reduce Poverty



Our Vision

That people should have the opportunity to escape poverty and improve their lives

We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments.

IFC Objectives in Education Investment

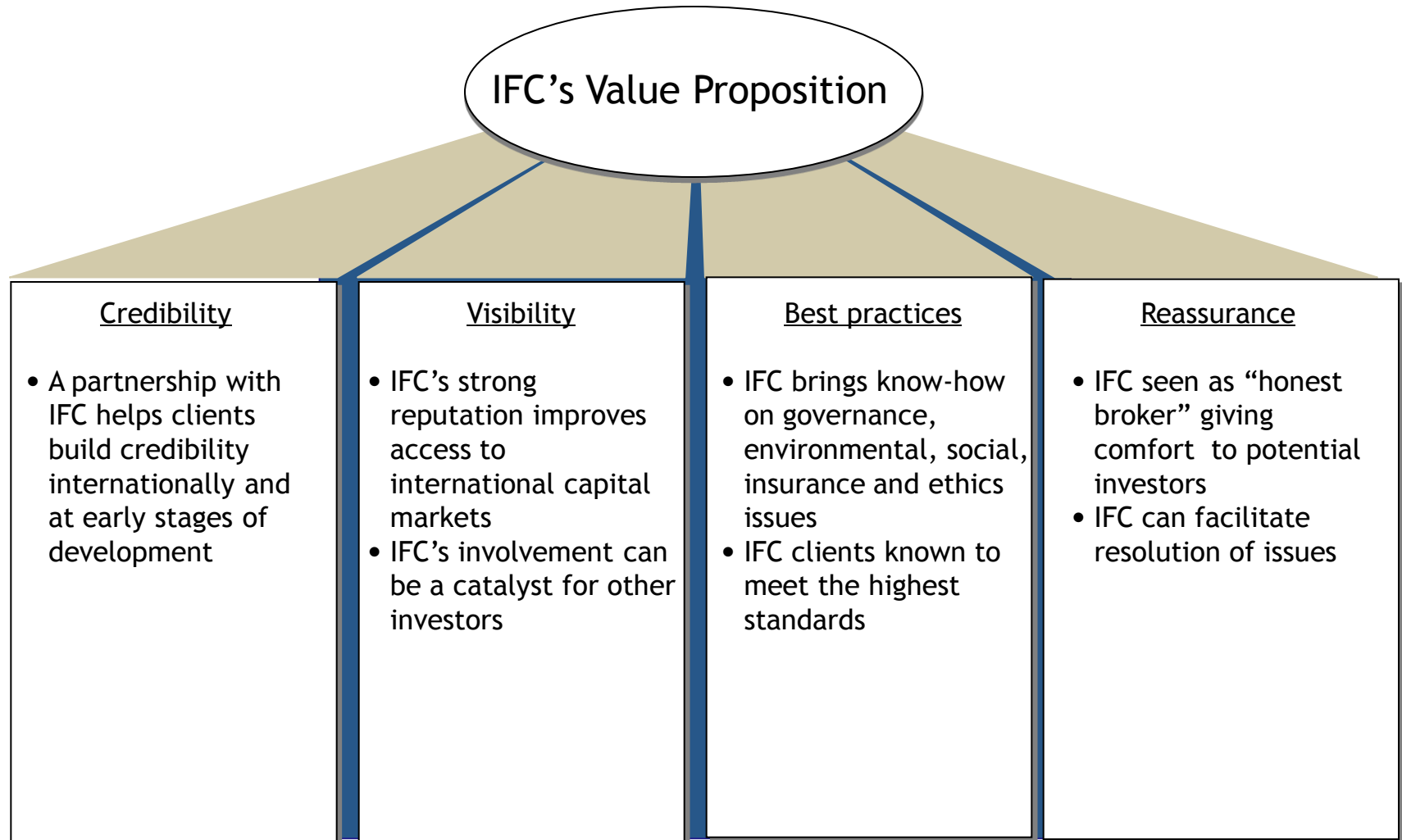
Business

- Invest in financially viable projects
- Mobilize private resource flows
- Promote efficiency and innovation
- Grow equity

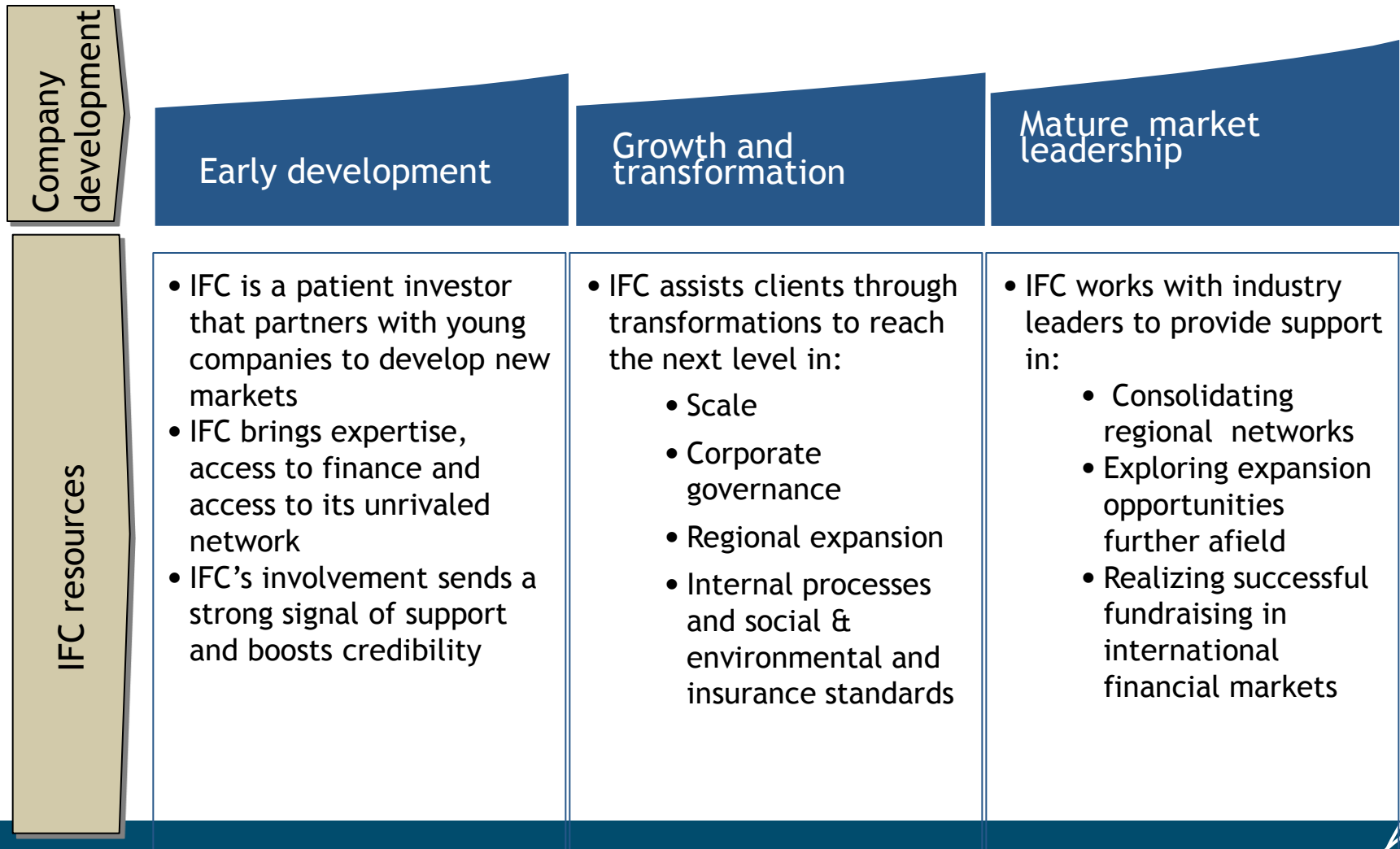
Developmental

- Expand access to educational opportunities
- Complement government provision
- Demonstrate best practices across the sector
- Build institutional and systemic capacities
- Enhance social mobility

A Unique 'Value Proposition' to Clients



IFC Effectively Partners with Companies at all Stages of Development



IFC's Partners in Education

Who do we work with and why?

- *Direct Investments:* Predominantly larger education networks which have the ability to grow and/or operate in several markets, move down-market to reach lower income households, create centers of excellence and provide employment opportunities for skilled professionals
- *Wholesaling:* Partner banks who help IFC reach a much larger number of providers and achieve stronger impact ~ as SMEs tend to prevail in remote, less developed regions and to serve lower income population
 - Opportunity to introduce enhancements to the sub-borrowers' governance, quality and ethical standards
 - Student lending is part of our wholesaling strategy

A Full Range of Financing Solutions to Meet Client Needs

Senior Loan

- Up to 12 years final maturity and 2 to 3 years grace period for principal on average
- Typical security package: physical assets, pledge of shares, leases, etc.
- Market based pricing
- Available in fixed / floating and, depending on market conditions, local or USD currency

B Loan / Syndication

- IFC syndicates portions of loans in order to mobilize additional financing partners
- Commercial banks take comfort in IFC due diligence and structuring experience
- Over 150 commercial banks and other institutions currently participate in IFC's B loan program

Mezzanine

- Hybrid featuring characteristics of both debt and equity
 - Subordinated, convertible, income participation, bullet repayment and others

Equity

- Typically in the form of common or preferred stock
- Denominated in local currency

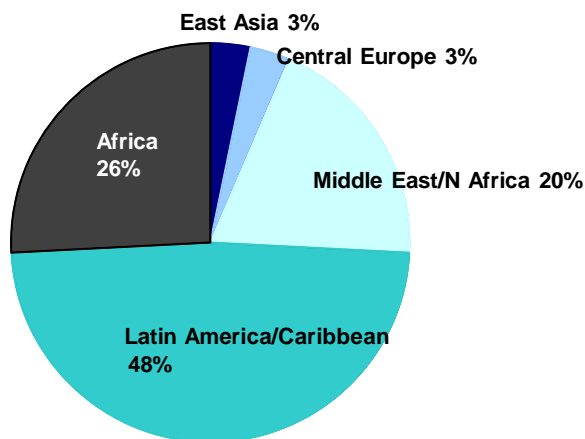
Structured Products

- *Securitizations*: asset-backed securities, including future revenues, receivables, etc.
- *Guarantees*: partial credit guarantees enhancing credit worthiness of client's financing
- *Risk-sharing facilities*: allowing for alternative risk allocation

Investments by Region and Education Level

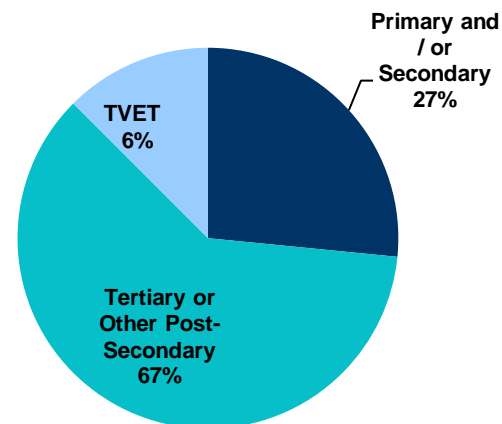
- Education is a corporate priority and pillar of IFC's strategy
- IFC's portfolio size has increased to over \$400 million to date (CAGR 35% over the past 5 years)
- We have 63 projects in 31 countries (37% in the poorest countries) with over \$1.5 billion in project value
- Our projects have reached about 1.5 million students and employ 16,000 people
- 65% of investments are direct loans, 33% in guarantees and 2% in equity

Investment by Region
(Active Projects)



US\$405 million

Investment by Education Level
(Active Projects)



US\$405 million

As of March 31, 2011

IFC has Partnered with Leading Education Providers Around the World

LAC	MENA	AFRICA	ASIA
 <p>La mejor manera de Aprender Inglés</p> <p>MXN100m Equity Mexico 2010</p>	 <p>US\$8m Islamic Financing Yemen 2008</p>	 <p>US\$2.5m Senior Loan Ghana 2009</p>	 <p>Sampoerna Foundation <i>making a difference</i></p> <p>IDR22.6b Partial Guarantee Indonesia 2006</p>
 <p>ANHANGUERA EDUCACIONAL</p> <p>R\$50m Senior Loan Brazil 2009</p>	 <p>US\$16m Partial Guarantee West Bank & Gaza 2008</p>	 <p>ttb THE TRUST BANK LIMITED Passionate Solutions</p> <p>GHC21.8b Partial Guarantee Ghana 2007</p>	 <p>Aerospace</p> <p>US\$3m Senior Loan China 2005</p>
 <p>US\$30m Senior Loan Chile 2009</p>	 <p>US\$8m Senior Loan Lebanon 2005</p>	 <p>SocketWorks Limited</p> <p>US\$4m Senior Loan Nigeria 2007</p>	 <p>RMIT INTERNATIONAL UNIVERSITY VIETNAM</p> <p>US\$7.25m Senior Loan Vietnam 2002</p>

Case Study: Royal Melbourne Institute of Technology Vietnam, 2002

Sponsor: The Royal Melbourne Institute of Technology (RMIT) is one of the leading public sector universities in Australia

Project: Build a new university in Vietnam

Project Size: US \$34 million

IFC Support:

- IFC helped RMIT structure and stage the project; prepare a Resettlement Action Plan; conduct a study on feasibility of introducing student loans in Vietnam
- IFC provided US \$7.25 million loan for the Project

Result:

RMIT Vietnam was able to raise cost-effective financing for expanding operations in Vietnam, a market in significant need of investments in the education sector



Case Study: Harmon Hall Mexico, 2010



Sponsor: 60% of the Company was acquired by the Nexxus Fund III, with the founding family maintaining the balance of shares.

Project: Harmon Hall plans to acquire 39 existing franchised schools, open 37 new schools, and acquire six K-12 schools through 2016.

Project Size: US\$19.2 million

IFC Support:

MXN 100 million (approximately US\$7.8 million) in Harmon Hall for the ownership interest of 16%.

Result:

- Send a strong signal of support to the first education company to conduct a public offering in the Mexican capital markets thereby enhancing the demonstration effect.
- Provide access to IFC's global education network.
- Provide assistance in reaching international best practices in environment and safety practices

Case Study: Anhanguera Educacional Brazil, 2009

Sponsor: Anhanguera Educacional Participações S.A. is Brazil's leading private, for-profit professional education company.

Project: The expansion of its campus network through acquisitions and development of greenfield sites.

Project Size: US \$234 million

IFC Support:

- IFC provided a loan of R\$50 million (approx. US\$27.5 million) for the project

Result:

- Provide longer term financing in a still relatively difficult market environment for the Company.
- Mobilize funds from other multilaterals and further diversify the Company's long-term funding alternatives.
- Send a strong signal of support to the education sector in Brazil and the viability of a business model targeting lower income students.



New Directions for IFC Education Investment

New Partnerships

- Working with high quality providers in developed countries to expand investment and provision in emerging markets
- IFC invested \$7.25 million with RMIT for the Australian provider to expand to a new market in Vietnam

Equity

- IFC set to invest \$15 million equity in Kaizen India's first education-focused PE fund
- IFC invested in Mexico's Nexxus Fund at \$7 million, mobilizing further investment from other international investors
- Target: to become the largest equity investor in the global education marketplace

Some of the Largest For-Profit HEIs are in the Emerging Markets

Publicly Listed Peers	Institution*	Market Capitalization (US \$mn)	Stock Price/Net Income 2010 E
Brazil	Anhanguera	3,276	47.6
	Estacio	1,192	22.5
	Kroton	834	136.0
	Market Cap Average Brazil	5,301	55.9
Asia	New Oriental Education	3,685	37.4
	Navitas Ltd	1,531	20.3
	Educomp Solutions Ltd	1,031	14.1
	Market Cap Average Asia	8,987	21.5
United States	Apollo Group	6,546	9.9
	DeVry Inc	3,774	11.9
	Education Management Corp	2,480	10.8
	Market Cap Average US	21,947	10.7

*Top 3 listed peers in each market – average does not represent only those institutions listed.

• Source: Latin America Equity Research, JP Morgan February 2011

Emerging Trends

- Government recognition of the value of a strong private tertiary education sector to meet demand and increase access
- Continued growth globally - strongest in Asia and Latin America
- Increasing professionalization of the sector in emerging markets resulting in higher quality provision
- In mature markets more consolidation of smaller institutions
- Larger providers in mature markets going the route of IPO
- Global reach from US international players such as Apollo and Laureate as well as from both public and private institutions moving internationally

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