Brazil EdTech Market 🇧🇷

Amaral Medeiros

May, 2023
Table of Contents

Brazilian Demographics
  Population
  Internet & Social media
  Economy

Education System in Brazil
  K12
  HigherEd
  Workforce

Opportunities to invest
  K12
  HigherEd
  Workforce

Learnings from our trip

Appendix
Brazilian demographics
Brazil is a large country with a young and vast population mostly concentrated in the SE and NE

Population is concentrated in Southeast and Northeast.

- 27 States
- 17 cities with 1M+ population (US = 11 and India = 48)
- Slow population growth (0.5% compared to 0.8% in India)
Brazilian population champions social media usage across the globe

81% of Brazilians have access to internet, compared to 47% in India.

Creators have a strong and loyal follower base in Brazil

Brazil is a key market for all social media platforms
Android is the most common OS in Brazil, but iOS users are the ones with most money

<table>
<thead>
<tr>
<th>Device Type</th>
<th>Android % of total Mobile OS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Phone (Any Type)</td>
<td>98.7%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>98.5%</td>
</tr>
<tr>
<td>Non-Smartphone Mobile Phone</td>
<td>8.6%</td>
</tr>
<tr>
<td>Laptop or Desktop Computer</td>
<td>71.6%</td>
</tr>
<tr>
<td>Tablet Device</td>
<td>32.6%</td>
</tr>
</tbody>
</table>

98% of schools have internet but only 34% have a computer laboratory.
...99% of smartphones have WhatsApp installed and YouTube is accessed by 97% of the population

YouTube/WhatsApp can be great GTM channels for EdTechs focused at teenagers and young adults

<table>
<thead>
<tr>
<th>SOCIAL MEDIA APP</th>
<th>AVE. TIME PER USER</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 WHATSAPP</td>
<td>30.3 HOURS / MONTH</td>
</tr>
<tr>
<td>02 FACEBOOK</td>
<td>15.6 HOURS / MONTH</td>
</tr>
<tr>
<td>03 INSTAGRAM</td>
<td>14.0 HOURS / MONTH</td>
</tr>
<tr>
<td>04 TIKTOK</td>
<td>14.0 HOURS / MONTH</td>
</tr>
<tr>
<td>05 TWITTER</td>
<td>6.4 HOURS / MONTH</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VIDEO STREAMING APP</th>
<th>AVE. TIME PER USER</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 YOUTUBE</td>
<td>26.3 HOURS / MONTH</td>
</tr>
<tr>
<td>02 NETFLIX</td>
<td>7.9 HOURS / MONTH</td>
</tr>
<tr>
<td>03 YOUTUBE GO</td>
<td>5.9 HOURS / MONTH</td>
</tr>
<tr>
<td>04 AMAZON PRIME VIDEO</td>
<td>3.2 HOURS / MONTH</td>
</tr>
<tr>
<td>05 YOUTUBE KIDS</td>
<td>7.0 HOURS / MONTH</td>
</tr>
</tbody>
</table>

NG Cash (kids fintech backed by a16z), Fluency Academy (english learning backed by GA), MeSalva (test-prep acquired by Arco): all have YouTube as their main channel.
Brazilian GDP per capita is 3x India's, but education spending is only $\frac{1}{3}$ of India.
Tech Cos market cap is only 3% of Brazil's GDP, India is 15% and US 52%
EdTech is still very small compared to other tech segments in LatAm and Brazil
Education System
K12
Public and Private
Brazilian K12 is a huge system full of inequalities, inefficiencies and opportunities

<table>
<thead>
<tr>
<th># by type</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>38.5 M</td>
<td>8.7 M</td>
<td>47 M</td>
</tr>
<tr>
<td>Schools</td>
<td>138 K</td>
<td>41 K</td>
<td>179 K</td>
</tr>
<tr>
<td>Teachers</td>
<td>1.7 M</td>
<td>547 K</td>
<td>2.1 M</td>
</tr>
</tbody>
</table>

Annual education market spending:
- $54B by the government
- $15B on private school tuition

Brazilian K12 Segments:
- Middle School 1: Ages 6 to 10
- Middle School 2: Ages 10 to 14
- High School: Ages 14 to 17
Brazilian education is very poor by global standards

- If only private school students took PISA, Brazil's position would be 11º Reading, 23º Science and 38º Math
- Low Math → Higher CAC for tech companies trying to teach programming to Brazilians
Attending a private school increases the chances of going to a higher quality university

K12 vs HigherEd flow of students

- **Private school students** are accepted into public universities
- **Public school students** need to attend private universities

Many SAT-prep companies were acquired or raised several VC rounds:

- Wave 1 of Edu companies: higher education private universities
- Wave 2: SAT-prep companies
- Wave 3 (NOW): employability and technical edu companies
Sistemas de ensino are the pedagogic system of 60%–70% private K12 schools in Brazil.
The economics of a Sistema are very different than the economics of an EdTech

Why the difference?
- **Parents are traditional:** Physical books provided by sistemas are still very valuable to parents
- **Power of Branding:** especially for high-school, the branding of the solution can drive price significantly

What are the implications?
- **Higher CAC:** sistemas can afford a more robust sales team. EdTechs face a hard time to sell using inbound
- **Share of wallet:** once in, it's important to expand into after school, teacher training and management solutions
- **Longer contracts:** sistemas close 4-5 years contracts with school with automatic renewals
If the majority of students is in public k12 school, is that a good market? Not yet

Gov investment in education:

- $54B total
- $46B payroll
- $8B for everything else (tech + content)

How Gov buys | Description | Examples
---|---|---
**Uniqueness** (inexigibilidade) | Solution is so unique that the gov can buy from specific edtech. Risk of being cancelled/investigated is high | [Mind Lab®](#)

**Notice** (edital) | Gov publishes its needs openly and everyone bids. Most common, but a lot of corruption and slowness | Contracts up to ~$20M

**Direct-purchase** (compra direta) | For ACVs < ~$20K, govs can buy directly, with minimal bureaucracy. Mostly used by small and medium cities. | [Arvore](#)

High Scale
- Slower Process
- More $$$

Low Scale
- Faster Process
- Less $$$

Federal
Capital
State Gov
Municipality

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Schools are a complex business with many challenges beyond content.
There are 5 categories of jobs to be done, totaling US$ 11 B market size for private K-12

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs to be done</th>
<th>Market Size estimate</th>
<th>Incumbents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pedagogical</td>
<td>Syllabus Planning, Classes Preparation, Teacher Training, Technology Investments, Pedagogic Innovations, Core curriculum, After School providing Assessment</td>
<td>US$ 8.6 Bi</td>
<td>sae, arco, geekie</td>
</tr>
<tr>
<td>Attract &amp; Retain Families</td>
<td>Enrollment, Communications, Pricing, Marketing &amp; CRM, Partnerships</td>
<td>US$ 1.6 B</td>
<td>guplo, rabbit, EDUCA+BRASIL</td>
</tr>
<tr>
<td>Finance</td>
<td>Savings, Investments, Accounting &amp; Bookkeeping, Reporting &amp; Analytics, collection, payroll &amp; HR, Access to Credit, Renovation Projects</td>
<td>US$ 868 M</td>
<td>isaac, Itaú</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Scheduling, Student Record, Security Monitoring, Drop-Off &amp; Pick-Up</td>
<td>US$ 108 M</td>
<td>agenda edu, Foreeducation, EdTech</td>
</tr>
<tr>
<td>Student &amp; Teacher Mgmt</td>
<td>Student Supervising, Academic Monitoring, Students' Well-Being, Parent Conferences</td>
<td>?</td>
<td>kantum</td>
</tr>
</tbody>
</table>
HigherEd
Face-to-face and online
There are ~9M HigherEd students in Brazil, with a strong shift to Online

<table>
<thead>
<tr>
<th>Students 2020</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online</td>
<td>157 K</td>
<td>2.9 M</td>
<td>3.1 M</td>
</tr>
<tr>
<td>Face-to-Face</td>
<td>1.8 M</td>
<td>3.7 M</td>
<td>5.6 M</td>
</tr>
</tbody>
</table>

- Avg Online: $36 monthly
- Avg Face-to-Face: $149 monthly

% Of new signups

- Online; Face-to-Face Day time; Face-to-Face Evening

- Online degrees also require local hub
- License takes 2 years or a min of $5M to acquire a university (as Descomplica did)
HigherEd changed considerably after end of FIES (Gov Sponsored Student Loans)

The new president is reevaluating the reinstatement of FIES in 2023, which might create space for edtechs in Higher Education.
Avg HigherEd student is a low income adult studying for pedagogy and earning $520/month

58% of all students are concentrated in 10 different degrees

59% get between U$260 and U$790 per month (68% of students work while studying)

Average tuition is way lower for Online (right) than Face-to-Face
HigherEd in Brazil still means higher income and more job opportunities

Increase in average income compared to high school

Employability level (2019) by degree finished

The degree is still very important in Brazil, both professionally and culturally. "Technical educational", as common in Germany, hasn't taken off yet.
Higher Education incumbents are about to be disrupted by vertical-focused edtechs

**Sign ups for ENEM (Brazilian SAT)**

Brazilians highly value diploma, but interest in current universities is declining

**New accredited and sector-focused entrants:**

**Agro Education ($3,6B market)**

Rehagro, the field college that attracted 10b and GK Ventures

**Tech Education:**

Technology

Alura joins FIAP, enters higher education and will earn almost half a billion

August 18, 2022
**Education System: Higher Education**

Medicine offers a great opportunity with strong unit economics (U$ 2,000 tuition / month)

- Medicine is the top profession in Healthcare from employability (97%)
- Market underserved in Brazil
- Opportunities for undergrad, education support, prep courses and specialization

**AVERAGE SALARY (R$'000)**

- Medicine: 129
- Engineering: 90
- Nursing: 41
- Law: 40

Higher Wages
3x higher income than law

Source: CAGED / eSocial / Empregador Web

**Online Signups**

**Face-To-Face Signups**
Universities are a complex ecosystem to operate

**Pedagogical**
- Graduation planning
- Classes Preparation
- Teacher Training
- Content providers
- Test providers
- Assessment

**Attract & retain students**
- Enrollment
- Communications
- Pricing
- Marketing & CRM
- Partnerships

**Infrastructure**
- Scheduling
- Student Record
- Security Monitoring
- LMS

**Improve & differentiate**
- Technology Investments
- Pedagogic Innovations
- New degrees

**Cash mgmt**
- Savings
- Investments
- Student loans
- Accounting & Bookkeeping
- Reporting & Analytics
- Collection
- Payroll & HR
- Access to Credit

**Student and employee management**
- Student Supervising
- Academic Monitoring
- Students’ Well-Being
- Scheduling
- Student Record
- Security Monitoring

**Career services**
- Placement
- Job readiness
- Partnerships w/employers
- Internships management
Universities as clients represent a ~U$5 B opportunity

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs to be done</th>
<th>Market Size estimate</th>
<th>Incumbents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career services</td>
<td>placement, job readiness, partnerships w/employers, internship management</td>
<td>U$ 1.5 B</td>
<td>Catho, Vagas</td>
</tr>
<tr>
<td>Attract &amp; retain students</td>
<td>Enrollment, Communications, Pricing, Marketing &amp; CRM, Partnerships</td>
<td>U$ 1.3 B</td>
<td>Educa Brasil, Quero Bolsa</td>
</tr>
<tr>
<td>Pedagogical</td>
<td>graduation planning, Classes Preparation, Teacher Training, Content providers, Test providers, Assessment</td>
<td>U$ 1.1 B</td>
<td>Blackboard, Canvas</td>
</tr>
<tr>
<td>Cash mgmt</td>
<td>Savings, Investments, Student loans, Accounting &amp; Bookkeeping, Reporting &amp; Analytics, Collection, Payroll &amp; HR, Access to Credit</td>
<td>U$ ~1 B</td>
<td>Pravaler, Voomp</td>
</tr>
</tbody>
</table>
To conclude, one of the most successful edtech founders in Brazil:

The next big trend is that edtechs will finally understand 3 obvious things:

1) lifelong learning cannot be applied as a one-size-fits-all product.

2) there is no rapid disruption in education

3) the so-called traditional model will gain more prominence, but as a laboratory.

I hope we can focus on students and teachers, avoiding pure tech and pure gimmick trends. Although we learn a lot from them, the focus should always be on students and teachers.
Workforce
There are 39M employees in the informal sector and 35M in the formal sector.

81% of employers face difficulties in hiring qualified professionals (global avg 75%)

- IT & Data (40%)
- Customer Service (32%)
- Logistics & Operations (23%)
- Marketing & Sales (21%)
- Administrative (21%)

Manpower group, 2022

Rising Jobs LinkedIn 2023

1. Data Privacy analyst
2. Cybersecurity Expert
3. Sales Enablement Expert
4. Group Product Manager
5. Business Development Representative
6. Cybersecurity Engineer
7. Chief Revenue Officer
8. Data Engineer
9. IT Analyst
10. UX Researcher

Unemployment: 9%
### What employees want from employers? Education

<table>
<thead>
<tr>
<th>Category</th>
<th>% of employees who have</th>
<th>% considers it important</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships for degrees</td>
<td>27</td>
<td>64</td>
<td>37 bp</td>
</tr>
<tr>
<td>14º salary*</td>
<td>12</td>
<td>38</td>
<td>26 bp</td>
</tr>
<tr>
<td>Profits participation</td>
<td>53</td>
<td>77</td>
<td>24 bp</td>
</tr>
<tr>
<td>Private Pension</td>
<td>36</td>
<td>59</td>
<td>23 bp</td>
</tr>
<tr>
<td>Company pays for school of children</td>
<td>5</td>
<td>17</td>
<td>12 bp</td>
</tr>
<tr>
<td>Company stocks</td>
<td>5</td>
<td>13</td>
<td>8 bp</td>
</tr>
<tr>
<td>Company pays for employee rent</td>
<td>4</td>
<td>9</td>
<td>5 bp</td>
</tr>
</tbody>
</table>

In Brazil, employees get an yearly 13º salary.
Compared to the US, Brazil has a lot of room to grow investment per employee in L&D

<table>
<thead>
<tr>
<th>Company category</th>
<th>Brazil US$ per employee 2021</th>
<th>United States US$ per employee 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>101 to 500 employees</td>
<td>330</td>
<td>2.175</td>
</tr>
<tr>
<td>501 to 1,000 employees</td>
<td>162</td>
<td>1.034</td>
</tr>
<tr>
<td>1,001 to 5,000 employees</td>
<td>143</td>
<td>-</td>
</tr>
<tr>
<td>Above 5,000 employees</td>
<td>168</td>
<td>586</td>
</tr>
</tbody>
</table>

2021 Annual L&D investment by company size

- $82K for 101 to 500 employees
- $183K for 501 to 1,000 employees
- $265K for 1,001 to 5,000 employees
- $1.1M for Above 5,000 employees
## Companies spend 2.3% of their payroll in L&D

### Budget Distribution

<table>
<thead>
<tr>
<th>Role</th>
<th>Technical</th>
<th>Behavioral</th>
<th>Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leaders</strong></td>
<td>24%</td>
<td>51%</td>
<td>25%</td>
</tr>
<tr>
<td>Execs</td>
<td>24%</td>
<td>51%</td>
<td>25%</td>
</tr>
<tr>
<td>Middle Managers</td>
<td>30%</td>
<td>47%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Non Leaders</strong></td>
<td><strong>Operations</strong></td>
<td><strong>Sales</strong></td>
<td><strong>Admin</strong></td>
</tr>
<tr>
<td>45%</td>
<td>47%</td>
<td>45%</td>
<td>30%</td>
</tr>
<tr>
<td>25%</td>
<td>32%</td>
<td>33%</td>
<td>21%</td>
</tr>
<tr>
<td>30%</td>
<td>30%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>
What employees want from employers? Flexibility

Remote work opens a new possibility for Brazilians to work for a company anywhere in the globe. This is very important especially because time zones are easier for collaboration with American companies.

ECONOMY

Remote work from Brazil to other countries grows 491% from 2020 to 2022.
Recently, mental health got traction with HR departments in Brazil

Annual L&D investment per employee in R$

<table>
<thead>
<tr>
<th>Manufacturing</th>
<th>Service</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>348</td>
<td>342</td>
</tr>
<tr>
<td>2021</td>
<td>714</td>
<td>846</td>
</tr>
<tr>
<td>2022</td>
<td>624</td>
<td>990</td>
</tr>
</tbody>
</table>

What are the priorities of training for 2024?

<table>
<thead>
<tr>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Communication</td>
<td>Mental Health</td>
</tr>
<tr>
<td>Communication</td>
<td>Customer Support</td>
<td>Mental Health</td>
</tr>
<tr>
<td>Culture</td>
<td>Customer Support</td>
<td>Communication</td>
</tr>
<tr>
<td>Digital Transform.</td>
<td>Ethics</td>
<td>Mental Health</td>
</tr>
</tbody>
</table>
Internships are hard to get and new regulation will open space for apprenticeships

**Apprenticeships:**
- 5% of employees of large companies required to be apprentices (only 2.5% currently, ~500K)
- 1 year program, 3–4 weekdays of work and 1 weekday of training
- Recent law: now private edtechs can offer this program to companies

**Internships:**
- Only 5.8% of the 9M HigherEd students get an internship
- 5 out of 8 job descriptions are not written for students
- Vast majority of students don’t have previous work experiences
- Companies need to manage several contracts with different universities

Gov-based incumbent doing $40–$50M in revenue with apprenticeships

Gupy Raises US$92 Million Round Led by SoftBank and Riverwood

The Brazilian automated HR startup promises to reduce the time companies spend on hiring by up to 70%
## There are many challenges and opportunities for workforce development

<table>
<thead>
<tr>
<th>Tier</th>
<th>Hiring</th>
<th>Upskilling</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior Level</strong></td>
<td></td>
<td>51% of training is SEL, 25% compliance and 21% technical.</td>
</tr>
<tr>
<td><strong>Middle Level</strong></td>
<td>85% of the tech jobs are middle or senior level. Most bootcamps focus on entry level, which is not valued by companies. Driven is trying to solve this.</td>
<td>Large opportunity to upskill these employees. Currently 47% of training is SEL, x23% of compliance and 30% is technical</td>
</tr>
<tr>
<td><strong>Entry Level</strong></td>
<td>In 2019, 49% of people ages 18-24 were unemployed (this number increased after pandemic). Opportunity to help companies create awareness and train new young employees. Proz and Galena are trying to solve it.</td>
<td>Lack of innovative solutions</td>
</tr>
<tr>
<td><strong>Interns</strong></td>
<td>Companies face a hard time to create awareness within universities. Only 5.8% of HigherEd students have an internship.</td>
<td>Only large companies have a structured program to train interns</td>
</tr>
<tr>
<td><strong>Jovem Aprendiz (apprenticeship)</strong></td>
<td>New regulation will open the market to private companies (CIEE’s is a gov company with revenue of U$40M). Leapy and Apprenty are trying to solve this</td>
<td>Lack of solutions</td>
</tr>
</tbody>
</table>
What employers need regarding talent?

**Hiring**
- Assessment
- Marketing & CRM
- Communications
- Partnerships
- Diversity
- Employer branding

**Managing talent**
- Payroll
- Diversity & inclusion
- Incentives
- OKRs
- Recognition
- Internal mobility

**Upskilling & reskilling**
- Content
- Instruction
- Technology
- Cross jobs
- Coaching
- Well being
- Assessment

**Onboarding**
- Training
- Internal networking
- Culture & values
- Compliance
- DEI
- Regulatory needs
- Data collection

**Retaining**
- Benefits
- Awareness
- Culture
- Career planning
- Promotion
- Development
- Purpose
- Compensation

Education System - Workforce
# Workforce development is U$ 18 B opportunity

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs to be done</th>
<th>Market Size</th>
<th>Incumbents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring &amp; Onboarding</td>
<td>Assessment, Marketing &amp; CRM, Communications, Partnerships, Diversity, Employer branding, Training, Internal networking, Culture &amp; values, Compliance, DEI, Regulatory needs, Data collection</td>
<td>11.6B</td>
<td>gupy, vagas, catho</td>
</tr>
<tr>
<td>Upskilling &amp; reskilling</td>
<td>Content, Instruction, Technology, Cross jobs, Coaching, Well being, Assessment</td>
<td>2.2B</td>
<td>uol, edtech, Afferolab, degreed</td>
</tr>
<tr>
<td>Managing &amp; retaining</td>
<td>Payroll, Diversity &amp; inclusion, Incentives, OKRs, Recognition, Internal mobility, Training, Internal networking, Culture &amp; values, Compliance, DEI, Regulatory needs, Data collection</td>
<td>3.8B</td>
<td>sodexo, Qulture.Rocks</td>
</tr>
</tbody>
</table>
Contacts

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