



Brazil EdTech Market

Amaral Medeiros

May, 2023

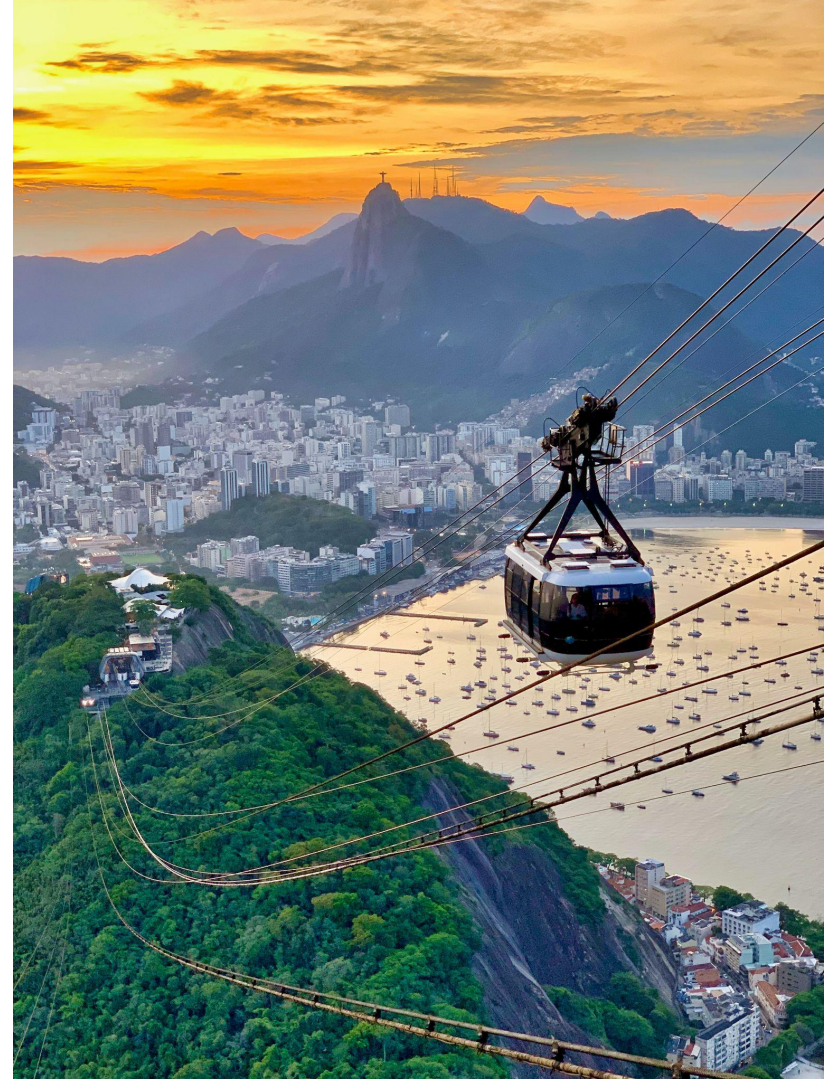


Table of Contents

Brazilian Demographics

- Population
- Internet & Social media
- Economy

Education System in Brazil

- K12
- HigherEd
- Workforce

Opportunities to invest

- K12
- HigherEd
- Workforce

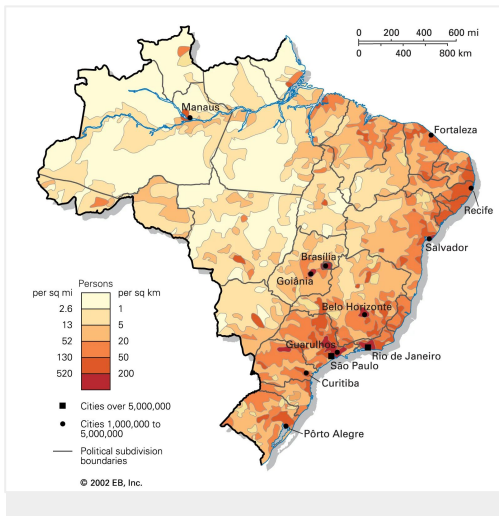
Learnings from our trip

Appendix

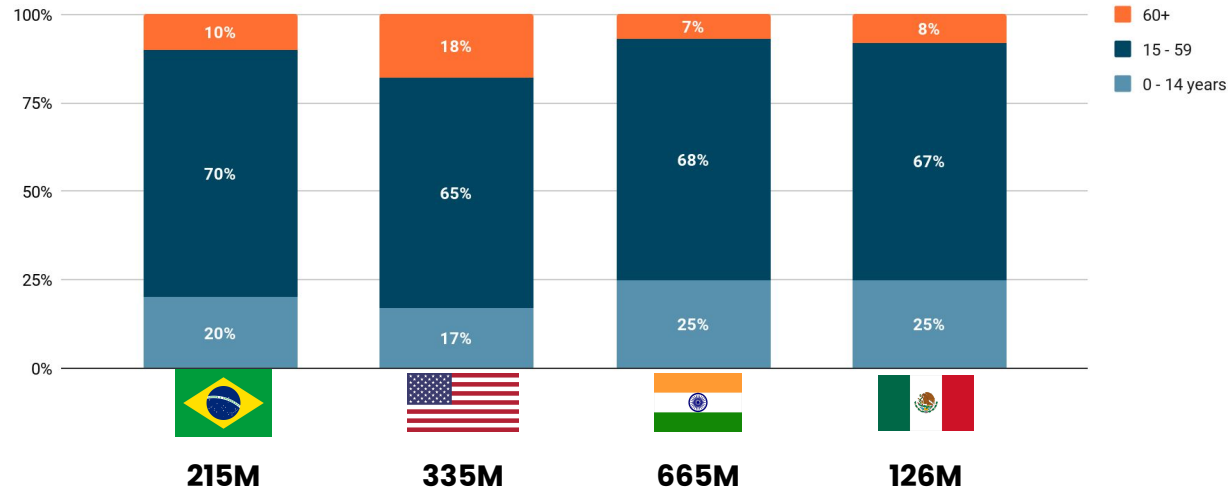


Brazilian demographics

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

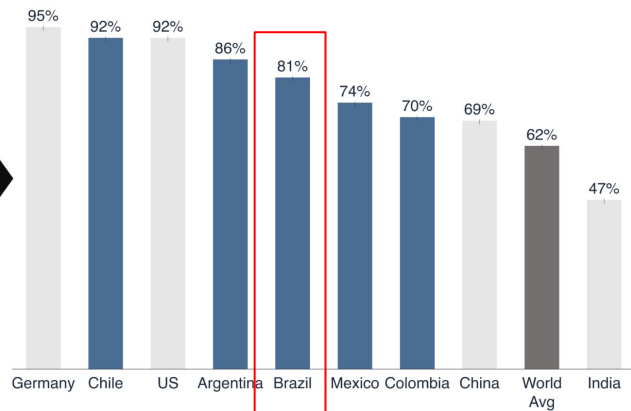


Population is concentrated in Southeast and Northeast.

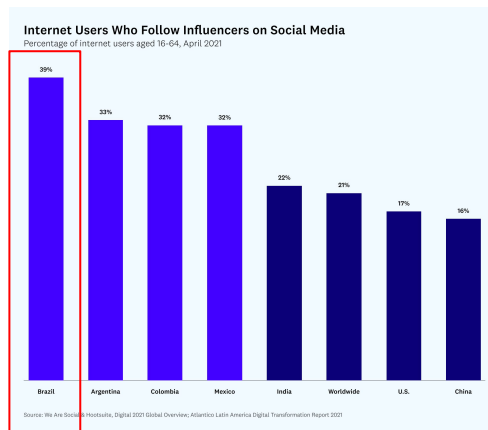


- 27 States
- 17 cities with 1M+ population (US = 11 and India = 48)
- Slow population growth (0,5% compared to 0,8% in India)

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

Time spent daily by activity by country
Number of hours

	Brazil	Mexico	US	China
Using Internet	10.3	9.9	7.0	5.3
Watching TV Online	4.1	3.6	4.8	3.0
Using Social Media	3.7	3.3	2.2	2.0

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



Android % of total Mobile OS



💡 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

#	SOCIAL MEDIA APP	AVE. TIME PER USER
01	WHATSAPP	30.3 HOURS / MONTH
02	FACEBOOK	15.6 HOURS / MONTH
03	INSTAGRAM	14.0 HOURS / MONTH
04	TIKTOK	14.0 HOURS / MONTH
05	TWITTER	6.4 HOURS / MONTH

#	VIDEO STREAMING APP	AVE. TIME PER USER
01	YOUTUBE	26.3 HOURS / MONTH
02	NETFLIX	7.9 HOURS / MONTH
03	YOUTUBE GO	5.9 HOURS / MONTH
04	AMAZON PRIME VIDEO	3.2 HOURS / MONTH
05	YOUTUBE KIDS	7.0 HOURS / MONTH

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

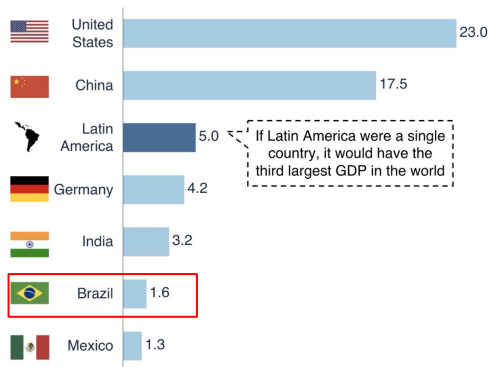


NG Cash (kids fintech backed by a16z), **Fluency Academy** (english learning backed by GA), **MeSalva** (test-prep acquired by Arco): all have YouTube as their main channel

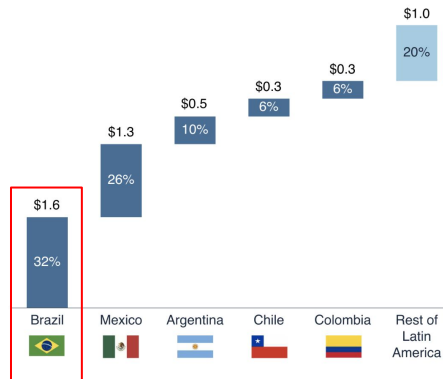


Brazilian GDP per capita is 3x India's, but education spending is only 1/3 of India

GDP by country/region, 2022¹
Current prices, US\$ T



Latin America GDP by country, 2022²
% of total Latin American GDP, US\$ T

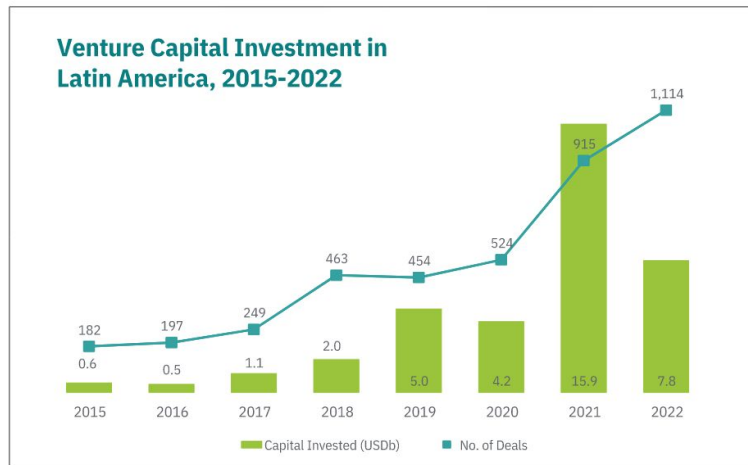
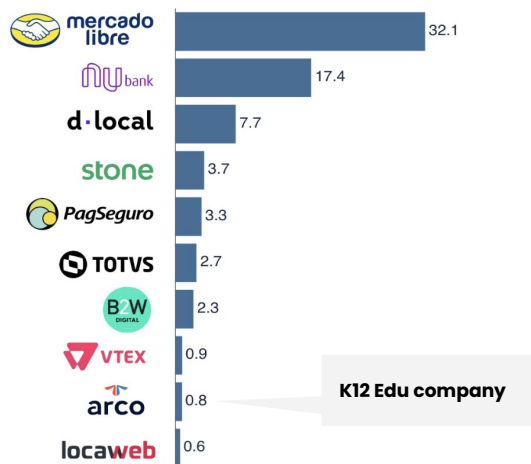


	Household % Spend Edu	GDP per capita	Total US\$
	9%-18%	\$ 2,256	203-406
	5%	\$ 7,507	375
	-	\$ 70,248	-

Tech Cos market cap is only 3% of Brazil's GDP, India is 15% and US 52%

Largest public tech companies*

Market capitalization in US\$ B as of June 30th, Latin America

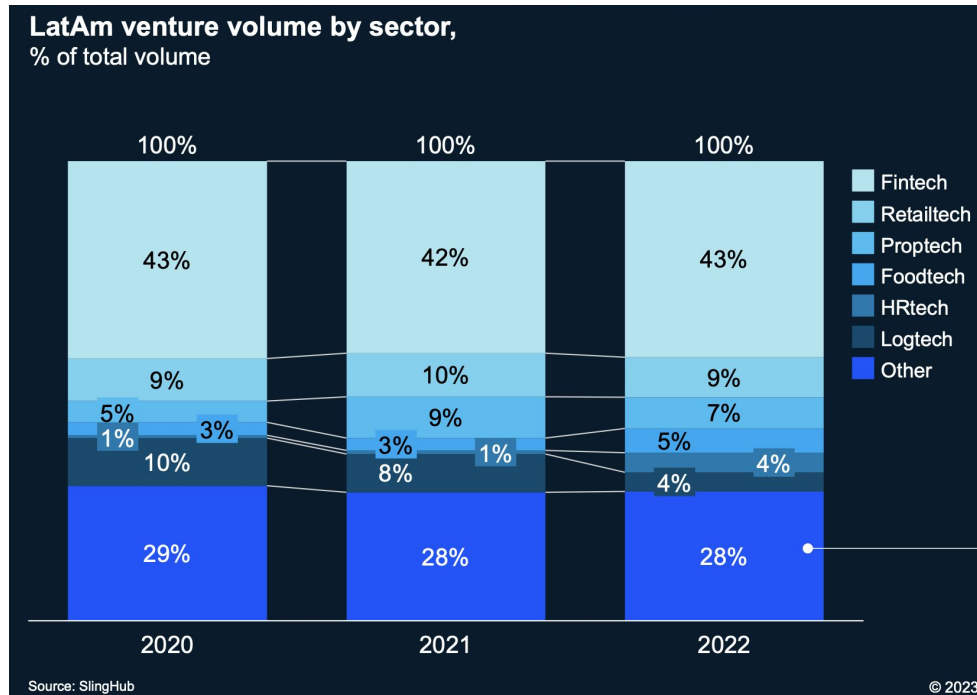


Source: LAVCA. Data as of 31 December 2022.



- **NASDAQ:** 4 Brazilian Education Companies (Arco, Vasta, Afya and Vitru)
- **IBOV:** 5 in HigherEd (Anima, Cogna, Cruzeiro do Sul, Ser Educacional & YDUQS)

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

# by type	Public	Private	Total
Students	38.5 M	8.7 M	47 M
Schools	138 K	41 K	179 K
Teachers	1.7 M	547 K	2.1 M

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

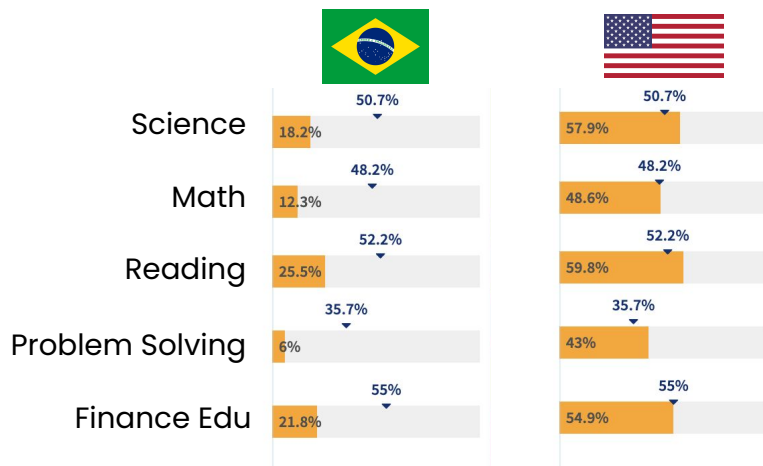
Ages 10 to 14

High School

Ages 14 to 17

Brazilian education is very poor by global standards

% of students with adequate learning
vs OECD average (blue)



Brazil's position
in PISA 2018 out
of 70 countries

Reading

Math

Science

Overall

57°

70°

66°

Only Private

11°

38°

23°

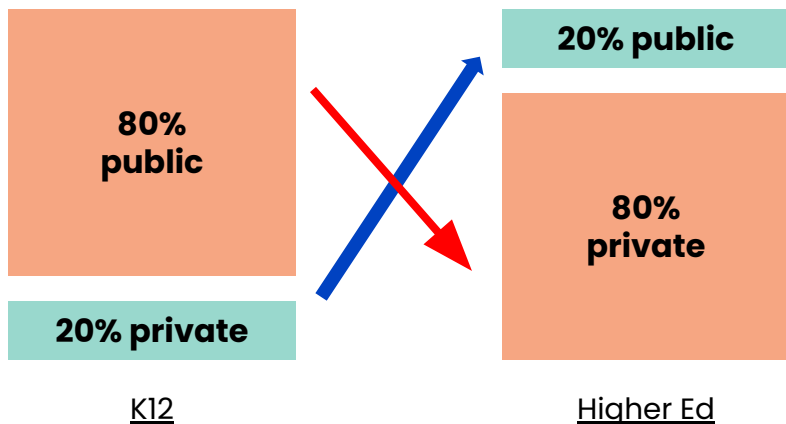


- **If only private school students took PISA**, Brazil's position would be 11° Reading, 23° Science and 38° Math
- **Low Math** → **Higher CAC** for tech companies trying to teach programming to Brazilians

Attending a private school increases the chances of going to a higher quality university

K12 vs HigherEd flow of students

High quality, Low quality



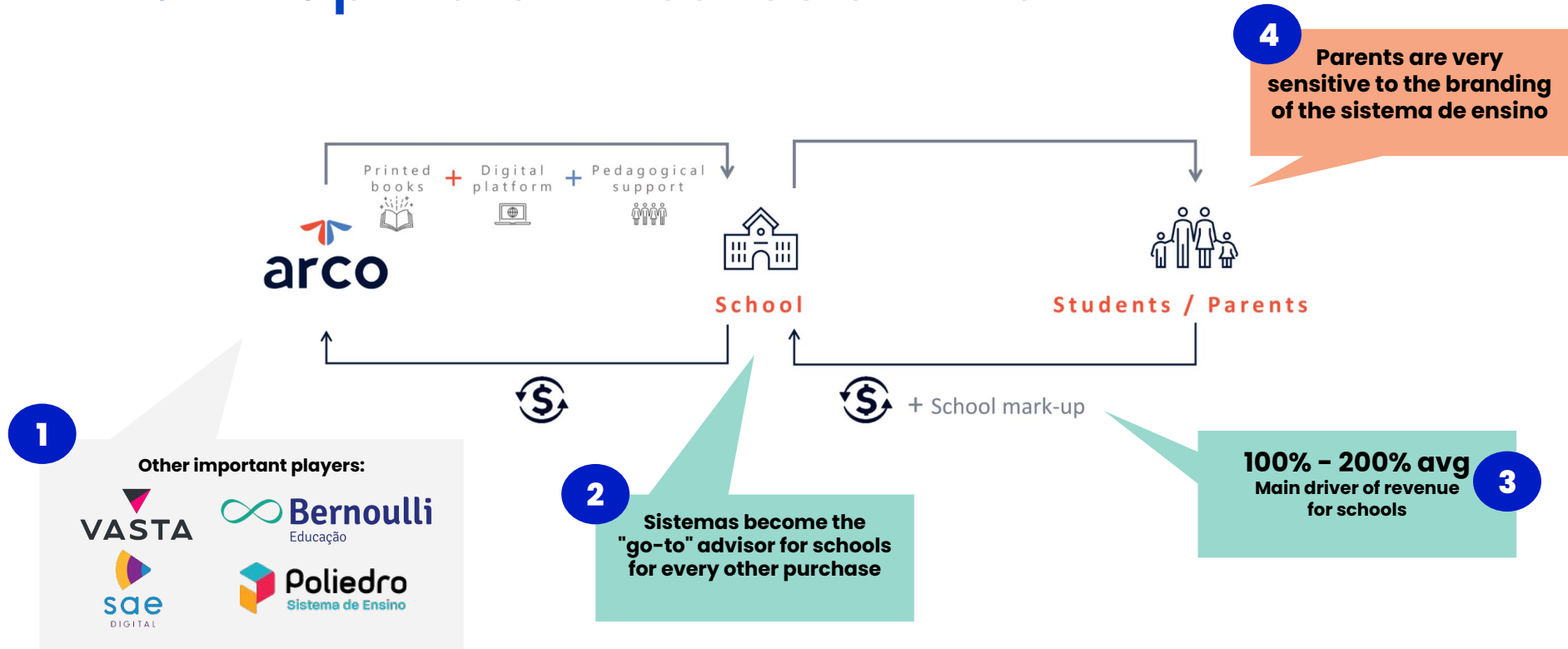
- **Private school students** are accepted into public universities
- **Public school students** need to attend private universities

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



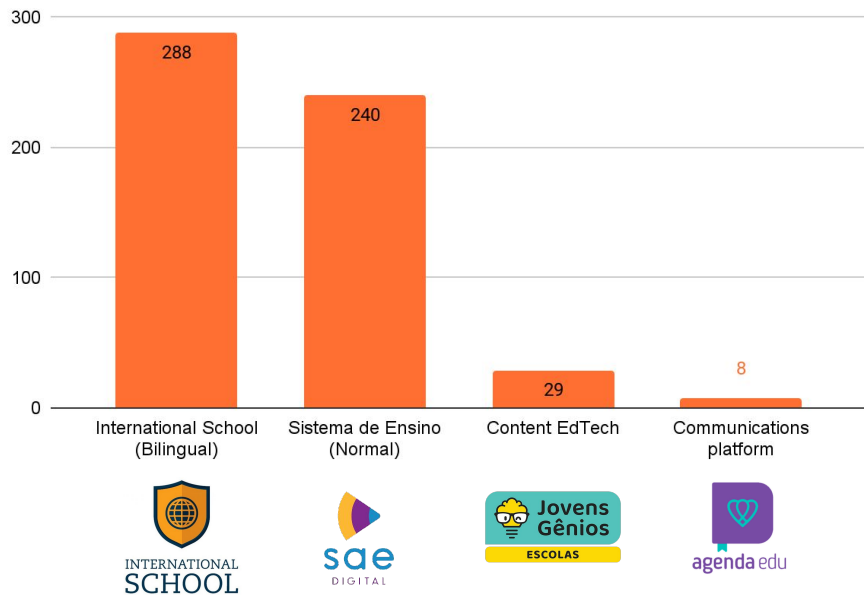
- **Wave 1 of Edu companies:** higher education private universities
- **Wave 2:** SAT-prep companies
- **Wave 3 (NOW):** employability and technical edu companies

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

Estimates of yearly revenue per student (USD)



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
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Uniqueness
(inexigibilidade)

Solution is so unique that the gov can buy from specific edtech. Risk of being cancelled/investigated is high



Notice
(edital)

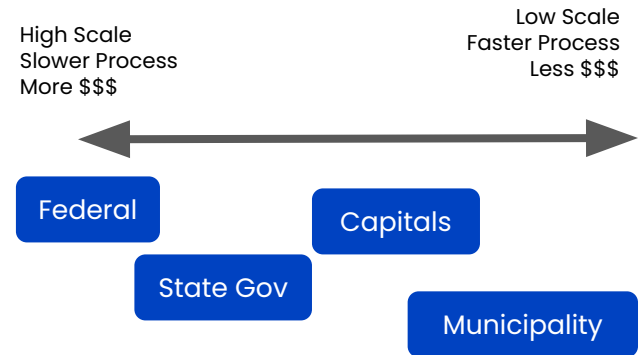
Gov publishes its needs openly and everyone bids. Most common, but a lot of corruption and slowness

Contracts up to ~\$20M

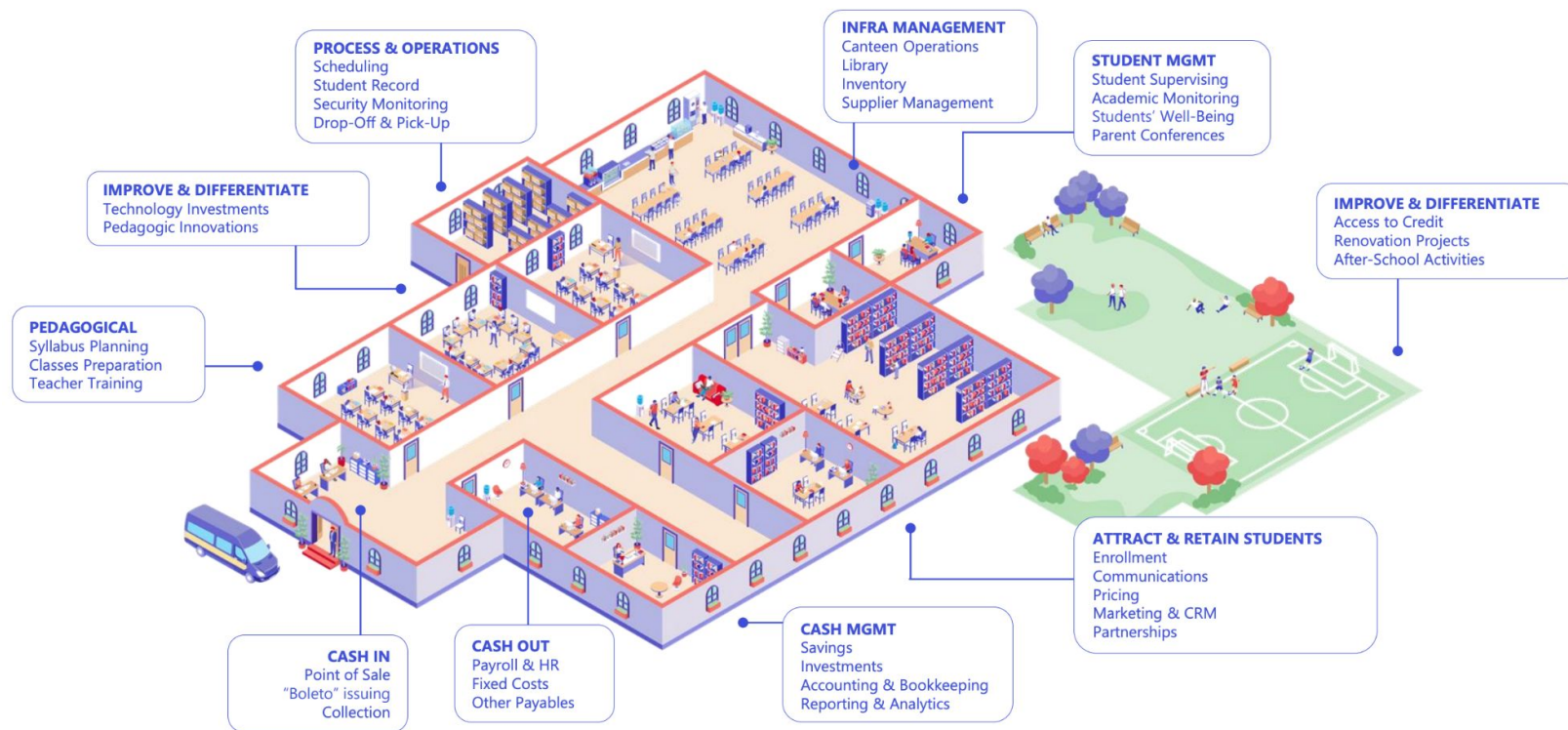


Direct-purchase
(compra direta)

For ACVs < ~\$20K, gov's can buy directly, with minimal bureaucracy. Mostly used by small and medium cities.



Schools are a complex business with many challenges beyond content



There are 5 categories of jobs to be done, totaling U\$ 11 B market size for private K-12

Category	Jobs to be done	Market Size estimate	Incumbents
Pedagogical	Syllabus Planning Classes Preparation Teacher Training Technology Investments Pedagogic Innovations Core curriculum After School providing Assessment	U\$ 8.6 Bi	  
Attract & Retain Families	Enrollment Communications Pricing Marketing & CRM Partnerships	U\$ 1.6 B	  
Finance	Savings Investments Accounting & Bookkeeping Reporting & Analytics collection payroll & HR Access to Credit Renovation Projects	U\$ 868 M	 
Infrastructure	Scheduling Student Record Security Monitoring Drop-Off & Pick-Up	U\$ 108 M	 
Student & Teacher Mgmt	Student Supervising Academic Monitoring Students' Well-Being Parent Conferences		

HigherEd

Face-to-face and online

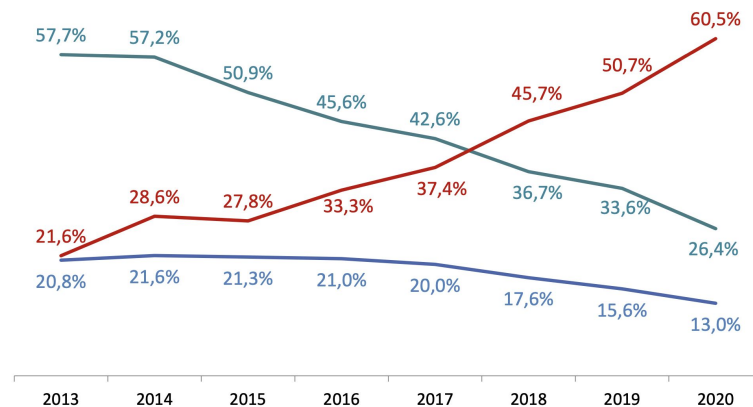
There are ~9M HigherEd students in Brazil, with a strong shift to Online

Students 2020	Public	Private	Total
Online	157 K	2.9 M	3.1 M
Face-to-Face	1.8 M	3.7 M	5.6 M

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

% Of new signups

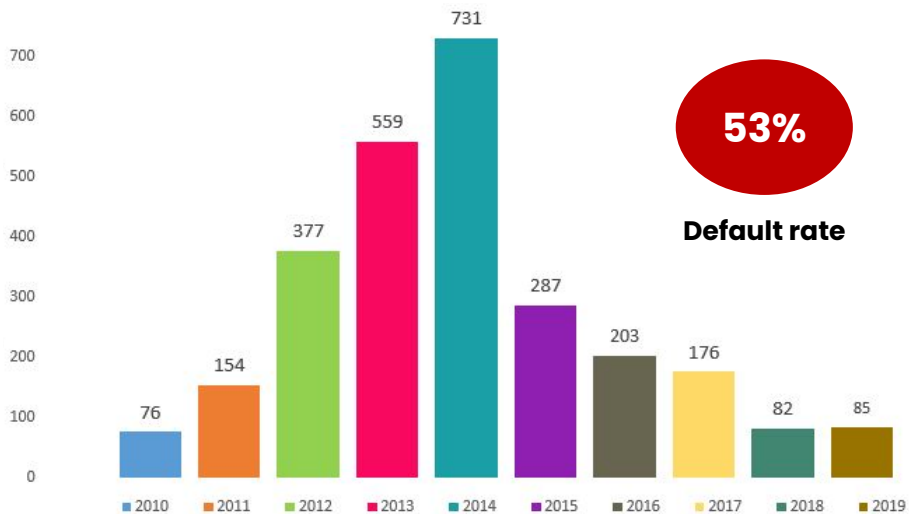
Online ; Face-to-Face Day time ; Face-to-Face Evening



- 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)

Students ('000) who Received Gov Loans per Year



Stock prices for HigherEd incumbents (last 5 years)

cogna \$800M
EDUCAÇÃO



ãnima \$160M
EDUCAÇÃO

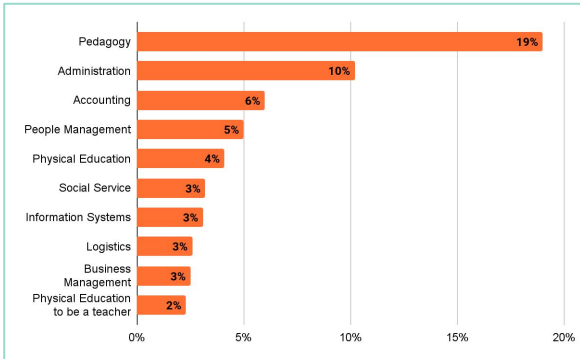


YDUQS \$600M

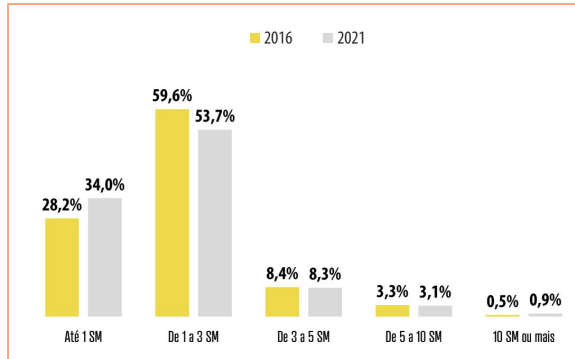


The new president is reevaluating the reinstatement of FIES in 2023, which might create space for edtechs in Higher Education

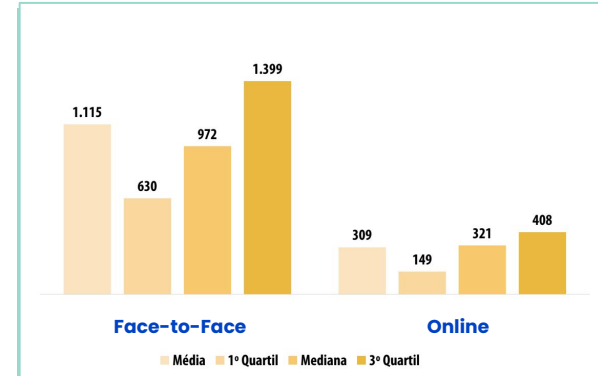
Avg HigherEd student is a low income adult studying for pedagogy and earning \$520/month



58% of all students are concentrated in 10 different degrees



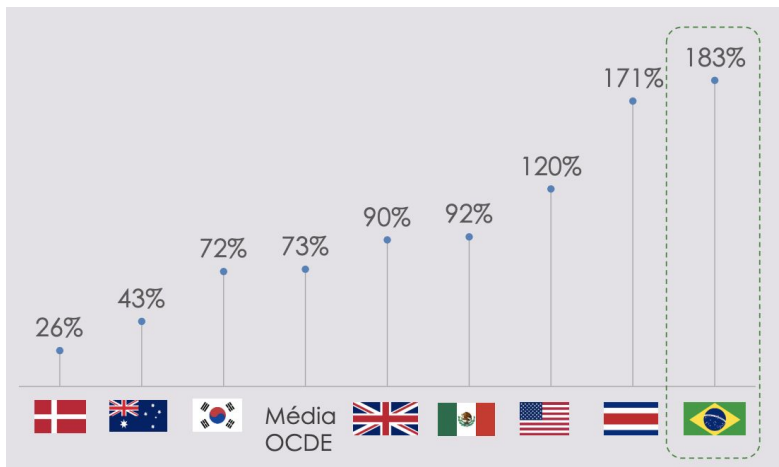
59% get between U\$260 and U\$790 per month (68% of students work while studying)



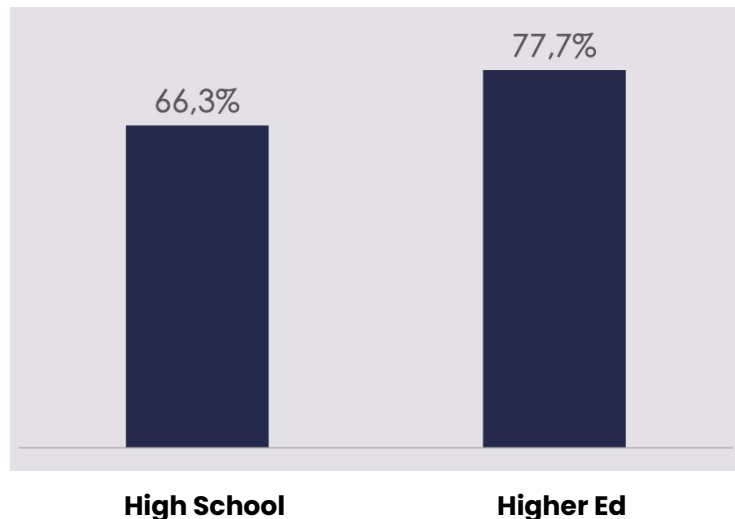
Average tuition is way lower for Online (right) than Face-to-Face

HigherEd in Brazil still means higher income and more job opportunities

Increase in average income compared to high school



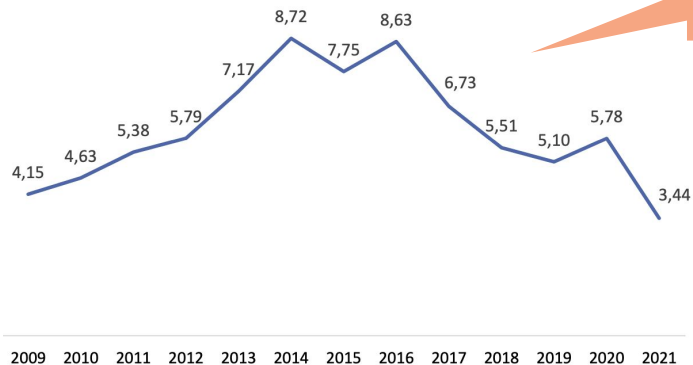
Employability level (2019) by degree finished



💡 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

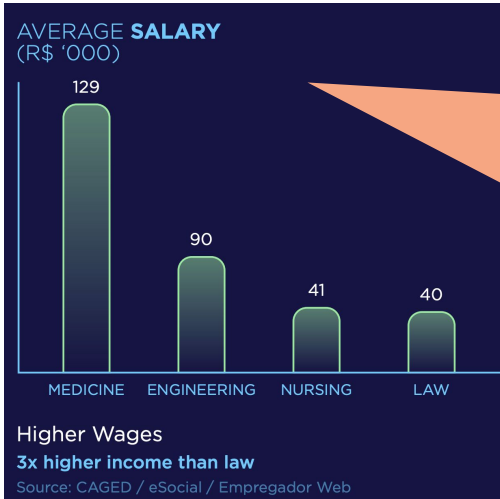
Tech Education:

Technology

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

August 18, 2022

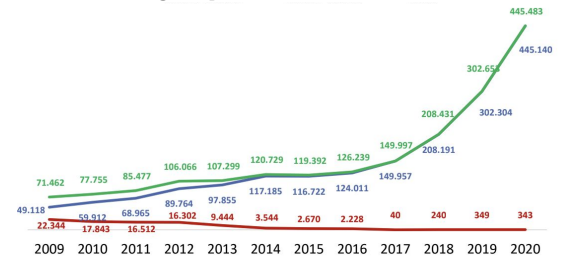
Medicine offers a great opportunity with strong unit economics (U\$ 2,000 tuition / month)



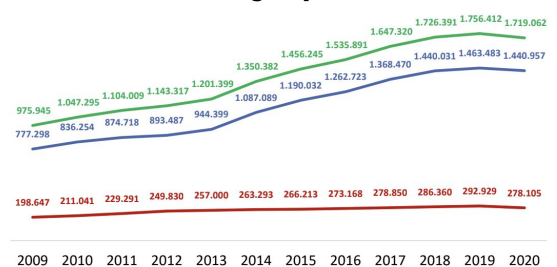
- Medicine is the top profession in Healthcare from employability (97%)
- Market underserved in Brazil
- Opportunities for undergrad, education support, prep courses and specialization

Total ; Private ; Public

Online Signups



Face-To-Face Signups



Universities are a complex ecosystem to operate

Pedagogical

- Graduation planning
- Classes Preparation
- Teacher Training
- Content providers
- Test providers
- Assesment

Cash mgmt

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



Attract & retain students

- Enrollment
- Communications
- Pricing
- Marketing & CRM
- Partnerships

Student and employee management

- Student Supervising
- Academic Monitoring
- Students' Well-Being
- Scheduling
- Student Record
- Security Monitoring

Infrastructure

- Scheduling
- Student Record
- Security Monitoring
- LMS









Improve & differentiate

- Technology Investments
- Pedagogic Innovations
- New degrees

Career services

- Placement
- Job readiness
- Partnerships w/employers
- Internships management

Universities as clients represent a ~U\$5 B opportunity

Category	Jobs to be done	Market Size estimate	Incumbents
Career services	placement job readiness partnerships w/employers Internship management	U\$ 1.5 B	 
Attract & retain students	Enrollment Communications Pricing Marketing & CRM Partnerships	U\$ 1.3 B	 
Pedagogical	graduation planning Classes Preparation Teacher Training Content providers Test providers Assessment	U\$ 1.1 B	 
Cash mgmt	Savings Investments Student loans Accounting & Bookkeeping Reporting & Analytics Collection Payroll & HR Access to Credit	U\$ ~1 B	 

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.

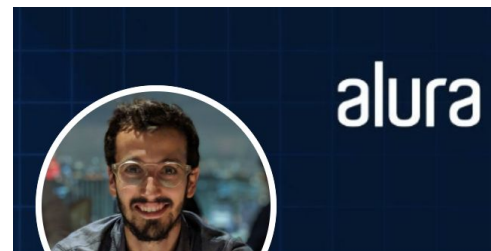
2) there is no rapid disruption in education

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.

**The Next
Big Thing
LatAm
2023**

Julia De Luca e Lucas Abreu



Paulo Silveira (He/Him) · 1st
CEO na Alura

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

**Unemployment:
9%**

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**

What employees want from employers? Education

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

 CAREER

To increase engagement, 52% of large companies have started offering flexible benefits

Research by the Mercer consultancy also pointed out that among the companies that implemented the model in the last two years, 71% say that the initiative improved employee perception and engagement

 **Gympass**

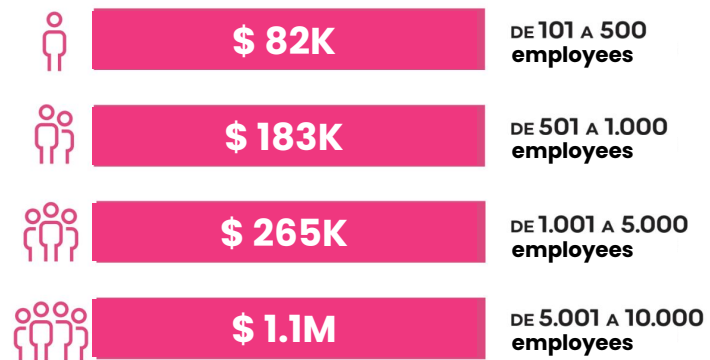
 **zenklub**

 **flash**

 **education journey**

Compared to the US, Brazil has a lot of room to grow investment per employee in L&D

2021 Annual L&D investment by company size



Company category	Brazil US\$ per employee 2021	United States US\$ per employee 2021
101 to 500 employees	330	2.175
501 to 1,000 employees	162	1.034
1001 to 5000 employees	143	-
Above 5000 employees	168	586

Companies spend 2.3% of their payroll in L&D

Budget Distribution

		TECHNICAL	BEHAVIORAL	COMPLIANCE
Leaders	Execs	24%	51%	25%
	Middle Managers	30%	47%	23%
Non Leaders	Operations	45%	25%	30%
	Sales	47%	32%	21%
	Admin	45%	33%	22%

What employees want from employers? Flexibility

Software developer job interview acceptance rate by remote vs. in-person job position, Brazil

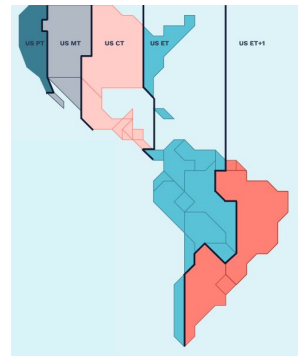


REVELO

ECONOMY

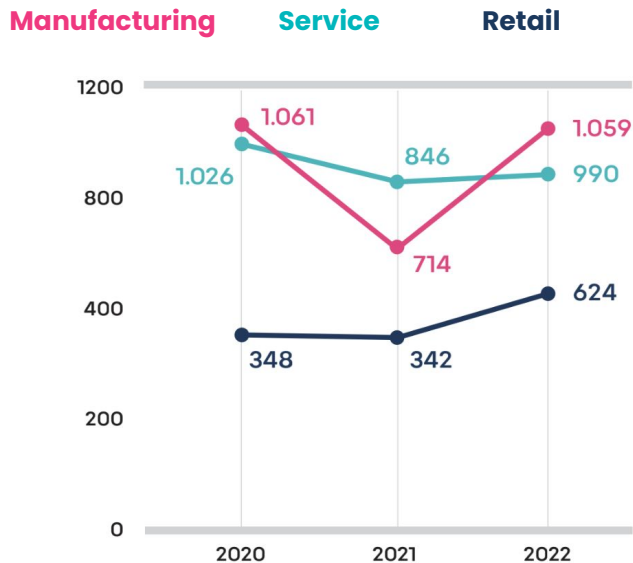
Remote work from Brazil to other countries grows 491% from 2020 to 2022

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



Recently, mental health got traction with HR departments in Brazil

Annual L&D investment per employee in R\$



What are the priorities of training for 2024?

	1st	2nd	3rd
Manufacturing	Culture	Communication	Mental Health
Service	Communication	Customer Support	Mental Health
Retail	Culture	Customer Support	Communication
Gov	Digital Transform.	Ethics	Mental Health

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



There are many challenges and opportunities for workforce development

Challenges and opportunities to hire and upskills

Tier	Hiring	Upskilling
Senior Level	-	51% of training is SEL, 25% compliance and 21% technical.
Middle Level	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.	Large opportunity to upskill these employees. Currently 47% of training is SEL, x23% of compliance and 30% is technical
Entry level	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.	Lack of innovative solutions
Interns	Companies face a hard time to create awareness within universities. Only 5.8% of HigherEd students have an internship.	Only large companies have a structured program to train interns
Jovem Aprendiz (apprenticeship)	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	Lack of solutions

What employers need regarding talent?

Hiring

- Assessment
- Marketing & crm
- Communications
- Partnerships
- Diversity
- Employer branding

Upskilling & reskilling

- Content
- Instruction
- Technology
- Cross jobs
- Coaching
- Well being
- Assessment

Managing talent

- Payroll
- Diversity & inclusion
- Incentives
- OKRs
- Recognition
- Internal mobility











Onboarding

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

Retaining

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

Workforce development is U\$ 18 B opportunity

Category	Jobs to be done	Market Size	Incumbents
Hiring & Onboarding	<ul style="list-style-type: none"> Assessment Marketing & crm Communications Partnerships Diversity Employer branding Training Internal networking Culture & values Compliance DEI Regulatory needs Data collection 	11.6B	  
Upskilling & reskilling	<ul style="list-style-type: none"> Content Instruction Technology Cross jobs Coaching Well being Assessment 	2.2B	  
Managing & retaining	<ul style="list-style-type: none"> Payroll Diversity & inclusion Incentives OKRs Recognition Internal mobility Training Internal networking Culture & values Compliance DEI Regulatory needs Data collection 	3.8B	 



Reach
Capital

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