





# INVESTING IN UK EDUCATION

This report was written as a response to increased investment interest in UK-China education and based on discussions and insights shared at an industry webinar hosted by the British Chamber of Commerce in China and the UK's Department for International Trade.

**JULY 2020** 

## **ABOUT BCCC**





The British Chamber of Commerce in China is a membership organisation for British business focused on boosting UK-China trade and investment. We operate as an independent, not-for-profit organisation with a strong and diverse membership. With over two decades' worth of business experience in China, we provide intelligence, advice, and networking opportunities for our members, helping their business grow in one of the world's fastest growing markets.

britishchamber.cn enquiries@britishchamber.cn

# **ABOUT DIT**





Department for International Trade is the government department that helps UK-based companies succeed in the global economy. We also help overseas companies bring their high-quality investment to the UK's dynamic economy acknowledged as Europe's best place from which to succeed in global business.

great.gov.uk commercialdit.china@fco.gov.uk

# **ABOUT VENTURE**





Venture Education empowers UK education in China through research, consultancy and partnerships. This includes producing reports for investors, advising on acquisitions, organising events and helping education companies to thrive.

ventureeducation.org contact@ventureeducation.org

#### **CHINA-UK INVESTING**



**British Chamber UK-China** Education



**UK Education** in a Snapshot



**KPMG UK-China Deal Process** 



**UK Government** Support

#### TVET



**Thames Holdings** Investing in **TVET** 

## HIGHER ED



**British Council** Partnership Opportunities

## **EDTECH**



**Tyton Partners** Investing in EdTech

#### **K12**



**GILT Education** Buying a **UK School** 



**ISC Research** School Investment in China



The Hutong Experiential Education

#### **3-MINUTE COMPANY PITCHES**



**Hatching Dragons** 



**Quality Teaching Staff** 



**MEL Science** 



**Century Tech** 

### **OVERVIEW**

Over the last few years, trade & investment between the UK and China has seen tremendous growth, with education as a standout sector. In particular, Chinese investment in UK education has been increasing across all major industry sub-sectors, including K-12, higher education, and particularly in EdTech.

The UK is home to some of the world's best independent schools, and since 2014, 17 UK independent K-12 schools and school groups have been bought by Chinese investors, with this number due to rise in the coming years.

China itself also currently has the most British independent schools than any other country in the world, with the number of K-12 schools owned by, or affiliated with, UK private schools amounting to 36 as of January 2020.

UK education has a global reputation for excellence, and, to date has attracted Chinese investment due to its heritage, internationalism, as well as profitability and stability in terms of long-term investment.

Furthermore, the UK's growing EdTech sector is a fine source of investment opportunities; it is currently considered the largest and fastest growing in Europe. There are also investment opportunities in TVET and higher education, with 6 private universities and 800+ private higher education providers currently operational in the UK. The UK is also a market leader in English Language Training (ELT), supported by key organisations like the British Council. The UK has also seen major growth in early years education, with preschool enrollment doubling over the last 20 years. In recent years, the UK has also seen the establishment of bilingual Chinese/English kindergartens and nurseries, which further promote UK-China educational and cultural exchange.

The UK government's Department for International Trade (DIT) is actively supporting investment into the economy, and boasts a number of preferential tax schemes that support international business in the UK. The UK economy is one of the most liberal in Europe and currently has the lowest corporation tax in the G20 (19%), which makes the country an excellent environment for potential Chinese investment. The UK is safe, supportive, and open for business.



## **ABOUT THE EVENT**

Because of the growing interest among Chinese investors in UK education, the British Chamber of Commerce in China and the UK's Department for International Trade (DIT), supported by Venture Education, invited fourteen industry experts to provide their insight into the UK's growing education sector. The event, which took place on the 29th July 2020, was an informative session that gave a vast overview of the sector, and highlighted important trends and provided advice for potential buyers and sellers of educational services and products.

# The webinar was held for 66 diverse interests in UK education.

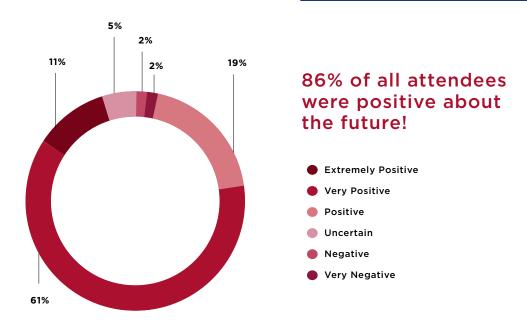
Education	21	Edtech	2	Government	21
Health Care	1	Insurance	1	Private Equity	7
Investor	10	Law	1	Property	2

Total: 66

~

Thank you for the very useful webinar earlier today. Mind-blowing indeed! One of the very best webinars I have attended, with lots of practical information covered within two hours.

# We asked attendees how positive they felt about UK-China education.





# **JULIAN FISHER**

#### **BRITISH CHAMBER, UK-CHINA EDUCATION**

China and the UK have been mutually funding scholarships for over 70 years - this is the foundation of educational collaboration and understanding between the two countries

Over the past 40 years, 500,000+ Chinese students have studied abroad in the UK; 35,000+ British students have studied in China

Although China has a "heads up" in terms of learning English - an estimated 400 million English-learners currently in China - the study of Chinese is increasingly popular in the UK (30 Confucius Institutes currently open in the UK)

K-12 is the main point of collaboration between the UK and China

There are currently 36 British schools operating in China, with many more set to open in the near future

10 Chinese investors & companies have purchased 17 UK independent school brands since 2014

Higher education is a growing sub-sector; there are currently 205 TNE joint programmes & 29 joint institutions between the UK and China

Alongside a healthy relationship between governments, interpersonal & B2B relationships are also crucial to the growth of UK-China education relationships



# JING LIU DIT, UK EDUCATION IN A SNAPSHOT

UK has the largest EdTech sector in Europe, and is ranked 5th globally in terms of the number of EdTech start-ups

Edtech has become one of the UK's key investment areas, attracting more than £1 billion VC over the last 5 years, with UK schools having spent more than £1 billion on digital technology in the last few years

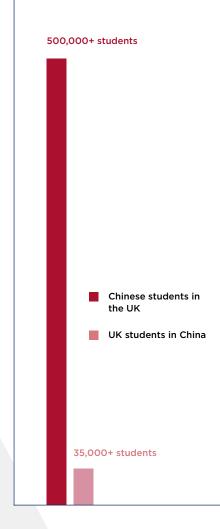
A major strength of the UK EdTech industry is its human capital – London has the largest number of professional developers in the world

Opportunities include: artificial intelligence, gamification, smart devices, mixed reality and immersive content (AR), cloud-based learning management systems, and massive online open courses

The UK is world-renowned in terms of its extra-curricular courses and testing, including teacher training, special education, STEM courses and English-language learning

UK educational qualifications are some of the most popular in the world, and A-levels account for 40% of the global market share, with more than 6,000 British schools distributed around the world

#### | 1980 - 2020 Student #s



#### **UK A-levels**





Investing in UK education is a 4 to 8-month process, with a number of important factors to consider at the beginning of the process, including: interest level (of both the buy and sell side), preparation of both parties, and valuation/pricing.

Key transaction considerations are the deal structure (i.e whether it is a share deal or an asset deal), and account tax structuring

When buying a UK school, Chinese buyers are concerned with whether or not there is room for future expansion (i.e. into China)

There are many challenges that may be involved in the deal process including changes of visa requirements, economic uncertainty, inspection and regulatory standards, recruitment and retention, rising costs (which can lead to pressure on margins) and the potentially negative perception of private equity-backed schools

In the light of the financial crisis caused by COVID-19, many UK private schools have requested loans from banks, but many are also seeking investment from other sources, with Chinese investment seen as a crucial lifeline

Key factors for a successful deal include: the quality of the education product (i.e. curriculum, resources), teaching quality and retention, management style and efficacy, brand and marketing, and a stable cash flow



The UK government is actively attracting investment

Investing in the UK means you benefit from: a business-friendly environment, competitive tax offer, sophisticated research & innovation landscape, large & highly-skilled workforce, strong digital/physical infrastructure, and the UK's great location, providing opportunities for further global expansion

UK has the lowest corporation tax rate among all the G20 countries (19%)

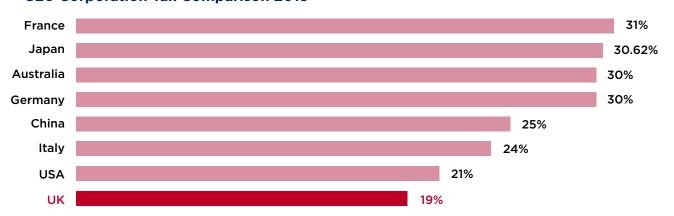
Companies that spend money developing new products, processes or services, or enhance new ones, may be eligible for a cash payment from the UK government and/or a corporation tax reduction

The UK government is committed to supporting EdTech (the DIT's Education Technology Strategy is backed by £10 million)

The DIT provides flexible, bespoke and professional support for businesses of all sizes

DIT investment services include: setting up in the UK, relationship building, visa applications, recruiting skilled staff, accessing finance, accessing market opportunities, and tax support

#### **G20 Corporation Tax Comparison 2019**





The main characteristics of the UK's technical and vocational education (TVET) industry are: high operational standards, globally-accepted certifications, effective apprenticeship schemes, standards set by accredited Industry Training Organisations (ITOs), and strong regulatory bodies and mechanisms

The Chinese government recognises and provides accreditations for UK professional certifications, including University of Cambridge's business and tourism management certificates

TVET investment opportunities include: vocational colleges, private training providers, awarding bodies, and professional institutes



### **DONALD HU**

#### **BRITISH COUNCIL, PARTNERSHIP OPPORTUNITIES**

In 2019, there were 119,000 Chinese students studying at UK universities and schools (a year-on-year increase of 20%)

Chinese students are estimated to have contributed £4.1 billion to the UK economy in the academic year 2018/19

The British Council offers a variety of activities aimed at promoting UK education in China, including a yearly meeting of students who have received offers from UK universities, training seminars and forums for educational agents, and university fairs for prospective students

Half of Chinese students apply to the UK through agents, so they are an important component of the Chinese market



# **NICK KIND**

#### TYTON PARTNERS, INVESTING IN UK EDTECH

The efficacy of an EdTech product is the key to its success in the UK market; the product needs to deliver in the long-term

EdTech can help by improving teaching and learning, as well as improving the administrative efficiency of organisations delivering teaching and learning

The UK continues to be a pioneer, with world-leading researchers in universities & private companies, and in collaborative research projects (e.g. the EDUCATE programme)

From a purely financial perspective, the best companies to invest in are those with large and expanding markets, which build on UK expertise to provide for growing markets

Home-learning EdTech products have been particularly successful in the mid-Covid environment



UK fee-charging schools are divided into two categories: (i) independent schools (registered charities), and (ii) proprietor schools (schools owned by private individuals or equity groups)

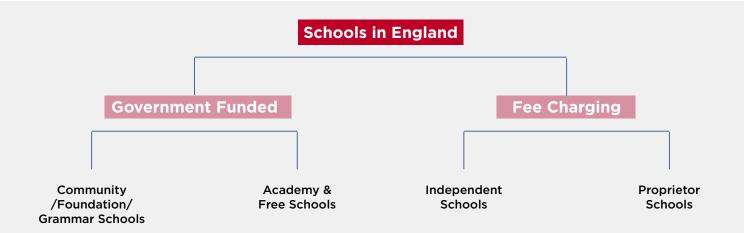
If an independent school is bought by a private individual or company, it is likely that the school will lose its charity status

There are approximately 2,000 fee-charging schools in the UK

China is one of the largest acquirers of UK schools, with many investors buying schools and bringing the brand back to China to open schools there (for example, St Bees School)

Chinese investors often acquire failing boarding schools and return them to profitability by increasing the number of international boarders, particularly those from China

If a school is bought after going into administration, it may take at least 6 months for it to get its education license back





Experiential education combats traditional models of education that may be seen as "out-dated and passive"

Active learning, for example through participating in discussion and "learning by doing," substantially increases children's retention of information

Although the UK's experiential education industry has existed for about a century, starting with programmes such as Outward Bound and the Duke of Edinburgh Award (DofE), China has only a 10-15 year old industry, leaving massive room for growth

More and more international and private schools in China are attaching value to experiential education by embedding its practices into their curriculum



Since 2012, there has been an 11.8% annual increase in the number of international Chinese-owned private schools in China (2012: 275; 2020: 671), a 13.6% annual increase in the number of pupils at said schools (2012: 99,459; 2020: 279,646), and a 21.9% annual increase in fee income (2012: \$992 million; 2020: \$4874.1 million)

At Chinese private schools, local pupils account for the majority of students, as opposed to expatriate children (for whom such schools were originally set up)

Since Dulwich started operations in China in 2003, there are currently 44 schools in China that are owned by or aligned with UK independent schools

14 more schools are set to open this September, with 10 more to open in 2021 and 5 in 2022-23

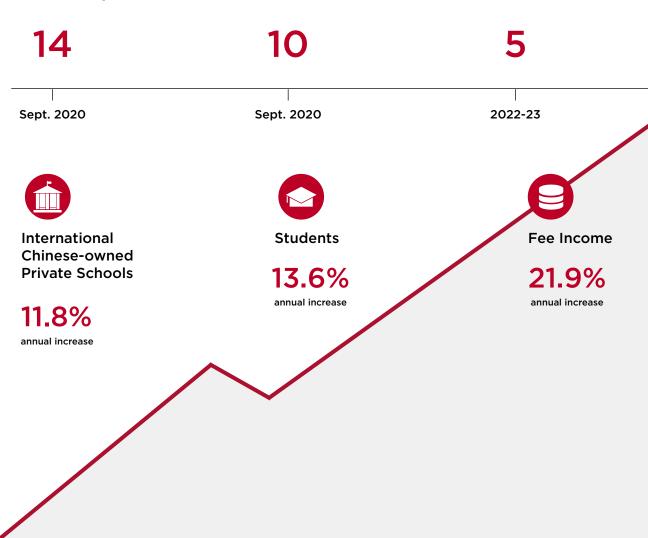
Guangdong province is expected to see the most growth in terms of number of schools, with Zhejiang and Jiangsu close behind

Student enrolment has grown organically and increased from 7,000 to 23,000 between 2015 and 2020

A UK school brand can bring brand heritage and history, but also a great deal of expertise in delivering a British style of teaching and learning

In order to have a successful partnership, it is important to: find reputable schools, align the investor and school partner ethos, identify potential development locations, and understand the relevant education

#### Schools to open





Hatching Dragons is the UK's first and largest bilingual Mandarin-English early years provider approved by Ofsted (national education regulatory body)

Backed by industry leaders, including founders of both Busy Bees (UK's largest nursery chain) and Skyscanner

Currently operates two profitable schools in Central London, planning for the opening of a third school in Canary Wharf

Hatching Dragons is looking to expand to become the global bilingual educational brand for the early years market, delivering education in both direct and digital form



# **SYED SHAH & NAIMA NAVSA**

**QUALITY TEACHING STAFF** 

Quality Teaching Staff has developed an innovative platform that provides an all-in-one service to schools (from early years to adult education) for all their recruitment, training and aftercare needs

The app/platform has already seen five years of success in the Middle East, and they are looking to expand their service in China

App allows education providers to save time and money by boasting a one-week recruitment time and 98% staff retention rate



MEL Science focuses on bringing the study of chemistry into the home, combating the long-term neglect of the subject by many schools and educational institutions

Offers a monthly subscription to Chemistry sets, with the subscription supported by a handy mobile app

Subscribers also obtain free access to VR lessons (personal headset with first subscription payment)

The service has expanded into over 60 countries and is expanding rapidly in China (just opened its first branch in Shanghai, and its WeChat store in May 2020)



Century Tech has created a leading product that combines artificial intelligence with the latest research in learning science and neuroscience to create constantly adapting personalised pathways for every student and powerful intervention data for teachers

Over the course of year-long scientific study, researchers found the student performance increased by 30% by using Century's "Memory" feature

Currently adapted to the English national curriculum, but service is being rolled out globally



#### These questions were asked and answered during the webinar:

# O1 Are there loan schemes and/or financial support available for Chinese SMEs who wish to enter the UK market?

UK registered companies will be eligible for EIS / SEIS funding from angel investors. They offer investors a 30%-50% tax rebate on investments into the company (in exchange for equity).

# O2 Is there any data on brand awareness or receptibility for Chinese brands that are trying or have tried to enter the UK market in education?

There is no specific data but market participants are increasing significantly. It is all about quality, not where you come from.

# O3 What specific support systems are in place for education companies that are looking to build subsidiaries and develop their local presence in the country?

The DIT offers a bespoke service to companies investing in the UK, regardless of size or development goals. Please contact the DIT for more information or to discuss future plans.

# O4 Does investment in education also include education service providers or just schools?

There has been much investment across a wide range of education service providers, including EdTech, online education companies, and education agencies.

# O5 Are Chinese state owned companies allowed to invest in UK if they get the green light from the government here?

Yes. Education is not a restricted sector for ODI.

# O6 What regulatory hurdles might school investors run into and how are they resolved?

There are very few regulatory hurdles on the UK side. Depending on whether the school is still functioning or has gone into administration, the main consideration is that the time taken to overcome these two conditions will be different. UK fee-paying schools are subject to on-going inspections, notably from the ISI.

### **TRENDS**

#### UK-China academic exchanges will continue to flourish

The UK is one of the most favoured destinations for Chinese students to study abroad, especially in terms of its higher education, which has become more favourable than the US in recent years.

China and the UK have hundreds of years of academic exchanges, and this deep and fruitful relationship will not be weakened by short-term challenges. We have many hundreds of years in the future to learn, discover, and collaborate.

Julian Fisher, British Chamber

#### Growing interests and opportunities in buying UK independent schools

K-12 has been one of the most significant areas of collaboration between China and the UK, and interest in the acquisition of UK independent schools from China continues to increase. With the current COVID-19 pandemic bringing more financial challenges to UK independent schools, Chinese investors may also have more opportunities to acquire UK independent schools.

#### Growing demand of British brand education in China

British education and curriculums continue to be popular in China. There will be many more British independent schools opening their first campuses in mainland China in the next few years.

#### Growing support of the UK government to EdTech industries

In addition to the general support schemes and incentives for businesses, in order to further realise the potential of technology in the education sector, the UK government introduced their Education Technology Strategy in 2019, creating a favourable business and environment for foreign investors.



# **KEY TAKEAWAYS**

#### Clarify your investment intention

Chinese investors should be sure of their own reasons for investing in education and choose the best companies accordingly. For instance, if investing for purely financial reasons, companies with large and expanding markets may be the most appropriate.

#### Understand the local market

Chinese investors should seek professional consultancy or advice services from local UK firms or government bodies to better understand the scale, demands, and trends of the local market.

#### Understand the regulations and policies

Chinese investors should be familiar with the education systems, investment regulations and other relevant policies when investing in the UK education sector.

#### Building a strong relationship with your partner

Mutual respect is crucial in UK business culture, and Chinese investors should always show appreciation to their British partnters.

#### Sustainability and efficacy

Chinese investors should carefully evaluate the quality of products or services they intend to invest in. This is particularly the case in the EdTech sector, and investors should be aware about how effective the solution is.



## RECENT UK-CHINA EDUCATION DEALS



#### 01

#### April 28th 2020

Abbots Bromley in the UK is purchased by Chinese investors

#### **Bloomberg**

# Permira Invests in EF Kids Unit at \$1.5 Billion Value

Manuel Baigorri and Cathy Chan 2 days ago

() A () 🗷

(Bloomberg) -- Private equity firm Permira has agreed to acquire a majority stake in EF Education First Inc.'s kids and teens business, valuing the unit at about \$1.5 billion, according to people familiar with the matter.

#### 02

July 29th 2020

London-headquarted Permira buys a major stake in EF China



03

July 30th 2020

Chinese property company buys the UK's Gabbitas Education



# JOINING THE BRITISH CHAMBER OF COMMERCE IN CHINA

If you are interested in becoming a member of a chapter of the British chambers of commerce in China, you will receive access to a range of business support services and other valuable member benefits.

If you have a presence in Beijing or have a national outlook, membership of the British Chamber of Commerce in China is the natural choice as we're based in the capital, near to both government and the national headquarters of many major British and Chinese businesses. If you are based elsewhere in the country, consider membership of our partner chapters in Shanghai, Guangdong or Chengdu (Southwest China).

At the British Chamber of Commerce in China (based in Beijing), our membership scheme is designed to suit businesses of all sizes and industry sectors and we always welcome new members to join our network of British businesses operating in China.

Membership Category	Description	Annual Membership Fee
Sustaining	Our premium membership grade open to any business wishing to support the chamber at a higher level, unlock exclusive premium benefits and access increased visibility & branding	RMB 40,000
Corporate	For businesses with global annual turnover of £7 million+	RMB 20,000
Medium	For businesses with global annual turnover of £2 million to £7 million	RMB 10,000
Small	For businesses with global annual turnover of less than £2 million	RMB 5,000
Hotel & Partner	For partner businesses that host or support Chamber events on a regular basis	RMB 15,000

Membership runs for a full year from the date of joining.

Member benefits are available to all employees of the member business.





Department for International Trade is the government department that helps UK-based companies succeed in the global economy. We also help overseas companies bring their high-quality investment to the UK's dynamic economy acknowledged as Europe's best place from which to succeed in global business.



# Reports

Our research team helps UK organisations to understand the Chinese market, keeps the world up-to-date with trade in education between China and the UK, and shares global best practice with education organisations in China. To speak to us about research, events, training, consultancy or partnerships, email contact@ventureeducation.org

# www.ventureeducation.org



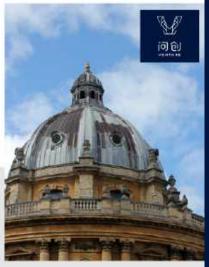






# **PURCHASING** A UK UNIVERSITY

PRODUCED FOR KPMG, MAY 2020





# CHINESE INVESTMENT IN UK SCHOOLS



Venture Education supports UK-China education through research, consultancy and partnerships 问创通过研究和合作伙伴关系的方式以支持中英两 国教育事业的发展。

contact@ventureeducation.org

# **DIRECTORY**



#### **Department for International Trade**

The Department for International Trade (DIT) helps businesses export and grow into global markets. We also help overseas companies locate and grow in the UK.

Jing Liu: liu.jing@fcowebmail.fco.gov.uk Zhi Dong: zhi.dong@invest-trade.uk



#### **Venture Education**

Venture Education empowers UK education in China through research, consultancy and partnerships. This includes producing reports for investors, advising on acquisitions, organising events and helping education companies to thrive.

Julian Fisher: julian@ventureeducation.org



#### **KPMG**

KPMG is a global network of professional firms providing audit, tax and advisory services, operating in 147 countries and territories, and have more than 219,000 people working in member firms around the world. KPMG China based in 26 offices across 24 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR.

Daisy Shen: daisy.shen@kpmg.com



#### **Thames Holdings**

Thames Holdings is London-based company that has been engaged in UK-China education services for 12 years, with particular focus on early years, higher education, TVET, EdTech, education standards, and education finance and asset management in the UK.

Jamie Yin: jamie.yin@thames-premier.com



#### **British Council**

The British Council builds connections, understanding and trust between people in the UK and other countries through arts and culture, education and the English language. We help young people to gain the skills, confidence and connections they are looking for to realise their potential and to participate in strong and inclusive communities.

Donald Hu: xuebin.hu@britishcouncil.org.cn



#### **Tyton Partners**

Tyton Partners is a dynamic advisory firm that serves clients across the education sector. We offer both strategy consulting and investment banking, helping investors, foundations and corporations work out their next steps, conduct due diligence, and buy and sell companies.

Nick Kind: nkind@tytonpartners.com



#### **GILT Education**

GILT Education is an education-focused advisory firm with extensive experience in a diverse range of education sub-sectors and a strong network across the globe, including Latin America, Europe, India, China and South East Asia. Committed to the global expansion and consolidation of education businesses, we advise business owners, investors and strategy makers on the most critical issues and opportunities pertaining to new education markets, partnership and joint venture deals, as well as lucrative M&A opportunities as an integral part of their global growth strategies.

Vipul Bhargava: vipul@gilteducation.com



#### ISC Research

ISC Research tracks the world's international schools market, gathering and producing intelligence and data on market trends, developments, and growth potential. ISC Research specialises in connecting investors to school brands that are ready and right for investor partnership, as well as supplying market reports and expertise for all types of school development in China and the rest of the world.

Will Bedford: will.bedford@iscresearch.com



#### **Hatching Dragons**

Hatching Dragons is the UK's first bilingual Mandarin-English early years provider that aims to foster fluency in two of the world's most important languages by reception age in our children. We aim to help our young people become globally aware, confident and capable by marrying the best quality early years care and developmental methodologies to a bilingual English-Mandarin ethos delivered in the safest and most nurturing of physical and social environments.

Cenn John: cj@hatching-dragons.com



#### The Hutong

With offices in Beijing, Shanghai, Hong Kong and Taipei, The Hutong is China's leading operator of experiential education travel programs, specialising in providing International School and University students with unique and authentic experiences across Greater China. Combining a deep understanding of China with the highest standards of international education and safety, The Hutong's programs not only supplement and enhance curricular learning but help bridge the cultural divide.

Josh Kernan: josh@thehutong.com



#### **Quality Teaching Staff**

Quality Teaching Staff have specialised in delivering recruitment/training services within the International education sector across the Middle and Far East for over 8 years'. We aim to offer a stream lined solution with our exciting new APP/Portal which will act as a 24hr platform for schools to use in order to recruit/train staff.

Syed Shah: sshah@qtstaff.co.uk



#### **MEL Science**

Based in London, MEL Science is the global leader of original Science Education content provider. The team boosts the only effective combination of innovative and engaging home-based Science Experiment box, accompanying software, award winning VR and AR education contents and thousands of innovative maker-style Science education videos.

Kai Liang: kai@melscience.co.uk



#### **Century Tech**

CENTURY uses AI technology to provide a personalized learning journey to students and offers real-time insights and analytics to educators. The CENTURY platform constantly calculates their strengths and weaknesses, creating a tailored, individual learning path for them whilst its interactive dashboard allows teachers - and parents - to see how a student is progressing in real-time and offers deep actionable insights to the teacher, allowing them to target interventions at both school and at home immediately.

Charles Wood: charles.wood@century.tech

