

The Investor: Linzor Capital Partners



Fund Manager: Linzor Capital Partners

Fund Name: Linzor Capital Partners III

Fund Size: USD621 million

Total Commitments Raised: USD1.2 billion

Linzor Capital Partners is a private equity firm investing in mid-size companies across Latin America excluding Brazil. Since its founding in 2006, Linzor has raised three private equity funds and primarily seeks controlling positions. Its current portfolio has exposure to sectors such as financial services, telecom, retail, education, health care and food manufacturing. The Linzor team, including its eight partners, operates out of offices in Chile, Mexico, and Colombia.

The Company: UTEL



Company: UTEL

Website: www.utel.edu.mx

Industry / Sector: Education

Location: Mexico

UTEL is an online university in Mexico with over 47,000 students as of September 2020. Targeting the middle-income population, the company offers 65 accredited programs with a wide range of undergraduate and graduate courses, the most popular of which include computer systems engineering, industrial engineering, and education. UTEL has recently begun to offer executive online programs and is expanding its services throughout Latin America.



Date of Investment:
May 2018

Amount:
Undisclosed

Participation / Stake:
53%

Opportunity

Seeking exposure to the education sector, Linzor Capital Partners began to map the industry in Mexico in 2016, looking at a wide range of segments including language training, K-12 education, and universities. The team concluded that higher education was the most attractive target—in particular, Linzor wanted to invest in a service that could address the problem of low penetration of undergraduate education in working adults. In Mexico, only 18% of the population between the ages of 25 and 64 has an undergraduate degree, according to the Organization for Economic Cooperation and Development (OECD). Linzor believed that an affordable and scalable platform could not only drive significant profits but also fundamentally improve peoples' job prospects and overall incomes.

David Stofenmacher started UTEL Universidad with the vision of delivering high quality education at a low cost. With initial support from global learning company Pearson and Mexican curriculum and technology provider INITE, UTEL had enrolled 20,000 students in its exclusively online university, which catered to individuals with full or part-time jobs, in its first six years of business. For the company's next stage of development, Stofenmacher wanted to grow both enrollment and revenues at a faster pace and desired a partner that could help optimize its capital structure, offer greater analytical capabilities, and contribute towards stronger

corporate governance. In 2018, Linzor acquired a 53% stake in UTEL.



Execution

One of Linzor's first initiatives following its investment was institutionalizing UTEL's data collection and reporting processes in order to help the company better assess and value its digital subscription-based business and identify key growth and profitability drivers. UTEL completed a migration to a new Student Information System as well as a more robust enterprise resource planning (ERP) process in 2019. As part of an effort to boost student retention, optimize its lead conversion rate, and promote other operational improvements, Linzor and UTEL are also building a data lake to be analyzed by artificial intelligence tools. These steps have helped UTEL nearly double the number of annual new admissions while reducing customer acquisition costs since Linzor's investment.

Linzor helped recruit a new Chief Financial Officer as well as executives with education sector experience across Latin America. Leveraging these additive skillsets, the UTEL team began to expand the company both geographically and via new services. UTEL opened enrollment centers in Peru, Colombia, Chile, and Ecuador and plans to reach more Latin American markets by the first half of 2021. As of September 2020, approximately 5,400 students located outside of Mexico

had enrolled, representing 17% of total new admissions. The company also completed an international evaluation from the National Association of Credential Evaluation Services (NACES) to obtain accreditation for 22 undergraduate and 29 graduate programs in the United States. In partnership with Linzor, UTEL has additionally developed new business lines in 2019, including an executive online course that is paired with in-person lectures and networking events, a digital bootcamp, and a massive online open course (UTEL X) that will be offered to the public for a monthly fee.

Notably, UTEL provides access to higher education to Mexico's underserved populations. As of September 2020, approximately 56% of UTEL's students live in rural areas in Mexico that have less than 400,000 inhabitants and 49% are 30 years of age or older. Without UTEL's flexible schedule and affordable pricing of around USD100 per month, it is likely that these students would not be able to study while working and taking care of their families. The company also offers scholarships and discounts to low-income and disabled students—in 2020 through September, UTEL has provided an average discount of 65% to 85% off regular tuition to nearly 500 students.

“ UTEL is always testing out new ideas, which has been a large part of its success. We have had to learn how to support this culture of trial and error—which is unique for midsize businesses in Latin America—while also bringing in the analytical tools to question every new venture so that we all find what we are looking for at the end of the journey.

– Jean Ide Gerard
Partner, Linzor Capital Partners

Outlook

UTEL has reached a number of milestones following its acquisition by Linzor. In 2019, UTEL became the first exclusively online university to be accepted into the evaluation process to become a FIMPES accredited university, the Mexican higher education

association and accreditation body. UTEL has also created 1,125 new jobs, representing 188% growth relative to the size of the company at acquisition, while the number of active students has climbed from 24,000 in 2018 to 47,000 as of September 2020. Going

Spotlight: Embracing a Culture of Trial and Error

Frequently experimenting and conducting pilot tests is core to UTEL's strategy, as it fine-tunes and scales up ideas based on initial results. For example, the company recognized a growing trend in the United States of traditional universities seeking to grow their online programs, so it began to evaluate a business line focused on providing expertise to these schools under a profit-sharing agreement. This online program management (OPM) unit began with the UTEL team initially traveling to a few small universities and proposing a service to develop and maintain their online offering. UTEL has since signed a long-term contract with Uniminuto, the largest private Colombian university with 110,000 active students, and is currently negotiating deals with additional schools in Colombia, Mexico, and Peru.

A culture of adaptability has also helped to shape UTEL's response to the COVID-19 pandemic. Migrating all employees—including over 700 sales agents—to remote status presented a challenge for the company, particularly given connectivity issues involving the technologies that UTEL uses to power its contact center. UTEL plans to maintain, to a large extent, this remote work policy as it helps employees save time and money, and decreases risks associated with public transportation in Mexico City. This initiative will also help reduce UTEL's carbon footprint. UTEL has been able to successfully increase student engagement on the platform since the beginning of the outbreak in line with rising volumes of new admissions and high conversion rates. With Linzor's support, the company has offered significant promotional discounts on its services and, as a result, expects to finish 2020 with more than 60% year-over-year growth in new intakes.

forward, UTEL plans to continue experimenting with various growth initiatives, including a digital academic bootcamp, while striving to meet the rising demand for online higher education across the Latin American region—and potentially beyond.