

The Investor



Navis Capital Partners was founded in 1998 and manages both private and public equity funds focused on growth buyouts in Southeast Asia. As of September 2023, the Navis Asia Funds have completed more than 90 controlling private equity investments in addition to over 80 follow-on investments. Based in Kuala Lumpur, the company has 100 professionals working in six offices across the region.

FUND NAME

Navis Asia Fund VIII; Navis CLMV Co-Investment Fund

FUND SIZES

USD900m; USD150m

TOTAL AUM

USD5b

The Company



The IGC Group (originally known as Thanh Thanh Cong Education) is an integrated education platform located throughout six provinces in southern Vietnam. As of September 2023, IGC operates 22 campuses focused on preschool and K-12 education, as well as one college. The company has a base of over 20,000 students and offers both national and bilingual education programs.

LOCATION

Vietnam

SECTOR

Education

WEBSITE

www.igc.edu.vn

DATE(S) OF INVESTMENT

MAY '19

AMOUNT

CONFIDENTIAL

STAKE

MAJORITY



TTC Group is one of Vietnam's largest conglomerates with over 120 affiliated companies operating in industries as varied as agriculture, energy, real estate and hospitality. In 2019, the corporation was considering divesting a few non-core assets after struggling to refinance several existing loan facilities. Thanh Thanh Cong Education (TTCE), a private education platform in the southern region of Vietnam, fell into this category.

Southeast Asia-focused buyout firm Navis Capital Partners was interested in the deal. TTCE was filling a gap in the Vietnamese education market between high-priced premium private schools and an overcrowded public sector. The Navis team believed that favorable demographics in Vietnam—where 38% of the population was under the age of 25—as well as the cultural importance placed on education would fuel growing demand for more affordable private education options. In May 2019, Navis acquired a majority stake in TTCE and renamed it the IGC Group in recognition of its break with the conglomerate.

The Deal

Navis has led IGC's expansion in southern Vietnam both organically and through acquisitions. Since Navis' investment, the platform has acquired a school in Hanoi, expanded its presence in several Tier 2 cities and entered new markets such as Tay Ninh. The total number of schools IGC operates has grown from 17 to 23 as of September 2023

Several of the platform's existing facilities were renovated and upgraded to incorporate amenities such as swimming pools, soccer fields and additional rest areas. In a few locations, IGC reduced the number of students enrolled, believing the facilities to be too crowded. Although these schools met local capacity requirements, the Navis team wanted IGC to adhere to international standards. As of September 2023, current utilization across all IGC's schools is 86%.

Navis has improved IGC's business processes and captured efficiencies by centralizing procurement and implementing an ERP system across the entire platform. With Navis' support, IGC upgraded its governance practices and adopted anonymous whistleblowing and grievance policies. Navis also brought in a new CFO and is seeking to increase revenue per student by charging additional fees for new activities, such as English language courses, test preparation services and Japanese physical education classes.

Shortly after investing in IGC, Navis acquired other education assets in the region. It invested in Cambodia-based CIA First International School Company in 2020 and Thailand-based Ambassador Education in 2022. This regional education platform—called Indochina Academy—is dedicated to providing high-quality education at affordable prices. Navis hired a Group ESG Director and is installing best practices across all three institutions on a range of subjects, including best-in-class child safeguarding policies, cyber security and more. An additional benefit of the regional platform is that it creates opportunities for students to participate in exchange programs.

Since Navis' acquisition, IGC's revenue has doubled, while EBITDA has more than doubled as of September 2023. The number of students has grown from 15,000 to 20,000, while employee headcount has jumped from 1,100 to over 1,700 over the same period.

Inclusive & Sustainable Growth

Less than 15% of all students attend private schools in Vietnam, lagging other Southeast Asian markets such as Singapore, Malaysia and Thailand. In Vietnam, most private education institutions were started by individuals rather than corporations, which limits the ability to renovate and expand each school. Because the private sector hasn't been able to expand in line with the country's growing population, Vietnam's public schools are overcrowded.

Tabongkod Peunchob, a Partner at Navis Capital Partners, remarks, "There is a greater willingness to spend on education in Vietnam as household incomes rise, but private tuition fees remain out of reach for many families. On the other end, public schools have been put under pressure. Although the quality of education is reasonable, the Vietnamese government has a limited budget to expand the curriculum and improve aging facilities. We believe that IGC is providing a solution for the country's middle class."



Annual tuition at an IGC facility is between USD2,000 and USD4,000, while the premium private schools average more than USD10,000—and can cost as much as USD20,000. The Navis team believes that IGC also provides a better learning experience than public schools. For example, the average classroom size in Vietnam's public schools is between 50 and 60 students, while IGC's classrooms have between 20 to 40 students as of September 2023. IGC's high school graduation rate is 100%, and the company estimates that over 90% of its students attend college or university either in Vietnam or abroad.

IGC Group pays a great deal of attention to employee retention, in part to proactively address the region's qualified full-time teacher shortage. Navis has helped the company put in place social security benefits and long-term incentive programs, including bonuses, for the company's more than 1,000 teachers. For each campus, IGC's executive team does a comparative analysis of local wages every two years to make sure its salaries are competitive. IGC also promotes regular staff appreciation events. In both 2021 and 2022, IGC was recognized as one of the best companies to work for in Asia by regional human resources publication HR Asia based on its remuneration policies, human resource practices and working environment.

The scale of IGC's platform is also a benefit for local teachers. By offering 25 campuses in Vietnam—and more through the Indochina Academy—teachers have a greater comfort of job security that smaller platforms cannot offer. Teachers are also able to easily relocate. IGC's employee turnover rate has decreased from 20% at the time of Navis' acquisition to 12% as of September 2023.

Outlook

IGC has developed a pipeline that will increase its student capacity by another 5,000 to 10,000 through 2028 and plans to open one to two new schools per year. Some of the sites are already secured with the land, leases, necessary approvals and bank credit lines in place. Navis also intends to expand IGC into new cities—including in the northern region of Vietnam—and is exploring greenfield and brownfield sites, as well as new education partnerships. ●