

The Investor



Founded in 2009, Vinci Partners is a Brazil-focused alternative investments platform specializing in asset management, wealth management and financial advisory services. Vinci's private equity division has raised three funds and seeks controlling stakes in growth equity opportunities as well as turnaround investments on an opportunistic basis. The firm's most recent private equity vehicle is investing in a range of sectors including food service, healthcare, telecommunications and financial services.

FUND NAME

Vinci Capital Partners II

FUND SIZE

USD1.4 billion

TOTAL AUM

USD10.7 billion

The Company



Vitru is a digital education group focused on the post-secondary market in Brazil. As of September 2021, Vitru's undergraduate and graduate programs are accessed by over 366,100 students, 98% of whom are enrolled in distance learning courses that are complemented with in-class weekly lectures. Vitru operates its 904 hubs under the Uniasselvi brand and employs more than 3,000 tutors.

WEBSITE

www.vitru.com.br/en_US

INDUSTRY/SECTOR

Education

LOCATION

Brazil

DATE OF INVESTMENT
FEBRUARY 2016

AMOUNT
USD60.5 MILLION

STAKE

50%
(initial)

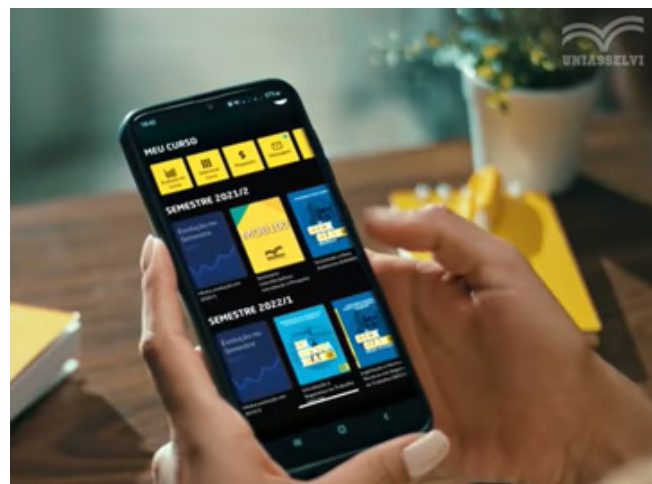
27%
(current)

DATE OF IPO
SEPTEMBER 2020

ALTERNATIVE INVESTMENTS PLATFORM Vinci Partners identified pent-up demand for access to higher education in Brazil. Approximately two million students finish secondary school annually and working adults are increasingly seeking opportunities to advance professionally while juggling their jobs and families. In Brazil, only 21% of working adults between the age of 25 and 34 have an advanced degree, versus 44% in OECD countries. Brazil's Ministry of Education (MOE) had expanded the market by providing lines of credit to students through its FIES program, but the initiative came under pressure when borrowers weren't committed to paying down their debt. The Vinci team was convinced that distance learning would be the future of post-secondary education in Brazil and began looking for investment opportunities with minimum exposure to FIES.

In 2014, distance learning education group Uniasselvi was put up for auction. The prior owner, Kroton Educational, had reached an agreement with antitrust authorities to sell it as a condition of purchasing education company Anhanguera. Initial interest was enormous, with approximately 30 firms signing non-disclosure agreements. However, this period coincided with a recession, double-digit inflation and a presidential impeachment crisis, which dramatically reduced the competition. The MOE also changed the rules for FIES tuition reimbursements, affecting several potential strategic acquirers.

Vinci partnered with the Carlyle Group to execute a leveraged buyout, fully acquiring Uniasselvi in February 2016. In 2020, the company changed its name to Vitru but the holding company continues to operate its distance learning centers under the Uniasselvi brand. Vitru has become the fastest growing distance learning player in Brazil since Vinci's investment, with enrolled students increasing from 112,000 in 2016 to 366,100 as of September 2021. Vitru went public on the Nasdaq Global Select Market in September 2020 and has a market capitalization of nearly USD330 million as of November 2021.



The Deal

VITRU'S differentiated academic model blends both online and on-campus activities. Students are offered weekly lectures at distance learning “hubs” where Vitru’s 3,000+ tutors help them better understand the material and connect with one another. Several of the company’s competitors had previously adopted a similar hybrid model but eventually transitioned to being 100% online in order to reduce operating expenses. In contrast, Vitru has found that the greater engagement associated with even a small physical presence has resulted in the lowest drop-out rate for new enrollments in the market.

When Vinci began the carve-out process of establishing Uniasselvi as an independent entity from Kroton, it hired all first- and second-level management positions. The Vinci team redefined the organization’s processes with a focus on aligning compensation policies, providing employee stock options and installing managerial tools for expense control. It also structured a new business intelligence unit to support the student intake cycle.

Vinci believed that Vitru’s growth would primarily come from hub expansion. However, this was a risky strategy because adding new hubs in Brazil requires MOE approval and, at the time of acquisition, no new hubs had been approved for over three years. Six months after Vinci’s investment, Vitru was granted 20 new hubs that the prior owner had requested, and shortly thereafter the MOE changed its rules. Institutions like Vitru with the highest academic

Outlook

US-BASED INVESTMENT FIRM Neuberger Berman acquired 25% of Uniasselvi for USD100 million in 2018, which reduced Vinci’s holding to 37%. While Vinci’s stake in Vitru was further reduced to 27% in the IPO process, it remains a controlling shareholder in partnership with Carlyle. The company’s stakeholders chose to pursue a listing on the Nasdaq in order to access a broad investor base that would understand its digital business model and how it differs from the more traditional education groups listed in Brazil.

In April 2021, Vitru announced its intent to use part of its IPO proceeds to merge with Unicesumar, another leading distance learning provider. The combined entity will operate under the Vitru platform and transform the company into the second largest digital education player in Brazil in terms of number of students. The merger will nearly double the size of Vitru’s student base and allow it to begin offering a new line of medical education courses. In addition to helping the Vitru management team integrate with Unicesumar, Vinci’s near-term priorities include evaluating potential partnerships with companies in the edtech space, which are poised to play a crucial role in the next phase of education in Latin America.



ranking were now allowed to open 250 hubs per year, facilitating rapid organic growth. Vitru’s footprint across Brazil increased from 48 hubs in 2016 to 904 hubs as of September 2021. Over this time period, Vitru’s annual revenues and EBITDA have grown 79% and 36%, respectively, per annum.

While COVID-19 forced Vitru to adjust its model – including moving its hubs into online formats – the company has benefited from pandemic-related trends such as the acceleration of digital habits. With growing interest in distance learning, Vitru’s student base grew from 240,000 students to 309,000 just between 2019 and 2020. The pandemic has also forced the company to rethink some processes. For example, when it became difficult to ship textbooks to students, Vitru launched its mobile application Leo, which allows students to register for courses, access class materials and participate in simulators and 3D labs entirely online, consequently reducing its carbon footprint.

Democratizing access to education

OVER 3,500 municipalities in Brazil lack access to undergraduate and graduate education. Headquartered in Florianópolis, the capital of southern Brazil’s countryside state of Santa Catarina, Vitru has always strived to reach underserved small and rural communities. The rapid growth of Vitru’s hubs has enabled the company to access students in markets where a large physical campus is not economically feasible. Vitru has been particularly focused on expanding into the southeastern region of Brazil, where its student base grew from 5,600 in 2018 to 43,200 by June 2021.

Vitru strives to make education accessible to everyone by offering online courses at an affordable price, with distance learning approximately 70% cheaper than on-campus tuition. The company also provides numerous courses to the community at no cost. As just one example, Vitru’s free “Environmental Management” and “Sustainability and Environment” courses enrolled 25,240 and 40,334 students, respectively, in the first quarter of 2021.