COVID-19

Assessing the impact on the education sector and looking ahead

April 2020

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Agenda

- ► **Impact of COVID-19**
- ► Deep dive on key regions

Researchers believe that restrictive actions to fight the COVID-19 pandemic will continue until a vaccine is available (approximately 12 to 18 months)

- ► **Researchers globally have determined that the pandemic will end in one of the following scenarios:**

  - ► **Immunization** (via vaccine), which can potentially **take 12 to 18 months** (preferred strategy)

  - ► **Herd immunity**, if a large portion of the world population contracts the virus (undesirable)

- ► **Until the vaccine is developed, the world will go through multiple cycles of staggered lockdowns, ranging from 2 to 6 months.**

- ► **Even after the lockdowns end, multiple social distancing restrictions will be in place.**

- ► **A few studies that are yet to be substantiated suggest a potential slowdown in infection with weather changes.**

Potential exit scenarios*

| Scenario	Base or realistic	Optimistic	Pessimistic
Countrywide lockdowns	End by summer	End by summer	End in summer; restart in winter
Social distancing	6–12 months	Phased out in summer	12 months
Global travel	Restricted (essential only)	Close to normal	Restricted (essential only)
Work from home	Continuous, where possible	Close to normal	Continuous, where possible
Recurrence	Milder winter outbreak	Less likely recurrence	Severe winter outbreak

Governments and operators must keep these timelines in mind while planning.

* Mapped out by ING.
Source: EY-Parthenon research and analysis.

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The pandemic has also impacted the largest destination countries for transnational education

Inbound internationally mobile students, select countries, 2017

Canada 🇨🇦 ~0.2m

UK 🇬🇧 ~0.4m

Germany 🇩🇪 ~0.3m

US 🇺🇸 ~1m

France 🇫🇷 ~0.3m

Australia 🇦🇺 ~0.4m
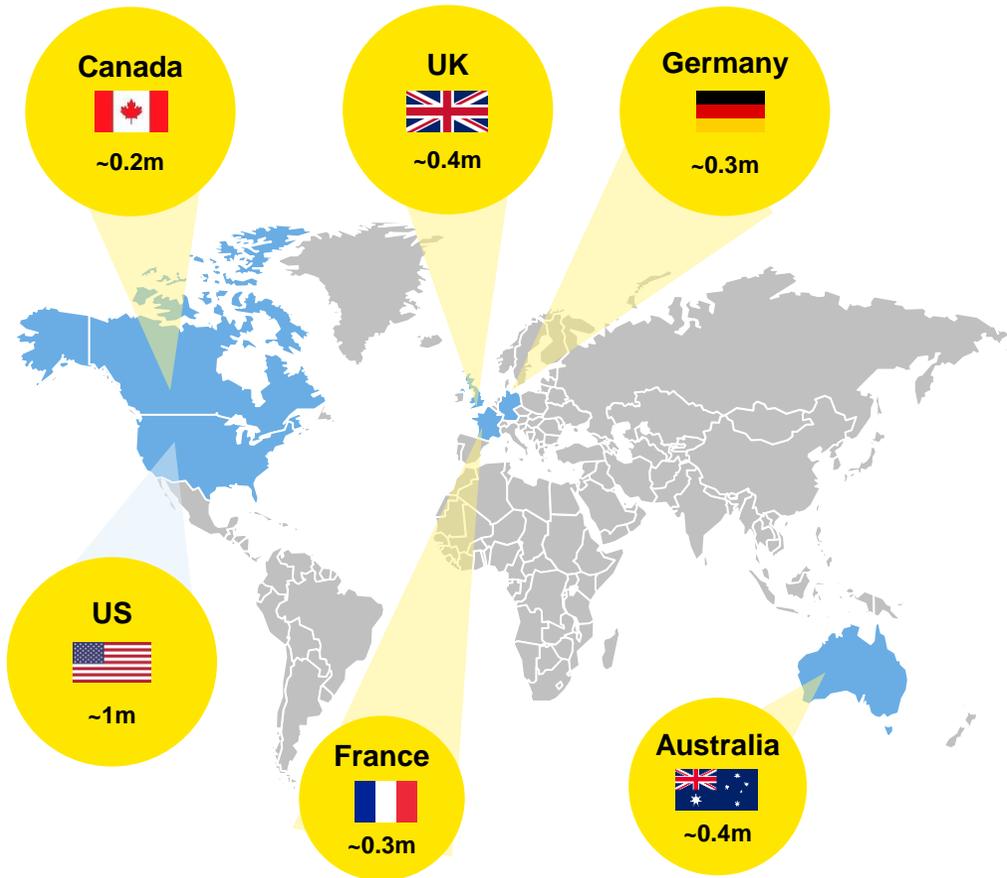
"Coronavirus could be 'make or break' for universities' finances"
"Global student flows to suffer 'massive hit' for years"

– Times Higher Education (March 2020)

Impact on students

► Students who were about the start their education in the coming academic year are stuck in a limbo even after receiving a confirmation letter from their dream universities as there is high **uncertainty regarding the onset of classes in August.**

► According to a QS survey measuring the impact of coronavirus on higher education, **~45% of prospective international students** surveyed have stated the intention to **defer their admission** until next year, and **~10%** have suggested that **they no longer intend to study overseas.**

► One student in the survey stated, "*I am unwilling to pay deposits now for the study year of 2020/2021 because I am worried that the coronavirus will not be over and that all classes will be online. **I don't want to pay thousands to only get online tuition**.*"

Response from the universities

While for the current batch of students, universities across the world have shifted to online classes, **most uncertainty has been around the next intake of students**. There has been varied response across universities. Some of the major steps taken by universities include:

► Adjusting application deadlines, and waiving test results or giving students conditional offers, e.g., Harvard, Northwestern's Kellogg School

► Delaying start dates for next semester, e.g., Duke's Fuqua School

► Extending the deadline for admission confirmation (deposit submission), e.g., California State Universities

► Deferring admission to next year at students' request, e.g., University of Ottawa

All stakeholders — students and parents, providers and investors — in the education sector are facing disruptions

Students and parents

Students
- Learning disruption caused by shutdowns *(particularly young learners in crucial cognitively formative years)*
- Lack of familiarity with online learning

Parents
- Lack of experience in homeschooling children, including inadequate/no resources to support it
- Reduced ability to afford or reluctance to pay full fees

Education Providers

Customer-facing
- Lack of preparedness to bring student cohort online, and to train teachers
- Limited/no online communication channels to interact with teachers/parents

Funding/liquidity
- Managing funds: lower fee collection due to inability/reluctance to pay, while handling fixed outflows like salary, rent
- Assessing ability to continue debt repayment per schedule
- Evaluating impact on short-/medium-term expansion plans requiring capital expenditure

Operational
- Pause on traditional student acquisition channels such as walk-ins and events
- Expected changes in expat teacher as well as international student visas and travel rules in short and long term
- Increased health and safety requirements for the institution

Investors

Existing portfolio companies
- Changes in expansion and exit timelines
- Re-evaluation of future performance and business resilience
- Assessment of sustainability of growth drivers in the long term (e.g., transnational education businesses reliant on students from source countries)

New investments
- Change in acquisition timelines (companies currently under consideration)
- Assessment of the market for potential distress sales
- Re-evaluation of focus geographies and segments (if focused on travel-sensitive segments, or in highly impacted countries)
- Evaluation of trade-off between cash and growth/margin

Providers have devised unique ways to mitigate some of the key challenges they are facing.

Education institutions in China have adopted online teaching, provided free access to technology and forged partnerships

Measures taken by education institutions in China to tackle COVID-19 pandemic

1 Switch to live classes

- ► Large education companies have switched **offline courses to online** and provided **free access** to students in response to the COVID-19 pandemic.

- ► Most providers have switched to **live teaching** as creating self-paced courses is time intensive.

2 Free provision of technology tools

- ► Online providers have made both their **courses and technology tools free** for universities and schools to utilize.

- ► For example, an online tutoring company provided live broadcast tools and conducted free online training for teachers to facilitate the transition to online.

3 Partnerships

- ► Large traditional education companies as well as online providers have **partnered with likes of CCTV.com** to broadcast live courses to students across China.

4 Student and parent engagement

- ► Education providers are **utilizing tools** such as **WeChat** to engage with parents and students. For example, they are arranging daily activities for students via WeChat groups.

- ► Offline institutions are also using WeChat to deliver educational content by **utilizing WeChat Classroom.**

Core education providers have switched to remote learning, and also are forming guidelines for fees, grading and examinations

Hong Kong	India	UAE	Singapore
Kido preschool	**GIIS (K–12)**	**GEMS Education (K–12)**	**NUS (higher ed)**

Kido preschool

► In Hong Kong, schools were closed since early February, and officials announced they would remain closed until April 20.

► Kido Learning, a premium preschool chain with 20+ centers across Hong Kong, the UAE, the UK, the US and India, has started using its **interactive technology platform** to impart online education to its students in times of isolation.

GIIS (K–12)

► India has announced a complete shutdown of all nonessential services, including schools, universities and other training institutions, until April 15.

► The Global Indian International School (GIIS) is offering **virtual classroom services to its 11k+ students across India, Japan, Singapore and the UAE.**

► GIIS has a proprietary ed-tech system called Edu ERP that offers remote learning facilities such as live and pre-recorded classes, screen-share facilities for students and digital smartboards for teachers.

GEMS Education (K–12)

► The UAE government has announced that all schools will remain shut for this session until August 2020.

► GEMS has implemented its own e-learning systems, and has also partnered with a UK-based ed-tech provider to provide remote learning facilities to its pupils.

► According to a GEMS Education executive, network and bandwidth concerns are a major challenge for the successful implementation of remote learning.

► To overcome these challenges, telecom operators in the UAE, in collaboration with the Ministry of Education (MOE), are offering **free data services to families with no internet.**

NUS (higher ed)

► A complete lockdown for a month was announced by Singapore on April 3.

► The National University of Singapore (NUS) has taken various steps to help student community tackle the impact of the pandemic, including:

  ► Mandating the use of e-learning tools and resources.

  ► Putting in place strict health and safety measures inside the campus.

  ► **Relaxing grading criteria** by letting students write off their grades as satisfactory/ unsatisfactory to ease anxieties about disruptions to learning.

  ► **Restricting fee hikes** for Singapore citizens in 2020 intake.

Source: EY-Parthenon research.

Ancillary education providers also have stepped in with various initiatives, most notable being ed-tech providers

India	India	Global	Singapore

Test preparation
Aakash Digital

Ed-tech in K–12
Byju's

Ed-tech in higher ed
Coursera

English Language Training
I Can Read

Test preparation — Aakash Digital

► Aakash Digital is the **e-learning platform** of a large brick-and-mortar test prep provider in India that prepares students for **medical and engineering entrance exams.**

► In the midst of the COVID-19 pandemic, it is offering **free access to recorded video lectures** through Aakash iTutor, for all NEET/JEE 2020 aspirants and MeritNation Live classes for Classes VI to XII to cover the school syllabus until April 30.

Ed-tech in K–12 — Byju's

► Byju's is an online tutoring firm based in India that provides educational content focused on the K–12 segment.

► When schools in India closed during the COVID-19 crisis, Byju's announced that it would provide **free access to its complete app to school students** until the end of April.

► Within seven days of making its app free, Byju's saw a **60% increase in the number of new users**, up from 2.8m paid users in December 2019.

Ed-tech in higher ed — Coursera

► Coursera offers massive open online courses, specializations and degrees.

► They announced **free access to Coursera for Campus for** any college or university impacted by COVID-19.

► This includes access to **~4k courses across 400** specializations and up to 5k licenses for enrolled students at each HEI.

► Institutions can enroll students in courses through July 2020 and students can complete them by September 2020.

English Language Training — I Can Read

► I Can Read (ICR) Asia is a Singapore-headquartered English language training and literacy education provider that owns and operates over **150 centers across Asia and the Middle East.**

► When all center-based enrichment classes were suspended across Singapore in March 2020, ICR **switched to live lessons conducted via its Web-Class platform.**

► Students join a **live virtual classroom** where teachers create interactive blackboards and interact with students through songs, built-in games and videos.

Source: EY-Parthenon research.

Governments have taken policy measures, adopted online means and engaged in private partnerships to provide continuity

Select examples of measures taken by government/regulators

1 Policy measures

UAE
► The Knowledge and Human Development Authority is providing educational institutions with letters of support to ask for flexibility from landlords, banks or other organizations.

India
► Most state governments have asked private schools to either not collect fees or offer a discount to parents. Other state governments have decided to not intervene in this matter.

Singapore
► The Singapore MOE has asked parents and K–12 operators to amicably resolve the issue of fees between themselves. In preschools, parents will get 50% off their one month school fee if their child is not attending classes during the circuit breaker period.

Vietnam
► As per regulations, schools cannot collect fees during time off; however, the Ministry of Education and Training has allowed schools to collect fees for distance education based on expenses incurred, workload and services offered.

2 Online delivery

UAE
► The UAE government is offering free education to 50 million Arab school children with its digital teaching platform, **madrasa.org.**

Saudi Arabia
► The MOE is utilizing **TV and social media** to broadcast lessons for all grades and has designated 112 subjects through 19 TV channels (broadcasting nationally from a classroom in Riyadh).

India
► Delhi University (public) is using **Google Classroom and Hangouts** to conduct classes online and integrated Google services into the university's educational systems.

Singapore
► In Singapore, students in government schools are using Singapore Student Learning Space, **a digital online learning platform** developed by the MOE.

3 Private partnerships

Jordan
► The government has contracted ed-tech start-up **Abwaab** to design and offer lessons for secondary students online and through broadcast on national television.

UAE
► During the distance learning period, Du, Etisalat and Virgin Mobile are providing **free data** for prepaid and postpaid customers for selected videoconferencing tools (Blackboard, Zoom, Microsoft Teams) or to access and download content from school websites.

Key considerations for governments

Prioritize health and safety	▶ Develop comprehensive **social distancing guidelines** (particularly in sensitive areas such as preschools/schools) ▶ Define a clear **post-lockdown exit strategy**, with phase-wise reopening of public places, including educational institutions ▶ Create multiple, easy-to-access channels for **supporting the public**, including medical help lines addressing both physical (e.g., symptom tracker, travel history) and mental health (e.g., counseling)
Implement remote learning	▶ **Implement remote learning** for all educational institutions rapidly to minimize learning disruptions, with clear **guidelines** and adequate **support**, such as provisions for teacher training, streamlining system requirements and so on ▶ Evaluate partnerships to deliver **digital learning in public schools** ▶ Create channels to receive **regular feedback from learners and parents** on their experience with remote learning, and actively incorporate such feedback, where possible
Develop policy interventions	▶ **Create balanced guidelines around fee growth** in the future and provide support to households, especially those that cannot afford education for their children due to the economic impact ▶ Offer **fiscal support** to private education providers to handle cash flow crunches ▶ Provide **support in delivery** of remote learning, particularly for low-fee educational institutions ▶ Create provisions/guidelines to factor in **delays in examination and admission cycles**, and potential learning gaps caused by the pandemic
Create technology road map	▶ **Assess current maturity** of use of technology in learning (both front-end and back-end solutions) ▶ **Define end state around online learning,** e.g., extent of integration, types of solutions ▶ **Develop continuity plans** to embed online learning in educational institutions, even after the pandemic ends ▶ **Detail key enablers and action steps** to achieve end state in online learning, to be rolled out across the public and private sector

Key considerations for education providers

Focus on cash/funding	▶ Accelerate **fee collection** for term 2 and term 3 and re-registration for academic year 2021 ▶ Roll out/scale up remote learning capabilities by **investing in online/blended learning provision** ▶ Maintain short-term momentum (April to June) in **student acquisition** (e.g., digital school visits) ▶ Review **discretionary spends** (current and planned) as well as **vendor contracts** to boost liquidity ▶ Create a weekly **cadence around cash management** and monitoring cash flows
Prioritize **effective communication**	▶ Assemble a **dedicated liaison task force,** focused on active communication with key stakeholders (including **students/parents, employees, regulators, vendors**) ▶ Develop **support systems** for stakeholders (e.g., counseling support for students, support on working from home for staff, resources for maintaining health and wellness) ▶ **Expand network bandwidth** to handle increased digital requests ▶ Create **targeted and empathetic marketing campaigns** for existing and potential customers
Create **technology road map**	▶ **Assess current maturity** of use of technology in learning (both front-end and back-end solutions) ▶ **Define end state around online learning,** in terms of extent of integration, types of solutions, etc. ▶ **Develop continuity plans** to embed online learning in educational institutions, even after the pandemic ends ▶ **Detail key enablers and action steps** to achieve end state in online learning (both medium and long term)
Develop a **business continuity plan**	▶ Stress test **revenue and cost assumptions** in future estimates and make clear choices between cash flow and margin ▶ Review **capital expenditure** and find ways to convert it into operating expenditure (e.g., sale and leaseback), **to build modularity in investment decisions** ▶ Estimate what it will take to **resume business as usual —** addressing learning gaps, expat teacher hiring and retention policies, stricter health and safety policies, and other factors

Key questions that the education sector will have to answer in the coming months

Key questions	Our preliminary hypotheses
Will the education sector go back to the pre-COVID-19 status quo when the pandemic is brought under control?	► We anticipate a long-term effect on private school enrolments, as well as increased fee sensitivity. ► The length and structural implications of the decline/slow growth would be determined by governments' economic revitalization efforts and the support provided to parents and operators. ► Moreover, education providers will need to make an extra effort to showcase to parents their health and safety credentials.
Will online learning across K–12 and higher education become the new normal?	► Traditional (offline) learning was already being counterbalanced by online/blended modes to a smaller extent. ► We will continue to see a growth in online education across the board, even after the pandemic subsides. ► However, the in-person aspect of the learning experience will continue to play an important part: physical campuses will not be replaced by online learning.

Who will win, and who will lose?	► Providers that do the following will find success:
	   ► Adapt nimbly to the changing landscape
	   ► Embed digital learning solutions into their systems
	   ► Retain loyalty of core target audience to bounce back
	► Broadly, ed-tech providers (both business to business and business to consumer) are expected to see an uptick in the medium and long term.
	► Brick-and-mortar education businesses that do not have the agility or resources to respond actively to the evolving landscape will struggle.

Agenda

- ► Impact of COVID-19
- ► **Deep dive on key regions**

With the rising number of cases in Southeast Asia, schools and higher education institutions (HEIs) across most countries have closed and moved to online learning

Indonesia
- ► All schools and universities are closed as of March 16.
- ► US$24.5b will be used to boost state spending, with the budget deficit widened to 5.07% of GDP.
- ► Corporate income tax lowered from 25% to 22%.
- ► Loan payment deadlines for small and medium enterprises extended for business loans up to IDR10b (US$619k).

Malaysia
- ► All schools and universities are closed as of March 18.
- ► All programs hosted by MOE are canceled.
- ► Nationwide movement control was extended until April 14.

Singapore
- ► There is a partial lockdown from April 7 to May 4, with schools, HEIs, most companies, and sports and recreational facilities to be closed.
- ► Government has set aside a total of US$41.7b to soften the economic damage, including wage subsidies, rental waivers and cash payouts.

Thailand
- ► All educational institutions, including local and international schools, universities and tuition centers, are closed as of March 18.
- ► Nationwide curfew began on April 3. Residents are not allowed to leave home from 10:00 p.m. to 4:00 a.m.
- ► The government has declared a state of emergency and a US$15.8b stimulus package to soften the impact on the economy.

Vietnam
- ► Schools and universities closed as of late February.
- ► Fiscal stimulus package to revive the economy increased from US$1.27b to US$6.36b.
- ► People are restricted from leaving their homes except for food and medicine as of April 1.

With 200m+ learners affected, governments in Africa are using alternate mediums such as TV and radio to enable continuous delivery of education

Impact on economy

► Drop in crude prices will impact commodity-sensitive countries such as Algeria, Angola, Ghana and Nigeria.

► There has been a drop in tourism, which contributes more than 10% of GDP in countries such as Seychelles and Cape Verde.

► Pullback from African markets, as well as a projected decline in export revenue, has led to depreciation of local currencies.

► Due to lower and uncertain demand, business confidence will decrease and cause declines in investment. The expected reduction in the region is 1%–3%.

Impact on learners

► Total impact on 200m+ learners across preschool, K-12 and tertiary education

► All schools and universities are shut down until further notice.

► Private schools can expect a decline in enrolment due to low inflow of expatriates across the year into countries such as South Africa and Nigeria.

► A few countries, such as South Africa and Zambia, have a high proportion of distance learning students (>30%). Countries with lower proportion of distance learning students might find it harder to switch to distance/online learning.

► There is increased risk of university dropouts due to the expected recession. With no recession, countries in the region have a high dropout rate (>40%).

Government plans

While only a small proportion of Africa's population has access to mobile/e-learning, governments are using alternate media to enable continuous delivery of education:

► Broadcast radio: 80%–90% of households have access to radio.

► Television: 75 million in the region have access to TV.

More than **320m learners** in India are impacted, **schools and HEIs across the country have shut down;** ed-tech providers in both K–12 and the higher education space are experiencing sales growth

Preschool and K–12

► For preschools, since session ends in March and reopens in June, the COVID-19 pandemic has not had much impact.

► The Central Board of Secondary Education (CBSE) has announced that all students from grades 1 to 8, will be promoted to higher classes without examinations.

► For grades 9 to 12, schools have been advised to promote students, though this has not been mandated. CBSE has not yet made a decision on board examinations for grades 10 and 12. Examinations shall only be conducted for major subjects, and CBSE also will give a 10-day notice before rescheduling the examinations.

► Private schools such as GIIS will offer virtual classrooms through their proprietary EduERP system developed by GIIS R&D.

Higher education

► Universities in India have suspended campus gatherings until further notice. Private institutions such as Shiv Nadar and Ashoka University, as well as public institutions such as Delhi University, are switching to an online medium using Zoom and Blackboard.

► Coursera has also made its courses free for universities to use.

Ed-tech

► A clutch of ed-tech providers such as UpGrad, Vedantu, Imarticus, Simplilearn and Toppr have seen an increase in demand.

► Simplilearn saw a 15% increase in sales in March; inquiries at UpGrad have increased by 50%, whereas K–12 platform Toppr has seen a 100% month-on-month increase.

► Ed-tech platforms are also using partnerships to increase growth. For example, UpGrad has partnered with Agora.io to offer UpGrad courses to all colleges and universities in India for free.

In **MENA**, many countries have **extended school lockdown until the end of this academic session in August**

UAE
- Schools and universities to provide distance learning to students until the end of 2020 year
- ~US$34b combined economic package announced by central government and central bank to revive the economy
- Automatic renewal of work permits and visas, and exemption from medical tests for workers

Saudi Arabia
- Three-week nationwide curfew as of March 27
- All educational institutions expected to be closed until further notice
- Finance Ministry pledge of ~US$20b to support economic growth

Oman
- Suspension of classes in all schools and universities for a month starting March 15
- Teleconferencing programs legalized to encourage remote work and distance learning
- Central bank launch of ~US$20b stimulus package to buoy economy

Kuwait
- Schools, universities closed until October
- Kuwaiti central government authorization for US$1.6b for ministries and state entities to tackle the outbreak

Qatar
- Nationwide closure of schools and universities until further notice
- Announcement of ~US$20b stimulus to help the private sector combat the pandemic

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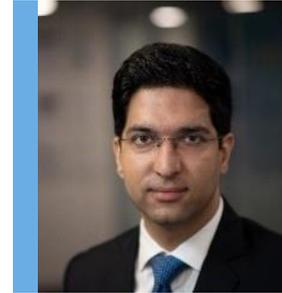
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