

Honoris United Universities
September 2017



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The demand for talent across Africa is growing fast as companies are expanding from their domestic roots to create regional and pan-African businesses. As an investor in the continent for over seven decades, Actis has not only observed this trend emerge, but also been one of the driving forces behind the creation of regional champions in a number of sectors. With many of Actis's African portfolio companies seeking home-grown talent and as demand has increased for high quality education across the continent, we identified the opportunity to build a pan-African business to address the skills gap apparent in many African nations.

Context

Fewer than 10% of 18-23-year-olds are enrolled in tertiary education in most African countries and many of these students come from more affluent backgrounds. The sector is therefore ripe for significant growth, with demand from increasing numbers of middle income families growing steadily.

The Actis approach

Actis has a strong track record in investing in education – over the last few years, we have invested over US\$500m in the sector in markets such as China (PSE and EIC Group), Brazil (Universidade Cruzeiro do Sul and CNA) and across Africa (Honoris United Universities). Our experience in education means the Actis team knows the sector well and understands the challenges and opportunities inherent in education. Our on-the-ground presence across Africa also enables us to identify clear value creation potential in building a business of scale that will enhance the skills of local populations. We also believe that the investment will benefit our other portfolio companies over the long term by deepening the talent pool across Africa.

What did we do?

Actis began with "beacon" markets in Francophone Africa. In December 2014, it made an investment in Université Centrale Group (UCG), the leading post-secondary education group in Tunisia, providing the foundation from which to build a pan-African business.

Tunisia is an interesting market for higher education, with an unusually high proportion of students compared to the African average – 37% of 18-23-year-old Tunisians are enrolled in tertiary education, the highest gross enrolment rate in Africa.

Founded in 1991 by the Ben Turkia family, UCG had capitalised on the cultural value Tunisians place on education to build a business attracting some 4,000 degree students across four universities specialising in healthcare, engineering, business studies, law and communications, plus a further 1,500 in affiliated institutions. Crucially, UCG also caters for middle income students – a unique proposition in Africa – and has a strong emphasis on providing high quality education. It has strong ties with corporates, leading to a high employment rate for graduates from its universities.

The initial plan for developing the business was to expand into new Francophone markets. UCG already had a strong recruitment engine that attracted students from other Francophone countries, such as Senegal and Cote d'Ivoire, yet it was clear that another market – Morocco – presented an excellent opportunity for growth, given the importance many Moroccans place on good quality education and its hiring status as a big hub in Africa.

In 2016, the platform expanded to Morocco, creating a Northern Africa Hub through its investment in Université (Mundiapolis). Mundiapolis is renowned for its international approach and focus on employability.

In 2017, Actis made a further acquisition in Francophone Africa through an investment in EMSI, Ecole Marocaine des Sciences de l'Ingénieur the largest private institution in Morocco and the leading private engineering school, cementing its leadership position in the region.

By creating the largest provider of Francophone private higher education in North Africa, Honoris United Universities will benefit from synergies and transfer of expertise and knowledge to enhance the offering to students and boost the recruitment pipeline.

The second part of our strategy for Honoris United Universities was to expand into Anglophone markets to tap into the increased demand for English language education among students and employers in Africa. By 2017, we had already embarked on this leg of the journey, investing in an Anglophone distance learning business, the Management College of Southern Africa, better known as "MANCOSA", and the REGENT Business School. Together, MANCOSA and REGENT cater for over 15,000 students in South Africa, Namibia, Botswana and Swaziland.

Through these acquisitions, we have not only built a business of scale, but also provided opportunities to expand each university's offering to students. The aim is to leverage expertise in one field and to create new courses and areas of study through Honoris Universities United. The creation of a pan-African tertiary education player also offers enhanced exchange opportunities for students.

With five business now operating under the Honoris United Universities umbrella, Actis has recruited a CEO to oversee the group. Our strong networks in education globally meant that we were able to appoint an individual with a strong track record in the education sector, who will drive both organic growth and buy and build expansion plans.

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Responsible investment is at the heart of the Actis value creation methodology. With Honoris United Universities, in addition to establishing and maintaining high standards of governance to ensure that educational quality standards continue to be met or exceeded, Actis also sees value creation through the significant social impact the business can have. By providing education to middle and low income students (the latter through the creation of scholarships for some of Africa's brightest students) via universities and distance education programmes, Honoris United Universities can reach even students in remote areas to deepen and broaden the pool of educated workers in Africa. This fosters strong relationships with local communities and enhances the brand value of the Honoris United Universities business.

Actis has put in place metrics to measure and taken steps to encourage high levels of female representation at Honoris United Universities institutions. Over the longer term, the creation of a pan-African education champion will also create value for other Actis portfolio companies by helping them meet their skills needs from local markets and could provide further deal flow for Actis as a more educated workforce fosters economic development and the creation of new businesses.

The future

There is still much more growth to capture across Africa and, with English language capabilities now integral to Honoris United Universities, the business is set for further expansion into the East and West African markets. We also have plans to extend the scholarship programme to reach more low income students with high potential.

A UNESCO report in 2016 found, there are acute shortages of teachers in Africa – more than 17 million will need to be trained for sub-Saharan Africa over the next 14 years. Honoris United Universities therefore plans to expand into primary school teacher training to help address this need.