

“O Brasil é o país do futuro, e sempre
será...”



Discussion materials– 25 May 2011

To start us off...

- 7th largest economy in the world in 2010
(Source: IMF)
- Demographics
 - Population of 191 million, of which 81% live in urban areas
 - 8 urban areas in top 100 world list by population: only China (14), USA (13), India (10) have more
- Politics
 - Presidente Dilma Rousseff leads a centre-left coalition of 10 parties
 - Elected for a 4 year term in late 2010
- Brazil in the tenties
 - The focus of sporting attention...
 - 2014 Football World Cup
 - 2016 Rio Olympics



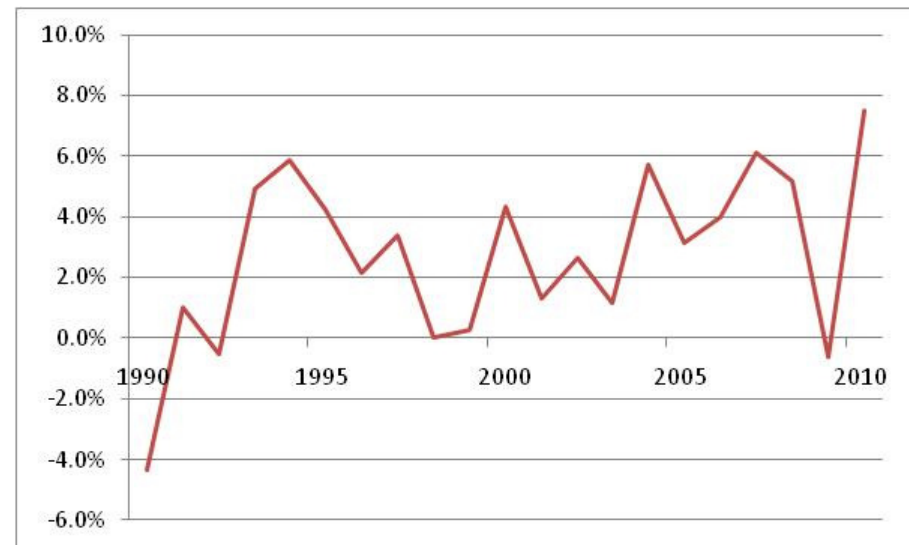
| Ranking | Urban area | Pop. Millions |
|-----------|-----------------------|---------------|
| 7 | New York | 20.7 |
| 8 | Sao Paulo | 20.4 |
| 22 | Rio de Janeiro | 12.0 |
| 32 | London | 8.5 |
| 51 | Belo Horizonte | 5.9 |
| 81 | Barcelona | 4.2 |
| 82 | Porto Alegre | 4.1 |
| 87 | Salvador | 3.9 |
| 90 | Recife | 3.9 |
| 92 | Sydney | 3.7 |
| 93 | Fortaleza | 3.7 |
| 98 | Curitiba | 3.5 |

Which is the only BRIC that is based on a western democratic state...?

We've come a long way...

- Brazil emerged relatively unscathed from the global financial crisis
- Record growth in 2010
- Benign official forecasts for 2011-2014 at c. 5% yoy growth

GDP growth (1990-2010)



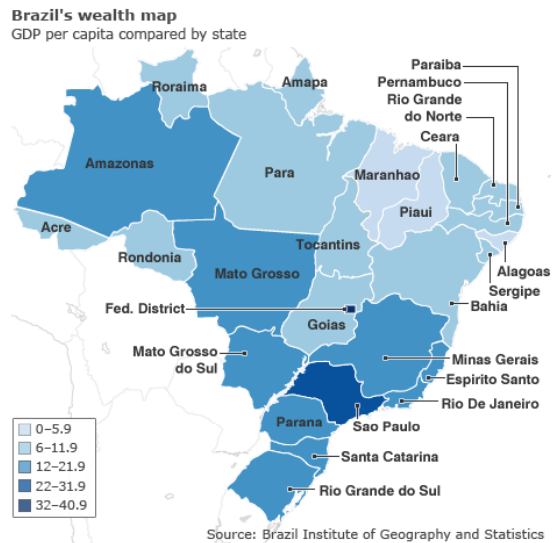
- Brazilian Real has been free floating since 1999
- Strong performance in last 3 years
- But currently fears of a bubble: Economist suggests Real is 30% overvalued

Exchange rate (GBP:BRL) – last 10 years

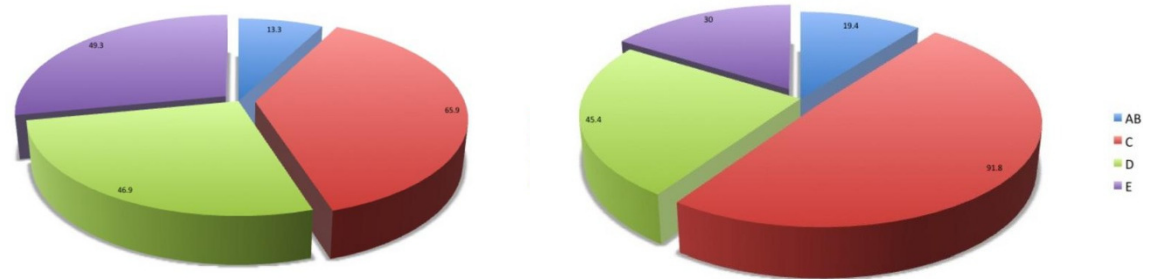


...but much still to do

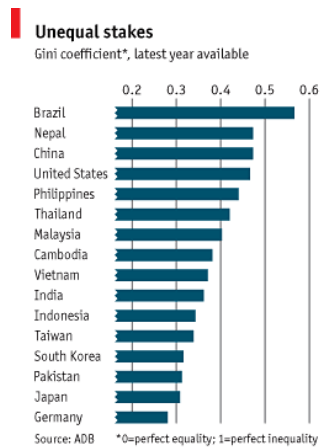
Wealth distribution



The rise of the Brazilian middle class – 2003 vs. 2008



Income distribution



From emerging to emerged ...

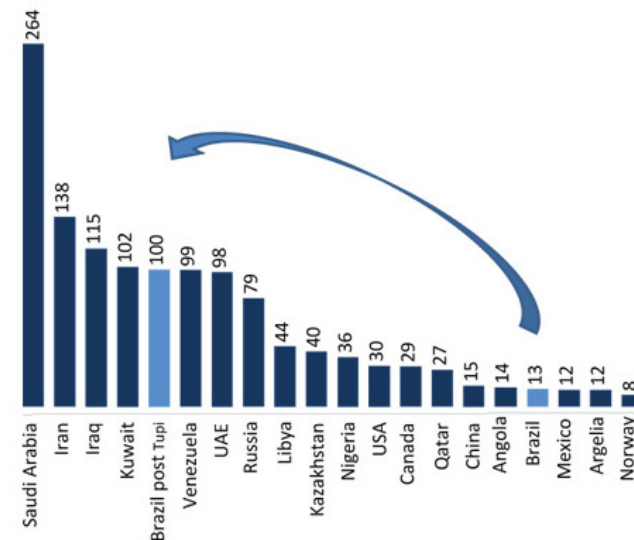
- Relative stability, both politically and economically, underpins PACII: a huge federal infrastructure investment program
 - Low inflation – 5-6%
 - Low external debt – 15% of GDP

PAC II – It's big, it's bold, it's about time...

| PAC 2 INVESTMENTS in US\$ billion (R\$ billion) | | | |
|--|----------------------|----------------------|------------------------|
| PAC 2 INITIATIVES | 2011-2014 | POST-2014 | TOTAL |
| BETTER CITY | 31.3 (57.1) | - | 31.3 (57.1) |
| BRINGING CITIZENSHIP TO THE COMMUNITY | 12.6 (23.0) | - | 12.6 (23.0) |
| HOUSING | 152.5 (278.2) | - | 152.5 (278.2) |
| WATER AND LIGHT FOR ALL | 16.6 (30.6) | - | 16.6 (30.6) |
| TRANSPORTATION | 57.3 (104.5) | 2.4 (4.5) | 59.7 (109.0) |
| ENERGY | 255.3 (465.5) | 343.9 (627.1) | 599.2 (1,092.6) |
| TOTAL | 526.0 (958.9) | 346.4 (631.6) | 872.3 (1,590.5) |

Tupi or not Tupi, there is no question...

- Tremendous growth in oil and gas industry due to offshore developments



Source: BP Statistical Review of World Energy 2009.

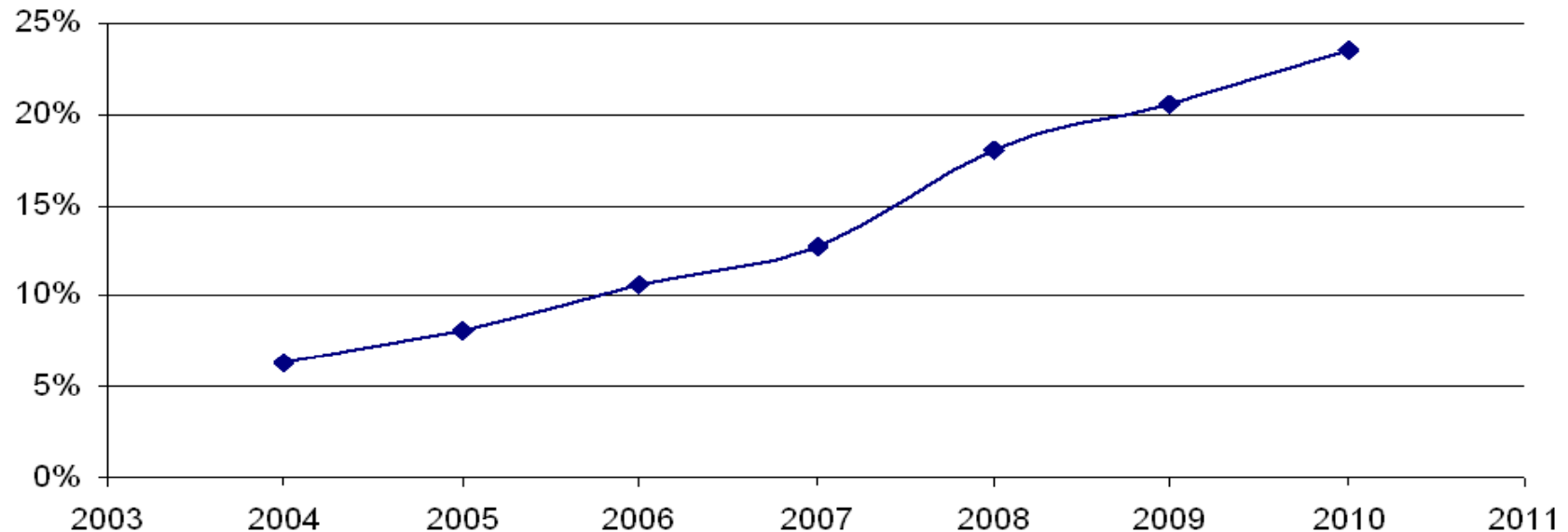
English in the Brazilian education system

| Student age (years) | Education stage | Responsible Body | English |
|------------------------|--------------------------|---------------------|------------|
| 7 – 10 | Primary - Fundamental I | Municipalities | Optional |
| 11 – 14 | Primary - Fundamental II | Municipalities | Compulsory |
| 15 – 17 | Secondary | State | Compulsory |
| 17 + | Tertiary | Federal | N/A |

- Not dissimilar to many western European countries
- The reality is that students coming out of state school system are typically at A2 level
- There is a thriving private English language school market (Cultura Inglesa, Wizard, Alumni, Yazigi, CCAA)

A growing language travel market...

Evolution - Brazilians in exchange programs abroad



Average growth of 40% a year

18% growth in 2008/9, in spite of the world crisis

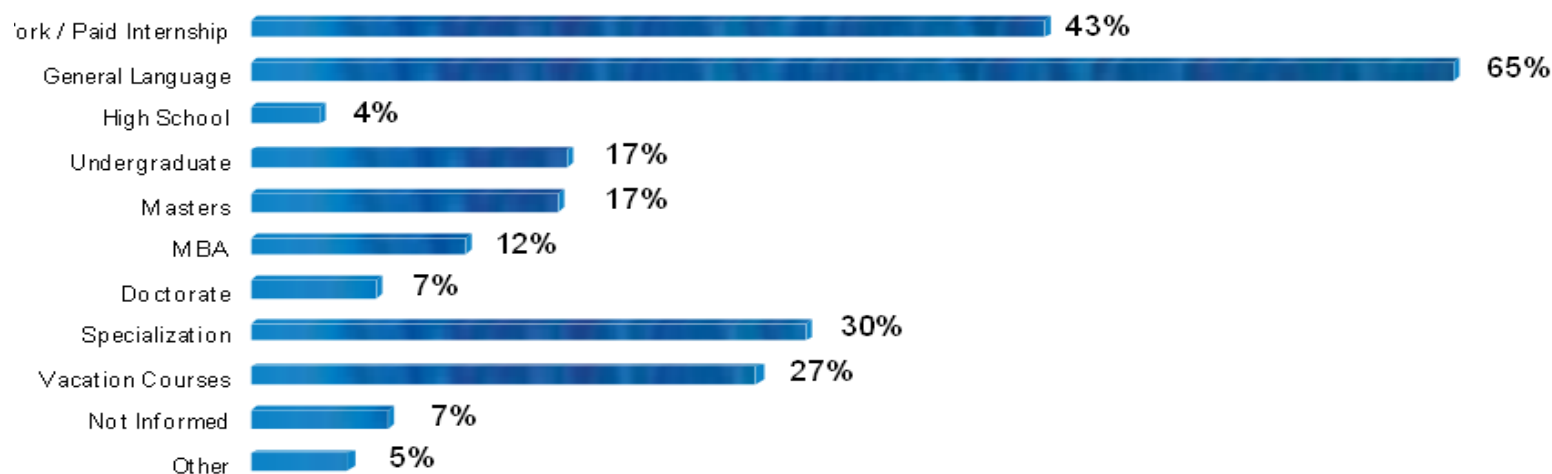
An estimated growth of around 238% in 2010 in relation to 2004

Data estimated by BELTA

Language programs to the UK are a popular option...

Brazilian Student Profile

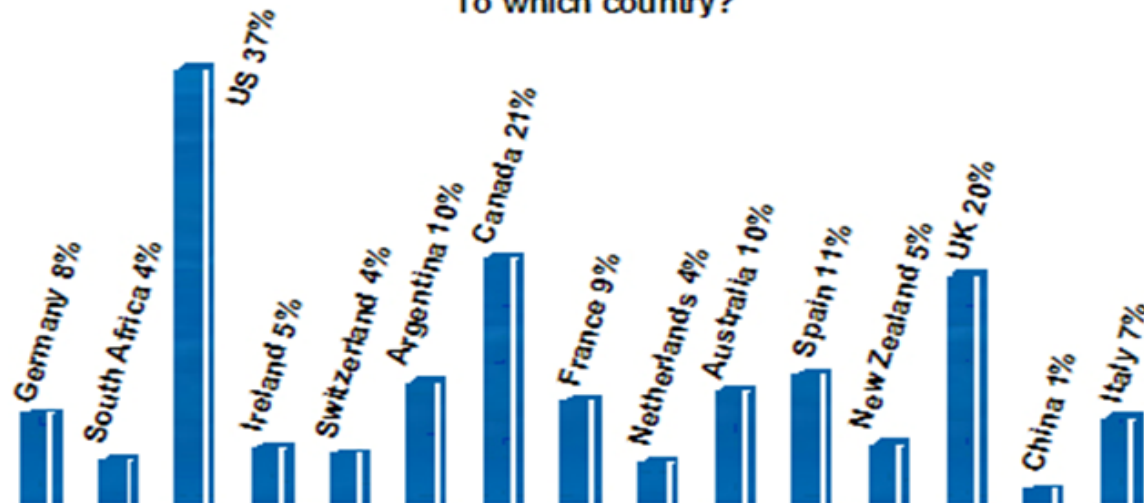
Most Attractive Programs



Associação Brasileira de Organizadores
de Viagens Educacionais e Culturais

Data collected from a research
with ExpoBelta 2010 visitors

To which country?



But, oh dear...!

| | 2009 | | | | 2008 | | | | Increase / decrease | | Posn. change |
|---------------------|---------------|-------------|------------|--|----------------|-------------|------------|--|---------------------|---------------|--------------|
| Saudi Arabia | 181,386 | 9.5% | 1st | | 127,510 | 7.0% | 4th | | 53,877 | 42.25% | 3 |
| Italy | 169,821 | 8.9% | 2nd | | 145,057 | 7.9% | 3rd | | 24,764 | 17.07% | 1 |
| Spain | 167,692 | 8.8% | 3rd | | 149,314 | 8.2% | 2nd | | 18,378 | 12.31% | -1 |
| South Korea | 133,689 | 7.0% | 4th | | 171,146 | 9.4% | 1st | | -37,456 | -21.89% | -3 |
| Turkey | 124,879 | 6.6% | 5th | | 120,127 | 6.6% | 5th | | 4,752 | 3.96% | 0 |
| Rest of Europe | 109,816 | 5.8% | 6th | | 110,923 | 6.1% | 6th | | -1,107 | -1.00% | 0 |
| Colombia | 108,349 | 5.7% | 7th | | 110,325 | 6.0% | 7th | | -1,976 | -1.79% | 0 |
| Rest of Middle East | 105,210 | 5.5% | 8th | | 90,062 | 4.9% | 11th | | 15,147 | 16.82% | 3 |
| Brazil | 93,552 | 4.9% | 9th | | 100,499 | 5.5% | 8th | | -6,947 | -6.91% | -1 |
| France | 84,312 | 4.4% | 10th | | 85,462 | 4.7% | 12th | | -1,150 | -1.35% | 2 |

(Source: EnglishUK)

- UK losing market share
 - 7% decline in UK vs. 18% increase in overall Brazilian language travel
- Possible explanations
 - Global financial crisis
 - Impact of PBS during 2Q 2009
- And all of this pre-B1 minimum T4 GSV (March 2010), SELTs (April 2011), no right to work (July 2011)...

The Student expects...

- Brazilians are multicultural, which means that they are quick to adapt to change, communicate and easily integrate with other cultures

What do they expect :

- Language development
- Affordable price
- Good teacher and native
- Appropriate teaching methodology
- Fulfil expectations
- Conversation Opportunities
- Mix of Cultures in classroom
- Suitable material
- Infrastructure
- Modern Equipment
- Well located
- Facilities: common room, library, internet Wi-Fi
- Helpful Staff

Trends analysis

- Brazilians are western consumers
- Adult short courses are now really an option in December/January and July
- Typical adult student profile:
 - Undergraduates: taking a 'gap' year before resuming studies
 - Graduates: taking time off before embarking on career
 - Professionals: taking a career break (sometimes with blessing of employer) to remove the 'English glass ceiling'
- Juniors becoming more prevalent

The demand is there – but does UK plc really want to capture it...

Looking to the future...

- The underlying demand remains, but regulatory changes will be responsible for reducing the UK's market share of the Brazilian language travel market
- Long term enrolments will decline in 2011:
 - Changes to T4 GSV entitlements: obvious reduction in adult demand as a result of (a) SELT requirement and (b) no right to work
 - Introduction of ESVV: uptake slow, requirements vary and are unclear
- Short-term enrolments (e.g. < 12 weeks) likely to increase
 - Two main seasons: Brazilian summer (between New Year and Carnival), European summer (July – August)
 - Junior groups and professionals market will still grow strongly
- Longer term, more specific demand (i.e. not only English language) demand generated by:
 - Brazil 2014
 - Rio 2016

Preliminary conclusions

- Macroeconomic environment is favourable for sustainable medium-term growth
- Despite much work still to do, Brazilian middle class is emerging and is growing quickly
- The downside risks still exist, but are fewer in number than in previous years
- The state education sector is poor, but a thriving private sector is available to those that can afford lessons
- Brazilian language travel students are no longer the 'lucky few' – they are western consumers that are more demanding than ever before
- Recent regulatory changes to EFL in the UK mean that UK's market share is likely to decline
 - Fewer long-term students
 - More short-term students

Thank you

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Increase in Undergraduates

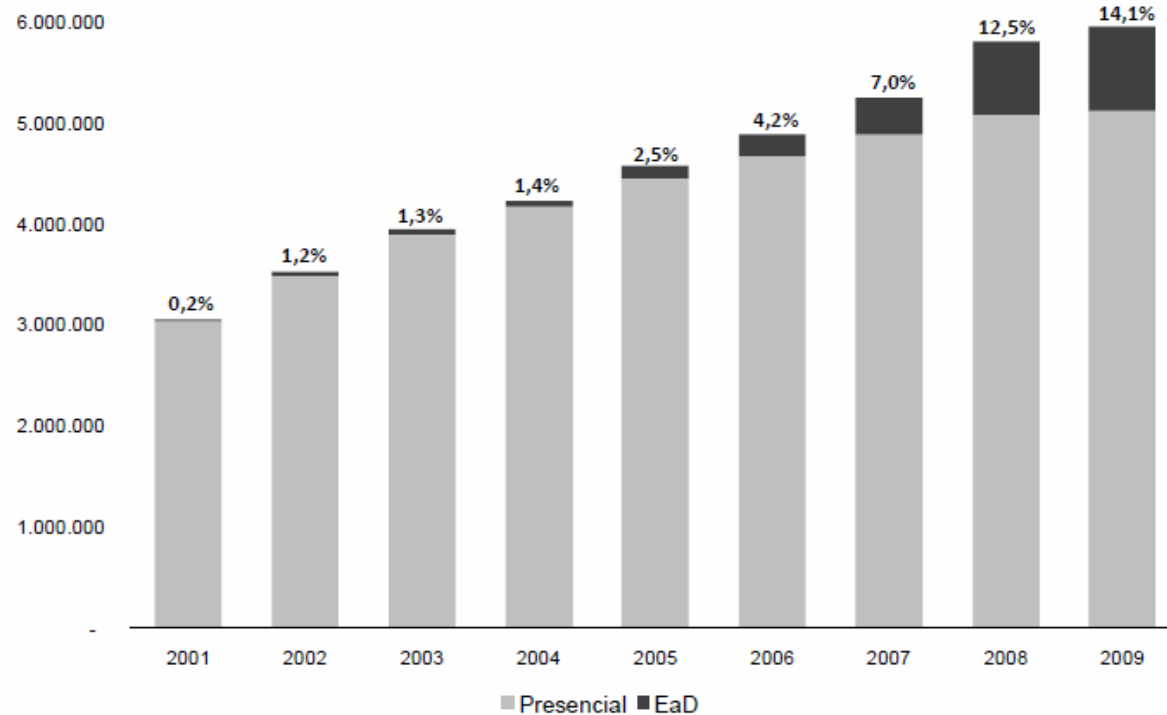


Gráfico 3 – Evolução do Número de Matrículas de Graduação por Modalidade de Ensino – Brasil – 2001-2009

Fonte: Censo da Educação Superior/MEC/Inep/Deed

Increase in the number of Universities

1 Instituições

O Censo da Educação Superior de 2009 registrou a participação de 2.314 IES, o que representa uma variação positiva no número de instituições em relação ao ano de 2008 e a confirmação da tendência de crescimento na década (Gráfico 1).

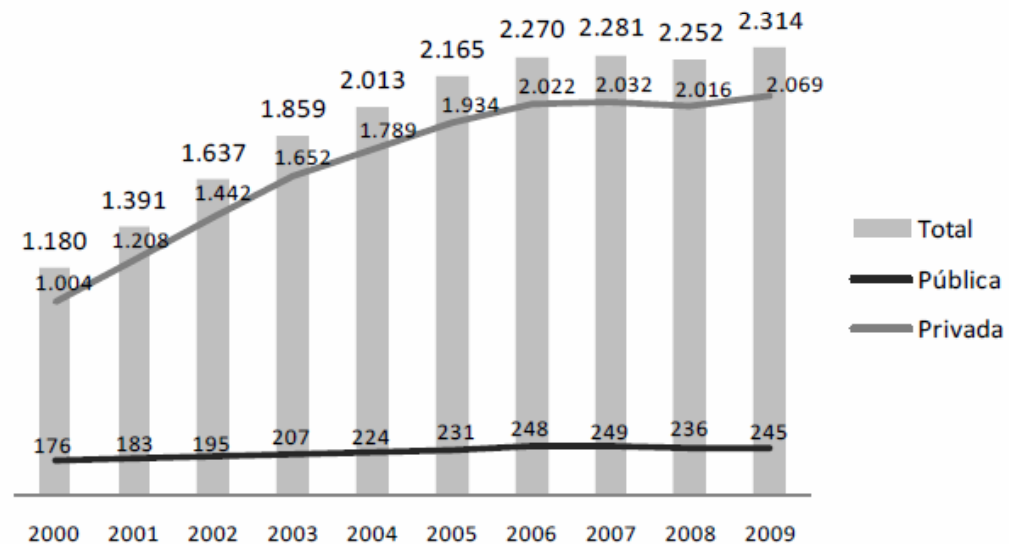


Gráfico 1 – Evolução do Número de Instituições de Educação Superior – Brasil – 2000-2009

Fonte: Censo da Educação Superior/MEC/Inep/Deed

Top 10 courses

Tabela 4 – Os Dez Maiores Cursos de Graduação em Número de Matrículas por Modalidade de Ensino – Brasil – 2009

| Graduação: Presencial e a distância | | |
|-------------------------------------|------------------|------------|
| Curso | Matrículas | % |
| Total | 5.954.021 | 100 |
| 1 Administração | 1.102.579 | 18,5 |
| 2 Direito | 651.730 | 10,9 |
| 3 Pedagogia | 573.898 | 9,6 |
| 4 Engenharia | 420.578 | 7,1 |
| 5 Enfermagem | 235.804 | 4,0 |
| 6 Ciências Contábeis | 235.274 | 4,0 |
| 7 Comunicação Social | 221.211 | 3,7 |
| 8 Letras | 194.990 | 3,3 |
| 9 Educação Física | 165.848 | 2,8 |
| 10 Ciências Biológicas | 152.830 | 2,6 |
| Outros Cursos | 1.999.279 | 33,6 |

| Presencial | | | |
|------------------------|------------------|------------|--|
| Curso | Matrículas | % | |
| Total | 5.115.896 | 100 | |
| 1 Administração | 874.076 | 17,1 | |
| 2 Direito | 651.600 | 12,7 | |
| 3 Engenharia | 419.397 | 8,2 | |
| 4 Pedagogia | 287.127 | 5,6 | |
| 5 Enfermagem | 235.281 | 4,6 | |
| 6 Comunicação Social | 205.409 | 4,0 | |
| 7 Ciências Contábeis | 205.330 | 4,0 | |
| 8 Educação Física | 163.528 | 3,2 | |
| 9 Letras | 145.241 | 2,8 | |
| 10 Ciências Biológicas | 133.204 | 2,6 | |
| Outros cursos | 1.795.703 | 35,1 | |

| Educação a Distância | | | |
|---|----------------|------------|--|
| Curso | Matrículas | % | |
| Total | 838.125 | 100 | |
| 1 Pedagogia | 286.771 | 34,2 | |
| 2 Administração | 228.503 | 27,3 | |
| 3 Serviço Social e orientação | 68.055 | 8,1 | |
| 4 Letras | 49.749 | 5,9 | |
| 5 Ciências Contábeis | 29.944 | 3,6 | |
| 6 Matemática | 23.774 | 2,8 | |
| 7 Ciências Biológicas | 19.626 | 2,3 | |
| 8 História | 16.864 | 2,0 | |
| 9 Comunicação Social | 15.802 | 1,9 | |
| 10 Ciências ambientais e proteção ambiental | 13.091 | 1,6 | |
| Outros cursos | 85.946 | 10,3 | |

Fonte: Censo da Educação Superior/MEC/Inep/Deed