Investor Presentation
June 2013
Company Overview
India’s Largest Organised Education Services Player …

**Company Overview**

- Diversified education services provider with a presence spanning the entire education ecosystem
  - ~34,500 schools and ~22.8mn students serviced across business lines
- Leadership in multiple attractive segments of the ecosystem
  - **#1 player** in digital content based, interactive school learning solutions
  - **#1 corporate player** in K-12 schools, with 51 schools operational and 48 more in the pipeline
  - **Leading player** in pre-schools with 225 pre-schools operational across the country
  - **Largest K-12 digital content library** in the country with over 16,000 modules of rich 3D multimedia educational content
  - Set up high quality infrastructure in higher education segment
- **Focused on developing IP** to bring innovative solutions to the market
  - Supported by large investment in R&D for content development and pedagogy

**Company Overview (Contd ... )**

- **High brand equity** creates significant and as yet unrealized cross-selling business opportunities
- Business models with **annuity type revenue streams** (3yr to 12yr annuity streams)
- **Low levels of penetration** even in our most scaled businesses
  - Digital content solution SmartClass has 90% headroom available for growth
- **Multiple engines of growth & value creation** – many of them in early stage
  - Digital content in schools
  - K-12 schools
  - Higher Education
- Best positioned to benefit from the **growing middle class aspirations**, growing consumption of quality Educational products as well as growing numbers (because of economic growth, urbanization as well as high birth rates)
… In India’s Fastest Growing Sector

<table>
<thead>
<tr>
<th></th>
<th>Total Expenditure ($bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Education and Leisure(^{(1)})</td>
<td>95</td>
</tr>
<tr>
<td>Housing and Consumer Durable(^{(2)})</td>
<td>240</td>
</tr>
<tr>
<td>Health</td>
<td>60</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>220</td>
</tr>
<tr>
<td>Clothes and Footwear</td>
<td>75</td>
</tr>
<tr>
<td>Food(^{(3)})</td>
<td>385</td>
</tr>
<tr>
<td>Others(^{(4)})</td>
<td>175</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,250</strong></td>
</tr>
</tbody>
</table>

Note: All spends in nominal dollars. Years represented as calendar year, 1 USD = Rs. 46.
1. Includes spend on: Internet, entertainment (picnic, eating out), children education.
2. Includes spend on: Utilities, homecare products, servant salaries, consumer durables, home renovation, rent.
3. Includes spend on: Alcoholic beverages and tobacco (excludes food sold by catering services such as restaurants, hotels, kiosks).
4. Includes: Personal care, baby care, EMI, loan payment, Holidays, social gatherings.
Snapshot of Our Business – Comprehensive Offerings Across the Education Ecosystem

- Pre-School Initiatives
- High School Initiatives
- Higher Initiatives
- Online & Supplemental Initiatives

Digital Content Solutions
- Educomp smartclass™
- EduReach
- Professional Development

High Schools
- The Millennium School
- Gtakshila School
- The PSBB Millennium School
- The Shiram Millennium School
- Universal Academy

Education Life-Cycle

Higher Education
- JRE Group of Institutions
- Raffles Millennium International
- Great Lakes Institute of Management
- Manipal Academy of Higher Education

Vocational Education
- Assessments & Counseling
- Test Preparation
- E-learning Platforms
- EduIgnite
- Gateforum
- Vidya mandir Classes
- Wiselrn Technologies
- EducompOnline
Our Mission and Core Values

To apply innovative solutions to solve critical problems relating to quality of education and access to education for all in India

**Entrepreneurship**
A commitment to have a large vision of the organization and innovate resources to achieve challenging goals, with speed of execution without any bureaucracy

**Innovation**
A commitment to Inspire people by making bold decisions in difficult situations that continuously sets and raises the bench mark in our business of being the Market Leader.

**Quality and Excellence**
A dedication to recognize new ideas, get behind them and make them a reality

**Financial Prudence**
A commitment to conserve the precious financial and non financial resources of the company while innovating creative ways of execution

**Leadership**
A commitment to achieve Quality of Service delivery through effective business processes that would persuade people to work smarter in the search for continuous improvement.
## Multiple Engines of Sales and Value Creation

<table>
<thead>
<tr>
<th>Current Market</th>
<th>Educomp Presence</th>
<th>Current Penetration</th>
<th>Market Position</th>
<th>Value Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multimedia Content</strong></td>
<td>$1bn SmartClass</td>
<td>&lt; 18% (by schools) &lt; 5% (by classrooms)</td>
<td>No. 1 player</td>
<td>High</td>
</tr>
<tr>
<td><strong>ICT</strong></td>
<td>$90m EduReach</td>
<td>&lt; 2%</td>
<td>No. 1 player</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Pre Schools</strong></td>
<td>$1bn Little Millennium</td>
<td>&lt; 3%</td>
<td>Leading Corporate Player</td>
<td>High</td>
</tr>
<tr>
<td><strong>K-12 Schools</strong></td>
<td>$20bn Millennium, Takshila, Universal Academy</td>
<td>Shortage of 200,000 schools</td>
<td>No. 1 corporate player</td>
<td>High</td>
</tr>
<tr>
<td><strong>Professional Development</strong></td>
<td>$15m Teacher Training</td>
<td>NM</td>
<td>No. 1 player</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Higher Education</strong></td>
<td>$7bn Raffles JV</td>
<td>Shortage of 1500 universities</td>
<td>Growing presence</td>
<td>High</td>
</tr>
<tr>
<td><strong>Online &amp; Supplemental</strong></td>
<td>$7bn VMC, Gateforum, EducompOnline</td>
<td>NM</td>
<td>No. 1 player in test prep and No. 1 player in e-learning</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Company data
Smart Class – First of its Class Digital Curriculum Product in India

Market leading digital content solutions targeted at K-12 private unaided schools

Source: Company data
Significant Addressable Segment Still Available

Our addressable market is 194,000 private unaided schools with 1.8 million classrooms.

- Number of Schools in India as in 2011 ('000)
  - Total Schools: 1,362
  - Government: 1,098
  - Private: 71
  - Private Unaided: 194

- Number of Classrooms in India as in 2011 ('000)
  - Total Schools: 6,087
  - Government: 3,983
  - Private: 269
  - Private Unaided: 1,835

- Number of Private Unaided English Medium Schools in 2011 ('000)
  - Private Unaided: 65
  - SmartClass Schools: 15

- Number of Classrooms in Private Unaided English Medium Schools in 2011 ('000)
  - Private Unaided Classrooms: 1,060
  - SmartClass Classrooms: 100

Significant headroom for growth exists for SmartClass... and Vernacular medium schools are a further upside.

Source: Industry research.
Market for Tablets in India expected to grow strongly and education focused tablets be 15-25% of the market

Tablets can reach 20-40 Mn units by FY 16

<table>
<thead>
<tr>
<th>FY 13</th>
<th>FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 1,000 - 2,000</td>
<td>20,000</td>
</tr>
<tr>
<td>25,000-30,000</td>
<td>40,000</td>
</tr>
</tbody>
</table>

Three potential scenarios exist for educational tablets

**Conservative case - 15% of the market**
- Threat of substitutes on content
  - Availability of free apps and content from philanthropists
- Aggressive pricing strategies employed by competition
  - Google, Apple, Kindle etc. to introduce low price tablets
- Technology disruptions replacing tablets

**Base case - 20% of the market**
- External environment remains the same
  - No threat of substitutes or technology innovations

**Aggressive adoption case - 25% of the market**
- Schools to aggressively push for education tablets
  - Tablets as an integral part of the learning system
- Parents/students to push for tablets
  - Value proposition – content on the go; assessment tool
- Prices decline more steeply than expected

Source: Gartner, IDC, BCG analysis
Rapid Innovation in Smartclass

- Launch of Integrated Digital Teaching System - a superior version of its smart class product
- Upgrade of smart class content - classroom transformational system providing Educomp a significant competitive edge
- Smart class at varying price points to cater to price sensitive customers
EduReach Business Overview

Partnering with the Government to improve access to IT in public schools

Overview of EduReach

- ICT@Schools program is a government initiative in the Public Private Partnership model to IT enable potentially ~1mn Government schools

- Solutions provided include:
  - Setting up computer labs
  - Providing multimedia in regional languages
  - Testing and certification programs in computer education
  - Teacher training
  - Full time assistants and supervisory services

- Allows the company to form strong relationships with the Government and contribute to the Country’s education policy making process

Source: Company data
K-12 Business – Stability through Long Term Annuity Cash Flows

Distribution of Schools by Type

- 99 Schools Visibility
  - 51 Operational (37 Owned, 14 Franchisee)
  - 21 Land Parcels
  - 27 New Franchisee Agreements Signed

Number of Schools

Decline in K12 schools during FY13 due to:
- 1 school in Bangalore transferred to Eurokids
- 2 schools under JV closed
- 1 school under franchisee closed
High-quality K12 Schools across the country
High-quality K12 Schools across the country
High-quality K12 Schools across the country

Takshila School, Ahmednagar

The Millennium School, Indore

The Millennium School, Nagpur

Universals Academy, Dehradun

Takshila School, Barnala

PSBB Millennium School, GST Road, Chennai

Takshila School, Sangli

Millennium School, Agra

Millennium School, Bhatinda

Millennium School, Agra
Building High Quality Design Programs in India

An Educomp Raffles Joint Venture

Hyderabad Campus

Kolkata Campus

Ahmedabad Campus

Chennai Campus

Bangalore Campus

Delhi Campus
Building International Quality Higher Education Campus
Strategic Priorities Going Forward
Educomp 2.0

Digital Content, IP based offerings

- SmartClass digital content over DTS, Tablets, Online
- Assessments, English Language Labs
- Presence in 15,000 pvt. Schools
- Over 500+ sales force & strong after sales support
- Migration from no. of SmartClass per school to revenue per school
- Over 3 years, Cross-Sell and Up-Sell to form 30% of consolidated revenue

Asset Backed offerings

- 55 schools, 225 pre-schools, 7 higher-ed colleges
- State-of-the-art educational infrastructure
- Annuity style cashflows with 12 year customer lock-in

Non-Core offerings

- Asset Monetization of profitable businesses
- Shutdown loss making businesses

Strong Process & Systems / Correct Asset-Liability profile

- Lean, cohesive and synergized cost structure
- Technology enabled operational backbone to manage scale and build competitive advantage
- Asset-Liability profile that mirrors operating cashflows
1. **Focus**
   - Focus on Core businesses - Long term big ticket opportunities ie. Digital Content and School Solutions, K12 schools, Higher Education
   - Exit Non-Core businesses/ Identify assets and monetize

2. **Cautious Growth**
   - Focus on improvement in operational efficiencies & strong backbone
   - Then rapid growth with solid operational capability in place

3. **Leverage on existing SmartClass base of 15,000 schools, vast sales network and brand equity**
   - Initiate cross-sell/ up-sell of products/solutions. Introduce new products in super growth areas such as Tablets and Assessments, using existing sales network and customer base
   - Migrate from product company to a solutions company

4. **Correction of Asset-Liability Mismatch**
   - Prepare the right structure to unlock value
   - Move to cash based, high margin, high IP business with zero capex

5. **Right-size the organization**
   - Leaner cost structure
   - Outsourcing non-critical activities
   - Technology to replace and/or optimize existing cost structure

6. **Increase human capital bandwidth by bringing in new proven talent at leadership level**
   - New business head for Smartclass Business
   - Existing experienced talent given larger corporate responsibilities within the group
Up-Sell and Cross-Sell to be an Education Partner to schools for all student needs

1. Selling a commoditized offering to the customer (Setting computer labs in schools)

2. Providing a differentiated product / service – perceived as an innovator (Digital Content)

3. Customized product and dedicated service for each school (CTS, DTS)  
   *Educomp is here today*

4. Not just a solution provider but a digital technology partner for the school

5. Move from being a partner for the school to an education partner for all student needs  
   Managing end-to-end ops for the school

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**School selection by students**  
- Educomp providing an Online Platform with comprehensive information on all schools for a given city for school selection and admission

**Admission**  
- Management of admission process for the school

**Career counseling**  
- Tests administered by Educomp to determine aptitude for various careers, followed by career counselling

**Students learning material**  
- Books by Educomp
- Tablets by Educomp

**Testing and evaluation**  
- Summative and Formative assessments, provided by Educomp

**Higher education**  
- Educomp centres in school and outside (VMC)
- Info for students on higher ed options provided by Educomp

**Test prep for higher ed.**  
- Educomp centres in school and outside (VMC)

**Counseling for application to international universities**  
- Help with the application process; SAT, GRE, GMAT

**Classroom learning**  
- Smartclass

**Higher education**

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Up-Sell and Cross-Sell to be an Education Partner to schools for all student needs
Grow K-12 schools portfolio on the back of Asset-light JV model

Asset light model enables rapid expansion without heavy capital investment - Joint Venture to be the favoured mode.
Focus on reduction in Capital Expenditure; Focus on Free Cashflow

FY’13 capital expenditure down by more than 50% y-o-y based on continued asset-light strategy in K-12

FY’11 Capex $144mn

FY’12 Capex $88mn

FY’13 Capex $35mn

Q1 Q2 Q3 Q4
Financial Performance

Revenue Performance

($ in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$52</td>
</tr>
<tr>
<td>2009</td>
<td>$116</td>
</tr>
<tr>
<td>2010</td>
<td>$189</td>
</tr>
<tr>
<td>2011</td>
<td>$246</td>
</tr>
<tr>
<td>2012</td>
<td>$271</td>
</tr>
<tr>
<td>2013</td>
<td>$236</td>
</tr>
</tbody>
</table>

EBITDA Performance

($ in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$23</td>
</tr>
<tr>
<td>2009</td>
<td>$56</td>
</tr>
<tr>
<td>2010</td>
<td>$89</td>
</tr>
<tr>
<td>2011</td>
<td>$101</td>
</tr>
<tr>
<td>2012</td>
<td>$84</td>
</tr>
<tr>
<td>2013</td>
<td>$50</td>
</tr>
</tbody>
</table>

PAT Performance

($ in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>PAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$13</td>
</tr>
<tr>
<td>2009</td>
<td>$24</td>
</tr>
<tr>
<td>2010</td>
<td>$50</td>
</tr>
<tr>
<td>2011</td>
<td>$61</td>
</tr>
<tr>
<td>2012</td>
<td>$25</td>
</tr>
<tr>
<td>2013</td>
<td>$25</td>
</tr>
</tbody>
</table>

Debt / Equity

- 2008: 1.3x
- 2009: 2.1x
- 2010: 0.6x
- 2011: 0.7x
- 2012: 0.8x
- 2013: 0.8x
Financial Performance (Cont’d)

First-mover advantage, innovative business offerings, market leadership in multimedia education, and a diversified presence across key segments of the education sector covering pre-schools, K-12 education, multimedia and higher education.

Benefits from the growing stickiness in the K-12 business and strong renewal rates in smart class business.

Lower focus on heavy ICT contracts for government schools and shift to asset-light JV model in K-12 business expected to lower the capex requirements and improve cash flows.

Ability to survive intense competition in the core smart class segment through:
- Launch of Integrated digital teaching system - a superior version of its smart class product,
- Upgrade of smart class content - classroom transformational system providing Educomp a significant competitive edge
- Launch of smart class at varying price points to cater to price sensitive customers

Recent infusion of long term capital will not cause stress on cash flows

Successfully paid off FCCB in tight credit conditions

Source: FITCH (India) Ratings Report, 24 Feb 2012; Company Investor Presentation
Indians Give Prime Importance to Education, Even Surpassing Health and Savings...

% of Consumers Who Believe Category Is More Important than Two Years Ago

<table>
<thead>
<tr>
<th>Category</th>
<th>% of Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>73%</td>
</tr>
<tr>
<td>Health</td>
<td>60%</td>
</tr>
<tr>
<td>Family</td>
<td>60%</td>
</tr>
<tr>
<td>Saving</td>
<td>59%</td>
</tr>
<tr>
<td>My Home</td>
<td>55%</td>
</tr>
<tr>
<td>Value for Money</td>
<td>52%</td>
</tr>
<tr>
<td>Wellness</td>
<td>49%</td>
</tr>
<tr>
<td>Professional Success</td>
<td>46%</td>
</tr>
<tr>
<td>Convenience</td>
<td>45%</td>
</tr>
<tr>
<td>Stability</td>
<td>36%</td>
</tr>
<tr>
<td>Luxury</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: BCG Global Consumer Sentiment survey 2012; n=2201.
Note: Survey among Indian Consumers.
Survey question: Below is a list of terms and values. For each, please indicate if this is something that you would see as being more or less important to you than it was two years ago.
...Making It One of India's Largest Sectors with a Significant Share in Average Household Spending

Education Sector Estimated at ~$73bn in 2010

High Spend on Education

Estimated Market Size ($bn) in 2010


1. CLSA Report 2009
India is Witnessing a Rapid Increase in the Number of Schools Over the Years — Private Unaided Schools Growing the Fastest

CBSE has estimated a shortage of 200,000 schools in India over the next 10 years - Private unaided schools have emerged as a growth engine in the Indian education landscape.

Source: DISE Reports.
Multiple Factors Drive the Growth of Private Unaided Schools

Increasing Income Levels Among HHs

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;$3.3k p.a.</th>
<th>$3.3k–$7.4k p.a.</th>
<th>$7.4k–$18.5k p.a.</th>
<th>&gt;$18.5k p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>66%</td>
<td>30%</td>
<td>25%</td>
<td>9%</td>
</tr>
<tr>
<td>2010</td>
<td>51%</td>
<td>30%</td>
<td>22%</td>
<td>7%</td>
</tr>
<tr>
<td>2020</td>
<td>28%</td>
<td>23%</td>
<td>36%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Insufficiency of Government Initiatives

- Although Government has taken multiple initiatives…
  - Like DPEP(1) and SSN(2) to drive reach
  - RTE(3) act to focus on primary education
  - PPP initiatives to open more schools
- …These aren’t sufficient
  - CBSE has estimated a shortage of 200,000 K-12 schools over next 10 years
  - Quality of education and infra in Government schools a concern

Higher Demand of Quality Education

- Demand for quality education across income categories
  - I want both my daughters to be engineers. I am even ready to move to the city for their better education.
    – Canteen owner at Airforce Office (Income pa - 1.5-3.5 lakh)
- Rising propensity to spend on education
  - Sending our kids to a good school is very important. We are ready to spend more on education even if that means cutting on other expenses.
    – Retailer (Income pa – 3.5-10 lakh)

Huge opportunity for private schools to step in and fill capacity and quality gap in K-12 space - 70,000 new private schools have come up in FY06-FY11

Source: MHRD, Press Search.
1. District Primary Education Programme.
2. Sarva Shiksha Abhiyan.
3. Right to education.
Current Market of ~64K English Medium Private Unaided Schools Has Potential to Add ~25K New Schools by FY16

**Total Number of Schools in India as of FY’11**

<table>
<thead>
<tr>
<th></th>
<th># of Schools (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Schools</td>
<td>1,362</td>
</tr>
<tr>
<td>Government</td>
<td>1,098</td>
</tr>
<tr>
<td>Private</td>
<td>71</td>
</tr>
<tr>
<td>Private Unaided</td>
<td>130 (64)</td>
</tr>
</tbody>
</table>

**Expected Additions to English Medium Private Unaided Schools by FY’16**

<table>
<thead>
<tr>
<th>Category</th>
<th># of Schools (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A – Fees: &gt;3.5K pm</td>
<td>64</td>
</tr>
<tr>
<td>Category B – Fees: 1.5K–3.5K pm</td>
<td>4</td>
</tr>
<tr>
<td>Category C – Fees: 0.8K–1.5K pm</td>
<td>11</td>
</tr>
<tr>
<td>Shift from Vernacular</td>
<td>10</td>
</tr>
<tr>
<td>Total English Medium Private Unaided Schools</td>
<td>127</td>
</tr>
</tbody>
</table>

English medium schools are just one-third of the total private unaided schools

CBSE has increased focus on digital instructions - “All CBSE affiliated schools are advised to setup at least one classroom for each class in their schools equipped with technology to enable usage of digital instruction materials in the classroom so that students are given adequate exposure to digital materials. Schools are encouraged to progressively move to enabling each classroom with technology for usage of digital materials in the classroom”

Source: District Information System for Education, BCG Analysis, DISE Reports.
Note: Current numbers include primary only, upper primary only, primary with upper primary, upper primary with sec/higher sec and primary with upper primary and sec/higher sec schools.
Exceeding customer expectation with 90% of customers giving Excellent + Good feedback on Quality, Training and Hardware

Note: Total sample set = 3394 respondents
Exceeding customer expectation with 90% of customers giving Excellent feedback on Documentation and RC services

Note: Total sample set = 3394 respondents
Forward Looking Statement

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

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