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Bahema becomes education company and targets 30,000 students by 2023

By **Graziella Valenti** | São Paulo

The investment firm of the Affonso Ferreira family, Bahema, has defined its plan as manager of schools and is now advancing its consolidation project for basic education. One year after debuting in the industry, it is already negotiating its fourth bet on elementary education, Escola Viva, located in São Paulo and with 2,000 students.



Guilherme Affonso Ferreira Filho

Throughout 2017, the new generation ahead of Bahema, Guilherme Affonso Ferreira Filho and his cousin Frederico Affonso Ferreira, launched a project targeting 15 to 20 schools within five years, with a total of 20,000 to 30,000 students, they say.

The executives invested last year in three schools that combined have 6,000 students and R\$160 million in annual revenue. “Before anything, we are not a private-equity fund. Bahema is our family’s company, over 60 years old, and education was one sector we chose to operate in the

long run,” the heirs stress. “Primary education will be our only business. We will soon alter our bylaws to have that very clear in the description of the social object,” explains Guilherme, the company’s president.

Like the other schools Bahema acquired, Escola Viva, founded in 1974, is known for its constructivist pedagogical project, in which teachers don’t just pass on knowledge but help students build it through exposure to situations, hypotheses and interactive activities.

But it is not the only target of such an ambitious project. At this moment, Bahema has nearly dozens of confidentiality contracts signed with school owners.

Last year, Bahema surprised the market by acquiring 80% in Escola da Vila, in São Paulo. Since then, it announced it bought a stake in Escola Parque, in Rio de Janeiro, and in Balão Vermelho, in Belo Horizonte. For now, they all are institutions known for being constructivist, located in affluent neighborhoods, with high monthly fees, that is, dedicated to the upper-class market. In the three, Bahema began as partners to the former owners with slices ranging from 5% to 80% but with options of taking 100% within three years.

The project of Guiga and Fred, as the cousins are known, is drawing attention from funds and companies concentrated on higher education and that are flirting — for now, at a distance — with the elementary-education market. So far, Bahema has invested about R\$45 million in the acquisitions. But the figure will be much higher at the end of 2020, with the possible purchase of full equity in all schools.

The choice for beginning with renowned and upscale schools — therefore with reduced potential of scale — has been object of doubts even among industry experts.

Yet Guiga rebuts: “Consolidation in elementary education has nothing to do with what happened in higher education.” He says the matter of time is very important. “We have time and patience. Primary education is not an investment to seek result in two or three years. Quality is the business’ essence and our plan is to learn from the best.”

The project does aim to achieve scalable models, for medium- and low-income people, but only after learning the business with the reference schools they are acquiring now. To begin learning about that market, Bahema has invested in a new small business, Escola Mais, which arrived this year in São Paulo and is 60 years old.

Guiga says that the schools in which Bahema invested will always be kept independent, with their own brands and cultures. “It is what will ensure the quality, the differential and is also a commitment of the acquisition contract,” Fred says.

To organize the management, the idea is to create a stamp, a kind of umbrella, to host the brands of constructivist schools. The preference for this teaching method exists, but there are no restrictions. In case they make investments in institutions with different pedagogical philosophies, other stamps may be created inside Bahema.

While they build the brand portfolio, the executives reckon there are opportunities for growth and improvements in the acquired schools. “Escola da Vila, for example, has a big idleness, with several empty rooms in the afternoon.”

Because of such situations, he sees room for growth “without pasteurization.” There are also cases of schools, in which they consider investing, with room for improvement in management efficiency, they say. In the meantime, the cousins want to set up platforms and training centers for teachers and education workers.

Their plans would completely reinvent Bahema, founded in 1953 in Salvador, Bahia as a seller of agricultural equipment. Guiga is the grandson of founder Afranio Affonso Ferreira and son of Guilherme Affonso Ferreira, one of the biggest investors in the Brazilian stock market, known for his activism and now member of the board of Petrobras and six other companies.

With the surplus cash from the machine sales, the company started to invest in equity stakes. The most successful investments were in bank Unibanco, in fertilizer manufacturer Manah and in auto parts maker Mahle Metal Leve, which produced annual returns higher than 50%.

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