



Stories of Success: **Lottus Education**

In 2016, Jesus Lanza Losa's wife asked him why there were numbers written in the steam on their bathroom wall. Lanza had recently launched a search fund with two other partners and co-founded a company called Lottus Education. They had raised enough capital to acquire a university called Universidad Tres Culturas (UTC), their first asset as part of an education platform strategy.

The university had three campuses serving about 6,700 students, mainly from low- and middle-income backgrounds in the Mexico City area. Now, Lanza could not stop calculating what it would take to keep the university profitable with a tuition of \$75 a month, which was all that their students could afford.

Today, Lottus Education has grown to be the third-largest for-profit educational institution in Mexico. As a higher education consolidation platform, Lottus acquires and improves tertiary institutions. Currently, Lottus consists of a college-prep secondary school, a rapidly growing edtech enterprise, and four branded university networks: UTC, *Universidad Latino Americana* (ULA),

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**JESUS LANZA LOSA,
FOUNDER & CEO LOTTUS
EDUCATION**

Universidad Autónoma del Noreste (UANE), and Centro Universitario UTEG (UTEG). Together, Lottus maintains 37 campuses across Mexico and reaches 94,000 students. Almost a third of these students attend classes remotely.

Lottus still caters to low- and low-middle-income students, and it has a successful track record of transitioning graduates into stable jobs, particularly in healthcare and engineering. As Lottus has grown—with an average annual rate of nearly 70 percent since 2016—IFC has been there alongside it, advising the company and co-investing almost \$10 million in 2021. In this story of success, we uncover the elements behind Lottus' achievements, and how working with IFC has helped.

ENTREPRENEURIAL GROWTH

At its inception in 2013, Lottus was a search fund, looking for a viable long-term entrepreneurial investment in Mexico. After 2 years, the initial three partners chose higher education. The country's burgeoning automobile, aerospace, energy, and electronic sectors would all need college and technical school graduates. With higher education too costly for many lower-income potential students, Lottus saw an opportunity to expand access and quality at the same time. The plan was to acquire some tertiary institutions, particularly those that served low- and low-middle-income students. By consolidating some functions such as front- and back-office operations, and by setting common academic standards for basic courses across campuses, Lottus could increase efficiencies, raise the quality of instruction, reduce costs, and increase employability.

Lanza stepped into the hands-on CEO role. He worked to build rapport and trust with IFC, other investors,

37

campuses across Mexico

94,000+

students

and financial advisors. Lottus kept innovating its practices, while maintaining consistent profitability. Its EBITDA margins bolstered the credibility of its requests for growth financing. "Funders knew that we had a solid character, and never missed a payment, so they were willing to bet on us," recalled Lanza.

It's noteworthy that both co-CEOs come from backgrounds outside education. Ricardo Lopez Barrera, who began his career in the consumer footwear industry, joined Lanza as chief operating officer in 2016. He took on the co-CEO role in 2023. When asked to name their competitors, the two leaders don't name other higher-education enterprises in Mexico. Instead, they cite companies that provide information or services over the internet: the ecommerce retailer Mercado Libre, the Brazilian fintech company Nubank, Facebook, and Netflix.

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EMPLOYABILITY AND SERVICE

The stated goal at inception was to be a great service-oriented company. In education, that meant employability first and foremost.

At least 85 percent of Lottus' students are seeking better career prospects. Some are looking to upskill and reskill to advance in their jobs. A growing number want to be entrepreneurs.

Lottus fosters employability through several measures, including its course offerings. Among its prominent professional programs are healthcare, engineering, business and public administration, architecture, fashion and design, accounting, law, gastronomy and tourism, communications and marketing, education, economics, and computer science. It is also expanding other fields of study where skilled professionals are needed.

For entrepreneurial students and graduates, the schools UTC and ULA run marketplaces where they can promote and sell goods and services. Lottus also offers courses tailored for the gig economy, and it has pioneered a blended learning program in which working students can combine their courses with on-the-job training.

Lottus draws on guidance from employers and industries to meet the practical needs of its students, many of whom work or fulfill family obligations while attending school. At first, the schools offered only day classes; now they have five shifts, including on weekends, plus digital courses.

"We followed a retail model," said Lanza. "If you have a restaurant, you don't offer just one meal a day. You try to roll over and use your tables five or seven times a day, so you can take more money out of your installed capacity."

As IFC's Vitae program has shown, continued connection with alumnae and employer networks is a key aspect of employability. Lottus maintains alliances with more than 800 companies who can post job offerings on its website. It collaborates with a Spanish startup, beWanted, with 7,000 students connected, matching companies with the right talent.

When asked what he meant by service, Lanza said, "Our goal is to help students develop as human beings." Across all campuses, Lottus emphasizes team learning, interdisciplinary topics, and a high level of student-teacher interaction, along with cognitive and counseling support.

"Most students are still teenagers," said Lanza, "and some come from complex situations. When they enter our doors, virtual or physical, they receive personal care and focus. This is our main differentiation from other edtechs and training-oriented colleges."

TUIITION

30-50%

lower than competitors

TALENT

7,000

students connected with potential employers

CAREER

85%

of students looking for better career prospects

ALLIANCES

800+

partner companies posting jobs online

Treating students as whole people, and teaching them skills for working with others, makes them more employable and likely to reach their goals faster.

The service concept also includes affordability. “Lottus accomplishes its quality standards and breadth of curriculum at a remarkably low cost to its students,” said IFC investment officer Anais Furia. “Its tuition rates are 30-50 percent below rates of its competitors. This makes education more accessible in a country where only 2 percent of students from the poorest quintile are enrolled in tertiary institutions.”

BECOMING A DIGITAL UNIVERSITY

When Lottus launched in 2015, it offered no classes in digital formats. Today, the company’s facility with edtech and remote learning is a “make or break factor for our students,” said Lopez.

The company began its digital transformation in 2018. Lottus automated many functions, streamlining clerical tasks and cutting costs. It put in place a unified data system that tracks key performance indicators such as student satisfaction and attrition levels.

When IFC introduced its nascent Digital for Tertiary Program (D4TEP) in 2020, Lottus was one of the first institutions globally to implement the program. D4TEP helped the company identify multiple projects for further improvement. Within a few weeks, Lottus had set priorities and begun work on these projects. The assessment also raised momentum; faculty members and others who had resisted change now saw evidence of the possibilities. In 2021, as a follow up on to the program, IFC and the private equity fund Alta Growth co-invested \$9.8 million in Lottus to fund two



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**ANAIS FURIA,
IFC INVESTMENT OFFICER**

acquisitions (ULA and UTEG) and finish digitalizing its front- and back-office operations.

THE PANDEMIC TRANSITION

The COVID-19 pandemic also accelerated the digital transition. Amid the shock and grief, like most other schools, Lottus had to move its entire classroom offerings to digital formats. Most residential students had to leave campus. Moreover, because of the acquisition of ULA, which was twice Lottus' size, the company was now servicing a multi-million-dollar loan. Finally, Lottus had promised its staff that no one would be laid off because of the pandemic.

"The company was in a state of crisis," Lanza said.

"Everybody was alert and working crazy hours to make up for our big commitment." Because of this effort and the company's digital capabilities, Lottus grew by 40 percent in student enrollment between May and December 2020. This positioned the company for more rapid growth going forward.

The pandemic also changed the relationships between universities and students, many of whom had lost families or their livelihoods. "We began to hear the voice of the students more clearly," said Lopez. "Sometimes there were problems like depression. Sometimes they just wanted to talk. We started to look for ways to help them manage their swings of emotion."



The IFC Connection

WHY LOTTUS PARTNERED WITH IFC

Lottus had a strategic growth plan that required financing and a strong interest in developing digital infrastructure for teaching and administration.

IFC's involvement offered more than financing: even before the partnership, IFC officers met with Lanza and other Lottus leaders to offer guidance and talk about their mutual vision for broadening higher education in Mexico through consolidation, including centralized shared services. Lottus also worked with IFC, through its Vitae program, a project that seeks to improve employability and labor market insertion practices. "IFC has been there for us every single time," said Lanza, "since the beginning, and that's been a game changer."

WHY IFC INVESTED IN LOTTUS

IFC looks for partnerships that will help expand access to quality education and provide young people with the learning and skills relevant to the needs of the workplace of today and of the future. Among the many players in Mexico's private-sector higher education field, Lottus stood out as an innovative company with energetic leaders committed to raising economic opportunity for young people. This was a priority goal for IFC. Lottus also demonstrated fiscal discipline while designing explicit plans for rapid growth, employability, and higher quality.

HOW THIS INVESTMENT IS HELPING YOUNG PEOPLE SUCCEED AND THE COUNTRY'S ECONOMY GROW

Higher education creates prosperity by helping young adults develop the knowledge and skills to find jobs, lead more successful lives, and contribute to economic development. In Mexico, the tertiary education market is ready to grow, fueled by favorable demographics with improvements in disposable incomes and increasing completion rates of secondary education.

Lottus showed that it was serious about expanding access to quality education, especially for low- and middle-income students: with enrollment expected to grow from almost 60,000 students in 2021 to a projected 115,000 in 2027.

WHAT IFC LOOKS FOR WHEN PARTNERING WITH A PRIVATE PLAYER

Strong growth potential, good economic fundamentals, the ability to achieve development goals such as expansion of higher education, a high level of engagement by leadership, and a track record of success. Lottus met all these criteria.



Development Impacts

- Improving access to higher education for lower-income students.
- Strengthening employability to help more young people find work.

LOOKING FORWARD

Lanza and Lopez have set a goal of becoming the largest private-sector university in Mexico. They hope to expand to more than 100,000 students by 2026. “We started out in education,” said Lanza, “because of its social impact, and we really want to contribute.”

Because Lottus is positioned to serve students at the bottom of the economic pyramid, its social potential is higher. Lopez pointed out that many students learn to be disciplined in their work for the first time. “They are going to earn more money, be more productive, and be more ethical.”

Lottus has recently renewed its focus on improving the quality of education. This includes measuring competencies at student entry and exit points and raising the level of interaction between students and faculty. Project-based learning, peer review, interdisciplinary programs, and human-oriented skills are all encouraged.

In short, the acquisitions, the digital transformation, and the challenges of the pandemic have all taken Lottus “out of our comfort zone,” said Lanza. “We try to be humble: we know that we don’t know. That helps us to advance and keep moving.”

The people interviewed for this case study include:

- Jesus Lanza Losa, founder & CEO at Lottus Education and partner at Mistral, a mid-market alternative investments firm.
- Ricardo Lopez Barrera, managing partner and co-CEO at Lottus Education.
- Anais Furia, IFC's relationship manager for Lottus and business development lead for investments in healthcare, life sciences, and education in Mexico.

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