

Sector Report GCC Education



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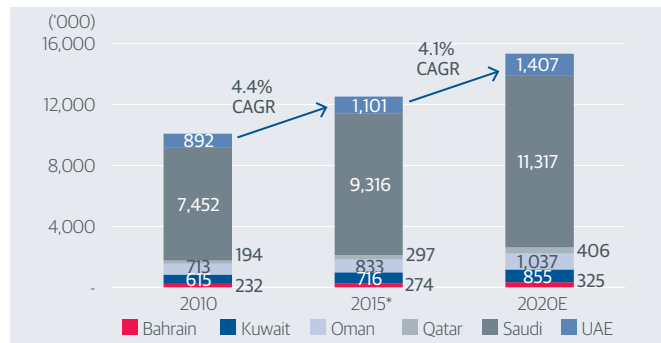
1. Executive Summary



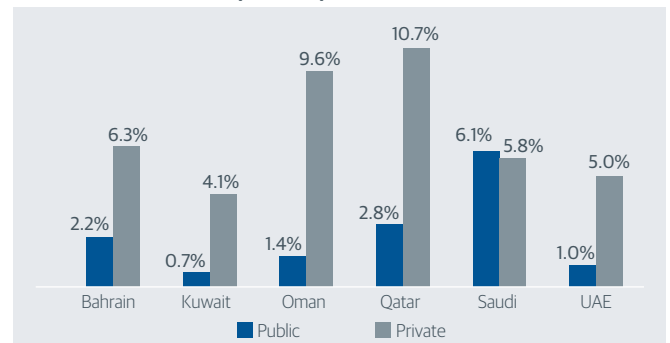
The education sector in the GCC is picking up with total enrolment (pre-primary to tertiary) growth accelerating from a CAGR of 3.6% over 2010-13, to a CAGR of 5.6% from 2013-15. K-12 enrolments have grown at a CAGR of 5.3% during 2013-15 with private schools growing faster (6% CAGR) than public enrolments (5% CAGR) in all GCC nations, except in Saudi Arabia which comprise the majority 74% of total enrolments, that has reduced the growth difference between private and public enrolments.

GCC Enrolment trends

Total enrolments



K-12 enrolment CAGR (2013-15) - Public & Private

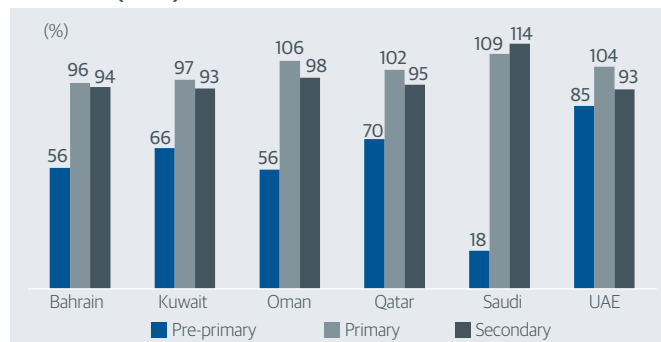


Source: UNESCO, Statistics authorities of respective countries, GFH Analysis;
* Bahrain's K-12 and Saudi pre-primary segments are estimates

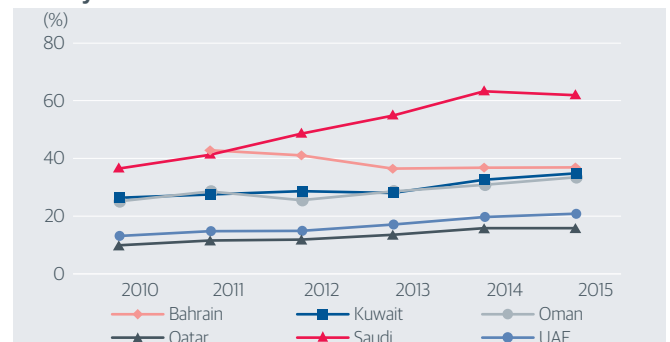
The education industry is benefiting from factors such as rising population, high GDP per capita, willingness to spend for quality education and sustained government spends towards education, which is expected to drive growth going forward. Total enrolments are estimated to grow at a CAGR of 4.1% from an estimated 12.5mn in 2015 to 15.3mn in 2020. Gross enrolment ratios (GER) have been rising over the past five years, particularly in the pre-primary and tertiary segments. A rising expatriate population and changing mindset of local nationals towards pre-primary schooling are driving GERs at the pre-primary level, while government impetus for improving the quality of higher education and presence of foreign universities or their campuses in Qatar, UAE, Kuwait and Bahrain are driving GERs at the tertiary level. The pre-primary segment is the fastest growing segment among all segments and is estimated to grow at a CAGR of 8% from 2015-20, with Saudi and Qatar expected to grow the fastest in this segment at CAGRs of 11% and 10% respectively. GERs at the primary and secondary level across the GCC are healthy around the 100% level.

GER comparison in GCC

K-12 GERs (2015)



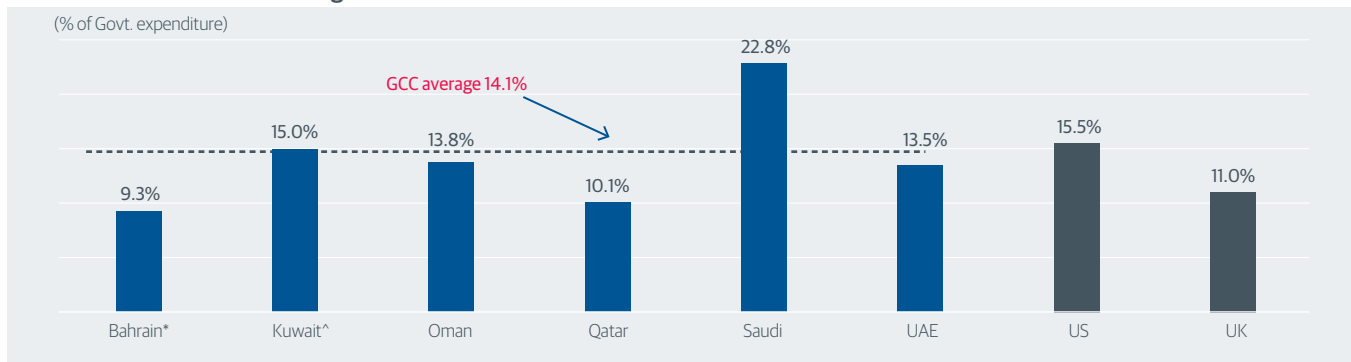
Tertiary GER trends



Source: UNESCO, Statistics authorities of respective countries;
Note: 2015 GERs are estimated in each country for one or more segments

While lower oil prices have impacted government finances across the GCC leading to spending cuts, government spending towards education have remained resilient, with education spending averaging at 14% (range of 9%-23%) of government expenditure, which is at par with developed nations such as US and the UK. Governments across all the GCC nations are committed to improving the education infrastructure and quality of education as per their national long-term visions, along with increased private sector participation and PPPs (Public Private Partnership). Given the rising demand for education in GCC, most governments have an active new school (public) pipeline such as the 18 kindergartens in Qatar, 100 schools in Abu Dhabi and 1,500 nurseries in Saudi apart from a number of schools under the Saudi Tenth Development plan. However, a significant gap between demand and supply is expected by 2020 in some of the countries in select segments such as the primary and secondary level in Oman (10% of demand) and Kuwait (16% of demand), and the pre-primary level in Qatar (27% of demand) and Kuwait (7% of demand).

GCC Government education budgets for 2016



Source: Ministry of Finance & Ministry of Education of respective countries; * Budget for 2015, ^ Actual education spend in 2015

While the demand remains healthy, there are challenges facing the education sector in GCC such as the shortage of teachers, which could worsen with new schools expected by 2020, increasing cost of operations with rising teacher salaries, regulation of fees and skill gap between graduates coming out of educational institutes and the skills required by the labor markets. However, the issue of skill-gap is expected to drive enrolments in vocational training centers, another promising segment, which is also expected to benefit from the nationalization drives of individual governments to increase the share of locals in the private sector.

While quality of education remains an issue in many of the GCC nations, Qatar and UAE are better placed with the highest ranks for quality of primary and higher education in the GCC. Both countries have separate zones or education cities which attract foreign universities, the Education City in Qatar and the Dubai International Academic City in UAE. Qatar ranks 9 and 2 (out of 140 countries) and UAE ranks 13 and 12 in terms of quality of primary and higher education respectively.

The education sector is benefiting from key trends such as rising demand for international curriculum schools providing better quality education, increasing importance of pre-primary education and setup of higher education hubs to capitalize on the growing tertiary segment which has been growing at CAGR of 10% from 2010-15. Overall, the GCC education sector is well poised for growth in the future.



2. GCC Education Market



2.1 Introduction

The GCC education market is on a growth path with demand remaining robust fueled by a rising population, high per capita income and the need for quality education. K-12 enrolments in the GCC have grown at a CAGR of 5.3%¹ during 2013-15, which have been supported by the rising expenditure towards education by governments of the GCC nations and increased private sector participation. While government finances have been impacted across the GCC due to lower oil prices, its commitment towards education remains, as reflected in the long term visions of each GCC country, with a need to have a skilled workforce that bodes well for GCC's education sector. Despite challenges such as teacher shortage, growth drivers and trends are in place for the education sector to prosper going forward.

¹ Bahrain's K-12 and Saudi's pre-primary enrolments for 2015 have not been reported so far, and are estimates



2.2 Bahrain

Bahrain's dependence on oil has been reducing over the years, with contribution of oil and gas to GDP dropping from 25.4% in 2013 to 13.3% in 2015, although it accounts for 78% of the government revenue. While government revenue declined significantly by 34% in 2015, due to the drop in oil prices, it is budgeted to rise by 7% in 2016. Increase in electricity and water tariffs, increase in excise duty on select products such as tobacco, etc. in 2016, are expected to boost non-oil revenue and government revenue going forward. Over the past few years, the contribution from the banking and financial services sector has been increasing, accounting for 17.2%² of GDP in 2015, from 15.2% in 2013.

While the country is more diversified now, the impact of the drop in oil prices has dented the fiscal situation. Bahrain's debt levels have been rising, with debt to GDP increasing from BD 2.9bn (30% of GDP) in 2010 to BD 7.2bn (63% of GDP) in 2015. However, the government spending on education continues to be healthy and has grown at a CAGR of 8.3% during 2010-2015, from 8.6% of total government spending in 2010 to 9.5% in 2015. During the past two years (2013-15) when oil prices have been dropping, education spends still grew at a 1.4% CAGR, exceeding the budgeted spend in 2015 by 3%. The National Development Strategy (2015-2018), a part of Vision 2030 whose main objective is to improve the standard of living of all citizens, is in the process of putting a framework in place for providing sustained funding for public higher education institutes. This is in line with the government's efforts to make Bahrain a higher education hub. All these factors are expected to result in continued government spending towards education going forward.

While Bahrain's population grew at a CAGR of 2.2% over 2009-14, enrolments in K-12 schools have grown at a CAGR of 3.4% during this period. The country ranks 45³ (of 188 countries) in the Human Development Index (HDI) with a score of 0.824, which puts it in the 'Very high human development' category. The country's ranking improved from 44⁴ to 38⁵ (of 140 countries) in terms of quality of

Government spending on education grew at a CAGR of 8.3% from 2010-15, and grew at a CAGR of 1.4% even during periods of oil price declines

Bahrain's ranking improved from 55 in 2015 to 26 in 2016 for quality of higher education

² According to Central Bank of Bahrain

³ UNDP

⁴ Global Competitiveness Report 2014/15 - WEF

⁵ Global Competitiveness Report 2015/16 - WEF





primary education from 2014/15 to 2015/16, and from 55 to 26 in terms of quality of higher education and training, which is next only to Qatar and UAE in the GCC, indicating that Bahrain's education system is one of the better placed systems in the GCC on a relative basis.

2.2.1 Key Statistics

Macro parameter	2014	2015	2016E	2020E
Nominal GDP (USD bn)	33.8	30.4	30.1	36.8
Real GDP growth	4.5%	3.2%	2.2%	2.0%
GDP per capita on PPP (USD)	49,043	50,095	50,667	54,624
Population (mn)	1.31	1.32*	1.32	1.43
Inflation (%)	2.7	1.8	3.2	2.4
Non-oil % of GDP	77%	87%	NA	NA
Non-oil exports (USD bn)	17.5	18.5	NA	NA
Actual spend on education (USD mn)	883	897	NA	NA
Actual spend on education (% of Govt. expenditure)	9.4%	9.5%	NA	NA

Source: IMF; Note: PPP - Purchasing-Power-Parity; * average of revised 2014 actual & 2016 IMF est

2.2.2 PEST Analysis

PEST Factors	Remarks
Political	<ul style="list-style-type: none"> The political situation in Bahrain is stable. Bahrain has one of the most liberal business environments in the GCC with no corporate income tax, no personal income tax, no wealth tax, no withholding tax and free repatriation of capital, profits or dividends. Foreign ownership up to 100% is permitted.
Economic	<ul style="list-style-type: none"> The decline in oil prices has dented Bahrain's fiscal position with the current account turning into deficit of 3.2% of GDP in 2015 from a surplus of 4.5% of GDP in 2014. While the spending on education has not been impacted by this, there lies a risk going forward. An increasing GDP per capita (PPP) bodes well for affordability of education fees at all levels, given that fees continue to rise year after year. Private sector participation in education has been rising steadily, with 19 new private schools coming up during 2011-15.
Social	<ul style="list-style-type: none"> The government is committed to improve the standards of education in the country. Government allocation towards education has grown from BD 225mn (2.3% of GDP) for 2010 to BD 329.6mn (2.9% of GDP) for 2015. While the adult literacy rate remains over 95% in Bahrain, the standard and quality of higher education falls short of desired standards for employability, resulting in employers preferring expatriates for specialized roles.
Technological	<ul style="list-style-type: none"> The 'King Hamad Schools of Future' project aims at transforming the educational system into a technology enabled platform through ICT (Information and Communication Technology). As a result, all public schools in Bahrain now have broadband internet connections with at least one ICT suite, with data projectors and interactive electronic whiteboards in classrooms. The Ministry of Education (MoE) is currently working on the second phase of this project, which includes setting up e-learning systems. The Edunet portal launched by the MoE, is a centralized system to support e-learning between students, parents and school administrations, and provides easy access to digital educational content (e-lessons, resources and educational software).

Source: GFH Analysis

Bahrain has one of the most liberal business environments in GCC with no taxes and free repatriation of capital. Foreign ownership up to 100% is permitted.

Government allocation to education has grown from 2.3% of GDP in 2010 to 2.9% of GDP in 2015.

The 'King Hamad Schools of Future' project is aiming for a technology driven education platform.

2.2.3 Education market segmentation

Market structure:

Pre-primary education in Bahrain, provided by the private sector only, includes nurseries for children up to the age of 3 years, and kindergartens (KG) that spans 2 years catering to children in the 3-5 age group. Primary education caters to children in the 6-11 age group, from grades 1 to 6, while grades 7 to 9 form the intermediate education. The first nine years of schooling (Basic education) is compulsory and free at public schools. Secondary education spans from grades 10 to 12, which has a credit-hour system.

Tertiary education includes higher education institutes providing education beyond grade 12 for under graduate (UG) and post graduate (PG) programs. The vocational education segment includes service providers imparting education and training pertaining to specific courses geared towards employment.

Regulatory framework:

Nurseries are supervised by the Ministry of Social Development, while the kindergartens are supervised by the MoE, which also regulates all the schools. Previously, the schools had the freedom to set their own curriculum. But recently, the MoE has set forth a uniform curriculum for pre-primary education. Fees charged by schools also have to be approved by the Ministry.

All the universities (public and private) and colleges are controlled by the Higher Education Council (HEC) in Bahrain. Although fees are not regulated by the HEC, the admission criteria needs to be shared with the HEC, which regulates, supervises, assesses performance and functioning of educational institutions, and sets policies for higher education. While most vocational training providers in Bahrain are licensed by the Ministry of Labour or the MoE, there also exist few self-regulated institutes.

2.2.3.1 Pre-primary segment

Pre-school is not a compulsory part of education in Bahrain, with no public pre-schools existing in the country. The number of nurseries and kindergarten schools have steadily risen from 135 in 2009 to 151 in 2015.

Student enrolments & enrolment ratio:

Despite no government pre-primary schools in Bahrain, enrolments have grown at a CAGR of 6.1% during 2009-14 to 32,900 students with the GER (gross enrolment ratio) increasing from 49% in 2009 to 55% in 2014. This can be attributed to an increase in the expatriate population and increasing tendency of parents to get their kids to start schooling soon.

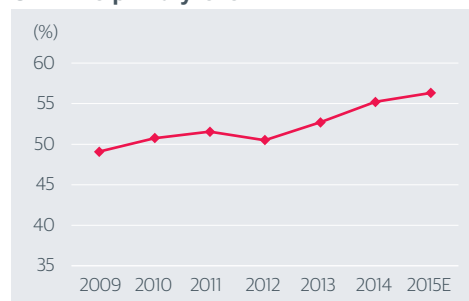
Pre-primary schools have steadily increased from 135 in 2009 to 151 in 2015

GER in pre-primary schools increased during 2009 to 2014 from 49% to 55%

Enrolments - Pre-primary level



GER - Pre-primary level



Source: UNESCO





Student-teacher ratio has started inching upwards during 2012-14 despite a ~8% CAGR in number of pre-primary teachers

Profile of teachers is not encouraging with only ~50% of them trained and 53% qualified in 2014

Enrolments at the pre-primary level are estimated to grow at a 4.5% CAGR during 2014-2020 driven by improvement in GER from 55.2% to 62.2%

Teachers:

Bahrain has been facing shortage of teachers for the past few years. Despite a 7.9% CAGR in the number of pre-primary teachers from 2012-14 to 2,160 in 2014, the student-teacher ratio has started inching upwards to 15.2 in 2014, after declining from 15.9 in 2009 to 15.0 in 2012. The shortage of teachers can be attributed to:

- Teachers taking a long sabbatical or quitting for maternity reasons (all teachers at the pre-school level, are female). Teachers that are mothers are permitted 2 hours for breast feeding daily as per law, resulting in lost hours and a shortage of teachers. According to Bahrain's education Minister, about 1.2mn hours are lost annually as a result of this right.
- 'Bahrainisation' drive, with the government desiring to hire local teachers, with hiring from abroad as the last resort.

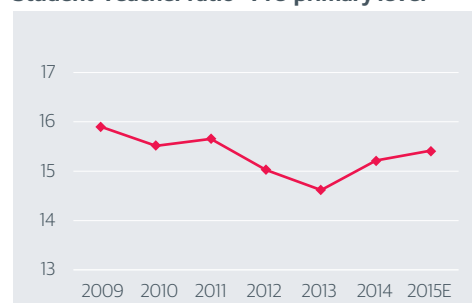
At the pre-primary level, just 49.7%⁶ of the total teachers were trained as per pre-primary requirements in 2014 (46.7% in 2013), while 53% were qualified (down from 55.8% in 2013). Bahrain fares poorly when compared to other GCC nations like Oman, Saudi and UAE where 100% of the teachers at the pre-primary level are trained and qualified.

Teachers - Pre-primary level



Source: UNESCO

Student-Teacher ratio - Pre-primary level



Market size & estimates

The size of the pre-primary education segment is estimated to surpass 42,700 enrolments by 2020 from 32,868 in 2014, implying a CAGR of 4.5% during 2014-2020, with improvement in the GER from 55.2% in 2014 to 62.2% in 2020.

Key players in Pre-school market

Schools	Curriculum	Fee Structure p.a. (\$)
St Christopher's School	British	7,926 - 10,367
Riffa Views International School	IB	7,288 - 16,324
Naseem International School	IB	5,030 - 7,171
Al-Hekma International School	American	3,585
Abdul Rahman Kanoo International School	IB	2,745
The Infant School	English National	1,193 - 1,259

Source: Individual school websites

6 As per UNESCO

There are 133 public and 75 private schools as of 2015

Enrolments in private schools grew at a CAGR of 7% during 2012-14 driven by a rising trend towards international curriculum and quality education

2.2.3.2 Primary and Secondary segment

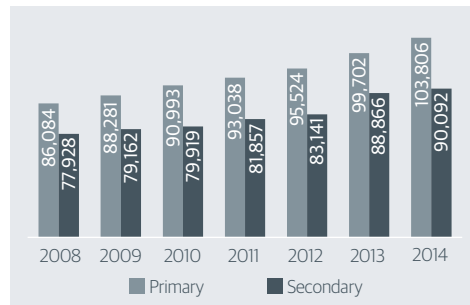
There are 133 public and 75 private schools as of 2015 in Bahrain with all public and private schools regulated by the MoE.

Student enrolments & enrolment ratio:

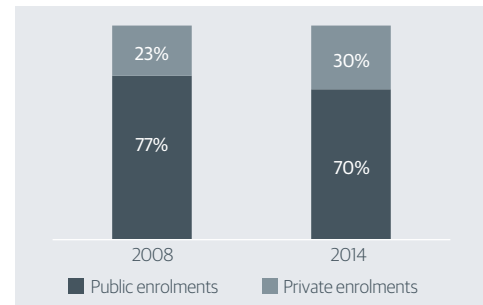
Enrolments at primary and secondary schools have shown a promising trend, growing at a CAGR of 4.2% and 4.1% respectively during 2012-14. This has been driven by enrolments at private schools which grew at a CAGR of nearly 7% in both primary and secondary schools. The drive towards private schools is supported by an increasing trend towards enrolment in schools offering international curriculum and the need to provide quality education. The mix of students at private schools has therefore risen to 30% of total students compared to 23% in 2008, and is expected to rise to 33% by 2020.

Enrolment trends at Primary & Secondary schools

Enrolments



Enrolment mix



Source: UNESCO; Note: Secondary includes intermediate

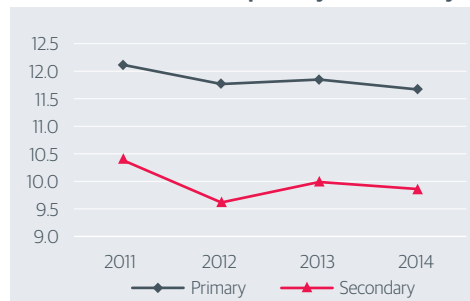
Teachers:

Number of teachers grew at a CAGR of 5% from 2011-14, resulting in improved student-teacher ratio

The student-teacher ratios in both the primary and secondary schools have witnessed flat to declining trends over the past few years, with the pace of teacher addition (3-Yr CAGR of 5%) being faster than that in addition of students (3-Yr CAGR of 3.7%). The proportion of female teachers in the total mix is also lower than the pre-primary segment at 74.7% (primary) and 58.2% (secondary) in 2014, mitigating the maternity related impact on teacher availability.

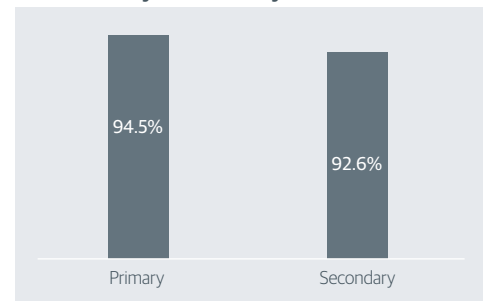
Primary & Secondary school trends

Student-Teacher ratio - primary & secondary



Source: UNESCO

GER - Primary & secondary





Quality/Effectiveness of private schools

The National Authority for Qualifications and Quality Assurance of Education and Training (QQA), is mandated to ensure that the quality of educational and training institutions in Bahrain meets international standards.

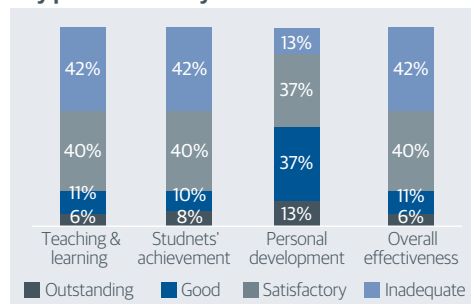
The Directorate of Private Schools and Kindergarten Review (DPS), a part of the QQA was set up in 2008 to review, improve the performance and output of kindergartens. It conducts reviews of schools in cycles wherein each cycle takes 3-5 years to complete, and each cycle is divided into two or more phases.

82% of private schools were judged either 'Inadequate' or just 'Satisfactory' during the Sep'11-Dec'14 review

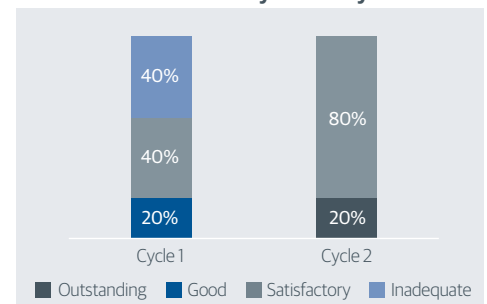
The first cycle (Cycle 1) of reviews of 62 private schools that happened during September 2011-December 2014, resulted in 82% of private schools being judged either 'Inadequate' or 'Satisfactory', an area of concern. In the first phase of Cycle 2 that happened during April-May 2015, spanning five private schools, the overall effectiveness⁷ of these schools improved markedly compared to Cycle 1 with none of the schools being judged as Inadequate and one moving from the 'Good' category to 'Outstanding'. Improvement in ratings of the five schools were led by implementation of the Cycle 1 review recommendations by QQA. These included: i) providing professional development programs to teaching and administrative staff ii) developing students' skills by effective teaching strategies to enable a culture of lifelong learning iii) Ensuring parents' participation in the learning process by increasing their awareness of their role iv) following up on safety and security procedures free from any hazards. Although review of the five schools does not necessarily constitute a trend, directionally Bahrain's private schools are headed towards improvement in quality.

Judgements awarded to private schools

Key parameters - Cycle 1



Overall Effectiveness - Cycle 1 vs Cycle 2*



Source: QQA; * Based on 5 schools reviewed in both cycles

Factors affecting demand and supply

- Government's desire to improve the education infrastructure (King Hamad Schools of Future project, Edunet portal) and quality of education (Higher Education Council's national strategy for higher education) are expected to attract not only more enrolments, but also school players to setup new schools.
- Rising population with higher mix of expatriates: Bahrain's population has grown at a rapid pace over 2012-14 at a CAGR of 4.3% with the expatriate population growing faster at CAGR of nearly 6%. This is expected to drive private enrolments across levels with more schools required to cater to the growing population.

Bahrain's expat population which grew at a faster ~6% CAGR during 2012-14 is expected to drive enrolments in private schools

⁷ Overall effectiveness is based on i) Quality of learning outcomes (students' achievement and personal development) ii) Quality of main processes (teaching & learning, curriculum implementation and support & guidance) iii) Effectiveness of leadership, management and governance

International students in higher education in Bahrain expected to grow to ~35% of total student population

GER in primary schools is expected to improve from 94.5% in 2014 to 103.3% in 2020

17 new public schools are expected to come up during 2015-17

- Increasing willingness of parents to spend on quality education. This is supported by higher income levels and expected to boost demand for private schools offering a highly regarded curriculum (international).
- Rising international students due to better quality education relative to regional peers. Bahrain has been ranked well above Saudi, Kuwait and Oman in the GCC in primary and higher education as per the Global Competitiveness Report 2015-2016 – WEF. The National Higher Education Strategy 2014-24 projects the proportion of international students in higher education in Bahrain to grow to as much as 35% of the total student population, with ~80% of those from Saudi Arabia or Kuwait. Bahrain already accounts for 10% of overseas students, within the GCC.

Market size & estimates

Enrolments in the primary education segment is estimated to grow from 103.8K in 2014 to 125.5K in 2020 at a CAGR of 3.2%. GER is expected to improve from 94.5% in 2014 to 103.3% in 2020. Secondary enrolments are estimated to grow at a CAGR of 3.3% from 90.1K in 2014 to 109.2K in 2020, with GER expected to improve from 92.6% to 101.3% during this period.

Supply and pipeline

As per the government's Action Plan (2015-2018), the Ministry of Works along with the MoE, will be involved in constructing new schools in Bahrain. As part of the 'Digital empowerment in education' project, 17 new public, preparatory schools for boys and girls are expected to come up, with 5 expected to come up in the 2015/16 academic year and 12 other public schools expected in 2016/17 in Riffa, Isa Town, Arad and other areas in Bahrain.

Pipeline of public schools*

Schools	Capacity		Investment (BD mn)	Project Completion as of May 2015
	Students	Classrooms		
Malkiya Intermediate School for Girls	1,260	36	4.5	21.5%
Busaiteen Intermediate School for Girls	1,000	30	4.4	39%
Hunainiya Secondary School for Boys	1,000	40	4.6	40%
Isa Town Primary School for Boys	1400	35	4.9	Foundation completed
Hamad Town Intermediate School for Boys	1,000	30	3.85	69%

Source: MoE; * For academic year 2015/16

Private school pipeline:

In May 2015, the MoE received applications to open 31 new private schools. Two upcoming private schools worth noting, include:

- The Al Safwa Private School in Al Muharraq is a new K-12 private school with a capacity of 3,000 students that is expected to commence operations in Sep 2016. This is being constructed by Kooheji Contractors and will be operated by the Al Safwa Group in association with the Swedish educator KEDTECH.
- The Capital School plans to add a secondary school (English National curriculum) that is expected to come up in Sep 2018.

Swedish KEDTECH and Al Safwa Group to setup the Al Safwa Private School in Sep-16 with a capacity of 3,000 students





Gap between demand and supply is estimated to grow from 2% of demand in 2016 to 5% in 2020

The supply at primary and secondary schools are estimated to grow from 196,518 seats in 2016 to 223,164 in 2020. This implies that the gap between demand and supply is estimated to grow from 4,372 seats in 2016 (2% of demand) to 11,500 in 2020 or 5% of demand, which is significantly lower than other GCC countries such as Kuwait.

Top players in Primary & Secondary school market (Private Schools)

Schools	Curriculum	Review Scale	Annual Fee Structure Range (\$)
Nadeen International School*	English National	Outstanding	7,298-8,204
The British School Of Bahrain*	English National	Outstanding	Not available
St Christopher's School*	British	Outstanding	10,367-19,096
Ibn Khuldoon National School	IB	Outstanding	7,725-10,931
Riffa Views International School*	IB	Outstanding	20,405-26,235
Al Noor International School*	British, CBSE, Bahraini	Good	Not available
Arabian Pearl Gulf School	IB	Good	Not available
Al Hekma International Model School*	American	Satisfactory	3,585-9,548
Al-Rawabi School	Cambridge	Satisfactory	2,544-5,830
Modern Knowledge School*	IB	Satisfactory	4,312-5,748
Abdul Rahman Kanoo International School*	IB	Satisfactory	1,373-3,167
New Millennium School	Indian	Satisfactory	2,512-4,341
Al Mahd Day Boarding School*	Cambridge	Inadequate	1,577-3,392

Source: NAQQAET, Source: individual school websites; * Foreign schools

2.2.3.3 Tertiary segment

There are three public universities, a regional university and 11 private universities in Bahrain offering higher education. The University of Bahrain (UoB) is the major university (public) comprising of 10 colleges with over 20,000 students enrolled in 2015, constituting over 52% of the total enrolments at the tertiary level.

Student enrolments & enrolment ratio:

Enrolments have been modestly rising from 2013-15 at a CAGR of 1.6% to 38,260 in 2015, although they are below levels three years ago. The rise in enrolments can be attributed to government efforts in making Bahrain a regional hub for private higher education. The HEC has drawn the National Higher Education Strategy (2014-2024), which includes improving the quality of education and strengthening linkages between higher education and vocational education. While GER at the tertiary level is lower than the levels of 2011 and 2012, it has stabilized to 37% in 2014.

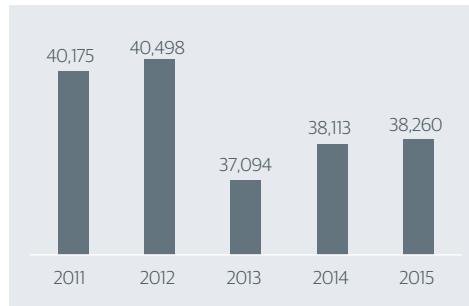
Tertiary enrolments modestly grew at a 1.6% CAGR from 2013-15, while GER has stabilized at 37%

Locals dominate student enrolments in HEIs, with females accounting for 60%

Student population at Bahrain's higher education institutes (HEIs) are dominated by locals, with 87% of total enrolments being Bahrainis and females constituting 60% of the total enrolments. Of the nearly 20,000 students enrolled at UoB, about 90% were Bahrainis and 65% were females.

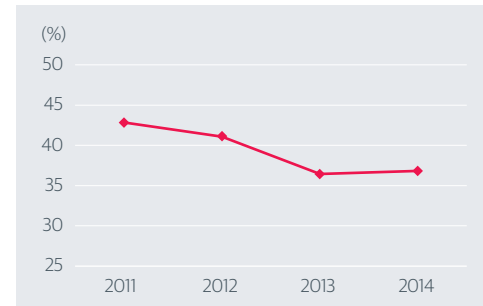
Tertiary education statistics

Enrolments



Source: UNESCO

GER



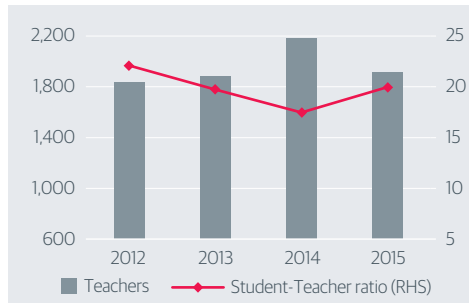
Bahrain relies heavily on foreign teachers with expats accounting for 53% of all teachers at HEIs

Teachers:

The number of teachers have grown at a CAGR of 1.6% from 2012-15, with a 12% decline observed in 2015. Availability of teachers at the tertiary level is an issue that is cropping up, as the student-teacher ratio has climbed back to 20. Bahrain relies heavily on foreign teachers at the tertiary level with non-Bahrainis constituting 53% of all teachers at HEIs. Males constitute a larger share (63%) of total teachers at universities.

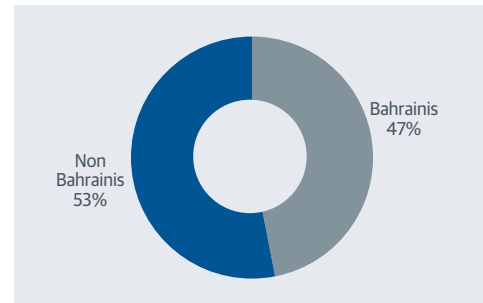
Teacher trends - Tertiary education

Teachers and student-teacher ratio



Source: Higher Education Council, UNESCO

Teacher mix (locals/foreigners)



Source: Higher Education Council

Review of various academic programs showed that 31% of them reported improvement and 63% maintaining their performance

Quality/Effectiveness⁸ of Academic programs in Universities

The Directorate of Higher Education Reviews (DHR) is responsible for assessing the quality of Higher Education institutions in Bahrain. As of 2014-15, the DHR cumulatively reviewed 57 academic programs offered by 20 colleges across phase 1 and 2 (16 programs were reviewed in phase 1 from Jan 2009 - Oct 2011). Effectiveness/quality of universities in Bahrain is fairly healthy with 70% of programs being judged as 'Confidence'. Comparing results of the two phases, 31% of programs witnessed improvement, while 63% maintained their performance. While effectiveness and quality of all Health Sciences courses instills confidence, Bahrain lacks in the quality of bachelor courses in Computer Science & Information Technology. Majority of the bachelor courses in Business Science in Bahrain are effective.

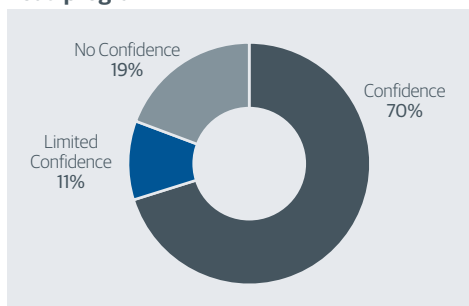
⁸ Effectiveness is measured on 4 indicators: The learning program, its efficiency, academic standards of the graduates and effectiveness of quality management and assurance





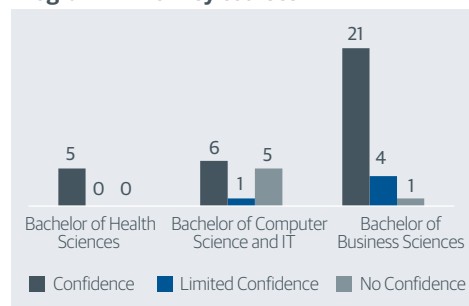
University courses - Judgement mix as of 2014-15

Total program mix



Source: QQA

Program mix for key courses



Factors affecting demand and supply for Higher education (incl. vocational education)

- Enrolments and number of private institutions could get an impetus from the government's focus to improve the quality of higher education with the HEC approving Bahrain's first National Strategy for Higher Education and Scientific Research. The strategy is designed to i) expand the engagement skills of students to match employers' needs ii) develop the quality of teaching iii) accreditation of higher education institutes iv) provide internships and work placement schemes.
- Growing skill gap between the graduates coming out from the education system and skills required by the industry is expected to drive demand for vocational institutes.

Growing skill gap between the industry and graduates is expected to drive demand for vocational institutes

Research is an area of higher education that is less developed

An area of higher education that remains less developed is research, due to i) most graduate degrees taught rather than research-based ii) low research and development (R&D) expenditure in the region.

The UoB spends ~BD 3mn p.a. on R&D, while universities like RCSI-MUB are offering scholarships for research

In the case of Bahrain, the spending level reflects the relatively recent founding of many universities, as well as the lack of a large funding pool. However, steps being made to build up this area are beginning to pay off. The Global Competitiveness Index for 2014-15 shows an improvement in the quality of research institutes and increase in company research budgets. The UoB offers doctoral programs and spends ~BD 3mn annually on R&D. The Royal College of Surgeons in Ireland - Medical University of Bahrain (RCSI-MUB) has started to offer scholarships for research into areas such as non-communicable diseases.

There are branches/campuses of private foreign universities in Bahrain such as the Royal College of Surgeons in Ireland - Medical University of Bahrain, which is part of Royal College of Surgeons in Ireland. Other examples include the Arab Open University (Pan-Arab) affiliated to the UK Open University, which opened a branch in Bahrain in 2003. The Royal University for Women in Bahrain is an international university offering programs designed in collaboration with the McGill University in Canada and Middlesex University in the UK.

GER in tertiary education is expected to increase from 36.9% in 2015 to 42.7% in 2020

Market size & estimates

The tertiary education market in Bahrain is estimated to grow to 48,100 enrolments by 2020 from 38,260 in 2015, implying a CAGR of 4.7% during 2015-2020, with the GER expected to improve to 42.7% in 2020 from 36.9% in 2015.

Supply and pipeline

In April 2015, the government approved the construction of a new UoB campus in Muharraq, which would be its fourth campus in Bahrain, after Sakhir, Isa Town and Salmaniya. The final allocation of funds for the new campus would be determined as part of the 2017 budget.

Top players in Tertiary education (Universities)

University	Type	Review Scale*	Annual Fee Structure Range (\$)
University of Bahrain	Government	Confidence	UG: 21/ch (locals), 42/ch (others)
PG: 371/ch (locals), 424/ch (others)			
Ahlia University	Private	Confidence	Bachelors: 41,022 (4-yrs), Masters: 15,264-24,518
Arab Open University	Private	Confidence	-
Royal College of Surgeons in Ireland - Medical University of Bahrain	Private	Confidence	-
Royal University for Women	Private	Confidence	424/ch-477/ch
University College of Bahrain	Private	Limited Confidence	
Applied Science University	Private	Limited Confidence	-
Gulf University	Private	Limited Confidence	100/ch
Kingdom University	Private	No Confidence	265/ch-345/ch
AMA International University	Private	No Confidence	136/ch, 232/ch
Arabian Gulf University	Regional	-	13,913 - 33,125
Bahrain Polytechnic	Government	Confidence	

Source: QQA; * Grading for the Business Administration program; ch: credit hour

2.2.3.4 Vocational Training and Professional Development

The 'Bahrainisation' drive by the government has translated into greater importance for vocational training. The initiatives taken by the government include:

- A monthly charge levied on employers of BD10 per expatriate worker, which goes to fund training for Bahrainis.
- Tamkeen, the government training fund, works with employers to place Bahrainis into in-house or on-the-job training schemes, leading to full-time employment. In 2014, Tamkeen spent over BD 14mn to support nearly 10,000 individuals, and provided BD 39mn to support businesses.

'Bahrainisation' is set to drive demand for vocational training





Tamkeen spent BD 14mn in 2014 to support 10,000 individuals & BD 39mn to support businesses

Management and administration institutes are most popular amongst vocational centers, accounting for 46% of the institutes

There are over 130 vocational training and professional development institutes in Bahrain offering courses in diverse areas geared towards providing employment in specific sectors. Tamkeen also provides:

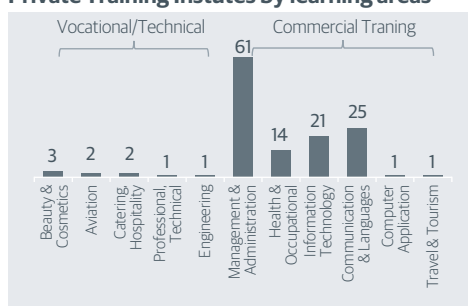
- Basic skills training for Bahrainis, who are not enrolled in formal education
- Professional certification and career progression program support
- SME support and funding

Student enrolments

Of the total 132 private training institutes in Bahrain, management and administration institutes are the most popular comprising 46% of the total, followed by information technology and communication & languages. While total enrolments at private institutes in 2014 are lower than levels seen two years ago, they had picked up over 2013 levels. Enrolments at management and administration, computer application and vocational and technical courses are higher in 2014 over the previous year. Demand for vocational training is picking up, with support from both the government and the private sector.

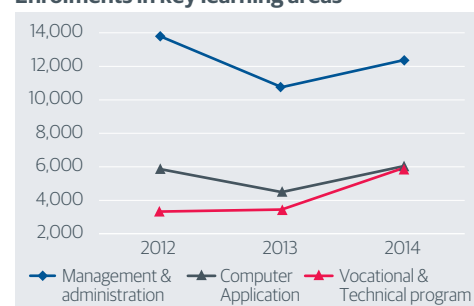
Private Training Institute statistics

Private Training Institutes by learning areas



Source: Ministry of Labour & Social Development

Enrolments in key learning areas



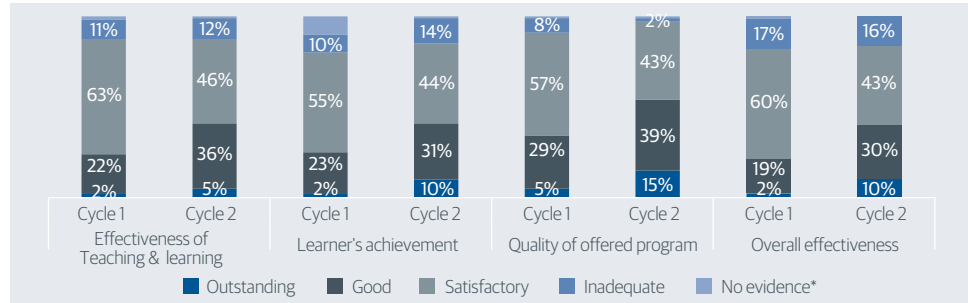
Source: Ministry of Labour & Social Development

Overall effectiveness of institutes improved across review cycles, with maximum improvement seen in the 'Quality of program' indicator

Quality/Effectiveness of vocational institutes

The Directorate of Vocational Reviews (DVR), part of the QQA, is responsible for evaluating and reporting on the quality of vocational education and training providers in Bahrain. The DVR completed its second cycle (Cycle 2) of reviews of 99 vocational and training institutes in Oct 2014 of which 67 were licensed by MoL, 30 by MoE and two were self-regulated. The overall effectiveness of the vocational institutes improved markedly during Cycle 2 compared to Cycle 1 (completed in Dec 2011). Maximum improvement was witnessed in the 'Quality of offered program' indicator. While 10% of the institutes were graded 'Outstanding' during Cycle 2 compared to 2% in Cycle 1, the number of institutes graded 'Good' increased from 19% to 30%.

Grades awarded to vocational institutes across Cycle 1 and 2



Source: QQA

Top players in Vocational Training and Professional Development market

Institutes	Review Scale	Course Contents
Emic Training	Outstanding	Leadership & management, business strategy, executive coaching
Horizons for Human Resource Development HRD	Good	Human resource management
Tylos Human Development (BD 240-780)	Good	English, Business writing, Finance & accounting, Certified Professional Secretary
Victory Training and Development Institute	Good	Six Sigma, English courses, Public speaking, Logistics management, Business management
RRC Middle East	Good	Occupational health & safety, Environmental management
Aptech Computer Education	Good	Computer education courses
Business Avenue Training Center	Good	Hospitality, Project Management, Professional Certification (Six Sigma, etc.)
Delmon Academy for Computer and Managerial Science	Good	Graphic Design, Microsoft applications, Business management, ICT training
Success Training Center	Satisfactory	Health and Safety, Purchasing and Supply, Business Administration

Source: QQA

2.2.3.5 Investment Opportunities

Apart from the various new public schools and universities that are coming up in the country, the pipeline of private schools hint at the investment opportunities in Bahrain's primary and secondary education market. The government's commitment to improve the quality of higher education and close the skill gap between graduates and industry, could open opportunities for more private and foreign universities (or their campuses) to come up in Bahrain.





2.2.3.6 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> A. Historical CAGR of 3-5% in enrolments, which is expected to continue across all education levels, supported by a rising expatriate population augurs well for future school demand B. Historical demand and supply gap which is expected to continue in future C. Strong ICT framework - Bahrain ranks highest in the GCC for both ICT and education as per World Bank D. Private sector universities working to attract students from Saudi Arabia and other GCC regions E. Improving quality of schools and universities as rated by QQA, aided by strong government support to improve quality and infrastructure F. Allowance of 100% FDI opens the doors for foreign schools 	<ul style="list-style-type: none"> A. Shortage of skilled teachers, with about half of the teachers at pre-primary level trained or qualified; Shortage of teachers at the higher education level could hurt current delivery and future enrolments B. Lack of a comprehensive framework including measurable KPI to assess the quality, resulting in unnecessary regulatory pressure affecting the growth of private sector C. Lack of tie-ups of education institutes with industry for opportunity/ employment for fresh graduates D. Lack of tie-ups with other educational institutions abroad
Opportunities	Threats
<ul style="list-style-type: none"> A. Government's efforts to make Bahrain a regional hub for private higher education with the National Higher Education Strategy, bodes well for higher education enrolments and opportunity for private operators to setup higher education institutes B. Digitalization of all content (incl. Arabic) frees up some time of teachers to focus on coaching, offering opportunity for improvement in quality of education C. As Bahrainis look to re-skill themselves for employment in the private sector (dominated by expats), demand for vocational and training courses could increase in the future 	<ul style="list-style-type: none"> A. Prolonged period of low oil prices may affect government spending towards education and scholarships provided by the government B. Rising salaries of teachers, increasing the cost of education could impact affordability for parents of private school students (costs not covered by the state), that could hurt school and tertiary enrolments C. Rising gap between supply and demand in schools could drive incremental demand abroad, resulting in potential loss of business for education providers

Source: GFH Analysis

Outlook

The education market in Bahrain is steadily marching ahead with a focus on improving the quality of education and the technology infrastructure across all levels of education, well supported by the government. Government spends towards education have delivered sustained growth over the past five years, even when oil prices declined in the past couple of years. While there is cushion to government revenue from impact in oil prices, government spends towards education are expected to sustain in future given the government's efforts to provide sustained funding to the sector and make Bahrain a higher education hub in the GCC. Enrolments continue to pick-up from the pre-primary to tertiary levels and are expected to do so over the next five years, with tertiary education among the fastest growing segments. International students have been rising in Bahrain due to better quality education relative to many regional peers. Initial signs of improvement in overall effectiveness of educational institutions are visible, which is expected to bode well for the sector as a whole.



The government plans to spend up to USD 116bn over 2015-2020, 11% higher than the previous 5-yr plan

Kuwait ranks 103 in quality of primary education and 88 in quality of higher education

2.3 Kuwait

Kuwait has a geographically small, but wealthy and relatively open economy with 6% of the world's crude oil reserves. Petroleum accounted for over half of GDP and 83% of government revenue in 2014, which declined to 37% of GDP and 77% of government revenue in 2015. While Kuwait continues to make investments to boost its oil output from the current 2.86mn⁹ barrels per day (bpd) to 4mn bpd by 2020¹⁰, efforts to bolster the private sector continue. The government's 5-yr plan aims to increase non-oil revenues, attract more investment, and increase the percentage of Kuwaitis in total population and boost private sector participation. The government increased its planned development expenditure in the current 5-yr plan to USD 116bn from 2015-2020, from USD 104bn in the previous 5-yr plan.

Kuwait ranks 48 (of 188 countries) in the Human Development Index (HDI) with a score of 0.816, which puts it in the 'Very high human development' category. However, the country is ranked 103¹¹ (of 140 countries) in terms of quality of primary education and 88 in terms of quality of higher education and training, which is amongst the least in the GCC.

2.3.1 Key Statistics

Macro parameter	2014	2015	2016E	2020E
Nominal GDP (USD bn)	172.0	120.7	106.2	154.4
Real GDP growth	0.0%	0.9%	2.4%	2.8%
GDP per capita on PPP (USD)	70,769	70,166	70,587	75,920
Population (mn)	3.99	4.11	4.23	4.72
Inflation (%)	2.9	3.4	3.4	3.6
Non-oil % of GDP	46.4%	62.7%	NA	NA
Non-oil exports (USD bn)	4.5	6.2	NA	NA
Govt. spend on education (USD bn)	8.9	9.0	NA	NA
Govt. spend on education (% of Govt. expenditure)	16.2%	15.0%	NA	NA

Source: IMF, Kuwait Central Statistics Bureau, OPEC; Note: PPP – Purchasing-Power-Parity

9 OPEC Annual statistics bulletin

10 According to Kuwait Oil Minister & Chairman of Kuwait Oil Co.

11 Global Competitiveness Report 2015/16 by WEF





2.3.2 PEST Analysis

PEST Factors	Remarks
Political	<ul style="list-style-type: none"> The political scenario in Kuwait is stable. Kuwait was ranked 148th among 189 countries in the ease of starting a business, which is better than only Oman among other GCC countries. It takes 12 different procedures and 31 days to start a business in Kuwait, as per Doing Business. A change in Law in 2013 and establishment of the Kuwait Direct Investment Promotion Authority (KDIPA) now enables foreign investment of 100% in education. This change is expected to boost investment and increase the number of foreign schools in Kuwait.
Economic	<ul style="list-style-type: none"> Consistent increase in government spending towards education at a 14% CAGR from 11% of government spending in 2011 to 15% in 2015, is a strong support for public education. However, with the current account expected to report a deficit of USD 27bn¹² in FY 2015-16 from a surplus in FY 2013-14, government spending towards education could be impacted in the coming years. Private sector participation has been rising in education, with 31 new private schools coming up over the past 4 years from 2011 to 2015.
Social	<ul style="list-style-type: none"> A rising expat population from 64.6% to 69.2% of total population in 2011-15, is driving demand for private and foreign schools. Kuwait has a young population, where more than 20% of the people are below 14 years of age. This demography is expected to increase demand for elementary education in future.
Technological	<ul style="list-style-type: none"> The Kuwait Ministry of Education and the National Center for Education Development (NCED) and the World Bank have launched a five-year technical cooperation agreement in 2015, focused on education reforms which will support capacity building, improve the quality of the teaching and learning, and monitor impact on schools and students. The Sabah Al Salem University City, called the Education City, which is consolidating all branches of the Kuwait University, is being master planned with world class educational facilities equipped with most advanced digital teaching and learning resources.

Source: GFH Analysis

2.3.3 Education market segmentation

Market structure:

The education system consists of pre-primary education catering to children in the 3-5 age group, followed by primary education spanning from grades 1 to 6, intermediate level (grades 7 to 9) and secondary education (grades 10 to 12). Higher education, which begins after grade 12, includes the tertiary segment comprising of universities and colleges as well as vocational education institutes providing employment oriented courses in specific sectors.

Regulatory framework:

All schools, including pre-schools are regulated by the Ministry of Education (MoE) of Kuwait. MoE provides free education at government schools to Kuwaiti children from the kindergarten to the secondary level. The fees of private schools are regulated by the MoE - while a 3% fee hike is permitted annually for private schools, any higher increase in fees requires the prior approval

The KDIPA permits 100% foreign investment in education, which is expected to increase number of foreign schools in Kuwait

Government spend on education grew at a CAGR of 14% from 11% of total public spending in 2011 to 15% in 2015

20% of Kuwait's population is below the age of 14

The Sabah Al Salem University City is being developed to be one of the largest campuses in the world

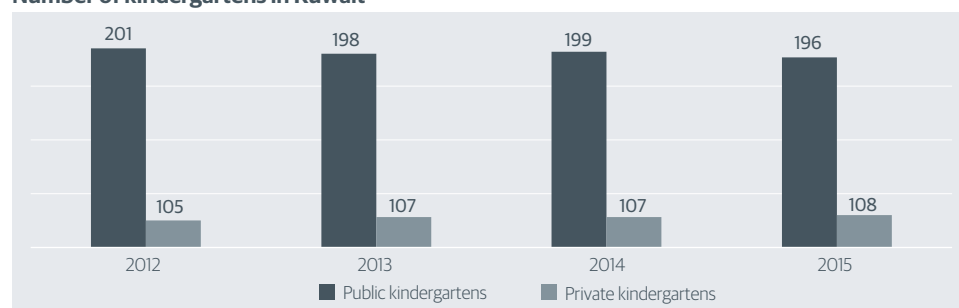
A 3% annual hike in fees is permitted for private schools; a higher increase requires Ministry approval

of the Ministry. All the universities (public and private) are regulated by the Ministry of Higher Education of Kuwait. Each private university needs to obtain a prior license from the Private Universities Council, a government institution chaired by the Ministry of Higher Education with a committee of 8 experts.

2.3.3.1 Pre-primary segment

There are a number of private and foreign schools which largely cater to expatriates, accounting for 69% of the total population of Kuwait. These schools are regulated by the Private Education Department of the MoE.

Number of kindergartens in Kuwait

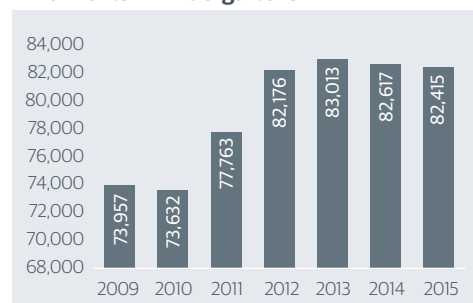


Source: Kuwait Central Statistics Bureau

Enrolments in pre-schools declined marginally during 2013-15 with GER dropping from 82% in 2010 to 66% in 2014

The pre-school/kindergarten system consists of two stages - KG1 and KG2 (lower and higher kindergarten) with an entry age between four to six years. Enrolments in pre-schools does not include those in informal playgroups which are popular among the expatriate community. Pre-schooling is not compulsory in Kuwait and hence some parents prefer home-schooling. Hence there has not been any increase in the number of children enrolled in pre-schools despite an increase in population. The number of enrolments have in fact been marginally declining during 2013-15, with the gross enrolment ratio (GER) declining from 82% in 2010 to 66.4% in 2014.

Enrolments in kindergartens



Gross enrolment ratio - Kindergartens (%)



Source: Kuwait Central Statistics Bureau, * Estimated assuming the total population of the pre-primary segment



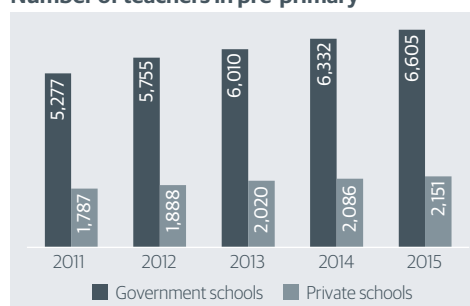


Private kindergarten schools have a fair share of non-Kuwaiti teachers while in public schools 97% of the teachers are Kuwaiti

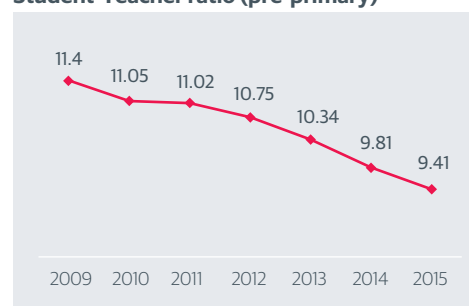
Teachers

In government kindergartens, around 97% of the teachers are Kuwaitis, while private kindergartens have a fair share of non-Kuwaiti teachers. At the pre-primary level, nearly all (99.8%) the teachers are females, with all female teachers in government kindergartens.

Number of teachers in pre-primary



Student-Teacher ratio (pre-primary)



Source: Kuwait Central Statistics Bureau

Student-teacher ratio declined during 2009-15 from 11.4 to 9.4, the lowest in GCC

While the number of enrolled students is declining, the number of teachers employed is steadily increasing. A rising expatriate teacher population with introduction of incentives for foreign teachers by the government few years ago, has resulted in a drop in the student-teacher ratio from 11.4 in 2009 to 9.4 in 2015, the lowest in GCC. Kuwait faces no shortage for pre-primary teachers.

Pre-primary enrolments are estimated to grow at a CAGR of 1.8% from 2015-20 with GER estimated to decline from 66.4% in 2014 to 62.3% in 2020

Market size & estimates

The pre-primary education segment is estimated to grow from 82,415 in 2015 to 92,226 enrolments in 2020, at a CAGR of 1.8%, which is slower than the 2.3% CAGR witnessed during 2010-15 as the declining trend in GER is expected to continue due to the preference of home schooling. GER is estimated to decline from 66.4% in 2014 to 62.3% in 2020.

Supply and pipeline

As part of the first phase of Kuwait's Schools Development Program, the Ministry of Education is pursuing the development of 9 public schools, which includes 5 kindergartens as follows:

Schools	Location	Number of Students	Year of Completion (approximate)
Osama Bin Zaid	Hawali	300	2019
Al Shuhada KG	Hawali	300	2019
Sabah al Salam KG	Mubarak Al Kabeer	300	2019
Al Amal KG	Al Ahmadi	300	2019
Al Ahmadi KG	Al Ahmadi	300	2019

Source: Partnerships Technical Bureau, Kuwait.

Gap between demand and supply at the pre-primary level is estimated to grow from 2% of demand in 2016 to 7% of demand in 2020

The supply at pre-primary schools is estimated to remain flattish from 2015-20 growing at a meagre 0.3% CAGR to 83,500 seats in 2020, with new schools expected only in 2019. The gap between demand and supply is therefore estimated to grow rapidly from 19,551 in 2016 (2% of demand) to 59,634 in 2020 (7% of demand).

Key players in Pre-school market

Schools	Curriculum	Fee Structure p.a. (\$)
American International School	American	8,270 - 8,960
Kuwait English School	British	5,730 - 8,950
English Playgroup	British	5,210 - 5,910
Oxford Academy	English	3,750 - 3,890
Indian Private School	Indian	1,630

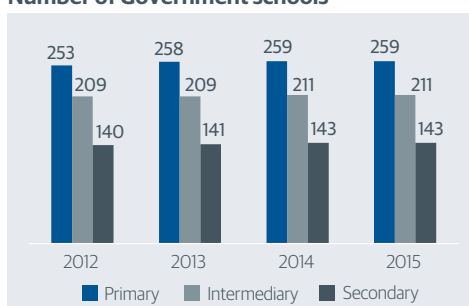
Source: Individual school websites

Kuwait has nearly twice as many public schools as private ones offering primary education

2.3.3.2 Primary and Secondary segment

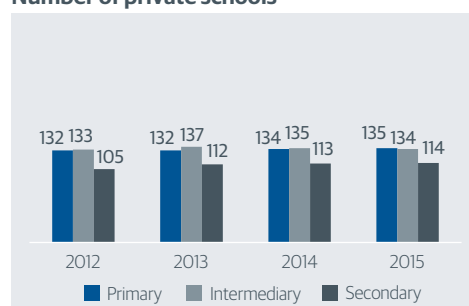
The MoE offers free education to Kuwaiti children in public schools. Kuwait has nearly twice the number of government schools (259) as compared to private schools (135) in 2014, providing primary education, with both government and private schools maintaining a flat to marginally increasing trend over the past 3 years.

Number of Government schools



Source: Kuwait Central Statistics Bureau

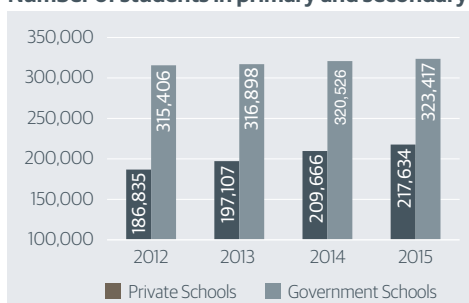
Number of private schools



Private enrolments grew at a CAGR of 5.3% from 2010-15, while public enrolments grew at a meagre 0.8% CAGR

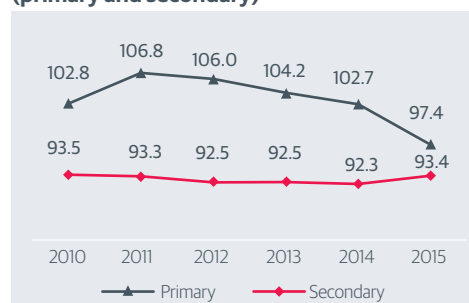
With primary and secondary education (between the ages of 6-14) being compulsory, Kuwait has a high enrolment ratio in schools. Increase in expatriate population, higher disposable income and the desire for international curriculum offering quality education is driving demand for private schools, where enrolments continue to grow at a much faster pace than public schools. Private enrolments grew at a CAGR of 5.3% from 2010-15, compared to a meagre 0.8% CAGR during this period for government schools. While enrolments in public schools have grown during 2010-15 at the primary education level, they have dropped at the secondary level.

Number of students in primary and secondary



Source: Kuwait Central Statistics Bureau

Gross enrolment ratio (%) (primary and secondary)





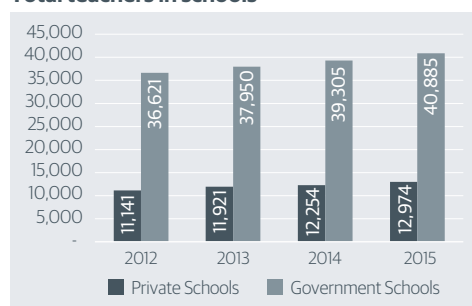
At the primary level, only 77-80% of teachers are trained or qualified in Kuwait

Teachers

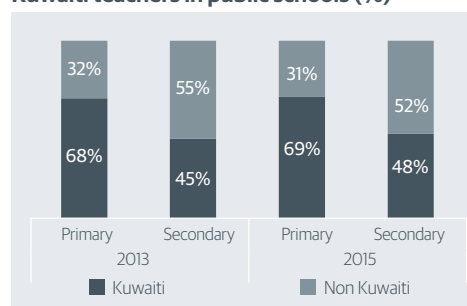
The ratio of Kuwaiti teachers in public schools is much lower in the primary and secondary education levels as compared to the pre-primary sector. With many private schools (including foreign schools) offering international curricula, teachers are sourced from the country whose curriculum they follow. Rising salaries of teachers (especially foreign expatriate teachers) is a concern facing private schools in Kuwait.

At the primary education level, 79.5% of teachers are trained and 77.4% of teachers are qualified, which is lower than what it is in most other GCC countries. A lot of government schools also have many non-Kuwaiti teachers, mainly due to the high number of expatriate teachers who have arrived in Kuwait. The ratio of female teachers is much more than male teachers at the primary level, with females constituting 78% of the primary teachers in private schools. However at the secondary level, male teachers constitute a higher proportion at 52%.

Total teachers in schools



Kuwaiti teachers in public schools (%)



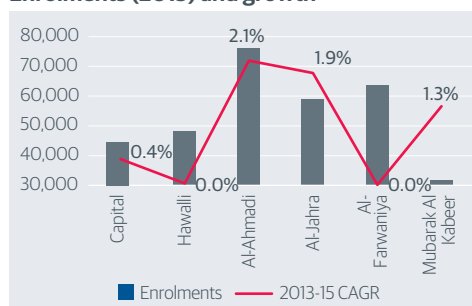
Source: Kuwait Central Statistics Bureau

Kuwait does not face a shortage of teachers – the student-teacher ratio of 8.8 at primary level is the lowest in GCC

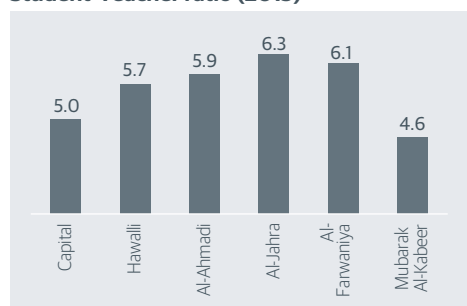
Unlike many of the other GCC nations, Kuwait does not face a shortage of teachers. The student-teacher ratio in primary schools of Kuwait is the lowest among all GCC countries and has remained stable in the range of 8.6-8.8. This has been driven by a large expatriate teacher population which burgeoned few years ago, when Kuwait incentivized expat teachers to move into the country to improve education standards. However, there is an oversupply in the market, with the MoE planning to reduce the number of expat teachers in Kuwait by around 25% during 2016.

Primary and secondary education parameters by governorates in Public schools

Enrolments (2015) and growth



Student-Teacher ratio (2015)



Source: Kuwait Central Statistics Bureau

¹³ GER at a particular education level is calculated by dividing the number of students enrolled for that level by the official school-age population of that age group

Al Ahmadi is the fastest growing governorate in Kuwait with CAGR of 2.1% from 2013-15 in terms of enrolments in public schools

Al-Ahmadi is the largest governorate in Kuwait in terms of student enrolments at the primary and secondary education level in public schools, with the strongest demand. Enrolment growth over 2013-15 has been the fastest in the Al-Ahmadi governorate growing at a CAGR of 2.1%.

Factors affecting demand and supply

- The population of Kuwait has grown at a CAGR of 2.8% over the past five years and is expected to grow at a similar pace in the next five years, which is expected to create additional demand for educational infrastructure in the country.
- High GDP per capita (based on PPP) of over USD 70,000 and state subsidy for citizens represents considerable potential to spend on quality education in Kuwait.
- Establishment of KDIPA and allowance of foreign Investment of 100% in the education sector is expected to encourage private and foreign players to invest more. The KDIPA received investment applications across various sectors worth KWD 585mn in its first year. This is expected to give a boost to the number of schools in Kuwait.
- Development of 9 educational institutions by the Partnership Technical Bureau highlight the government's efforts to increase participation of the private sector via PPP (Public Private Partnership) under the Kuwaiti School Development Program. This has encouraged many private companies such as Alargan International Real Estate Company, Consolidated Contractors Group S.A.L. and United Real Estate Company S.A.K.P. to enter the education sector.
- Availability of land is a factor affecting the supply of new schools. With most of the land in Kuwait owned by the government or public bodies, supply is scarce and could be expensive when available, increasing costs for schools and longer investment horizons for investors.

Availability of land is an issue in Kuwait, affecting the supply of new schools

Enrolments in primary and secondary education are estimated to grow at CAGR of 4.4% and 3% respectively from 2015-20

Market size & estimates

The primary education segment is estimated to grow at a CAGR of 4.4% from 2015-20 to 319,460 enrolments in 2020 from 257,559 in 2015, while the secondary segment is estimated to grow at a CAGR of 3% from 2015-20 to 326,187 enrolments in 2020 from 281,933 in 2015. GER in primary education is expected to improve from 97.4% in 2015 to 102.3%¹⁴ in 2020, while GER in secondary education is expected to improve from 93.4% in 2015 to 98.2% in 2020.

The growth in total primary and secondary enrolments are driven by faster growth in private enrolments than public enrolments. This could necessitate the need for new private schools to come up within a very short time. Delays in new private schools coming online could result in migration of the incremental demand abroad.

¹⁴ GER can exceed 100% at any level due to addition of students repeating a particular grade for different reasons





Supply and pipeline

- Under the Kuwait's Schools Development Program, the following 4 schools are being developed:

Schools	Location	Number of Students	Year of Completion (approximate)
Al Shuhada Elementary	Hawali	750	2019
Zainab	Al Da'eya	600	2019
Sayid Omar Elementary	Khaldiya	750	2019
Hawali Elementary	Salmiya	750	2019

Source: Partnership Technical Bureau

- Government has issued tenders for building three special needs schools at Hawali, Fintas and Jahra. These schools are expected to cater to 9,000 students and construction is expected to begin at the end of 2016.

The supply at primary and secondary schools is expected to be flattish over 2015-20 from 539,492 seats in 2016 to 543,755 in 2020, with new schools expected only in 2019. Consequently the gap between demand and supply is estimated to grow from 22,427 seats in 2015 (4% of demand) to 101,900 in 2020 (16% of demand).

Schools	Curriculum	Fee Structure p.a. (\$)
New English School	British	8,358 - 13,803
Al Bayan Bilingual School	Canadian	12,750 - 14,060
American International School	American	12,060 - 14,140
Canadian Bilingual School	Canadian	8,520 - 11,590
Gulf English School	British	7,760 - 12,080
Indian Model School	Indian	1,840 - 2,980

Note: Fees from individual school websites

2.3.3.3 Tertiary segment

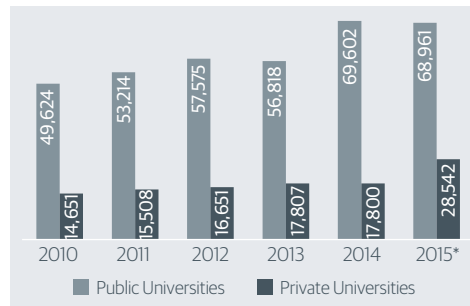
The tertiary segment includes all the universities and colleges offering graduation courses in Kuwait. Currently Kuwait has 20 licensed private universities and colleges and one public university (Kuwait University to cater to the demand for tertiary education in Kuwait). Kuwait University is the largest university in Kuwait, spread across 6 campuses and comprises of 17 colleges offering 76 under-graduate and 71 graduate programs.

Kuwait's Schools Development Program plans 4 new public schools by 2019, while 3 special needs schools are in the pipeline

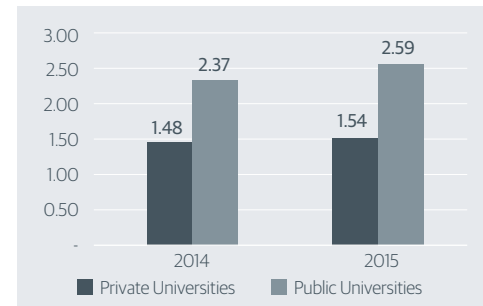
Gap between demand and supply at the primary & secondary level is estimated to grow from 2% of demand in 2016 to 7% of demand in 2020

Tertiary enrolments in Kuwait

Total number of enrolled students



Female to male student ratio



Source: Kuwait Central Statistics Bureau

University enrolments grew at CAGR of 8% from 2010-14, with GER increasing from 26.4% to 32.7%

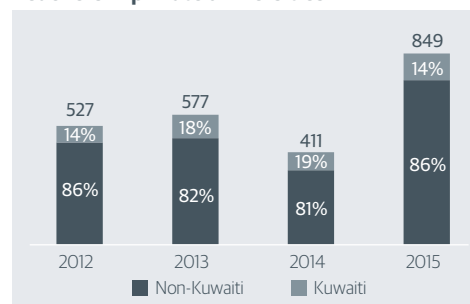
The Ministry of Higher Education provides Kuwaitis ~4,500 scholarships p.a. to study abroad to acquire skills required by sectors where Kuwait faces a labor shortage

Demand for private universities is healthy with the number of enrolments in private universities growing at a 5-yr CAGR of 11.8%, delivering a strong 43.5% growth in 2015. However, enrolments in Kuwait University decreased by 2% in 2015. Total university enrolments grew at a 8% CAGR from 2010-14, with the GER increasing from 26.4% in 2010 to 32.7% in 2014. This has been driven by the government's focus on creating a world-class higher education system by promoting the setup of private universities in collaboration with foreign players, such as Box Hill Institute, Australia and Canada's Algonquin College, who have setup branches in Kuwait. Although GER has been rising, it is low compared to the global average, due to lack of a comprehensive scientific and technical course curriculum. However, the government plans to overcome the issue by building the Jaber University for Applied Sciences to focus on scientific and technological research, and constructing a new Kuwait University campus at a cost of USD 5.8bn in Sabah Al-Salem University City (expected by 2020). The Ministry of Higher Education also provides nearly 4,500 scholarships annually to Kuwaitis to study abroad in order to help them acquire skills required by the sectors in which Kuwait is currently facing a workforce shortage.

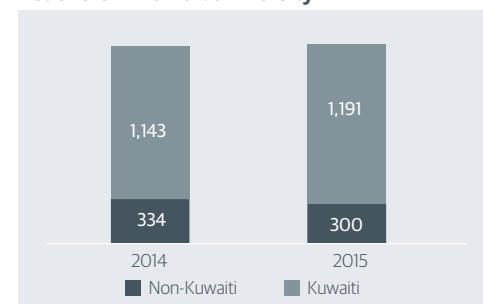
Teachers

The ratio of non-Kuwaiti teachers to Kuwaiti teachers is very high in private universities, whereas in public universities Kuwaiti teachers outnumber non-Kuwaiti teachers. In public universities, 77% of the total 3,874 teachers in 2015 were Kuwaitis, reflecting the focus of the government to hire more local teachers. The ratio of male to female teachers is high across public and private universities with males teachers accounting for 73% of total teachers in Kuwait University and 62% of total in private universities.

Teachers in private universities



Teachers in Kuwait university



Source: Kuwait Central Statistics Bureau





Private universities in Kuwait are operating at full capacity

Kuwaiti students going abroad for tertiary education grew at a 15% CAGR from 2009-13

Enrolments in tertiary education are estimated to grow at a 4.8% CAGR from 2015-20

Shapoorji Pallonji & Co. was awarded a \$ 525mn contract in 2015 to build colleges for Kuwait University in the Sabah Al Salem University City

Factors affecting demand and supply

- Private universities in Kuwait are operating at full capacity¹⁵ indicating that there is great potential for additional private universities to start operations in Kuwait¹⁶, given that student enrolments in private universities have been increasing at a fair clip from 2013-15.
- The trend of Kuwaiti students going abroad for tertiary education (9,569 in 2009 to 16,799¹⁷ in 2013) and increasing number of non-Kuwaiti student enrolments in private universities in Kuwait (18,399 in 2014 to 19,140 in 2015¹⁸) is a factor that could drive demand for more foreign universities or their branches to come up in Kuwait, such as the branch of Canadian Algonquin College in Kuwait.

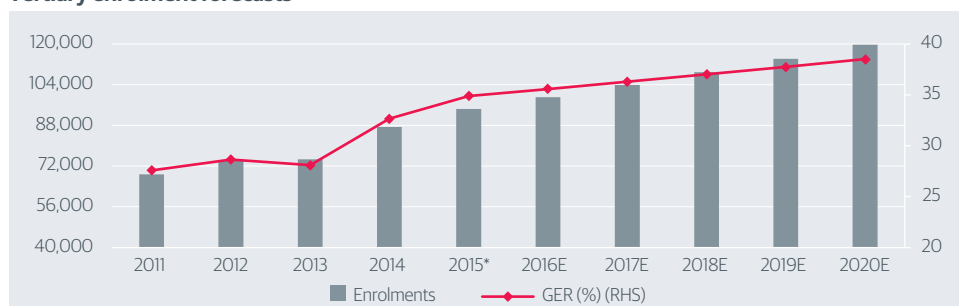
Quality regulator:

The National Bureau for Academic Accreditation Education and Quality Assurance (NBAQ) is a newly setup centralized body to oversee the quality standards in higher education and help institutions in developing a quality control mechanism. The body is mandated to conduct periodic studies for monitoring quality levels in public and private institutions in order to apply international standards for accrediting institutions.

Market size & estimates

Demand in the tertiary segment is estimated to grow from 94,503 enrolments in 2015 to 119,723 in 2020 at a CAGR of 4.8%, with GER expected to improve from 32.7% in 2014 to 38.5% in 2020.

Tertiary enrolment forecasts



Source: Kuwait Central Statistics Bureau, Axience; * Population of the official age group for 2015 is estimated

Supply pipeline

- Kuwait University, college for Women is being constructed in the University City. This is expected to cater to 3,000 undergraduates and 300 graduates by 2025.
- Algonquin College – Kuwait, Kuwait's first Canadian college located in Jahra, finished construction in September 2015 and has started operations in academic year 2015-16.

Apart from the above, the Sabah Al Salem University city is being built, that is expected to consolidate all colleges of Kuwait University at dispersed locations, into a single campus and is expected to be completed by 2025. Mumbai (India) based Shapoorji Pallonji & Co. was awarded a USD 525mn contract at the start of 2015 to build colleges of social science, law and Islamic studies for Kuwait University in the Sabah Al Salem University City.

15 As per the Private Universities Council
 16 Source: Kuwait Times
 17 Source: UNESCO
 18 Source: Kuwait Central Statistics Bureau

Key players in Tertiary education market

Schools	Courses	Fee per credit hour (\$)
Kuwait University	Engineering, Computer Science, Law, Business Administration, Medicine, Pharmacy	NA
Kuwait International Law College	Law	510
Australian College of Kuwait	Engineering	1,986
American College of Middle East	Engineering Diploma	629

Source: Various college websites and Wikipedia

2.3.3.4 Vocational Training and Professional Development

The high unemployment ratio among Kuwaitis at about 4.7%¹⁹ and the influx of inexpensive expatriate labor has forced Kuwaitis to take up additional vocational courses to compete in the job market. Kuwaitis are the major consumers for vocational courses, accounting for 95% of those enrolled in public training institutes.

All vocational training institutes are governed by the Ministry of Higher Education (MoHE). The institutes offering vocational and professional development courses are as follows:

- State-funded adult education and vocational training is provided by the Public Authority for Applied Education and Training (PAAET), which is also the central authority responsible for implementing the government's vocational education policies. PAAET has several full-time colleges as well as field and industrial training centers, where students may learn technical and professional subjects including teaching, commercial studies, nursing, and mechanical and electrical courses. Some courses are also open to expatriates.

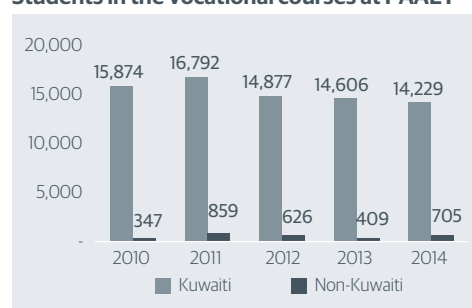
Total enrolments at PAAET, dominated by Kuwaitis, have been declining over the past few years. Vocational courses are more popular among males which can also be seen in the declining female-to-male ratio at PAAET from 47% in 2010 to 36% in 2014.

A high unemployment ratio of 4.7% among Kuwaitis

Kuwaitis comprise 95% of enrolments in public training institutes

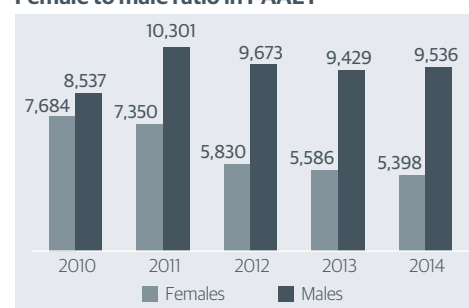
Enrolments at PAAET have declined at a CAGR of 2% from 2010 to 2014

Students in the vocational courses at PAAET



Source: Kuwait Central Statistics Bureau

Female to male ratio in PAAET



- Kuwait University's Centre for Community Service and Continuing Education (CCSCE) offers non-degree courses for students over 16 years in various subjects such as languages (including Arabic as a foreign language), arts, administration, education, engineering, computers, law, secretarial studies, etc., which are open to expatriates as well.

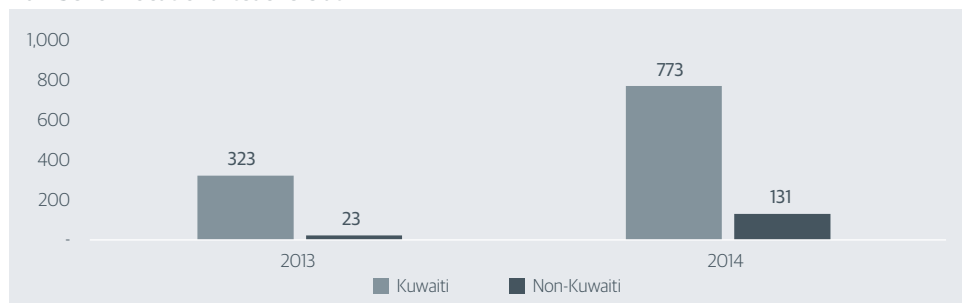




- There are also various private institutes offering courses in Information Technology for Cisco and Microsoft professional certificates, graphics, project management, finance (CPA and CMA) and English language.

Majority of the teachers at PAAET are Kuwaitis. The overall number of teachers has also seen a sharp jump in 2014 as compared to 2013 due to the increase in number of courses offered.

Number of vocational teachers at PAAET



Source: Kuwait Central Statistics Bureau

Demand for vocational education is expected to be driven by the 15-29 age group, which constitute 25% of Kuwait's population

Factors affecting demand and supply

- A young demographic profile, where 25% of the country's population is between the ages of 15-29 years, is the major target for vocational education and is expected to drive further demand.
- With the unemployment rate of 2.1% among people above 25 years of age in 2014, expected to rise to 2.3% by 2020²⁰, there is a likely potential for the population to enroll in vocational programs and re-skill or upgrade their skill levels.
- Training requirements of the corporate sector and students who are unable to pursue university education are factors driving demand for vocational training.

Industrial training and secretarial/office work were the top vocations of graduates from PAAET institutes, accounting for 29% and 16% of total graduates respectively

Graduate supply

The graduates churned out by Kuwait University, grew at a CAGR of 8.6% over 2013-15 to 2,670 in 2015, with law, education and engineering and petroleum being the top 3 specializations. The graduates passing out from vocational institutes associated with PAAET grew by 14% in 2014 to 2,203, of which industrial training and secretarial/office work were the top vocations accounting for 29% and 16% of total graduates from PAAET institutes respectively. Total graduates from government institutions grew by 7% in 2014 to 6,235.

²⁰ Source: International Labour Organization statistics

Key players in Vocational Training and Professional Development

Schools	Course Contents
Kuwait Institute for Scientific Research	Science and Engineering
College of Nursing (PAAET)	Nursing
Training Institute for Tourism and Beauty (PAAET)	Tourism
United Arab Institute for Private Training	Various
The Higher Institute of Energy (PAAET)	Energy

Source: Institute websites

The Kuwait Education Fund with an AUM of KWD 17.2mn launched by KAMCO and National Offset Co. offers opportunity to invest in public and private schools and universities

2.3.3.5 Investment Opportunities

- KAMCO Investment Company launched the Kuwait Education Fund having assets under management (AUM) of KWD 17.2mn as of 30th Jun 16, in association with the National Offset Company (NOC) to invest in establishment of schools and universities in both private and public sectors. Units of this fund are available for purchase by investors.
- Educational Holding Group (Kuwait) received KWD 10mn (USD 34.5mn) after divesting its full stake in Saudi Arabian - Advanced Educational Company.

Major M&A Deals in the Kuwaiti Education Sector:

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2015	Boubyan Petrochemicals Co.	NAFAIS Holding Co	Kuwait	25.5	14%
2014	KGL Logistics KPSC	Kuwait Motoring Company K.S.C.C	Kuwait	31.9	98%
2014	Kuwait Finance House	NAFAIS Holding Co	Kuwait	23.8	19%
2013	Al Razzi Holding Company	Sama Educational Company K.S.C.C	Kuwait	NA	33%

Source: Bloomberg

Investments in Kuwait's education sector in the past 4-5 years have largely been in the K-12 space

The deals executed in Kuwait's education sector over the past 4-5 years have largely been in the K-12 space involving partial acquisitions in companies (NAFAIS and Sama) running schools. With enrolments expected to rise during 2015-2020 with an improving GER across education levels (especially from primary to tertiary levels), well run schools offering education from primary/pre-school to the secondary level, offer opportunities for investment. Professional training providers offering specialized courses (motor driving, etc.) that boost employment prospects, are also expected to remain on the watch list of investors.





2.3.3.6 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> A. Allowance of 100% FDI opens the doors for foreign schools providing better quality education B. Government support not only in terms of rising education spends but also initiatives to improve quality of tertiary education C. Rising expatriate population (3-yr CAGR of 10.5%) augurs well future school demand 	<ul style="list-style-type: none"> A. Lack of quality education driven by lack of a quality monitoring body* and dearth of quality teachers (only 75-80% of teachers are trained or qualified) B. Regulation of school fees may impact profitability of private schools, with rising cost of providing education. This could discourage investments in the education sector
Opportunities	Threats
<ul style="list-style-type: none"> A. Establishment of the Partnerships Technical Bureau by the government to develop PPP projects in the education sector, is expected to provide quality infrastructure in upcoming schools B. As Kuwaitis look to re-skill themselves for employment in private sector (dominated by expats), demand for vocational and training courses could increase in the future 	<ul style="list-style-type: none"> A. Increasing gap between demand and supply in schools could drive incremental demand out of the country B. The widespread economic impact of fall in global oil prices may affect government spending towards education and scholarships provided by the government C. Rising salaries of teachers, increasing the cost of education could impact affordability for parents of private school students (costs not covered by the state), that could hurt tertiary and vocational enrolments

* The NBAQ was setup only recently

Source: GFH Analysis

Outlook

Government revenue and fiscal position could still be hit if oil prices remain at low levels, despite measures such as subsidy cuts and introduction of new taxes. However, government spend towards education continues to increase, growing at a 18% CAGR over the past five years and even faster in the past couple of years at 20% CAGR, underscoring the government's commitment to build a sound education system. With 12% increase in development expenditure as per the 2015-20 5-yr plan over the previous plan, education spends are expected to at least sustain in the future.

The pre-primary segment is expected to grow at a sluggish pace in terms of enrolments, with primary education expected to grow the fastest of all the segments. While quality of education in Kuwait lags behind most of its peers with shortage of qualified teachers, the setup of a new regulatory body to oversee quality assurance in higher education, highlights the government's focus on improving the quality of education.



Government revenue expected to grow at a CAGR of 5% from 2015-20 to USD 29.4bn in 2020, aided by increase in non-oil revenues

Oman's budgeted government spend on education at 13.8% of total government expenditure, is at par with that of developed nations

2.4 Oman

Oman is largely dependent on its oil resources, which contributes 84% to government revenue and 29% to GDP. The low global oil price environment has hence driven Oman's budget position from a surplus of USD 1.4bn in 2012 to a deficit of USD 6.5bn, (~11% of GDP) in 2015. To diversify its economy, Oman is working with an objective of reducing the oil sector's contribution to GDP to 9% by 2020 as per the Vision 2020.

On the back of the low oil price environment, government revenues have declined by 35% in 2015 to USD 23.58bn and is expected to further decrease to USD 22.4bn in 2016. However the five year plan of 2016-2020 forecasts government revenue to increase at a CAGR of 5% to reach USD 29.4bn in 2020. This is expected to be achieved by increase in real estate transfer fees, municipality fees on rents, as well as an increase in electricity and water tariffs for commercial usage. In line with this trend, government expenditure has also declined, by 9% in 2015 and is forecast as part of the five year plan to grow at a comparatively lower CAGR of 1% through 2020. The key aspect of controlling government expenditure levels can be witnessed in the 64% budgeted cut in various subsidies to USD 1.04bn for 2016.

Government expenditure on education had risen at a brisk pace during 2010-14 (17% CAGR) but marginally declined by 1% YoY in 2015 at USD 5bn. While the budgeted education spend of USD 4.3bn for 2016 (13.8% of total government expenditure) is 15% lower than the 2015 actual spend, the government remains committed towards education. Oman's budgeted government expenditure on education as a proportion of total expenditure for 2016 is at par with developed economies such as US (15.5%), UK (11%), and higher than many GCC countries such as Bahrain (9.3%). However, enrolments in Oman's education system (pre-primary to tertiary) have grown at a CAGR of 3.9% from 2012-15 impacted by sluggish growth in public schools, while the country's population grew at a CAGR of 4.7% driven by a 9% CAGR in expatriate population.





Oman ranks 106 in quality of higher education and 88 in quality of primary education

Overall, Oman is ranked 52nd among 188 countries in the HDI and is categorized in the High human development category. The country is ranked 88²¹ (of 140 countries) in terms of quality of primary education and 106 in terms of quality of higher education and training, which is the lowest in the GCC, indicating that there exists ample scope for improvement.

2.4.1 Key Statistics

Macro parameter	2014	2015	2016E	2020E
Nominal GDP (USD bn)	77.7	58.5	51.7	65.9
Real GDP growth	2.9%	4.1%	1.8%	1.5%
GDP per capita on PPP (\$)	43,847	44,628	44,530	44,820
Population (mn)	3.99	4.16	4.29	4.85
Inflation (%)	3.3	1.7	2.4	2.4
Non-oil % of GDP	60%	71%	NA	91% [^]
Non-oil exports (USD bn)	10.7	7.8	NA	NA
Govt. spend towards education (USD bn)	5.10	5.03	4.3*	NA
Govt. education spend (% of Govt. expenditure)	13.4%	14.4%	13.8%*	NA

Source: IMF; * Budgeted; [^] Oman government's Vision 2020

2.4.2 PEST Analysis

PEST Factors	Remarks
Political	<ul style="list-style-type: none"> The political situation is stable. The 2016 budget has proposed increasing the corporate tax rate from 12% to 15% as well as abolition of exemption on the first OMR 30,000 of earnings. However, an establishment or Omani company in the business of providing any education will be exempt from corporate tax for a period of 5 years from the date of commencement of business. Government has initiated action to amend a law to permit 100% foreign investment in education Globally, Oman stands at 149 in the ranking of 189 economies on the ease of starting a business which requires on average 5 procedures and takes 7 days.
Economic	<ul style="list-style-type: none"> Budget deficit is expected to increase from USD 6.5bn in 2015 to USD 8.6bn in 2016 due to lower oil, while the government is focused on improving its non-oil revenues and reducing government expenditure through austerity measures. Government spends towards education has grown at a 12% CAGR from 2012-15 from 10.6% of government expenditure to 14.4%. Private sector participation in education has been rising steadily, with 86 new private schools coming up during 2012-15. Despite cost of education in Oman increasing by 10% annually since 2010, enrolments in private schools grew at a CAGR of over 9%.
Social	<ul style="list-style-type: none"> A rapidly rising expatriate population (44% of total population) is driving demand for international schools offering a global curriculum. With over 22% of population up to the age of 14, demand for elementary education is expected to increase in future.
Technological	<ul style="list-style-type: none"> Government plans to setup a new university in a science and technology city having R&D facilities, aimed at attracting investments in technology and R&D. Cloud Smart Learning (CSL), a private portal was launched in 2016 to provide vocational certifications and diplomas through an e-platform.

Source: GFH Analysis

An Omani company providing education will be exempt from corporate tax for the first 5 years

Government spend towards education grew at a CAGR of 12% from 10.6% of govt. expenditure in 2012 to 14.4% in 2015

22% of Oman's population is up to the age of 14, auguring well for elementary education demand

²¹ Global Competitiveness Report 2015/16 - WEF

Education at all school levels is governed by the Ministry of Education.

2.4.3 Education market segmentation

Market structure

Oman has recently shifted to the 'Basic Education' system (K-12) from the earlier general education system which was only up to Grade 10. Pre-primary education, which is not compulsory in Oman, includes kindergartens for children below the age of 6. The government has made basic education compulsory in 2014, which has spurred enrolments in primary schools and is expected to continue. Primary school caters to grades 1-6 under the new basic education system, followed by intermediate school from grades 7-9, and secondary from grades 10-12.

Regulatory structure

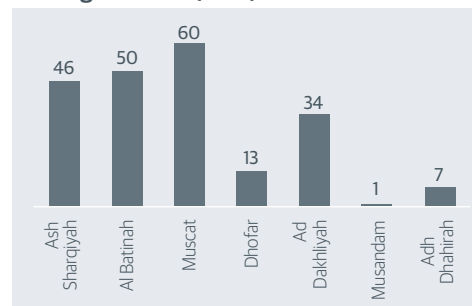
The Ministry of Education (MoE) is the regulatory authority for pre-primary, primary and secondary education, while tertiary education is supervised by the Ministry of Higher Education (MoHE). The Ministry of Manpower regulates technical and vocational training in Oman through the Directorate-General and the Technological, Vocational Education and Training (TVET).

2.4.3.1 Pre-primary segment

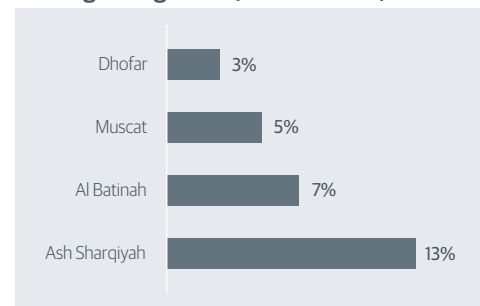
The kindergarten school segment in Oman is dominated by private players due to the absence of reputed public kindergartens. There are a total of 211 private and a handful of public kindergartens across Oman. The handful of pre-primary public schools in Oman include government schools such as Royal Guards, Royal Air Force and Royal Oman Police and public community centers. The rise in pre-school enrolments seen over the past couple of years in public and private institutes has spurred the MoE to develop a new kindergarten curriculum, in order to develop students holistically. This is expected to improve the quality of education and the perception of education in the minds of parents. The number of private schools in the pre-primary segment grew at a 5.4% CAGR from 2012-15. Muscat accounts for the largest share (28%) of private kindergarten schools in Oman, where number of schools have grown at a CAGR of 5% during 2012-15. The growth of new schools coming up is the fastest in the governorate of Al Sharqiyah.

Private kindergartens - Governorate wise

Kindergarten mix (2015)



Kindergarten growth (2012-15 CAGR)



Source: Oman National Centre for Statistics and Information





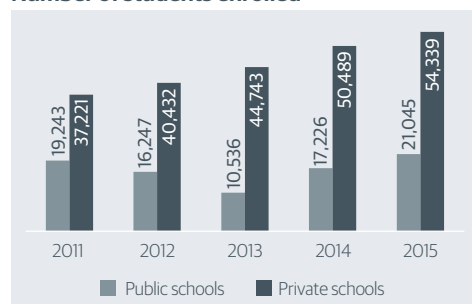
GER in pre-primary education increased from 50.1% in 2013 to 55.5% in 2015

Fees in Oman have risen by 10% annually since 2010

The number of students enrolled across all kindergartens in Oman is gradually increasing, with the rising population. The GER for pre-primary education has increased from 50.1% in 2013 to 55.5% in 2015, although the pre-primary GER in Oman is the second lowest among all GCC countries, only above Saudi Arabia. Enrolments at the pre-primary level grew at a CAGR of 7.5% from 2011-15, with growth in private enrolments (CAGR of 9.9%) far greater than public enrolments (CAGR of 2.3%). This has been on account of very few public schools catering to pre-primary education in Oman and the popularity of pre-primary education, especially among non-Omanis. Enrolment trends have been healthy despite high fees of private kindergartens. The annual tuition fees for pre-primary schools range between OMR 440-8000 p.a. with foreign Asian schools at the lower end and foreign schools (American, British) at the higher band of the range. Fees in Oman's private schools have risen at 10% annually since 2010.

Pre-primary metrics

Number of students enrolled



Gross enrolment ratio - (%)



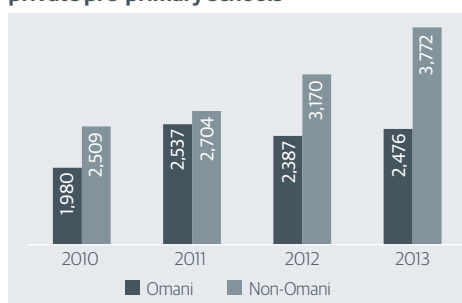
Source: UIS and Oman National Centre for Statistics and Information

Non-Omani teachers account for 60% of the total teachers in private kindergartens

Teachers:

There has been a steady increase in the number of teachers in private kindergartens which has kept pace with the rise in enrolments and an increase in the number of pre-primary schools. The student-teacher ratio has remained fairly stable since 2011. Non-Omani teachers make up 60% of the total teachers in private kindergartens in Oman. Similar to other GCC nations, Oman too has high proportion of female teachers (84% in 2013) in the pre-primary segment.

Number of teachers in private pre-primary schools



Student-Teacher ratio - Private (Pre-primary)



Source: GCC Stats

Pre-primary enrolments are expected to grow at a CAGR of 4.7% from 2015-2020

Gap between demand and supply at pre-primary level is estimated to grow from 1.6% of demand in 2016 to 2.1% in 2020

Compulsory education has increased the GER at the primary and secondary levels to over 106% and ~100% respectively

Market size & estimates

The pre-primary education segment grew at a CAGR of over 7% during 2010-15 with 31 new private schools added during this period. Enrolments are estimated to grow at a CAGR of 4.7% from 2015-20 to 94,660 enrolments in 2020 from 75,384 in 2015, with the GER estimated to increase from 55.5% in 2015 to 59.8% in 2020.

Supply and pipeline

Schools	Location	Type	Year of Completion (approximate)
A' Soud Global School	Muscat	Private	2016
A' Soud International School	Duqum	Private	2018

Source: Respective school websites

The supply at pre-primary schools is estimated to grow from 78,261 seats in 2016 to nearly 92,691 in 2020. This implies that the gap between demand and supply is estimated to not increase significantly from 1,255 seats (1.6% of demand) to 1,970 in 2020 or 2.1% of demand.

Top players in Pre-school market

Schools	Curriculum	Fee Structure Range p.a. (\$)
AGS Muscat British Independent Education	British	9,100
American International School of Muscat	American	19,890
The Sultan School	Oman	5,681
Muscat International School	Oman	5,395-5,668
Azzaz Bin Qais International School	Oman	4,680-4,940

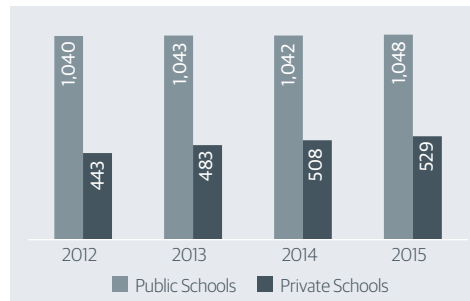
Source: Fees from various school websites

2.4.3.2 Primary and Secondary segment

The increase in the number of schools (primary and secondary) from 1,483 in 2012 to 1,577 in 2015, has been driven by a 6% CAGR in private schools, which constitute 34% of total schools in Oman. Governorate of Al Batinah has the maximum number of schools for basic education (362), followed by Muscat (288). However, Muscat is home to maximum number of private schools (141) in Oman.

Compulsory education has resulted in a high GER at both the primary and secondary education levels which stand at over 106% and nearly 100% respectively in Oman's schools.

Number of schools



GER (%) - Primary level



Source: UNESCO, Oman National Centre for Statistics and Information



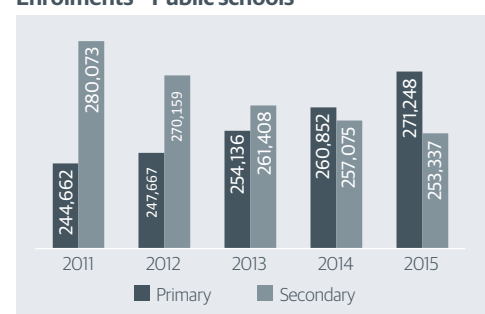


Primary and Secondary enrolments in private schools grew at a CAGR of 8% and 11% respectively in 2011-15

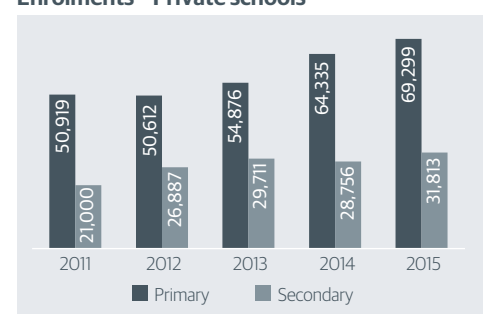
Oman has almost an equal male to female ratio across all schools, with the maximum number of students enrolled in Oman being in the governorate of Al Batinah. In recent years, an increasing number of students are opting for private schools over public schools. A preference for international curriculum, a desire to be fluent in English and a rising expatriate population are driving enrolments in foreign schools. These factors have driven primary and secondary enrolments in private schools, which have grown at a CAGR of 8% and 11% respectively during 2011-15, compared to primary and secondary enrolments in public schools which grew at a CAGR of 2.6% and -2.5% respectively during 2011-15.

Primary and secondary school enrolments

Enrolments – Public schools



Enrolments – Private schools



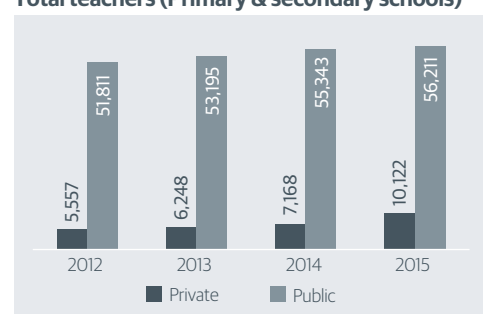
Source: Oman National Centre for Statistics and Information

Teachers

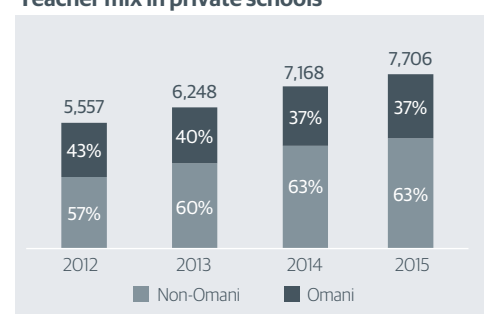
While public schools have locals accounting for bulk of the teachers (83-85%), private schools (including international) across Oman have majority expatriate teachers (63%). They prefer hiring non-Omani teachers, mainly to seek better quality and familiarity with foreign curriculums. However, there is shortage of teachers in private schools, especially in the international schools. This is largely due to time consuming procedures to hire a teacher from abroad, on account of delays in acquiring visas for new teachers due to various attestations required in their home countries and approvals from the Ministry of Manpower. Consequently, the student-teacher ratio in international schools is significantly higher in international schools at 21 compared to 9.3 in public schools. Also, the lack of enough quality teachers has led to classes being combined, which has also impacted the student-teacher ratio.

Delays in acquiring visas and ministry approvals have led to a shortage of teachers in private schools

Total teachers (Primary & secondary schools)



Teacher mix in private schools



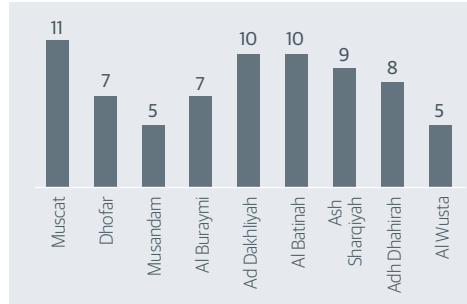
Source: Oman's National Centre for Statistics and Information

Student-Teacher ratio in international schools is significantly higher than public schools

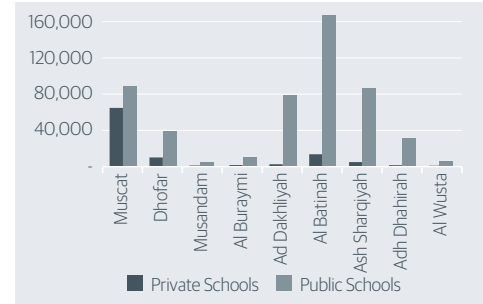
Muscat is home to maximum number of private schools whereas Al Batinah has the most number of public schools

Primary and secondary education parameters by governorates in schools

Enrolments across schools (2015)



Student-Teacher ratio in public schools



Source: Oman's National Centre for Statistics and Information

Al Batinah is the largest governorate in Oman in terms of student enrolments in public schools, whereas Muscat has the highest number of enrolments in private schools. Muscat is home to majority of the expatriate population (43% of Oman's total expat population is in Muscat) leading to healthy demand for private and foreign schools.

Increase in population and government initiatives have helped increase the quality of education

Factors affecting demand and supply

- Population of Oman has grown at a CAGR of 4.7% over the past three years, and expected to grow at a CAGR of 3.1% over the next five years. In contrast, expatriate population grew at a CAGR of 9% during 2011-15 and is expected to grow faster than the overall population, going forward.
- Increase in allocation of government spending towards education (11% of expenditure in 2012 to 14% in 2015) and the government's proposed amendment to a law allowing 100% foreign investment in education indicates the government's keenness to improve the quality of education in Oman.

Market size & estimates

Enrolments at primary schools are estimated to grow at a CAGR of 4.5% from 340,547 in 2015 to 426,408 in 2020, driven by improvement in the GER from 106.2% to 111.6%. Similarly, secondary enrolments are estimated to grow at a CAGR of 4.1% from 285,150 in 2015 to 349,333 in 2020, driven by a 5-percentage point improvement in the GER to 103.3% in this period.

The growth in total primary and secondary enrolments are driven by faster growth in private enrolments than public enrolments, which could necessitate the need for more private schools, including foreign schools, within a very short time.

Supply and pipeline

Schools	Location	Number of Students	Year of Completion (estimate)
A' Soud Global School	Muscat	NA	2016
Pakistan School	Buraimi	400*	2016
Indian School Muscat	Ghubrah	300*	2016
A' Soud International School	Duqum	NA	2018

Source: Times of Oman; Note* - Capacity for the entire school, across all sections





Gap between demand and supply at primary & secondary level is estimated to grow from 3.5% of demand in 2016 to 10% in 2020

The supply at primary and secondary schools are estimated to grow from 633,715 seats in 2016 to nearly 695,580 in 2020 as more schools come up. This implies that the gap between demand and supply is estimated to grow from 23,104 seats (3.5% of demand) in 2016 to 77,560 in 2020 or 10% of demand, which is higher than other GCC countries such as Bahrain. This could possibly drive the incremental demand abroad for education purposes.

Top players in Primary & Secondary school market (Private)

Schools	Curriculum	Fee Structure Range (\$)
American International School of Muscat	American	19,890-23,153
The Sultan School	IGCSE	7,774-8,523
Muscat International School	IGCSE	7,709-8,580
British School Muscat	British	11,856-12,441
Azzan Bin Qais International School	Omani	6,565-11,050

Source: Fees taken from various school websites

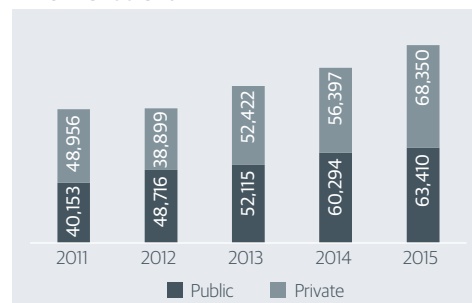
There is one public university, 12 public colleges and 27 private universities in Oman.

2.4.3.3 Tertiary segment

Sultan Qaboos University (SQU) in Muscat is the largest and the only government university in Oman having nine colleges, while there are six other government colleges for applied sciences, the National Defense College under the regulation of the Ministry of Defense, and five other government colleges. There are currently 27 private universities and colleges, which account for 52% of the total enrolments in the tertiary segment in 2015.

Tertiary education metrics

Enrolment trend



GER - Tertiary



Source: UNESCO; * Estimates based on total tertiary population assumptions

GER at the tertiary level increased from 25.1% in 2010 to 33.5% in 2015

Public university enrolments have grown faster than those in private universities

Enrolment growth in universities has been strong at a CAGR of 10.3% from 2011-15, with the GER increasing from 28.6% to 33.5% during this period and public enrolments (4-yr CAGR of 12.1%) growing faster than private ones (4-yr CAGR of 8.7%). This is mainly due to the fact that the cost of education in private universities is considerably higher than public universities. The difference between fees of SQU (public) and Dhofar University (private) is about USD 600 per credit hour, while other private universities have even higher fees. Enrolments are dominated by Omanis who constitute over 95% of total enrolments in both public as well as private universities. Many students also prefer to go abroad for higher education due to perceived quality of higher education and to gain global competencies.

Foreign investments are expected in the Science and Technology City from internationally accredited universities

However, the Oman Academic Accreditation Authority (OAAA) that was setup in 2010 to regulate the quality of higher education, is currently developing a comprehensive national qualifications framework for all branches of education to ensure that Higher Education Institutes (HEIs) meet high-quality standards. The Oman Accreditation Council continues to conduct audits of academic, vocational and other training programs.

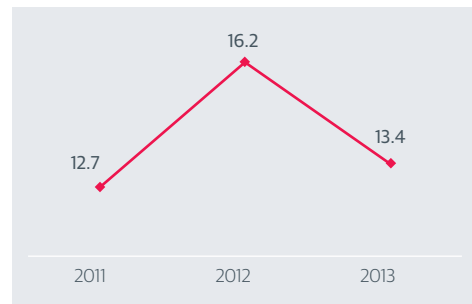
A second public university, Oman University with expected enrolments of 1,400, is being planned in the governorate of Barka. It is expected to come up within a Science and Technology City equipped with R&D facilities, with an aim to attract foreign investments for education and research facilities, particularly from internationally accredited universities intending to operate in Oman. This is expected to improve local education standards.

Teachers

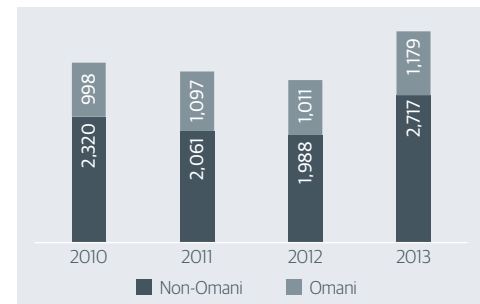
Teachers in public universities have grown at a 5.5% CAGR from 2010-13, with expatriate teachers accounting for 70% of total teachers in public universities, dominated by male teachers over the years. The student-teacher ratio in public universities is amongst the lowest in the GCC at the tertiary level.

Teacher statistics at Public universities

Number of teachers



Student - Teacher ratio



Source: GCC Stats

Expatriate teachers account for 70% of teachers in public universities.

Dropout issue

Oman has faced an issue of a high dropout rate in higher education in recent times, caused by issues such as lack of preparedness on part of students to take up specialized subjects. This has been driven by a lack of career guidance system and a very superficial counselling service at universities and colleges, which exists in only some of the universities. Students being ill-informed about offered courses resulting in them realizing halfway that they chose the wrong course, as they did not find the right guidance, leading to drop outs.

Oman faces the problem of a high dropout rate in higher education in recent times

The MoHE has taken measures to address the dropout issue, such as assigning an academic advisor to each student, after admission, to assist in discovering capabilities, exploring alternative paths if the degree needs to be discontinued (for any reason) and develop a remedial plan on academic probation.





Government grants, capital contribution, tax exemptions and increase in funding is expected to drive new institutes

Factors affecting demand and supply for Higher education and vocational training

- Austerity measures such as fuel subsidy cuts taken by the government will force many Omanis to take up specialized jobs in future and this may increase the demand for tertiary education.
- On the enrolment side, the government has initiated training and development programs as part of its 'Omanization' drive, one of them being engaging with Offshore Petroleum Industry Training Organization (OPITO) to train oil and gas workers in 2015.
- On the supply side, government incentives to set up private universities, like providing land grants, tax exemptions, and a matching grant of 50% of capital contribution up to OMR 3mn is likely to increase the number of private universities in Oman. The TVET expects the number of students enrolled in technical colleges to grow by 20% YoY which will drive new training centers, which are expected to witness increased funding from the Ministry of Finance.

Market size & estimates

Total enrolments in Oman's universities and colleges is expected to grow at a CAGR of 5.2% from 131.8K in 2015 to 169.6K in 2020, driven by population growth and an improvement in the GER from 33% in 2015 (estimated) to 37% in 2020. Public enrolments are expected to grow faster than private enrolments, with enrolments expected to pick up when the second public university comes up. The SQU (the only public university) enjoys a healthy reputation among Omanis, which is expected to have a positive rub-off on Oman University enrolments.

Key players in Tertiary education market

Schools	Sector	Curriculum	Fee per credit hour (\$)
Sultan Qaboos University	Public	Science, Economics, Law, Medicine	195-390
Sohar University	Private	Business, Engineering, Computer & IT, Arts	NA
Dhofar University	Private	Commerce, Science, Arts, Engineering	975
Nizwa University	Private	Arts, Science, Economics, Pharmacy	NA
International College of Engineering & Management	Private	Engineering	7,800-9,750*
Caledonian College of Engineering	Private	Engineering	65-260
Gulf College Oman	Private	Accounting, Finance, Economics, Marketing	NA

Source: Various College websites and Wikipedia; * Fees p.a. for UG courses

Enrolments across public vocational centers grew at a CAGR of 8.8% in 2009-13

Non-Omanis constitute a high percentage of teachers in public vocational centers

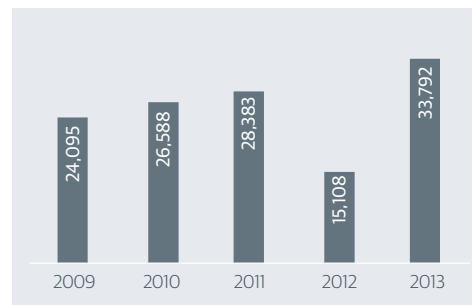
2.4.3.4 Vocational Training and Professional Development

Apart from a number of private technical and vocational institutes in the country, public vocational centers include 7 technological colleges, 2 fisheries institutes and 5 vocational training centers under the TVET, and various nursing and pharmacy institutes regulated by the Ministry of Health.

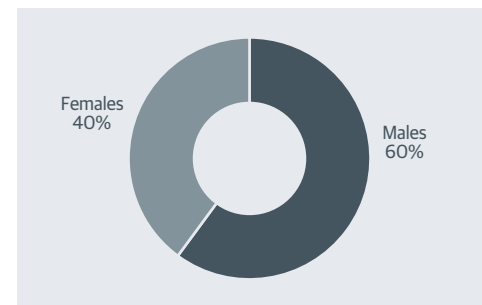
Only Omanis are enrolled in public vocational centers, where enrolments have grown at a CAGR of 8.8% from 2009-13. This high demand can be attributed to Oman's focus on increasing its non-oil revenues that is reiterated in its 'Vision 2020' policy. Also, the 'Omanization' drive is expected to see Omanis play a major role in public and private sectors, which necessitates more Omani skilled labour, leading to demand for professional and vocational courses. However, the traditional Omani mindset of preferring public sector jobs to private jobs due to better benefits, limits enrolments in vocational and technical training centers.

Enrolments - Public Vocational Centers

Enrolment trend



Gender mix

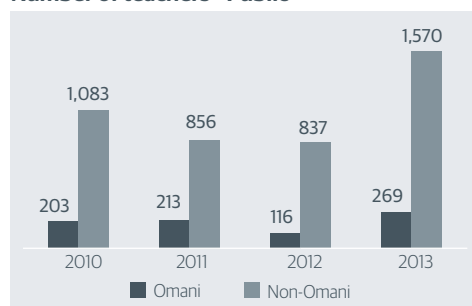


Source: GCC Stats; * There was one non-Omani enrolment in 2013

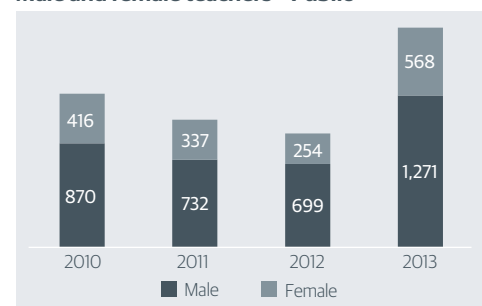
Oman relies on expatriate teachers in vocational education, similar to tertiary education, with non-Omanis constituting bulk of the teachers in public vocational centers. The number of teachers has seen a sharp increase in 2013 to cater to the additional demand of students who more than doubled in 2013. Males comprise 69% of total teachers.

Teacher Data for Public Vocational Centers

Number of teachers - Public



Male and female teachers - Public



Source: GCC Stats





Top players in Vocational Training and Professional Development market

Schools	Sector	Course Contents
Higher College of Technology - Muscat	Public	Fashion Designing, IT etc.
Salalah College of Technology	Public	Engineering, Business Studies, IT
Shinas College of Technology	Public	Engineering, Business Studies, IT
National Training Institute LLC	Private	IT, Management Studies, Environment training etc.
International College of Engineering and Management	Private	Aviation, Fire and Safety
Vocational Training Center, Seeb	Public	Various Courses

Source: Various college websites

2.4.3.5 Investment Opportunities

Major M&A Deals in the Omani Education Sector:

Period	Acquirer	Target Company	Country
2016	Renaissance Services SAOG	National Hospitality Institute SAOG	Oman
2014	Al Omania Education Services Co. LLC	Sohar International School LLC	Oman
2014	Babcock International Group	National Training Institute (NTI)	Oman

Source: Thomson Reuters

Deals in Oman's education system in the past few years have been in the vocational education space and indicate a future path towards increase in skill based training. Investment opportunities exist in select schools offering international curriculum providing K-12 education, such as the investment in Sohar International School.

In 2015, Al Tamman Holding and Al Najah Education entered into a Joint Venture to set up the English Education Management Company (EEMC), to set up schools and kindergartens in Oman. EEMC is set to open the A'Soud Global School in 2016. Al Najah Education has 11 schools including a drama school and a music school across UAE, Oman and Singapore.

The private sector is expected to invest heavily in the Science and Technology City as well as in Innovation Park Muscat. Oman's National Strategy for Education 2040 includes initiatives for public-private partnerships (PPPs) for building projects, joint research, internships and job placements.

2.4.3.6 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> A. Demand for private education is likely to increase due to the growth in expatriate population, which grew at a CAGR of 9% from 2011-15 and a young demography, with 22% of population upto the age of 14 B. Government support through financial and legal reforms such as tax exemptions, 50% of capital contribution up to OMR 3mn for set up of private universities C. A high per capita income is likely to increase the demand for private education in Oman 	<ul style="list-style-type: none"> A. Heavy reliance on expatriate teachers at private schools, universities and vocational education, & shortage of teachers B. Lack of enough quality teachers has led to classes being combined, impacting student-teacher ratio in private and public schools. Oman is the lowest ranking among GCC nations in quality of primary education C. A high dropout rate in higher education due to lack of awareness and guidance is a major issue affecting education in Oman D. Traditional Omani mindset of not preferring blue collared jobs, limits vocational and technical enrolments
Opportunities	Threats
<ul style="list-style-type: none"> A. Government initiatives for private players like land grants, tax incentives for first 5 years and capital contributions, provides opportunity for quality institutions to set up universities B. Low oil prices and adoption of 'Omanization' by major public sector companies, have encouraged many young Omanis to take up skill based higher education 	<ul style="list-style-type: none"> A. Increasing gap between demand and supply in schools could drive incremental demand out of the country B. The widespread economic impact of fall in global oil prices may affect government spending towards education and scholarships provided by the government

Source: GFH Analysis

Outlook

While government revenue is expected to steadily increase over the next 4-5 years, expenditure is expected to remain in check aided by subsidy cuts and lower government spends towards infrastructure. As per the 5-year plan, total government expenditure is expected to increase mildly from 2015-20. In the current period of low oil prices, while government spend towards education for 2016 is budgeted 15% lower than the spend in 2015, it is not expected to be curtailed further despite a budget deficit, as Oman remains focused on developing its education sector. PPPs are expected to play an active role as per the National Strategy for Education 2040 for building more schools and capabilities around research. Private school demand remains buoyant due to preference for an international curriculum. Tertiary education is expected to grow faster than the other segments driven by public enrolments. The tertiary segment offers opportunities in the long run, given the strong enrolment growth, reputation enjoyed by public universities and efforts to improve the quality of higher education with the setup of OAAA. The Science and Technology City is expected to attract foreign investments from internationally accredited institutions and draw foreign universities and improve education standards in Oman. However, issues remain such as a higher dropout ratio and quality of education at the primary and secondary education level, which is impacted by the shortage and quality of teachers.





2.5 Qatar

While Qatar had benefitted with continued high real GDP growth during 2004 to 2011, the current low oil price environment has had an impact on the outlook. While GDP is driven largely by the oil and gas sector, however, growth in manufacturing, construction, and financial services have lifted the non-oil sectors to 61% of Qatar's nominal GDP in 2015. Qatar was the only GCC member that avoided a budget deficit in 2015, but it now projects a USD 12.8bn deficit (6% of GDP) in 2016²². The current economic policy is focused on sustaining Qatar's natural gas reserves and increasing private and foreign investment in non-energy sectors.

While government revenue declined by 2% in 2015 to USD 92.5bn after growing at a 30% CAGR from 2011-14, government expenditure has declined by 10% in 2015 to USD 58.5bn. Given the anticipated strain on government finances due to lower oil, the government is targeting public-private partnerships (PPPs) to attract investments from the private sector into sectors such as education, health and sports, with the enactment of a law related to PPPs by the end of 2016. Although government spend towards education depicted a rising trend till 2015, its budgeted spend in 2016 towards education is estimated to be 22% lower than the 2015 budgeted amount to USD 5.6bn. Qatar's budgeted government expenditure on education is 10% of total expenditure for 2016, slightly lower than developed economies. Total enrolments across pre-primary to tertiary institutes have grown at a CAGR of 9% in 2011-15, in line with the population growth in the country (highest among GCC nations) during this period, which reached 2.43mn in 2015, which is largely comprised of expatriates (86%²³ in 2014).

The 'Qatar National Vision 2030' is aimed at transforming Qatar into a knowledge-based economy, through the development of human resources through education and training policies focused towards national needs. The Education City, which houses eight international universities, plays a key role in the project aimed to boost enrolment of Qatari students.

Government is targeting PPPs to attract investments in education with the enactment of a law by the end of 2016

Qatar's budgeted spend towards education at 10% of government expenditure is slightly lower than other developed economies

22 Reuters

23 Multiples Group

24 Global Competitiveness Report 2015/16 - WEF

Qatar is ranked 2nd globally in quality of higher education and training and 9th in quality of primary education

Qatar is ranked 32nd among 188 countries in the HDI and is categorized in the Very high human development category. The country is ranked 9th²⁴ (of 140 countries) in terms of quality of primary education and 2nd in terms of quality of higher education and training, which is the highest in the GCC.

2.5.1 Key Statistics

Macro parameter	2014	2015	2016E	2020E
Macro parameter	2014	2015	2016E	2020E
Nominal GDP (USD bn)	210.1	185.4	170.9	230.2
Real GDP growth	3.9%	3.3%	3.4%	2.1%
GDP per capita on PPP (USD)	137,162	132,099	129,512	144,644
Population (mn)	2.24	2.43	2.58	2.78
Inflation (%)	3.3%	1.7%	2.4%	2.4%
Non-Oil % of GDP	48.9%	61.4%	NA	NA
Non-Oil exports (USD bn)	70.3	48.9	NA	NA
Budgeted spend on education (USD bn)	6.7	7.2	5.6	NA
Budgeted spend on education (% of Govt. spend)	10.3%	12.3%	10.1%	NA

Source: IMF, OPEC Annual Statistics Bulletin 2016, QNB Quarterly Statistics

2.5.2 PEST Analysis

PEST Factors	Remarks
Political	<ul style="list-style-type: none"> Qatar has a very stable leadership, with a smooth transition from father to son. Globally, Qatar stands at 109 in the ranking of 189 economies on the ease of starting a business which requires on an average 8 procedures and 9 days, as per Doing Business. Corporate tax is a flat 10% for all companies (except oil and gas companies, who pay higher) without any basic exemption limit.
Economic	<ul style="list-style-type: none"> Qatar has predicted a budget deficit of USD 12.8bn in 2016 and is expected to reduce public expenditure by USD 4.4bn during the year. As one of the richest countries in the world, Qatar enjoys a GDP per capita of over USD 130,000. High disposable income and spending power augur well for spend on private education. 100% foreign investment in education, and permission for non-Qatari GCC nationals to own property in the under-construction 'Lusail City*', where non-GCC individuals are not permitted to do so, is set to boost educational investments with 36 new schools expected by 2019.
Social	<ul style="list-style-type: none"> Qatar's population growth has been strong growing at a CAGR of 9% over past 4 years, with a significant expatriate mix. Qatar is ranked highly in the Human Development Index (HDI) with a ranking of 32 among 188 countries in 2014 and is placed in the Very high human development category. The government is committed to provide quality education, by attracting more foreign universities (Qatar currently has 8 foreign universities) to setup campuses in Qatar through incentives such as funding and tax breaks.

Corporate tax is a flat 10% for all companies, other than oil and gas companies.

Educational investments in Lusail City are expected to be boosted with non-Qatari GCC nationals permitted to own property here

Strong population growth at a CAGR of 9% over the past 4 years from 2011-15





Technological	<ul style="list-style-type: none"> The Supreme Educational Council (SEC) implemented an e-learning program in 2013 to digitize teaching and learning, and provide every student with a tablet device. Qatar continues to modernize its telecommunications and IT infrastructure, with educational institutions rapidly choosing online and cloud-based technology programs.
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Source: GFH Analysis; * Lusail City is one of the 3 areas in Qatar where only Qatari & non-Qatari GCC nationals can own property, while there are 3 other regions in Qatar where anyone across the globe can own property

2.5.3 Education market segmentation

Market structure

The pre-school segment consists of nursery (upto an age of 4) followed by two years of kindergarten education. Primary schooling (grades 1-6) is compulsory in Qatar with public schools providing free primary education. Secondary education caters to grades 7-12 followed by tertiary education at universities. Qatar implemented the K-12 educational reform in 2002 in which the curriculum (memorization-oriented) was changed to an outcome based one which set clear standards on teaching content (what should be taught in each grade) and student performance (what students should know by end of each grade).

Regulatory Structure

The Ministry of Education (MoE) and Higher Education are the highest official authorities on all educational affairs in Qatar, with the Supreme Education Council (SEC) acting as the regulatory body overseeing all aspects of education. Vocational and technical training in Qatar is governed by the Department of Training and Vocational Development.

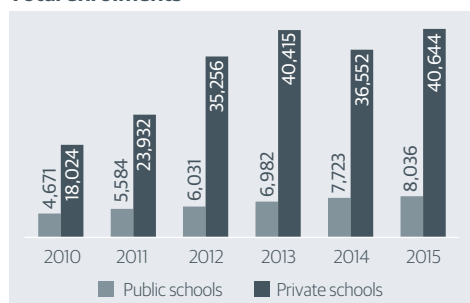
School (including kindergartens) fees are regulated by the SEC and prior approval is required for a fee hike

School fees are regulated, and all schools (including nurseries and kindergartens) seeking a fee hike require an approval from the SEC. In 2015, applications of more than 50% of private schools seeking a fee hike, were rejected, while schools incurring financial losses were permitted to increase fees by 2-10%.

2.5.3.1 Pre-primary segment

Pre-primary enrolment statistics

Total enrolments



Gross Enrolment Ratio (%)



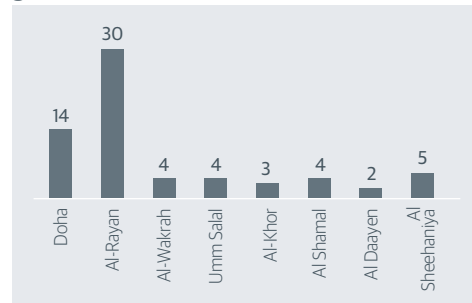
Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

Pre-primary enrolments grew at a CAGR of 16.5% from 2010-15

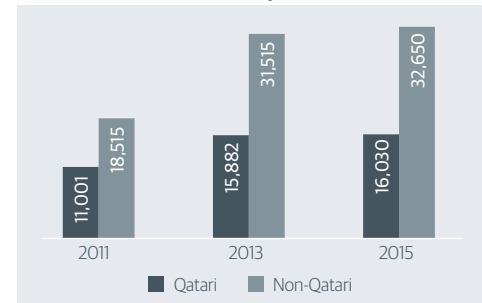
There were a total of 383 schools offering pre-primary education in 2015, of which only 66 were public schools. Nursery education, largely offered in international schools, is not preferred by Qatari parents, while it is popular among expatriates. The traditional Qatari mindset of not favoring pre-school was one of the key reasons for low GER (sub 50 %) in the earlier years up to 2010. However, it is changing with more Qatari parents preferring pre-primary education (post-nursery) for their children. Pre-primary enrolments have delivered a strong CAGR of 16.5% from 2010-15, with enrolments in private schools growing faster (17.5% CAGR) than public school enrolments (11.5% CAGR) on a larger base. Pre-primary GER increased from 45% in 2010 to 69.8% in 2015. The increase in number of expatriates has spurred demand for pre-primary education in Qatar.

Pre-primary statistics

Number of public kindergartens by governorate (2015)



Student mix - Public and private schools



Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

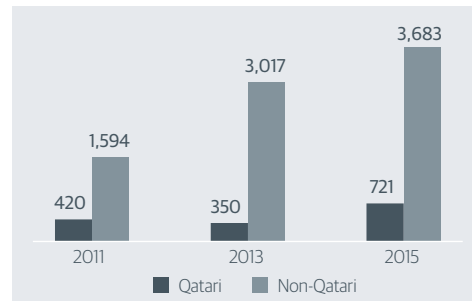
Teachers

Public kindergartens have 100% female teachers, due to a law which permits only female staff to work in nurseries. There is an equal mix of Qatari and expatriate teachers in public kindergartens, however there are only non-Qatari teachers in private kindergartens. Qatar's pre-school market has historically faced a shortage of teachers with the student-teacher ratio as high as 21 in 2000 and 18 in 2006. However, the ratio has been steadily declining over the years, with the SEC taking steps to address the teacher shortage by hiring teachers from other Arab countries. The student-teacher ratio has consequently fallen sharply in 2015.

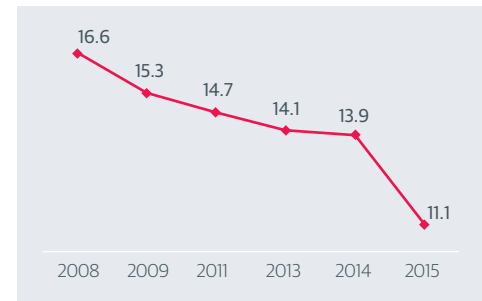
Only female teachers are permitted in nurseries

Teacher statistics - Pre-primary

Teacher mix



Student - Teacher ratio



Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

Student-teacher ratio dropped to 11.1 in 2015 from 13.9 in 2014, with SEC taking steps to address teacher shortage





GER in pre-primary is expected to improve from 69.8% in 2015 to 84.1% in 2020

Market size & estimates

Enrolment growth in pre-primary education is expected to be strong, estimated to grow at a CAGR of 10% over 2015-20 to 78,472 in 2020 driven by public and private enrolments, given the changing Qatari mindset and the rising population that is expected to grow at a CAGR of over 4% over the next five years, with increasing expats. The GER is expected to improve from 69.8% in 2015 to 84.1% in 2020.

Supply and pipeline

Schools	Location	Type	Year of Completion (approximate)
Kindergarten, Al-Kharaej	Lusail	Public	2018
Kindergarten, North Residential Villas District	Lusail	Public	2018
School, Waterfront Residential District	Lusail	Public	2018
Kindergarten, Al Mearad	Al Rayyan	Public	2016
Kindergarten, Rawdat Rashid	Al Rayyan	Public	2016

Source: Lusail.com, ConstructionWeekOnline

Gap between demand and supply is estimated to rise from 6% of demand in 2016 to 27% in 2020

Apart from the government's plans to set up 6 public kindergartens in 2016, new private schools are expected by 2019 in Lusail city. The supply at pre-primary schools is estimated to grow at a CAGR of 3.2% over 2016-20 to nearly 57,206 in 2020, based on the current visibility on supply pipeline. This implies that the gap between demand and supply is estimated to grow from 3,168 seats (6% of demand) in 2016 to as high as 21,266 in 2020 or 27% of demand, which is quite significant.

Top players in Pre-school market

Schools	Curriculum	Fee Structure Range p.a. (\$)
Qatar Academy, Doha	International	5,994-9,773
Qatar Academy Al Khor	Qatar	7,193-9,773
American Lycetuff Kindergarten	American	7,560-8,100
Al Jazeera Academy	Qatar/ UK	6,420
Doha Modern Indian School	Indian	2,272

Source: Fees taken from various school websites

The annual tuition fees of private pre-primary schools generally range between USD 1,000-10,000 p.a. with Asian/Indian schools at the lower end and the international schools at the upper end. However, few other Asian schools such as Bangladesh schools are outliers, with significantly lower annual fees of upto USD 100.

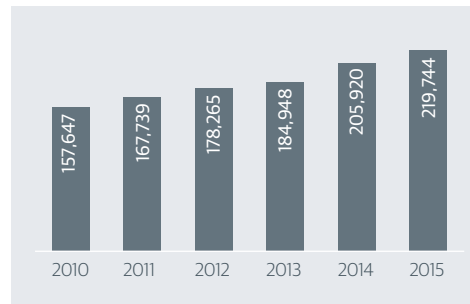
Number of schools in Qatar is currently inadequate to cater to the rising demand

2.5.3.2 Primary and Secondary segment

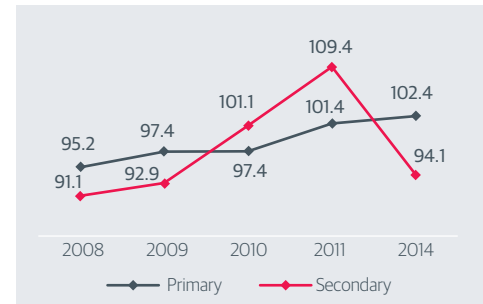
Out of the 529 schools as of 2015 offering primary and secondary education, 59% are private. The number of schools in Qatar is currently inadequate to cater to the rising demand due to the rapid population growth. This has driven the Public Works Authority 'Ashghal' to construct various new public schools, 22 of which were completed and handed over to the Ministry of Education in 2015. An additional 21 schools are being constructed by Ashghal and expected to come up by 2017.

Primary and secondary school trends

Total enrolments



GER (%)



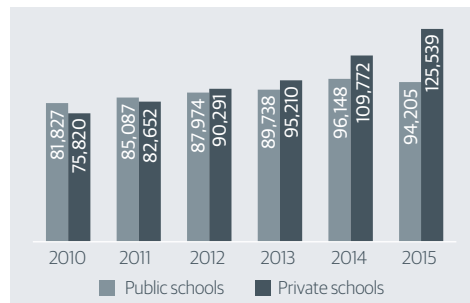
Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

Enrolments in private schools grew at a CAGR of 10.6% from 2010-15 driven by rising expat population

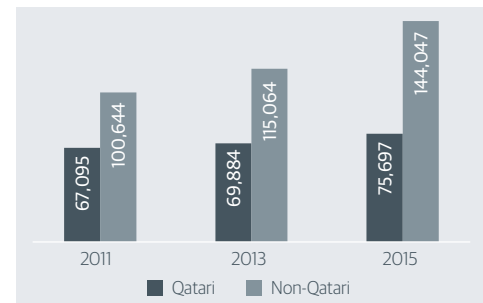
Total primary and secondary enrolments grew at a CAGR of 6.9% in 2010-15, with public schools growing at a CAGR of 2.9% in 2010-15, compared to a 10.6% CAGR for private enrolments. Expatriate students constitute two-thirds of total enrolments at schools. This faster growth in private enrolments can be attributed to the rising expatriate population and the desire of obtaining high quality education in private schools. The GER has consequently been steadily rising at the primary level.

Primary and secondary enrolments at public and private schools

Enrolments trends



Student mix



Source: UNESCO, Qatar Ministry of Development, Planning and Statistics





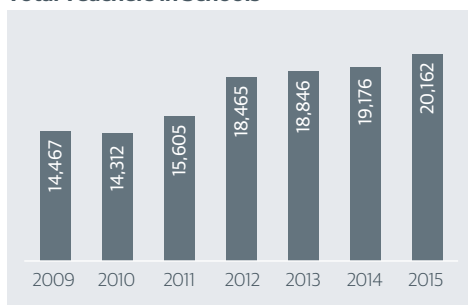
Recent initiatives by the SEC to hire Arab teachers have given respite to the problem of teacher shortages

Teachers:

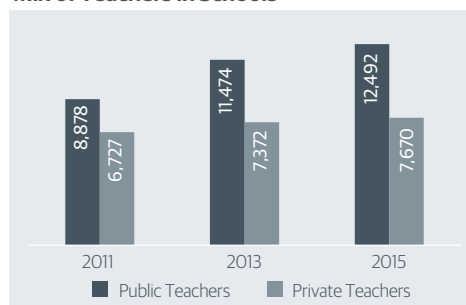
The number of school teachers across Qatar increased at a CAGR of 7.1% from 2010-15. Number of teachers in public schools grew by 9% during 2013-15, compared to a marginal 4% growth in private schools teachers. Recent initiatives by the SEC to hire 900 and 1,500 Arab teachers in 2014 and 2015 respectively, have given respite to the problem of teacher shortages in public schools. However, the problem of teacher shortage is likely to remain as over fifty new schools come up over the next few years.

Teacher statistics

Total Teachers in Schools



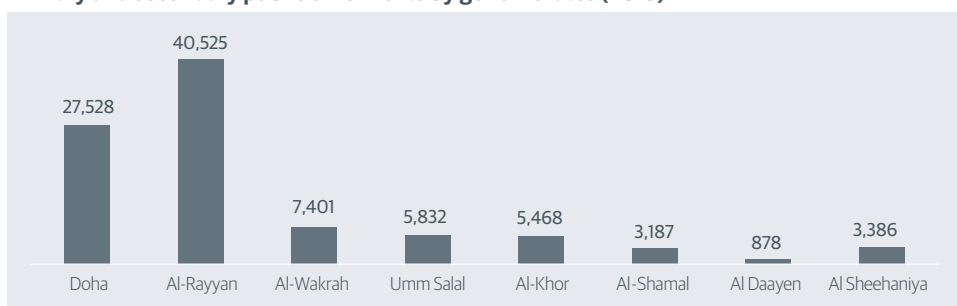
Mix of Teachers in Schools



Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

Number of private school teachers is expected to rise due to new private schools coming up in 2016-18

Primary and secondary public enrolments by governorates (2015)



Source: Qatar Ministry of Development, Planning and Statistics

District of Al-Rayyan is home to maximum number of public school enrolments.

Quality regulator

The SEC formed the Qatar National School Accreditation (QNSA) to build a national accreditation system to improve the quality of schools in Qatar. Although accreditation is not compulsory, the SEC is trying to make sure that all private schools in Qatar are accredited to ensure high standards of learning.

Factors affecting demand and supply

- Education is a key policy in 'Qatar National Vision 2030' which has prompted the Qatari government to build good quality schools such as the upcoming educational campus in Lusail city.
- Increase in population which is expected to reach 2.78mn by 2020 with a rising expatriate community, is a key driver for demand in primary and secondary education.

Primary enrolments are estimated to grow a CAGR of 5.6% between 2015-20, driven by improvement in GER from 102% to 107.7%

Market size & estimates

Primary enrolments are estimated to grow at a CAGR of 5.6% over 2015-20 to 169,722 in 2020 driven by an increase in the GER from an estimated 102% in 2015 to 107.7% in 2020. Secondary enrolments are estimated to grow at a CAGR of 5% over 2015-20 to 115,418 in 2020 driven by an increase in the GER from an estimated 95.1% in 2015 to 100.5% in 2020.

Supply and pipeline

Schools	Location	Year of Completion (estimate)
ACS International	Doha	2019
Boys School, Messaeid	Al Wakrah	NA
Doha & Villages - 56 new schools	Doha	2018
Girls School, Messaeid	Al Wakrah	NA
Kings College Doha	Doha	2016
RGS Guildford	Doha	2016

The supply at primary and secondary schools are estimated to grow at a CAGR of 4.3% over 2016-20 to nearly 277,650 in 2020, bolstered by 36 new schools expected in Lusail City by 2019. This implies that the gap between demand and supply is estimated to grow from 4,784 seats (2% of demand) to 7,490 in 2020 (2.6% of demand), which is quite encouraging and positive for the sector, given that the gap is not expected to widen, as in many other GCC countries.

Gap between demand and supply at schools not expected to widen between 2016-2020 as 36 new schools are expected to come up in Lusail City

Top players in Primary & Secondary school market

Schools	Curriculum	Fee Structure Range p.a. (\$)
International School of London	British	14,065-20,065
American School of Doha	American	14,795-19,240
Park House English School	British	8,546-14,154
Al Jazeera Academy	Qatari	8,435-13,500
Newton International School	British	7,269
Doha Modern Indian School	Indian	2,778-4,427

Source: Fees taken from various school websites

2.5.3.3 Tertiary segment

The Higher Education Institutes (HEIs) under the Ministry, support development of higher education by providing scholarships to students. Total enrolments at the tertiary level have increased at a healthy CAGR of 15.2% in 2010-15, with public enrolments (5-yr CAGR of 19.4%) growing faster than private university enrolments (5-year CAGR of 6.3%). This is mainly due to the large capacity and better facilities available at the Qatar University which is the top ranked university across all Arab universities. Quality of education at universities in Qatar is well regarded, with presence of foreign universities providing quality education at the Education City. These factors are expected to drive demand for higher education at universities going forward.

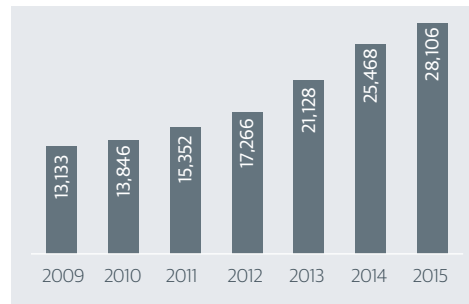
Enrolments at the tertiary level grew at a CAGR of 15.2% in 2010-15, driven by Qatar University, the top ranked university in the Arab region.





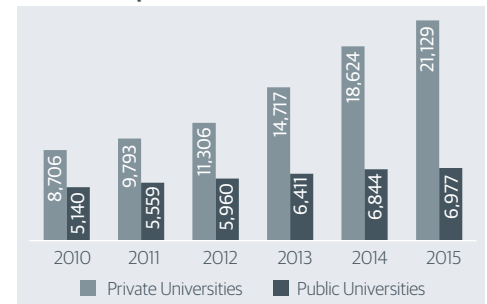
Enrolment data at the tertiary level

Total enrolments

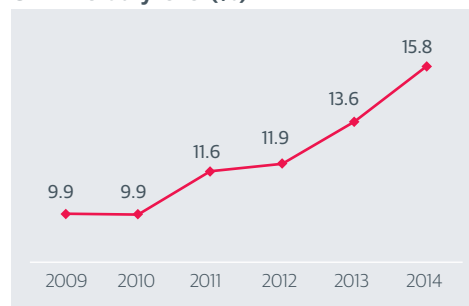


Source: UNESCO, Qatar Ministry of Development and Planning

Private and public enrolment trends

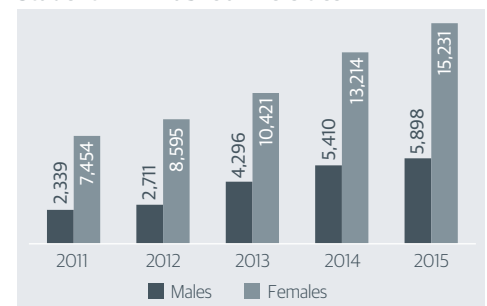


GER - Tertiary level (%)



Source: UNESCO, Qatar Ministry of Development and Planning

Student mix - Public universities



Females outnumber male students by three times at the tertiary level, as males skip higher education for public sector jobs

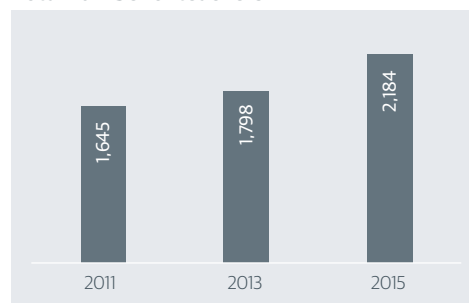
Female enrolments are almost three times that of male enrolments across public universities. A key reason for this is the fact that many males decide to skip higher education to take up lucrative and stable jobs in the Qatari public sector. GER at the tertiary level has grown from 9.9% in 2009 to 15.8% in 2014 but is still the lowest among all GCC nations.

Ministry has offered incentives and higher wages to attract foreign teachers - Public universities have large no. of expat teachers

Teachers:

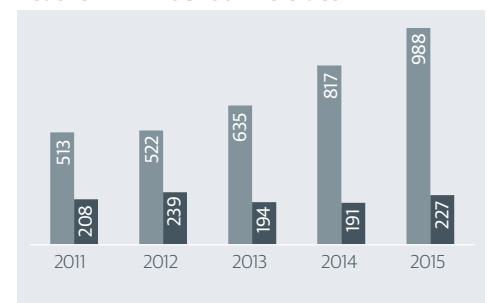
There were 2,184 teachers at the university level in 2015, out of which 969 teachers were employed in private universities. Qatar has a high number of expatriate teachers, even in public universities. To fill the teacher shortage in Qatar, the education ministry has offered incentives and higher wages to encourage foreign teachers to move to Qatar.

Total number of teachers



Source: UNESCO, Qatar Ministry of Development and Planning

Teacher mix - Public universities



Qatar Foundation spent USD 320mn p.a. for 6 American Universities to setup branches in Qatar

Rise of foreign universities

To improve the quality of tertiary education in Qatar and attract foreign universities, the government built 'Education City' - a location for top quality foreign universities to build their local campuses. It has managed to attract top American universities by funding them and offering incentives such as tax breaks and providing world-class facilities free of cost. The Qatar Foundation, setup by the ruling family, spent significant amounts (in excess of USD 1bn), with an annual outlay of USD 320mn for six American universities to setup branches in Qatar. Currently there are six American universities- Carnegie Mellon, Cornell, Northwestern, Georgetown, Texas A&M and Virginia Commonwealth with over 2,000 students enrolled, one British and one French university offering a variety courses in Qatar. International students to Qatar increased from 3,393 in 2008 to 5,387 in 2010 of which 70% were from other Arab nations. The rise of Education City has ensured that many Qatari students, now prefer studying locally than go abroad for higher education, especially females.

Factors affecting demand and supply

- Financial aid provided by the Qatar Foundation in terms of student loans has encouraged many Qatari students to enroll for higher educational courses.
- Availability of foreign university campuses in Education City provides good quality higher educational facilities to Qataris which has spurred demand in the tertiary segment.

Market size & estimates

Enrolments at the tertiary level are estimated to grow at a CAGR of 8.7% from 28,106 in 2015 to 42,680 in 2020 driven by an increase in GER from an estimated 15.9% in 2015 to 20.3% in 2020.

Top players in Tertiary education market

Schools	Curriculum	Fee Structure Range (\$)
Carnegie Mellon University	Computer Science, Biological Science, Business Studies	51,196
Georgetown University	Economics, Politics, History	48,048
Qatar University	Arts, Business Studies, Economics, Law, Medicine	16,200-32,400
Stenden University	IT, Business Studies, Tourism, Hospitality, Media	15,660
Calgary University - Qatar	Nursing	3,240-12,000
Hamad Bin Khalifa University	Law, Engineering, Islamic Studies, Public Health	NA

Source: Fees taken from various university websites



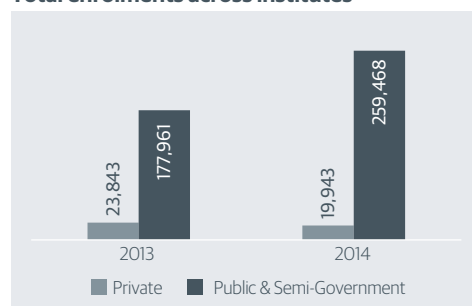


Government & semi-government training centers grew by 45% in 2014

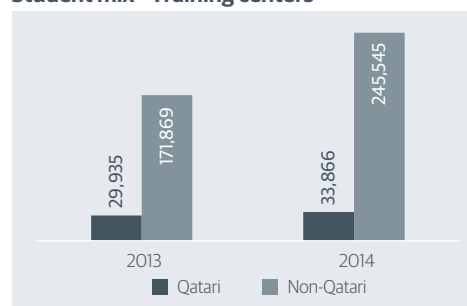
2.5.3.4 Vocational training and Professional development segment

Training and development is a key part of Qatar's national strategy towards modernization. Apart from the vocational courses offered by Qatar University and other private universities, there are various other government funded as well as private training centers and community colleges. In 2014, there were 506 private and 2,988 government and semi-government training centers which grew by 2.8% and 45% respectively.

Total enrolments across institutes



Student mix - Training centers



Source: Qatar Ministry of Development, Planning and Statistics

Enrolments across public and semi-government training centers increased by 46% in 2014.

Air transport training courses account for 31% of total vocational enrolments, the category with most enrolments

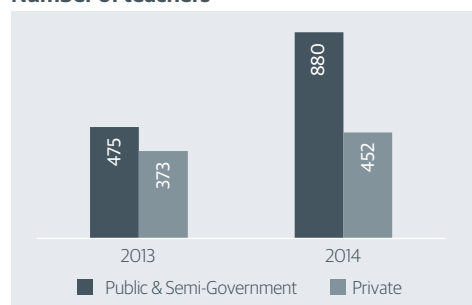
Total enrolments across all training centers grew by 38% in 2014, with students in the 25-39 age group accounting for 65% of total enrolments, followed by students aged over 40 (25% of enrolments). Vocational education, which was once considered as a secondary option for Qataris, has now become the first choice, due to the booming construction and energy sectors, where skilled labor is in demand. Enrolments in public and state-sponsored semi-government institutes saw a sharp increase of 46% in 2014, while enrolments in private institutes dropped by 16% in 2014, where fees are on the higher side. Vocational and training centers in Qatar are popular with expatriates and they constitute the bulk of enrolments across public as well as private institutes. Air transport related training courses accounted for the highest number of enrolments in 2014 (31% of total enrolments), followed by occupational safety and security courses (29%).

Teachers:

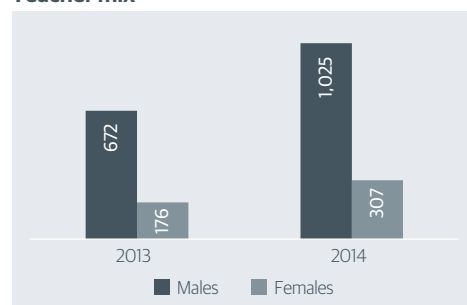
There were a total of 1,332 trainers across private and government training centers in Qatar, dominated by males. Teachers in public and semi-government institutes increased by 85% in 2014 to cater to the increased enrolments in public institutes in 2014.

Teacher statistics - Training centers

Number of teachers



Teacher mix



Source: Qatar Ministry of Development, Planning and Statistics

Various international schools have come up in Qatar as part of the Outstanding Schools Program

Currently, 8 foreign universities have their campuses in education city

Top players in Tertiary education market

Schools	Curriculum	Fee Structure Range p.a. (\$)
Al Jazeera Media Training and Development Centre	Media and Journalism	USD 726-5,296
Qatar International Safety Center	Emergency management	NA
Qatar Independent Technical School	Mechanical	NA

Source: Fees taken from various university websites

2.5.3.5 Investment Opportunities

- Development of futuristic smart cities like Lusail City present investment opportunities for educational institutes. There are currently 36 new schools which are being built in Lusail City.
- Qatar's Outstanding Schools Program is a unique program where top private schools from across the world are invited to open branches in Qatar. The government provides them with school buildings and facilities. Qatar-Finland International School, The International School of London, UK-based Sherbone Qatar, etc. are schools which have come up as part of the program.
- Eight foreign universities have set up their campuses in Education City. Demand for private universities is increasing due to high disposable income with the Qatari nationals.

2.5.3.6 SWOT Analysis

Strengths	Weaknesses
<p>A. Qatar is better placed in terms of quality of education²⁵. Presence of foreign universities and schools have contributed to the improvement in quality</p> <p>B. A high population growth (CAGR of 9% during 2010-15), driven by expatriates, is a key demand driver for education in Qatar</p>	<p>A. Shortage of schools leading to widening gap between demand and supply at the pre-primary level</p> <p>B. Due to the small population and lucrative jobs in the public sector, men opt out of higher education in Qatar</p>
Opportunities	Threats
<p>A. Development of new smart cities (Lusail City) and construction of various new schools in Education City in Doha, is an opportunity for education providers</p> <p>B. Influx of expatriate workers for construction projects pertaining to the 2022 World cup present an opportunity for vocational training centers</p>	<p>A. Regulation of fees by the MoE, with rules such as permitting fee hikes only for schools making losses could discourage potential new entrants (incl. foreign) from setting up schools in the country</p> <p>B. Increasing gap between demand and supply at the pre-primary level estimated at 27% in 2020, could drive students abroad</p>





Outlook

With government revenue expected to remain under some pressure with a budget deficit over the next few years due to low oil prices, government expenditure is forecasted to be lower by -5% in 2016 with education spends budgeted at about 20% lower than the previous year. However, the government is expected to pass a law on PPPs by the end of 2016, to boost private sector investments in sectors like education, sport and health.

Pre-primary is the fastest growing segment in Qatar's education sector (16.5% CAGR over 2010-15), and expected to grow at double-digits over the next five years, boosted by a changing mindset among Qataris and increase in population. While growth in the tertiary and the basic education segments is expected to remain healthy with high GERs in the whereabouts of 100%, schools face the issue of shortage of teachers. Although measures such as increased expat hiring has alleviated the problem in the past, it could crop up especially as new schools come up, which are an urgent necessity, given the rising demand and population growth (particularly of expatriates) on account of large scale infrastructure projects.

Qatar's quality of education in higher education is recognized, which is supplemented by the emergence of foreign universities that have been well funded and incentivized by the government. The vocational and training segment is another promising segment, where enrolments grew by 38% in 2014 indicating high demand in this sector, driven by high requirement of technically skilled workers for projects revolving around the 2022 World cup.



2.6 Saudi Arabia

Saudi Arabia's share of GDP from the oil sector has recently declined, from 43% in 2014 to 28% in 2015. Consequently, Saudi Arabia now predicts a budget deficit of USD 87bn in 2016, from a deficit of USD 96.6bn in 2015 (and deficit of USD 17.5bn in 2014). The government revenue for 2016 is budgeted to be 15% lower than the 2015 level at USD 137bn, while the government expenditure is budgeted just 2% lower at USD 224bn.

Given the rising budget deficit, the government plans austerity measures and cut government spending. In line with these spending cuts, the government plans to privatize some government schools and institutions. However, Saudi Arabia is one of the leading spenders on education with annual allocation of 23-25% of government expenditure towards education, which is significantly higher than developed nations such as US and the UK and the highest in GCC. Education & training received the highest budget allocation of USD 50.9bn (23% of government expenditure) in 2016. Although the 2016 budget for education spend is lower by 12% YoY, it grew consistently from 2010-15 at a CAGR of 10%. Despite healthy government spending towards education, K-12 enrolments grew at a CAGR of 3.5% during 2010-15, compared to the 2.7% CAGR in population which was driven by a 4% CAGR in expatriates who accounted for 1/3rd of the total population in 2015.

To be able to better withstand fluctuations in movement in oil prices, the country will be implementing various initiatives under the 'Vision 2030' transformation plan, which is an economic reform and privatization program aimed to reduce dependence of the economy on oil and government spending. The National Transformation Program 2020 (NTP) has been developed to help fulfil the Vision 2030 plan which includes a budget of SAR 25bn for the education sector in addition to the 2016 education budget. The NTP aims to increase private sector participation in education and targets increasing the proportion of students enrolled at the pre-primary level from a baseline of 13% to 27.2% in 2020. The King Abdullah Public Education Development project, part of the 2015-19 five-year plan, has a budget of SAR 80bn (USD 21.3bn) over and above the education budget for 2016, for constructing 1,500 nurseries, providing training to 25,000 teachers, providing schools with broadband internet access and enhancing safety systems across schools.

Saudi Arabia allocated 23% of total government expenditure towards education in 2016

National Transformation Plan (NTP) aims at increasing GER across pre-primary segment and increasing private sector participation in education





Saudi Arabia ranks 47th in quality of primary and higher education & training.

Saudi Arabia is ranked 39th among 188 countries in the HDI and is categorized in the high human development category. It is ranked 72nd²⁶ (out of 140 countries) and 47th in terms of quality of primary and quality of higher education and training respectively, with only Oman and Kuwait ranked lower among other GCC nations.

2.6.1 Key Statistics

Macro parameter	2014	2015	2016E	2020E
Nominal GDP (USD bn)	753.83	653.21	618.27	778.26
Real GDP growth	3.6%	3.4%	1.2%	2.1%
GDP per capita on PPP (USD)	52,397	53,624	53,728	58,331
Population (mn)	30.77	31.02	32.01	34.65
Inflation (%)	2.7	2.2	3.8	2.0
Non-oil % of GDP	57.3	72.2	NA	NA
Non-oil exports (USD bn)	57.9	50.6	NA	NA
Govt. budget to education (USD bn)	56.0	57.8	51.1	NA
Govt. budget to education (% Govt. spend)	24.6%	25.2%	22.8%	NA

Source: IMF, General Authority of Statistics, KSA

2.6.2 PEST Analysis

PEST Factors	Remarks
Political	<ul style="list-style-type: none"> The political scenario in Saudi Arabia is expected to remain stable. Corporate tax in Saudi Arabia is at a flat rate of 20% for all companies, except oil and gas exploration companies, who are taxed at a higher rate. International investors are prohibited from full ownership of assets and have to acquire a license from the General Investment Authority to conduct business after approval of other government departments. A local partner is required by foreign players to invest in Saudi's education institutions, which could act as a deterrent for foreign players to invest in the education sector in Saudi.
Economic	<ul style="list-style-type: none"> Global decline in oil prices has majorly impacted Saudi with a forecasted budget deficit of USD 87bn in 2016 compared to a budgeted surplus of USD 9bn in 2013. The 2016 budgeted spend towards education witnessed a 12% YoY reduction, after a sustained rise in the budget in the earlier years. Public education spend could be affected from broad spending cuts. Saudi Arabia has approved SAR 80bn (USD 21.3bn) in a five-year plan for constructing 1,500 nurseries, providing training for about 25,000 teachers and establishing educational centers, over and above the normal education budget.
Social	<ul style="list-style-type: none"> The proportion of budgeted spending on education by Saudi is one of the highest in the world, with 23% of total expenditure (USD 51.1bn) allocated for 2016. Two-thirds of the Saudi population of 31mn is under the age of 30, which is likely to increase demand for education over the next five years.
Technological	<ul style="list-style-type: none"> The government's five-year plan (2015-19) includes providing high-speed internet to schools to attract more enrolments. The Ministry of Higher Education established National Centre for e-Learning and Distance Learning to support development of electronic education material and facilitate the faculties to create e-courses through its Learning Management System (LMS).

Source: GFH Analysis

International investors are prohibited from gaining complete ownership of educational institutions in Saudi

A budget of USD 21.3bn has been approved in the 5-yr plan to construct 1,500 nurseries and provide training to 25,000 teachers, in addition to the traditional education budget

Two-thirds of Saudi population is under the age of 30

2.6.3 Education market segmentation

Market and regulatory structure

Education is compulsory for 9 years for children aged 6 to 14. The two ministries, MoE (Ministry of Education), responsible for K-12 education and MoHE (Ministry of Higher Education), responsible for policy development and funding for higher education, were merged in to one ministry called 'Education Ministry' in 2015, which is now responsible for education across school and higher education institutes. This newly formed Education Ministry has issued directives to prohibit private schools from increasing fees without its prior approval. Education in public schools is provided free of charge by the government to all Saudis and children of Arabic-speaking residents.

General Organization for Technical and Vocational Training (GOTVT) is the supervisory body for technical education in the country and oversees a number of technical colleges for boys and girls in addition to vocational training institutes. Institute of Public Administration (IPA) is the official agency entrusted with the task of management training, and it oversees a number of preparatory programs aimed to improve labor force professional performance.

Founded in 2013, the Public Education Evaluation Commission (PEEC) was setup with the ultimate goal of improving the quality of education. It is responsible for issuing rules, regulations, licenses, and the criteria necessary for the evaluation processes at all the stages of K-12 schooling. The commission has developed the national framework of qualifications, defined accreditation requirements for evaluation of schools, faculty and their education programs. They have collaborated with Indiana University, US to manage the evaluation process.

2.6.3.1 Pre-primary segment

Pre-primary education is neither compulsory nor has it been popular in Saudi Arabia so far. While enrolments in pre-primary segment (females constitute 55% of total enrolments) have grown at a CAGR of 10.5% in 2009-14 with gross enrollment ratio (GER) rising from 11.1% in 2010 to 16.3% in 2014, the country still has the lowest GER at the pre-primary level among all GCC nations. This is largely attributed to the lack of awareness and interest levels among Saudi nationals regarding the importance²⁷ of kindergartens.

Enrolments at public schools have generally recorded higher growth (CAGR of 14.6%) during this period than private school enrolments (CAGR of 6%), driven by the large local population and the adoption of a specialized kindergarten curriculum in line with the values, tradition and culture of Saudi Arabia.

With the NTP 2020 plan focusing on increasing the number of schools, there will be a significant increase in the GER to 27.2% by 2020 from the current levels. Therefore, there remains a huge potential for growth in this segment when compared to other GCC nations.

Education in public schools is free for Saudis and children of Arabic speaking residents

The Public Education Evaluation Commission (PEEC) was setup for issuing rules and regulations of K-12 schools

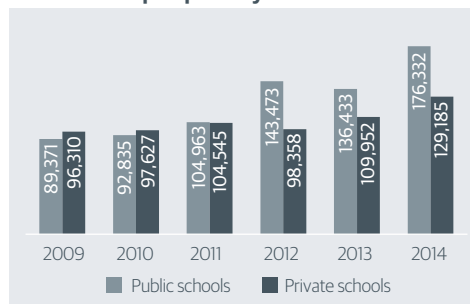
Although GER in pre-primary rose from 11.1% to 16.3% during 2010-15, it is the lowest in entire GCC

²⁷ The Greenwood Encyclopaedia of Children's Issues Worldwide





Enrolments - pre-primary level



Source: UNESCO

GER (%) - Pre-primary level

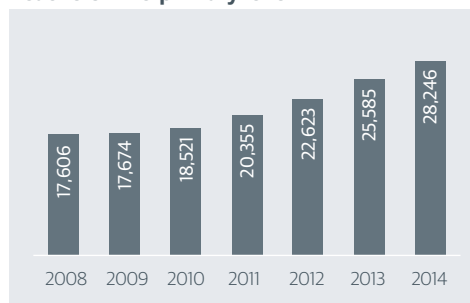


2nd lowest student-teacher ratio at the pre-primary level, mainly due to low enrolments

Teachers:

Teachers at the pre-primary level grew at a CAGR of 9.8% in 2009-14 which is in line with the growth in enrolments. The student-teacher ratio at this level has been steady during the past five years and is among the lowest in the GCC region (10.8 in 2015), with no shortage of teachers. However plans to build around 1,500 nurseries will increase demand for teachers and Saudi may look to other Arab countries for sourcing teachers.

Teachers - Pre-primary level



Source: UNESCO

Student-teacher ratio - Pre-primary level



In 2014, in order to promote early education of children, the MoE agreed to bear the cost of Saudi parents wishing to enroll their children in kindergartens, by funding education of Saudis in private schools, who were unable to find seats in public kindergartens or who could not afford private schools. While private enrolments accelerated in 2014 with a 17% YoY growth, the initiative to provide vouchers to children not enrolled at the pre-primary level, is expected to boost pre-primary enrolment ratios at private schools, which will increase the total GER beyond the current 16.3%.

Market size & estimates

The pre-primary education segment is estimated to grow at CAGR of 11% from 2014-20, with the GER expected to improve from 16.3% to 27.2% during this period. Public enrolments are expected to continue growing faster than private enrolments, driven by increased awareness among locals, an improvised curriculum and free education for locals and children of Arab countries.

Saudi government is committed to constructing 1,500 nurseries by 2020

Supply and pipeline

Under the King Abdullah project for general education development, the Saudi government is committed to building around 1,500 nurseries schools by 2020 and training teachers at a total cost of USD 21bn by 2019.

School Location*	Type	Year of Completion (approximate)
Sharaei (4)	Public	2016
Annasim	Public	2016
Tarkhaussi	Public	2017
Sharaei (5)	Public	2017
Jamoom KG	Public	2017

Source: Tatweer; *Figure in brackets denote the number of schools

Key players in Pre-school market

Schools	Curriculum	Fee Structure Range (\$)
British International School, Riyadh	British	9,490-13,302
Dhahran British Grammar School	British	7,425-15,795
Multinational School, Riyadh	Australian	9,720
Zahrat Al Sahraa International School	American	4,050-4,500
International Indian School, Riyadh	Indian	223

Source: Fees from various school websites

Majority of the schools in Saudi Arabia are public (86%) and they account for 88% of total enrolments

2.6.3.2 Primary and Secondary segment

Majority of the schools in Saudi are public (86%) accounting for over 88% of total enrolments, with local residents preferring public schools over private ones due to a fear that private/international curriculum could impact Arab and Islamic culture. However, this preference is now changing with many Saudis now turning to international schools in pursuit of better quality education. As per a recent study²⁸, 70% of Saudi parents prefer to enroll their children in international schools which emphasize English proficiency, international curricula, and contemporary teaching techniques.

Foreign schools account for 8% of private schools, but cater to 23% of private enrolments

Of the 3,862 private schools offering primary and secondary education in Saudi (14% of total schools), there are just 321 foreign schools (8% of private schools) catering to 180,000 students or ~23% of private enrolments, of which only 2% are Saudis. While demand for foreign schools remains strong among expatriates, enrolments of locals in foreign schools have traditionally been very low. After a ban on local enrolments in foreign schools was lifted in the last decade, Saudis require permission for admission to foreign schools with international curriculums, which has led to meagre enrolments in international schools. Riyadh had the largest number of students enrolled in foreign schools (80 schools with around 65,000 students) while Jeddah had the highest number of schools (around 95) followed by Eastern Province with around 56 schools. Number of students at primary and secondary level have grown at a CAGR of 3% and 8% respectively during 2010-15. GER for primary and secondary education is considerably high with both recording GERs of above 100% due to compulsory education.

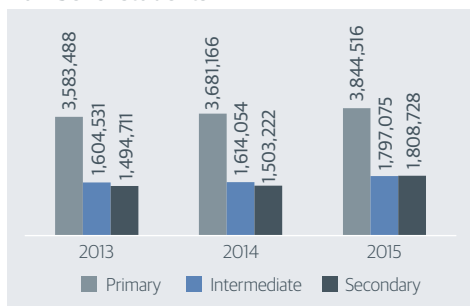
GER in primary and secondary education is high at over 100% due to compulsory education



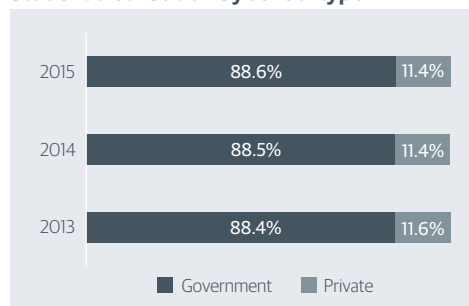


Number of students - Primary, Intermediate and Secondary

Number of students



Student distribution by school type



Source: General Authority of Statistics

Some private schools hiked fees by 20-30% during 2014-15 after securing ministry approvals

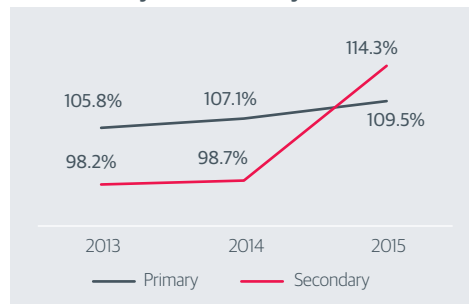
Annual tuition fees at primary schools in Saudi Arabia range from SAR 7,500-75,000 with British and American Schools at the higher end. Schools are not permitted to hike fees without prior approval of the Education Ministry. Certain private schools have hiked fees in the range of 20-30% during 2014-15 after getting ministry approvals.

Primary & secondary school trends

Student-Teacher ratio - Primary



GER - Primary and secondary



Source: UNESCO, General Authority of Statistics

Government initiatives to train 25,000 teachers abroad will increase the quality of education

Teachers:

Despite all teachers at the primary and secondary level being trained and qualified, the quality of teaching is considered low. The government has taken initiatives such as sending 25,000 teachers abroad for training to address this problem. The student-teacher ratio in primary education in Saudi was 10.8 in 2014, which is at par with its GCC peers. Due to relatively low growth rates in enrolments, there is no teacher shortage nor is there a shortage of schools currently in Saudi Arabia.

Factors affecting demand and supply

- The government's current five-year plan is aimed at developing Saudi's education sector and quality of education by setting up a number of new schools and training 25,000 teachers.
- Growing population (2.7% CAGR from 2010-15) with increasing mix of expatriates, which rose from 31% in 2010 to 33% in 2015, remains a driver for enrolments.

- High GDP per capita of over USD 50,000 based on PPP and increased willingness of parents to spend on quality education. This is expected to boost the demand for private schools offering international curricula.
- To attract more foreign investment, the MoE is encouraging private school providers such as GEMS in Dubai and Lebanon's SABIS to invest in building schools across the country in partnership with local providers.

Market size & estimates

Enrolments in the primary and secondary segment are estimated to grow at a CAGR of 3.5% from 7.45mn in 2015 to 8.87mn in 2020. GER in the primary segment is estimated to increase from 109.5% to 117.9% during this period with the secondary GER estimated to increase from 114.3% in 2015 to 123% in 2020.

Supply and pipeline

Under the Tenth Development Plan (2015-2019), the government along with the MoE will construct a large number of primary and secondary schools in Saudi Arabia. The government has approved SAR 80bn (USD 21bn) for the education sector alongside the usual budget allocation of the MoE. Additionally, Tatweer Buildings Company is currently constructing 195 schools across Riyadh, Jeddah and Makkah.

Pipeline of schools

Schools	Type	No. of Classrooms	Year of Completion (estimate)
Ibnul-Athir Secondary	Public	28	2016
Rabiea Ibnulharitha Elementary	Public	20	2016
Abdulrahman Ibnu-Hermiz Elementary	Public	28	2016
Darar Ibnul Khattab Elementary	Public	28	2016
Ahmad Zayat Intermediate	Public	20	2017

Source: Tatweer Website

With the healthy supply of schools expected during 2015-20, the supply is estimated to grow from 7.54mn seats in 2016 to 8.53mn in 2020. This implies that the gap between demand and supply is expected to increase from 124.5K seats (1.6% of demand) in 2016 to 336K in 2020 (3.8% of demand).

Top players in Primary & Secondary school market

Schools	Curriculum	Annual Fee Structure Range (\$)
American International School	American	17,135-19,429
British International School	British	11,135-17,967
Jeddah Knowledge International School	IB	9,532-13,344
Rowad Al Khaleej International School	American	7,092-8,105
Daratassalam International Delhi Public School	Indian	2,000-3,679

Source: Individual school websites

The government has approved USD 21bn under the tenth development plan towards education

Demand-supply gap at primary and secondary level is expected to increase to 3.8% of demand or 336,000 seats in 2020





Government budget for higher education rose from 25.2% of total education budget in 2009 to 46.5% in 2013

2.6.3.3 Tertiary segment

The government is committed to improve the higher education landscape in the country, with public expenditure towards higher education growing at a CAGR of 26% from 2009-13, and the allocation of public spending towards higher education rising from 25.2% of public spending towards education in 2009 to 46.5% in 2013. The education budget for 2015 included USD 3.2bn towards university upgrades and construction of 3 new universities.

There are 25 public universities, 9 private universities and 36 private colleges in Saudi offering higher education. The public universities operate a total of 455 colleges and 129 research centers. Princess Nora bint Abdul Rahman University, a public women's university in Riyadh, is the largest university of women in the world.

Female enrolments grew at a 10.4% CAGR from 2009-15 with the mix declining from 55% in 2009 to 49% in 2015

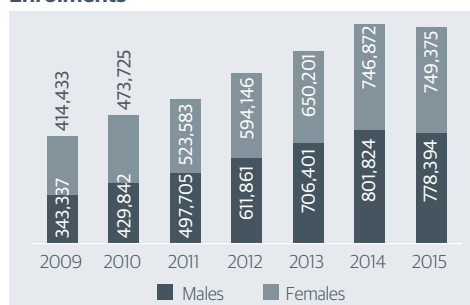
Student enrolments & enrolment ratio:

Enrolments in tertiary education have delivered a sustained upward trend over the past decade (CAGR of 10% from 2005-15) and doubled since 2009, although it declined by 1.4% YoY in 2015. While female enrolments at the tertiary level have grown at a CAGR of 10.4% from 2009-15, their mix has declined from 55% of total enrolments in 2009 to 49% in 2015. Saudis remain inclined towards public universities rather than private ones, with public universities and colleges comprising over 90% of total enrolments in 2015. There were over 71,000 foreign students studying in Saudi's universities during 2013, with majority of them from Yemen, Syria, Egypt, Palestine and Jordan. The King Abdullah's Scholarship Program (KASP) that began in 2005 (now extended till 2020), fully funds both undergraduate and graduate education abroad, and annually sends 125,000 students on average abroad. This has had little impact on tertiary enrolments in Saudi. However, the government is looking to cut spending towards this program amid the current spending cuts and limit access to the group of students applying for funding after being enrolled abroad. The government has set stricter eligibility requirements for KASP such as, students needing to be enrolled in one of the top 50 academic programs in their field or in one of the world's top 100 universities as defined by the Saudi MoE.

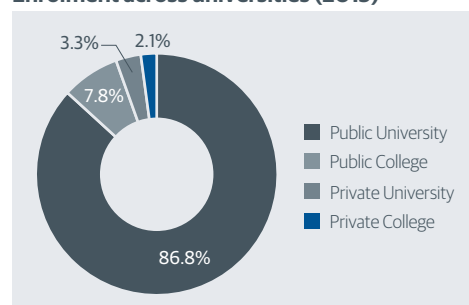
Government is looking to cut spending towards the scholarship program which sends around 125,000 students abroad annually

Tertiary education statistics

Enrolments



Enrolment across universities (2015)



Source: General Authority of Statistics

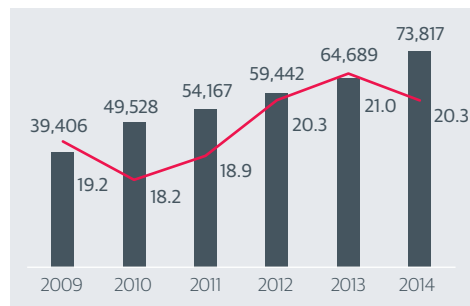
Student-teacher ratio rose from 19 to 20 (highest in GCC) during 2009-14, despite 13.4% CAGR in teacher additions

Teachers:

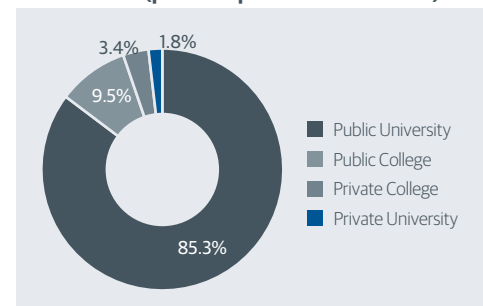
Even though the number of teachers at the tertiary level in Saudi have grown at a CAGR of 13.4% from 2009 to 2014, there exists a shortage of teachers, with the student teacher ratio in tertiary education rising from 19.2 to 20.3 over this period, the highest within GCC.

Teacher trends - Tertiary education

Teachers and Student-Teacher ratio



Teacher mix (public & private universities)



Source: UNESCO, General Authority of Statistics

Increased cooperation between Universities and the Private sector

According to the higher education strategy 'PROSPECTS', Saudi universities need to supply specialized skills required by the labor market as dictated by the country's development needs. Presently the skills and knowledge of graduates coming out from Saudi's educational institutes, are lacking as per the requirements of industry. In order to address the problem, universities and the ministry have been innovating in the programs and curricula to tailor their programs to the corporate sector. Establishment of alumni offices, conducting activities linked to career guidance and undergoing practical training in the corporate sector, are some of the initiatives undertaken to enhance the contact between private sector and universities.

Quality/Effectiveness of Academic programs in Universities

The government established the National Commission for Academic Accreditation and Assessment (NCAAA) to improve the quality of higher education beyond secondary education in Saudi. In April 2013, NCAAA certified 8 universities and colleges taking the total count of accreditations to 30 academic institutions in Saudi. The accreditation system aimed to enhance and upgrade the quality of education under the supervision of NCAAA to ensure credibility of Saudi graduates in the labor market.

Majority of Saudi nationals prefer working in the public sector

Majority of Saudi graduates prefer public sector jobs creating a large gap in the number of Saudi nationals and expats working for the private sector. Average public-sector employees receive far better benefits, wages and working environment than an average private-sector employee. This wage gap further decreases the employment rate in the private sector making it less attractive.

Factors affecting demand and supply

- The ministry of education is also substantially focusing on training and development of teachers and faculty for the upcoming institutions that cater to subjects more relevant to the current labor market requirements and standards.

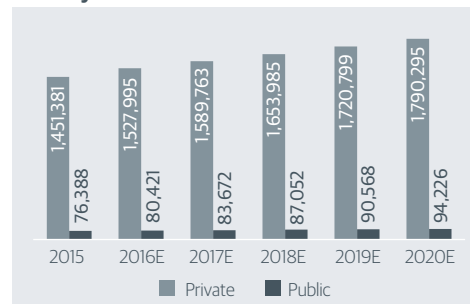




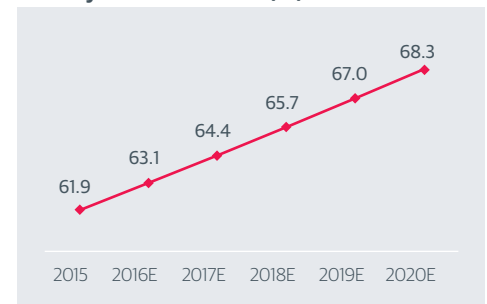
Market size & estimates

The tertiary segment is estimated to grow at a CAGR of 4.3% from 1.53mn enrolments in 2015 to 1.88mn by 2020, with GER estimated to increase from an estimated 61.9% to 68.3% during 2015-20, which is the highest among all other GCC nations.

Tertiary enrolments - estimated



Tertiary GER - estimated (%)



Source: GFH Analysis

Government plans to establish three more public universities in the coming years

Supply and pipeline

In April 2014, the government announced the plan of establishing 3 new public universities in Jeddah, Bisha and Hafr Al-Baten taking the count of public universities to 28. They would operate on a wheel-and-spoke basis, with university campuses at the hub supporting satellite colleges. The details are as follows:

1. The new university in Jeddah will bring together King Abdulaziz University's branches in north Jeddah as well as the colleges in Khulais and Kamil which will have a total of 18 colleges.
2. The Bisha University will be formed by merging all branches of King Khaled University (KKU) in Bisha and other colleges in neighboring principalities such as Namas, Balqarn, Sabt Al-Ulya and Tathlith with a total of 13 colleges.
3. The Hafr Al-Baten University will be established by transforming the branches of King Fahd University of Petroleum and Minerals (KFUPM) and University of Dammam, which would support 12 colleges in Al Olaya, Al Nisiriah and Al Khafji.

While a handful of private universities and colleges exist in Saudi, accounting for a mere 5% of total tertiary enrolments, there are no foreign universities. Additional supply of private universities is very limited, with one private university expected in Jeddah. In April 2015, Gammon Saudi Arabia, a Saudi business group led by Prince Saud bin Musaed and India based Bapuji Institute of Science & Technology formed a joint venture to establish a private university in Jeddah, offering degrees in engineering, automobile mechanics and business management. The university will have 13 colleges initially, offering various courses.

Top players in Tertiary education (Universities)

University	Location	Type	Curriculum
King Saud University	Riyadh	Public	Business administration, Science, IT, nursing, pharmacy
King Abdulaziz University	Jeddah	Public	Business administration, Science, Engineering, Accounting, Medicine
King Abdullah University of Science & Technology	Thuwal	Private	Engineering and science
King Fahd University of Petroleum & Minerals	Dhahran	Public	Engineering, science, accounting, economics and management
Umm Al Qura University	Mecca	Public	Engineering, IT, Business administration, Pharmacy, Medical sciences

Source: UNESCO

Only 9% of students graduating from high school enrolled in vocational institutes, compared to a global average of 40%

Private vocational enrolments grew at an 11% CAGR from 2012-15 outnumbering public enrolments

Government approved spending of SAR 1.5bn in the tenth development plan towards vocational training

2.6.3.4 Vocational Training and Professional Development

There are over 1000 vocational training and professional development institutes in Saudi Arabia offering specializations in electronics and communication, electricity, refrigeration and air conditioning, vehicles, heavy equipment, bank management and food industries.

Student enrolments

Of the total students graduating from high school, only 9% enrolled in technical or vocational training colleges, compared to the global average of 40% for enrollment in technical and vocational colleges. Enrolments in private vocational institutes comprise the bulk (90%) of total vocational enrolments, and have delivered strong CAGR of 11% during 2012-15, while public enrolments have not delivered any growth during this period.

Demand for vocational training is picking up as 63% of the graduates from Saudi universities are ill-equipped for the private sector labor market. Also, the recent budget cuts and austerity measures employed by the government is expected to reduce the number of lucrative public sector jobs forcing Saudis to look towards the private sector for employment. Increased demand in the private sector will shift more Saudi nationals towards skill based learning courses which will increase the demand for vocational training, private as well as public, across Saudi Arabia.

Teachers

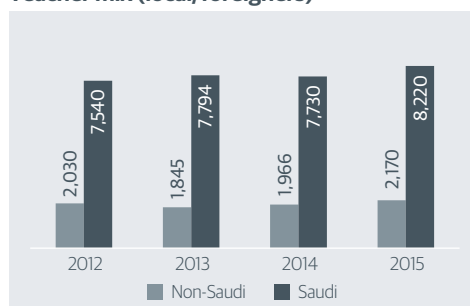
Saudi's training institutes are mostly dependent on Saudi teachers (80%) which grew at a CAGR of 2.9% from 2012-15, compared to expatriate faculty which have grown at a CAGR of 2.3%. Due to the large gap in skills desired and the demand in the private sector, private training institutions dominate the vocational training and development segment as many companies are taking initiatives to bridge the gap with corporate training programs. The recent government's approval of SAR 1.5bn in the 10th development plan to improve capacity of vocational training colleges is expected to boost enrollments and employability in Saudi Arabia.



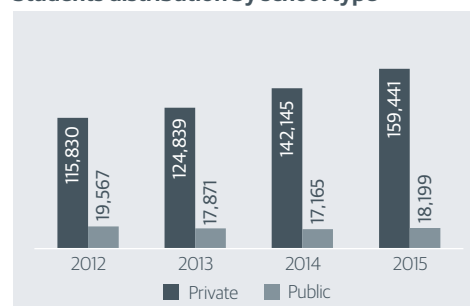


Vocational training institute statistics

Teacher mix (local/foreigners)



Students distribution by school type



Source: General Organization for Technical & Vocational Training Development

Factors affecting demand and supply

- Government has approved a new five-year plan (2015-2019) to increase the capacity of technical and vocational training institutions that can cater to at least 950,000 students. The government currently has 21 strategic partnerships with private sectors which is targeted to increase to 35 by 2020.
- The proportion of high school graduates that continue their education in vocational training institutes is very low (9%) compared to the global benchmark (40%). The government is planning to increase this mix to at least 12.5% to reduce the existing skill gap to some extent.

Government targets an increase in number of enrolments in vocational training from 9% of high school graduates to 12.5%

Pipeline of training institutions in strategic partnerships

Schools	Location	Number of students	Completion Status
National Institute for Water Technology	Mecca	1000	1%
Saudi Institute for German Technology	Mecca	1200	5%
Civil Aviation Academy	Mecca	800	72%
Waad Al-shimal Institute	Waad Al-Shimal	2000	7%
The Technical Saudi Institute for Energy & Water at Rabigh	Rabigh	2000	3%
Technical Institute for Dairy	Riyadh	1500	28%
Institute for Printing and Packaging Technologies	Riyadh	1000	27%
Higher Institute for Advanced Technologies	Riyadh	1000	69%

Source: TVTC

Additional 100 public technical colleges are planned to come up by 2020

The government plans to create 100 technical colleges by 2020. Currently under the 'Colleges of Excellence' program, 36 private colleges have collaborated with 12 global partners to set up 27 new technical colleges in Saudi Arabia.

27 new technical colleges in collaboration with global partners are in the pipeline

Top players in Vocational Training and Professional Development market

Institutes	Course Contents
Standard Technical Training Institute	Architecture, Constructions, Computers, Electronics, Engines and Vehicles, Foundry, Heavy Duty Equipment, Survey, Welding
Makkah College of Technology	Administrative, Computers, Electrical, Hospitality, Mechanical, Travel and Tourism
Dammam College of Technology	Administrative, Computers, Electrical, Electronic, Mechanical
Riyadh College Of Technology	Administrative, Chemical, Civil and Architect, Computers, Electrical, Electronic, Mechanical
Jeddah Girls Higher Technical Institute	Cosmetology, Tailoring and Dressmaking

Source: TVTC

2.6.3.5 Investment Opportunities

The additional SAR 80bn allocated to Saudi's education sector in 2014 in the five-year plan to develop 1,500 nurseries and providing training for about 25,000 teachers, opens up opportunities for education providers to setup institutes in the pre-primary and vocational segments.

Major M&A Deals in the Saudi Education Sector:

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2015	Undisclosed (Divestment)	Advanced Educational Company	Saudi	34.7	26%
2015	Undisclosed (Divestment)	Advanced Educational Company	Saudi	4.33	Minority
2013	Tadrees Holding	Olaya National Schools	Saudi	NA	Majority
2013	Al-Salam Bank Bahrain	Experts Co. for Education & Training	Saudi	NA	Minority
2013	Undisclosed (Divestment)	Al Rowad Private Education Group	Saudi	NA	52.5%
2010	Saudi Apheleon Co.	Education Experts Office	Saudi	NA	100%
2008	Amwal AlKhaleej Coml Invest Co	Al Rowad Private Education Group	Saudi	NA	52.5%

Source: Bloomberg

Majority of the M&A transactions over the past years in Saudi education sector have been private equity deals, targeted towards private K-12 schools (Advanced Educational, Al Rowad Private Education Group). Al Rowad, part of Tadrees, an education group owning 5 schools in Saudi, is an international school in Saudi providing K-12 education based on British and American curricula. The highest return on a private equity investment in the education sector in the MENA region, was the sale of Amwal's majority stake in Al Rowad Private Education Group in January 2013 which generated a money multiple of 1.8x²⁹. In April 2016, AlKhabeer capital launched its education private equity investment fund which aims to generate returns by acquiring a controlling stake in Adwa'a Al Riyadh Education Company.

Bulk of M&A deals in Saudi's education sector have been PE deals in the private K-12 space

The Al Rowad deal in Jan-2013 generated the highest return in MENA with a money multiple of 1.8x





2.6.3.6 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> A. Strong government support to the education sector in terms of budgeted allocation (23-25% of government spend) and additional funding SAR 80bn and SAR 25bn as part of the 5-yr plan and NTP respectively, to increase school supply and improve quality of education in Saudi B. A young demography where two thirds of the population are below the age of 30, will drive demand for education C. Increased willingness to spend on quality of education among Saudis which are driving them towards international schools 	<ul style="list-style-type: none"> A. Quality of education at public schools and higher education institutes is lacking B. Shortage of teachers at the tertiary education level C. Skill gap between industry and educational institutes, restricting the employability of graduates in the private sector
Opportunities	Threats
<ul style="list-style-type: none"> A. Government initiatives such as opening 1,500 nurseries and 100 technical colleges provides opportunities for education providers and vocational institutes B. With fewer public sector jobs expected in future due to government's austerity measures, vocational training presents opportunities, geared towards employment in private sector 	<ul style="list-style-type: none"> A. Regulation of fees by the Ministry, could discourage potential new entrants (incl. foreign) from setting up schools in Saudi B. The recent merger between the MoE and MoHE may slowdown government spending and restrict the progress of higher education due to the bureaucratic nature of MoE officials C. Budget deficits and global decline in oil prices could impact government spending on education in future

Outlook

While government revenue is expected to see a sizeable decline in 2016 due to lower oil prices, government expenditure is expected to be tad lower by 2%. Although budgeted allocation towards education is expected to be lower by 12% YoY, it makes up the largest component of government expenditure at 25%, and government remains committed towards education. The government plans to privatize some government schools and institutions as part of the drive to cut public spending, and increase the number of enrolments in the private sector.

The pre-primary segment is the fastest growing segment and the trend is estimated to continue, given the government initiatives to increase enrolments in pre-primary schools by creating awareness among Saudis regarding the benefits of early education, and increase in the supply of nurseries by 1,500. A trend emerging is the preference among Saudis to enroll in international schools in pursuit of quality education and English proficiency. While quality of education is lacking, the government is undertaking initiatives to improve quality through increased teacher training at schools, attract foreign school providers to build schools in the country and tailor programs to the corporate sector at the tertiary level.

Given budget cuts and austerity measures of the government, the number of lucrative public sector jobs is expected to be limited, leading Saudi nationals to tap the private sector for employment. This would necessitate more skill based learning courses, increasing demand for vocational training.



2.7 UAE

The UAE is a liberal economy with a relatively higher per capita income than many of its GCC peers. The government's efforts towards economic diversification and the prevailing low oil price environment has helped reduce the GDP contribution of the oil and gas sector from 37.2% in 2013 to 23.5% in 2015³⁰, while its contribution to government revenue declined from 64% to 41% during this period. The UAE's strategic plan for the next few years focuses on further economic diversification and creating more job opportunities for nationals through improved education and increased private sector employment.

Expatriates form the majority of population in UAE accounting for as high as 89%

Federal education budget for 2016 declined by 35%

Vision 2021 aims to increase the share of knowledge workers from 24% to 40% in 2021, and increase pre-primary GER to 95%

While government revenue grew at a CAGR of 10.7% in 2010-14, it declined by 30% in 2015 to USD 80.4bn due to drop in oil prices. However, total government expenditure declined at a lower rate of 19% in 2015 to USD 109.3bn, leading to widening of the budget deficit from USD 18.8bn in 2014 to USD 28.9bn in 2015. The federal expenditure of UAE for 2016 (excluding expenditure of each of the 7 emirates) is now budgeted to be marginally lower at 1% than the 2015 budget, at USD 13.2bn. However, the federal budget for education for 2016 has declined by 35% (13.5% of the federal expenditure), after growing by 4% in 2015. Total K-12 enrolments grew at a CAGR of 4% from 2010-15 compared to a 3% CAGR in the population of UAE, which largely comprises of expatriates, accounting for as much as 89%³¹. Abu Dhabi and Dubai are the largest emirates, together accounting for 65% of total primary and secondary enrolments in UAE.

The UAE government's Vision 2021 focuses on creating a knowledge based economy and further reducing the dependence on oil, with an aim of increasing non-oil GDP by 5% every year till 2021. Other objectives include increasing the share of knowledge workers from 24% of the workforce (in 2012) to 40% in 2021 by improving education quality, increasing the pre-primary GER to over 95% and making UAE one of the top countries in the world in terms of Gross National Income (GNI). Improving quality of education through an improved curriculum and better infrastructure is also one of the objectives set out in the Abu Dhabi Economic Vision 2030.

³⁰ Federal Competitiveness and Statistics Authority, UAE.

³¹ 2010 census





UAE ranks 13 and 12 in quality of primary and higher education respectively, making it an attractive destination for foreign students

Overall, UAE is ranked 41st among 188 countries in the HDI and is categorized in the high human development category. The country is ranked 13th³² (of 140 countries) in terms of quality of primary education and 12th in terms of quality of higher education and training, next only to Qatar among the GCC nations, which makes it an attractive destination for foreign students.

2.71 Key Statistics

Macro parameter	2014	2015	2016E	2020E
Nominal GDP (USD bn)	399.5	345.5	325.1	450.7
Real GDP growth	4.6%	3.9%	2.4%	3.7%
GDP per capita on PPP (USD)	66,347	67,617	67,946	74,053
Population (mn)	9.30	9.58	9.86	11.08
Inflation (%)	2.4	4.1	3.2	3.4
Non-oil % of GDP	65.6	76.5	NA	NA
Non-oil exports (USD bn)	279.7	296.8	NA	NA
Budgeted federal education spend (USD bn)	2.65	2.75	1.78	NA
Budgeted federal education spend (% of federal expenditure)	21.1%	20.6%	13.5%	NA

Source: IMF, Federal Competitiveness and Statistics Authority, UAE

2.72 PEST Analysis

PEST Factors	Remarks
Political	<ul style="list-style-type: none"> Political stability exists across all the individual governments of the UAE. No corporate tax exists for any resident company in any of the emirates, however VAT is set to be introduced across UAE in 2018. UAE is ranked 60th among 189 countries in the ease of starting a business, which takes an average 6 procedures and 8 days.
Economic	<ul style="list-style-type: none"> The widening of the budget deficit (by over 50% in 2015 to USD 28.9bn) could impact government/federal spends towards education in future. The federal budget towards education for 2016 is 35% lower than the previous year, which accounts for 13.5% of federal expenditure (20.6% for 2015), at par with the mean government education spends of GCC nations. UAE parents are the highest spenders on education, paying around USD 18,360 annually which is 140% higher than the global average (USD 7,631)³³. The high disposable income is expected to increase demand for premium education facilities and institutes.
Social	<ul style="list-style-type: none"> The large expatriate population (89% as per 2010 census) is the key driver for high number of international schools, mainly in Abu Dhabi and Dubai. Launch of programs such as Vision 2021 and Abu Dhabi Economic Vision 2030 are targeted towards educational reform in UAE, prioritizing improvement in quality and infrastructure of education.
Technological	<ul style="list-style-type: none"> UAE launched the paperless classroom initiative in 2012 where it handed out 14,000 iPads to higher education students. UAE Vision 2021 lays down guidelines to ensure that all schools are equipped with smart systems and devices for all teaching methods, research and projects.

Source: GFH Analysis

No corporate taxes exist for resident companies

Federal education budget for 2016 declined to 13.5% of federal expenditure from 20.6% in 2015

Expatriates account for 89% of total population

32 Global Competitiveness Report 2015/16 - WEF

33 Value for Education report, HSBC

2.7.3 Education market segmentation

The Ministry of Education overlooks all specific emirates' education councils across UAE

Fee hikes permitted in private schools of Abu Dhabi and Dubai were 6% and 3.2-6.4% respectively for the year 2016-17

Pre-primary segment is dominated by private schools accounting for 80% of enrolments

Pre-primary enrolments have grown at a CAGR of 4.9% in 2010-15

Market and regulatory structure

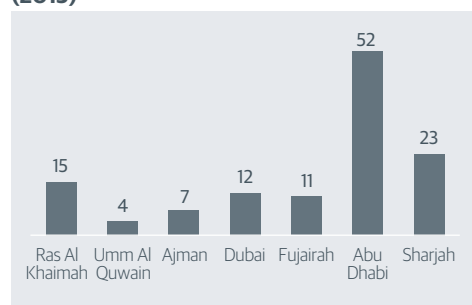
The Ministry of Education (MoE) oversees all emirates' education councils and authorities. Each emirate has its own education council which is responsible for education policies and reforms. The Abu Dhabi Education Council (ADEC) and the Knowledge and Human Development Authority (KHDA) along with the Dubai Education Council (DEC) are responsible for educational policies and quality inspections at schools in Abu Dhabi and Dubai respectively. UAE follows the K-12 education system, and primary and secondary education is compulsory up to grade 9. Public schools generally follow Arabic as the medium of instruction and is free for local UAE citizens. There are also a high number of private schools offering foreign curriculums in the UAE. Fees for private schools are regulated by the respective educational councils and zones in each emirate. In Dubai, private schools were allowed to hike school fees between 3.21-6.42% by the KHDA, based on the Education Cost Index and performance of the schools in the categories of Weak/Acceptable, Good, Very Good and Outstanding. In Abu Dhabi, ADEC permitted 51 schools to hike fees by an average 6% for the 2016-17 academic year.

Higher education in UAE is governed by the Ministry of Higher Education and Scientific Research (MOHESR) which is responsible for general planning of higher education and licensing private institutions. Vocational training is governed by the UAE Ministry of Education and there is no national body unlike KSA's TVET which is responsible for overlooking the functions of public as well as private vocational training institutes.

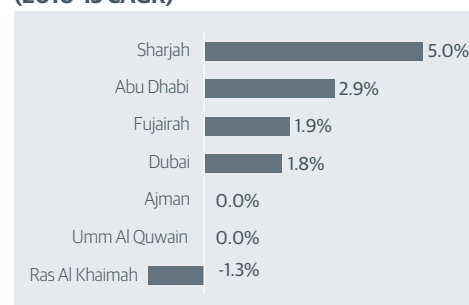
2.7.3.1 Pre-primary segment

Pre-primary segment across UAE is dominated by private schools, accounting for 80% of total pre-primary enrolments in 2015 due to the large expatriate base. Total number of public kindergartens have grown at a sluggish pace from 111 schools in 2010 to 124 in 2015 (CAGR of 2.2%), with the fastest growth seen in the emirate of Sharjah (CAGR of 5%). Abu Dhabi has the maximum number of public kindergartens (52) followed by Sharjah (23).

Public kindergartens across UAE (2015)



Growth in public kindergartens (2010-15 CAGR)



Source: Federal Competitiveness and Statistics Authority, UAE

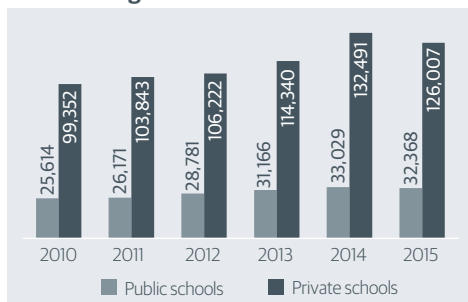
Pre-primary enrolments have grown at a CAGR of 4.9% in 2010-15 driven equally by public as well as private enrolments, with Abu Dhabi and Dubai constituting the bulk of enrolments. Barring a fall in enrolments in 2015 due to a change in policy by the MoE which increased the minimum age for children at the pre-primary level from 3 to 4 years, enrolment trends have been healthy at the pre-primary level with a GER of 85% in 2015, which is the highest in the GCC. This high GER can be attributed to the large number of expatriates living in UAE who are aware of the advantages of pre-primary education.



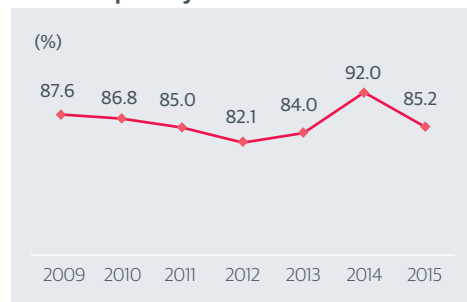


UAE had a GER of 85% in 2015 at the pre-primary level, which was the best among all GCC nations

Total kindergarten enrolments



GER - Pre-primary



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

Teachers:

The number of teachers in pre-primary grew at a CAGR of 6.5% in 2009-14. While expatriates account for 36% of total teachers in public kindergartens, they comprise the majority of teachers in Abu Dhabi. Public kindergartens across all other emirates have employed a majority of local teachers. In private kindergartens (especially foreign ones), there is a shortage of foreign teachers. Student-teacher ratio across the pre-primary level has risen to 18.8 in 2014, which is the 2nd highest in GCC.

Shortage of foreign teachers has pushed student-teacher ratio to 18.8 across kindergartens

Total teachers in pre-primary



Student-teacher ratio



Source: UNESCO

Pre-primary enrolments are estimated to grow at a CAGR of 5% with improvement in GER from 85.2% to 94% from 2015-20

Market size & estimates

The pre-primary segment is estimated to grow at CAGR of 5% from 2015-20 from 158,375 in 2015 to 202,416 in 2020, with an improvement in GER from 85.2% in 2015 to 94.1% in 2020. Private enrolments are expected to grow faster than public enrolments driven by the rising expatriate population.

Supply and pipeline

In 2008, Abu Dhabi Education Council launched a future schools project with the initiative to build 100 public schools across Abu Dhabi by 2020, of which 32 schools have been constructed and have started operations. While pre-primary education is offered by only a subset of these 100 schools, the pre-primary schools which are under construction are as follows:

Schools	Location	Type	Capacity
KG, Al Bahya	Abu Dhabi	Public	360
KG, Al Falah	Abu Dhabi	Public	360
Al Noor	Abu Dhabi	Public	160
Aliya, Al Ain	Abu Dhabi	Public	240
Al Tomouh	Abu Dhabi	Public	240
Al Zaab	Abu Dhabi	Public	160
KG, Neima, Al Ain	Abu Dhabi	Public	160
KG, Al Salamat, Al Ain	Abu Dhabi	Public	160
Al Showaib, Al Ain	Abu Dhabi	Public	80

Source: Abu Dhabi Education Council

Top players in Pre-school market

Schools	Curriculum	KHDA / ADEC Rating	Fee Structure Range (\$)
GEMS Dubai American Academy	American	Outstanding	5,935 - 15,587
Raha International School	IB	Outstanding	9,828 - 10,319
GEMS Modern Academy	Indian	Outstanding	7,291 - 9,000
Lycee Francais International Georges Pompidou (Oud Metha KG)	French	Outstanding	7,550
American International School, Abu Dhabi	IB	Very Good	8,303 - 8,685

Source: ADEC and KHDA; Fees from respective school websites

Private schools in UAE increased at a CAGR of 3.3% from 2010-15 and account for 45% of total schools

2.7.3.2 Primary and Secondary segment

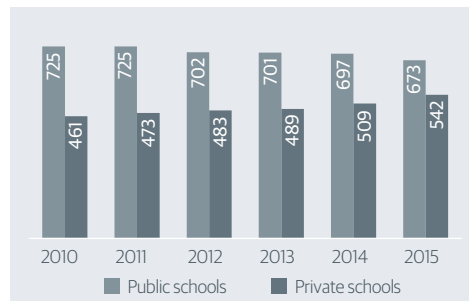
While the increase in total number of schools during 2010-15 has been very moderate from 1,186 to 1,215, growth in private schools (constituting 45% of total schools) has been strong at a CAGR of 3.3%. The demand for public schools has been muted with preferences of locals shifting towards private education, which is reflected by the negative growth (CAGR of -1.5%) in the number of public schools during 2010-15. In 2015, Abu Dhabi was home to maximum number of private schools (187), followed by Dubai (169). With education compulsory at the primary level, the GER has remained around the 100% levels for the past several years.





GER at the primary level has remained around 100% for past many years

Total Number of Schools



GER - Primary level

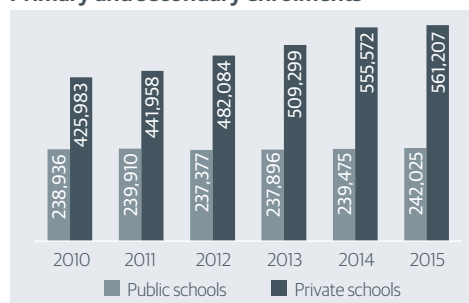


Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

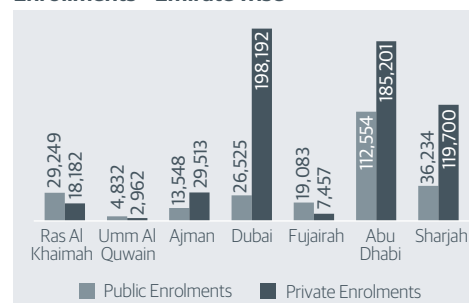
Enrolments in schools have grown at a CAGR of 3.9% in 2010-15 mainly driven by private school enrolments (CAGR of 5.7%)

Enrolments across primary and secondary segments have grown at a CAGR of 3.9% in 2010-15, mainly driven by the growth in private enrolments, which grew at a CAGR of 5.7% as compared to a low 0.3% CAGR in public enrolments on account of the recent shift towards private schools and an increase in the expatriate population. Expatriates accounted for 84% of total primary and secondary enrolments in private schools in 2015. The World Expo 2020 to be hosted in Dubai, is expected to further increase the population due to the influx of skilled professionals.

Primary and secondary enrolments



Enrollments - Emirate wise



Source: Federal Competitiveness and Statistics Authority, UAE

Teachers

The total number of teachers across schools in UAE increased at a CAGR of 6.1% in 2012-14 mainly driven by increase in number of private school teachers (CAGR of 9.5%). Despite this growth, there remains a shortage of teachers across UAE, especially in foreign schools. A high turnover of teachers in international schools is also one of the major issues affecting UAE as many teachers come to Dubai on short term contracts. Higher cost of living and strict laws in UAE such as prohibition of unmarried couples cohabiting, have also affected foreign teachers who now prefer moving to Asia than the Middle East. One of the goals of Vision 2021 is to hire more internationally accredited teachers, to improve the quality of education.

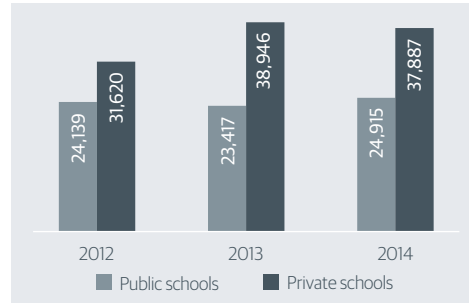
High cost of living in UAE and strict laws pertaining to unmarried couples have worsened the problem of teacher shortage in UAE

The student-teacher ratio at the primary level is among the highest in the GCC region at 18.7. However, the ratio at the secondary level is comparatively low at 12.6 due to high dropout rates among boys in secondary schools. A key reason for dropouts among boys is the lack of a skill based curriculum which will help them in future jobs.

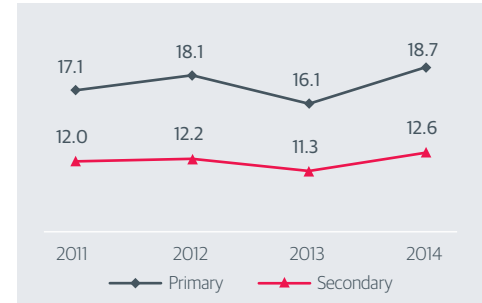
Fees across private schools in UAE vary with American and British schools being more expensive than Asian schools

Private enrolments in Abu Dhabi grew at a CAGR of 6.9% from 2010-15, while that in Dubai grew at a 6% CAGR

Total number of teachers



Student-teacher ratio



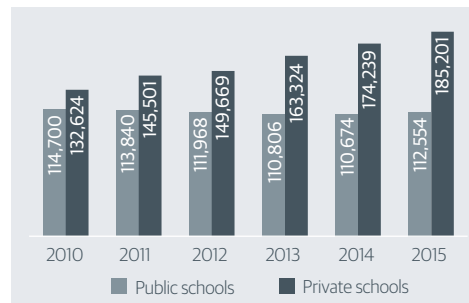
Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

Fees across private schools in UAE vary based on their curriculum with IB curriculum, American and British schools being the most expensive. Fees of South Asian schools are lower, which target the expatriate population from those countries. For example, American School of Dubai charges an annual fee of USD 21,420 whereas the Abu Dhabi Indian School charges around USD 1,307-2,786 p.a.

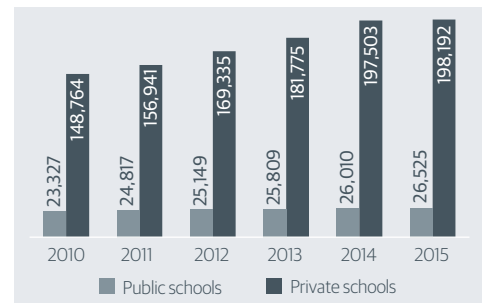
Abu Dhabi and Dubai primary and secondary education market

Abu Dhabi and Dubai are the two largest emirates in UAE and they account for majority of enrolments across UAE. Private schools account for maximum number of enrolments in these emirates, especially in Dubai where they account for 88% of total enrolments mainly due to the high expatriate population mix. The emirate of Abu Dhabi accounts for the maximum number of total enrolments (37%) in UAE. Total enrolments grew at a CAGR of 3.8% and 5.5% in 2010-15 in Abu Dhabi and Dubai respectively driven mainly by growth in private enrolments (CAGR of 6.9% and 6% respectively). Private enrolments in both the emirates are expected to increase due to economic growth prospects, which is likely to attract foreign professionals into the emirate. The student-teacher ratios in both the emirates of Abu Dhabi and Dubai are hovering around 12 as of 2014, with teachers having grown at CAGRs of 4% and 7.2% respectively during 2011-14.

Abu Dhabi - Enrolments

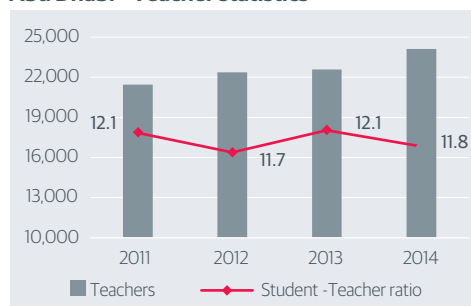


Dubai - Enrolments

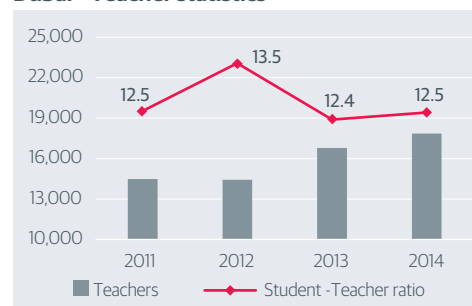




Abu Dhabi - Teacher statistics



Dubai - Teacher statistics



Source: Statistics Center - Abu Dhabi, Dubai Statistics Center

Lack of a skill based curriculum has forced many male students to drop out of secondary education

Factors affecting demand and supply

- The significant expatriate population (89% of total population), which is further expected to increase due the hosting of the World Expo 2020 in Dubai, remains a driver for private education across UAE.
- The Abu Dhabi Education Council is expected to setup new schools, which would fuel the demand for teachers who are currently in short supply across the country.
- Lack of a skill based curriculum has forced many male students to drop out of secondary education, thereby affecting higher education demand in UAE.

Primary and secondary enrolments are expected to grow at a CAGR of 4.7% and 4% respectively from 2015-20

Market size & estimates

The growth in primary enrolments is estimated to grow at CAGR of 4.7% from 2015-20 to reach 516,390 in 2020, with the GER estimated to improve from 103.5% in 2015 to 108.8% in 2020. Secondary enrolments are estimated to grow at a CAGR of 4% from 2015-20 with increase in GER from 93% to 97.7% during this period.

Supply and pipeline

Population of Dubai is expected to rise as it endeavors to transform into a diversified knowledge based economy and hosts the prestigious World Expo 2020 which is expected to further increase demand for private education in the emirate. It is estimated that 52 new educational facilities will be needed in Dubai in 2016-2020 to cater to this demand.³⁴

52 additional schools will be needed in Dubai, while 68 more public schools are expected in Abu Dhabi by 2020

Under the Abu Dhabi future schools program, 68 more public schools of the 100 schools planned, are expected to come up in Abu Dhabi by 2020. The pipeline for primary and secondary schools under this program is as follows:

School category	Type	Location	Capacity
Boys School	Public	Al Reyada	1,250
Mixed School	Public	Al Salam	1,250
Mixed School	Public	Al Ezza	1,250
Girls School	Public	Al Shawamekh	1,250
Mixed School	Public	Al Noor	1,000
Girls School	Public	Baniyas	1,200
Mixed School	Public	Al Muwaji	1,250
Mixed School	Public	Al Qatarah	1,250

Source: Abu Dhabi Education Council

No significant demand-supply gap at the primary and secondary level is estimated in UAE

Given the supply pipeline up to 2020 in UAE, largely led by Abu Dhabi and Dubai, no significant gap in demand and supply is estimated in the primary and secondary segment in UAE.

Top players in Primary & Secondary school market

Schools	Curriculum	KHDA / ADEC Rating	Fee Structure Range (\$)
Dubai International Academy	IB	Outstanding	11,875-18,509
Raha International School	IB	Outstanding	13,531 - 15,491
GEMS Jumeirah Primary School	British	Outstanding	10,400 - 13,110
Kings School, Dubai	British	Outstanding	14,000 - 16,895
The Sheikh Zayed Private Academy	American	Very Good	11,108 - 17,342
Repton School, Abu Dhabi	British	Very Good	16,607 - 18,241

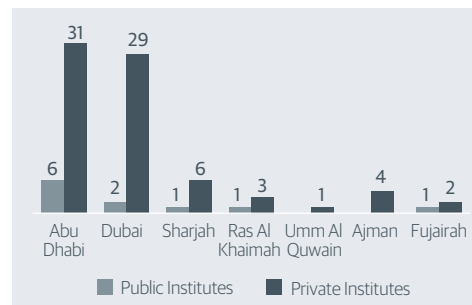
Source: ADEC and KHDA; Fees from respective school websites

Despite government colleges being free for UAE nationals, private institutes account for 65% of total enrolments

2.7.3.3 Tertiary segment

There are a total of 29 private universities, 36 private colleges and 11 private institutes accounting for 65% of total enrolments in 2014. Apart from this, there are 4 government universities and 7 colleges, with education being free for UAE nationals in government colleges, while expatriates have to bear the cost of education in the public colleges. Abu Dhabi and Dubai make up 78% of total institutes in UAE, with Abu Dhabi having 31 private institutes and Dubai having 29.

Total Institutions - Emirate wise (2014)



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

GER - Tertiary level



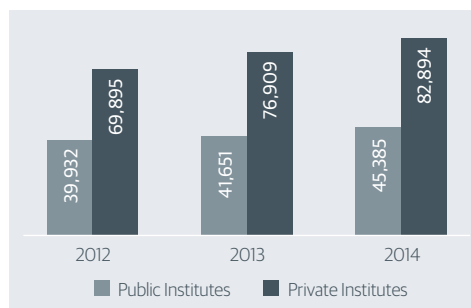
Enrolments at the tertiary level grew at a healthy CAGR of 8.1% in 2012-14 with GER increasing from 15% to 19.8% during this period

Enrolments at the tertiary level in UAE grew at a strong CAGR of 8.1% in 2012-14 with private enrolments growing faster (CAGR 8.9%) than public enrolments (6.6%). Contribution of female enrolments at the tertiary level has risen from 42% in 2012 to 58% in 2014. Factors such as high expatriate population and the launch of Dubai International Academic City (DIAC) in 2007 to strengthen the higher education landscape by inviting foreign universities in UAE, have supported the growth of private enrolments. The GER at the tertiary level increased from 15% in 2012 to 19.8% in 2014. DIAC has partnered with numerous international colleges to set up campuses, and currently has 22 foreign universities of the total 29 private universities, and caters to over 24,000 students from across the world. Notable universities in DIAC include Michigan State University, Middlesex University and the British University in Dubai.

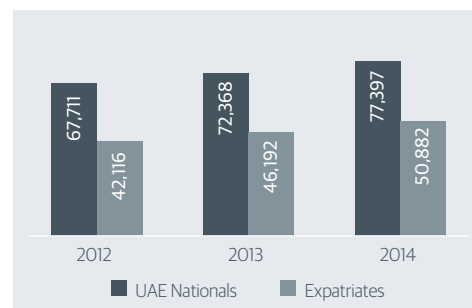




Total Enrolments



Student mix



Source: Federal Competitiveness and Statistics Authority, UAE

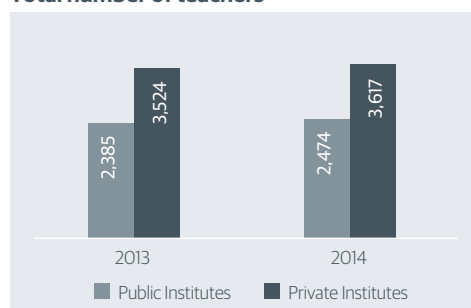
Expatriates account for over 90% of teachers at all universities

Teachers

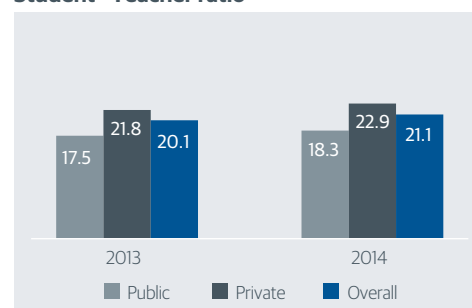
Majority of teachers at the tertiary level are expatriates, accounting for 92% and 98% in public and private universities respectively. While the number of teachers at the tertiary level increased 3% YoY in 2014, the student-teacher ratio at the tertiary level in UAE rose to 211.

Tertiary teacher statistics

Total number of teachers



Student - Teacher ratio



Source: Federal Competitiveness and Statistics Authority, UAE

Free Trade Zones like the DIAC, have encouraged foreign universities to set up campuses in UAE

Factors affecting demand and supply

- Universities in Dubai are looking to expand their campuses and programs to equip students with a more skill based learning, keeping in mind the upcoming World Expo 2020.
- Setting up of Free Trade Zones (FTZs) like the DIAC, have encouraged foreign universities to set up campuses and colleges in UAE.

Tertiary enrolments are estimated to grow at CAGR of 8.6% from 2014-20 with increase in the GER from 19.8% to 27.2% in 2020

Market size & estimates

Enrolments at the tertiary level are estimated to grow at a CAGR from 8.6% from 2014-20 with the GER estimated to improve from 19.8% in 2014 to 27.2% in 2020, driven by private enrolments which are supported by increasing number of international enrolments at foreign universities.

Top players in Tertiary education market

University/College	Sector	Curriculum	Fee Structure p.a. (\$)
New York Institute of Technology	Private	Accounting, Engineering, Journalism, Law, Media	33,920 – 62,682
The British University in Dubai	Private	Business, Law, Engineering, IT	17,424 – 61,258
Middlesex University Dubai	Private	Accounting, Marketing, Management, Tourism	6,806 – 41,110
Zayed University	Public	Arts, Business, Science, Media, Economics and Communications	8,712 – 34,849
Higher Colleges of Technology	Public	Engineering, Health Science, IT	NA
United Arab Emirates University	Public	Business, Economics, Engineering, Law, Medicine, IT.	NA

Source: Fees from University / College websites

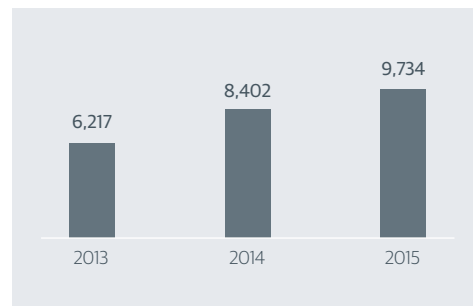
Vocational enrolments grew significantly at a CAGR of 25.1% during 2013-15 driven by female enrolments which grew at a CAGR of 34.6%

2.7.3.4 Vocational Training and Professional Development segment

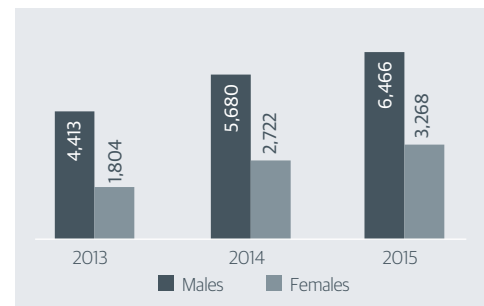
There were a total of 33 technical education institutes across UAE in 2015, with Abu Dhabi having the maximum number of institutes (48% of total institutes). Enrollments in technical institutes increased significantly at a CAGR of 25.1% in 2013-15, driven by increasing demand for technical education from females which grew at a CAGR of 34.6%. Demand for vocational education is on the rise as UAE requires many technically trained graduates to diversify its economy and to achieve its target of creating a knowledge and skill based economy. Various industries such as hospitality and construction are already facing the skill gap. Enrolment numbers in vocational institutes had been low so far due to the lower appeal of a vocational degree compared to a university degree. However, enrolments are picking up now with an increasing demand for skill-based courses.

Industries such as hospitality and construction are already facing a skill gap

Total enrolments - technical institutes



Student mix - technical institutes



Source: Federal Competitiveness and Statistics Authority, UAE





Vision 2021 aims to increase share of UAE nationals in the private sector from 1.08% in 2015 to 5% in 2021

Factors affecting demand and supply

- The Emiratization drive in UAE coupled with the aim to increase the share of UAE nationals in the private sector to 5% from 1.08% in 2015 as per Vision 2021, is expected to increase demand for vocational education.
- The existing skill gap across industries and government focus to create a knowledge-based economy, is expected to drive demand for technically skilled professionals which in turn is likely to drive enrolments in technical institutions.

Top players in Vocational training and Professional development market

Schools	Sector	Course Contents
Abu Dhabi Vocational Education and Training Institute	Public	Human Resources, IT, Event Management, Technical Drawing etc.
National Institute for Vocational Education	Public	Human Resources, Marketing, IT, Jewellery, Business Development
Emirates Aviation University	Private	Aviation
Emirates Institute for Banking and Financial Studies	Private	Banking, Finance and Accounting
The Petroleum Institute	Private	Chemical Engineering, Geoscience, Mechanical Engineering

Source: Various college websites

2.7.3.5 Investment Opportunities

Major M&A deals in UAE

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2016	Al Najah Education LLC	Brooklyn Melodies Music Center	UAE	NA	Majority stake
2015	GFH Financial Group	Sheffield Private School	UAE	43	80%
2015	Al Najah Education LLC	Sabari Indian School	UAE	NA	Majority Stake
2014	GFH Financial Group	Philadelphia Private School	UAE	26	70%
2014	Investor Group	GEMS Pvt Ltd	UAE	NA	20%
2012	Mubadala Infrastructure	Zayed University	UAE	NA	Minority stake
2012	Varkey Group Ltd	GEMS Pvt Ltd.	UAE	6.47	Minority stake
2012	Al Najah Education LLC	Horizon School	UAE	NA	100%

Source: Thomson Reuters

Deals in the UAE education sector have largely been in the private school space, indicating the rising demand for schools offering international curricula, such as i) the Sabari Indian School which mainly caters to expatriates from India and ii) GEMS education which operates schools offering 6 different international curricula. The higher education and vocational space also offer investment opportunities, where deals have happened – one involving Brooklyn Melodies Music Center – a school for music education, and the Abu Dhabi based Zayed University.

Couple of Dubai based well-run K-12 schools offering international curricula, Sheffield Private School (SPS) and Philadelphia Private School (PPS) offer opportunities for investors to acquire majority stakes, from strategic partners and GFH Financial Group. SPS (British curriculum), whose revenues are growing at 10% p.a. having average annual fees of USD 6,812, offers investors an opportunity to acquire upto 80% of equity. PPS (American curriculum) with annual fees ranging from USD 4,466 – 7,648, offers investors an opportunity to acquire 70% for USD 33mn.

2.7.3.6 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> A. Large expatriate population is a key driver for private education demand, which is likely to rise further due to the World Expo 2020 B. Strong spending power of parents augurs well for foreign schools to set up base in UAE and improve quality of education C. Quality of higher education - an established breeding ground for foreign universities or their campuses, with presence of DIAC 	<ul style="list-style-type: none"> A. Shortage of teachers, especially across foreign schools is likely to impact quality of education B. High dropout ratio among local males in the secondary segment has affected enrolments across schools
Opportunities	Threats
<ul style="list-style-type: none"> A. Objectives laid down in the UAE Vision 2021 policy to increase the share of 'knowledge workers' to 40% presents an opportunity for higher education institutes B. Existing skill gap and demand for technically trained employees is likely to increase demand for vocational training 	<ul style="list-style-type: none"> A. Rising fiscal deficit due to low oil prices could impact government spending towards education, given that federal education budget for 2016 declined by 35% B. Regulation of private school fees could act as a deterrent to private players to establish schools in UAE

Source: GFH Analysis

Outlook

Although federal expenditure and budgeted spend towards education for 2016 is lower, government expenditure (including education spends) in Dubai and Abu Dhabi are expected to increase in the long run. Education development programs under the UAE Vision 2021 lay out plans to improve education infrastructure by equipping all schools, universities and colleges with smart systems. Growth in private enrolments driven by the expatriate population, combined with the goal to hire more internationally accredited teachers is likely to increase demand for good quality international educational institutes. Tertiary education is a promising segment delivering a healthy CAGR of 8%, with growth expected to continue, supported by the presence of foreign universities in DIAC attracting students from the large expatriate community in UAE and international students, largely from Asia and MENA. Vocational education (relatively smaller) is the fastest growing segment in UAE offering growth opportunities, due to the increasing demand for technically trained professionals in an aspiring knowledge-based economy, and the existing skill gap in key industries such as hospitality and construction. Issues such as teacher shortages and a high dropout rate at the secondary and tertiary level are a concern across UAE which needs to be addressed via relevant skill based curricula and incentives for foreign qualified teachers. Overall, outlook for education in UAE is positive with enrolment growth expected to steadily increase across all segments.



3. GCC Competitive Landscape



3.1 Key Player Profiles

1 Nafais Holding Co. (Kuwait)

Business Description

Nafais Holding Co. KSC, present since 1984, owns and operates schools across all levels in Kuwait, Egypt and Saudi Arabia. The group consists of the companies: 1) Al Malee Educational Services 2) Al Mouwasat Healthcare company and 3) Educational Holding Group (EDU)

Business Segments

- **Education:** Al Malee Educational Services operates two schools based on international curriculum, Gulf English School and Al Takamul School. The associate company, EDU owns Gulf University and American Creativity Academy through its subsidiaries Eyas Holding and Knowledge Village.
- **Healthcare:** Al Mouwasat Healthcare company provides healthcare services largely in Kuwait. The company owns New Mowasat Hospital (NMH) which is expected to open its first preventive clinic in Al Manshar, Kuwait. A similar concept is expected to be replicated in five additional locations in Kuwait. Mowasat real estate is the real estate subsidiary of this company.
- **Financing & Investment:** The company's associate Athman Investment Company is a specialized third party asset manager involved in asset management and other investment activities, compliant with Sharia Islamic principles.

Key Strengths/Positives

- Educational Holding Group was the first educational company to be listed on the Kuwait Stock Exchange in 1993.
- NMH is one of the most highly regarded hospitals in Kuwait and is in the process of expanding itself.
- Athman Investment Company founders and management team has a long drawn experience and expertise in fund management.

Latest Developments

- In February 2016, Boubyan Petrochemical Co., which owned 16.9% share of Nafais, made a voluntary offer at KD 0.142 per share to acquire the remaining 83.1% issued shares of Nafais. The deal is still pending.

Financials

(USD mn)	2014	2015	Q1 2016
Revenue	40.5	41.2	10.6
EBITDA	7.1	11.0	4.0
EBITDA (%)	17.4%	26.8%	37.7%
Net Income	22.9	16.0	5.9
NPM (%)	56.5%	38.8%	55.7%
ROE (%)	11.3%	7.8%	
ROA (%)	8.5%	6.6%	

Stock parameters

CMP (USD)	0.60	
Bloomberg Ticker	NAFAIS KK	
Market Cap (USD mn)	251.6	
EV (USD mn)	222.4	
Valuation multiples	2015	TTM
P/E	15.7	30.9
EV/EBITDA	21.5	19.8





2 Humansoft (Kuwait)

Business Description

Human Soft Holding Company KSCC offers training, information technology and human resource management services, and also operates a publishing business. The company was established in 1994 under the name New Horizons, running a computer training institute providing training diplomas in GCC. In 2005, it was listed on the Kuwait Stock Exchange. The company has four business segments: 1) Training and Career Development Programs 2) English Training 3) Learning Solutions and 4) Higher Education.

Subsidiaries

- **Al Arabia Educational Enterprises** – an educational institute
- **American University Of The Middle East** – a premier institute of high level learning
- **American College of the Middle East** – offers diploma courses in Business Administration, IT and Engineering
- **Track Learning Solutions** - delivers eLearning solutions and business development
- **New Horizons Computer Learning Centers** – provide courses focusing on technical, application and business skills
- **Expression Institute For Private Training** – provides language training solutions
- **Tawteen** – focuses on career development and job placement of GCC nationals
- **Humansoft School Management** – provide management and training services to schools

Key Strengths/Positives

- A well-known player with extensive experience of over 20 years in learning and education.

Latest Developments

- HumanSoft partnered with Education Investment MENA, the event that brings together regulators, investors, entrepreneurs, educators and solution providers, in an engaging interactive format to create partnerships between educators and providers, and to build new businesses focused on improving education delivery in the region, for the fourth year.

Financials

(USD mn)	2014	2015	Q1 2016
Revenue	100.6	145.0	90.3
EBITDA	44.3	65.8	41.9
EBITDA (%)	44.1%	45.4%	46.4%
Net Income	28.6	57.6	37.2
NPM (%)	28.5%	39.7%	41.3%
ROE (%)	28.1%	50.2%	
ROA (%)	17.2%	28.7%	

Stock parameters

CMP (USD)	4.91	
Bloomberg Ticker	HUMANSFT KK	
Market Cap (USD mn)	599.9	
EV (USD mn)	593.1	
Valuation multiples	2015	TTM
P/E	6.6	7.6
EV/EBITDA	5.9	6.7

3 Eyas for Higher & Technical Education Company K.S.C. (Kuwait)

Business Description

Educational Holding Group establishes non-government education institutions including universities, schools and institutions for providing education, networks and communication consultancy. Besides this it also invests surplus cash in portfolios managed by fund management organizations.

Business Segments

- Educational services: Establish, manage and provide educational service within the State of Kuwait
- Investment activities: Investing surplus cash in investment portfolios

Key Strengths/Positives

- Eyas operates Gulf University for Science & Technology located in the State of Kuwait with the purpose of preparing a generation of young leaders and professionals for the demands of a new global technological era.

Financials

(USD mn)	2014	2015	Q1 2016
Revenue	68.6	72.3	59.3
EBITDA	18.0	16.1	14.9
EBITDA (%)	26.3%	22.2%	25.2%
Net Income	13.2	12.9	12.2
NPM (%)	19.2%	17.8%	20.6%
ROE (%)	14.8%	14.3%	
ROA (%)	11.3%	11.2%	

Stock parameters

CMP (USD)	1.27	
Bloomberg Ticker	EYAS KK	
Market Cap (USD mn)	132.4	
EV (USD mn)	118.1	
Valuation multiples	2015	TTM
P/E	10.4	10.3
EV/EBITDA	7.5	6.2





4 Dhofar University (Oman)

Business Description

Incorporated in 2004, the Salalah-based Dhofar University (DU) is a higher education institution offering two-year diploma, four-year bachelor's degree and master's degree courses based on the American system. Through its three colleges, DU offers 54 academic programs in various specializations, including 20 diploma programs, 26 bachelor's degree programs, and 8 master's degree programs. In December 2015, the total number of DU staff was 426, including 206 faculty members. Student enrollments has grown at a CAGR of 12% from 1,500 students in 2003-04 to around 6,000 students in 2015-16, majority of whom are Omanis.

Portfolio of colleges

- **College of Arts and Applied Sciences:** DU offers diploma, bachelor and master programs in areas of computer science, languages and translation, math and science, social science and law.
- **College of Commerce and Business Administration:** DU offers diploma, Bachelor, Master of Arts degrees and Master's degree in Business Administration. The specializations offered include accounting, management, finance, insurance, management of information systems, and marketing.
- **College of Engineering:** DU offers diploma and bachelor's degree programs in various engineering fields such as chemical, mechanical, and electrical and minors in IT and petroleum.
- **Foundation Program:** DU also offers foundation program in English language, study skills, IT and mathematics for students who are not adequately prepared to take the academic programs at the university.

Key Strengths/Positives

- Follows the higher education system of the US, the first private university in Oman to do so.

Latest Developments

- On October 29, 2015, DU received the National Research Award in the ICT sector from The Research Council (TRC), Muscat.
- On June 02, 2015, DU received its first Faculty-mentored Undergraduate Research Award Program grant for its research titled 'Academic and nonacademic Predictors of success in college' from TRC, Muscat.

Financials

(USD mn)	2014	2015	9M 2016
Revenue	27.3	30.0	26.9
EBITDA	9.7	8.4	7.2
EBITDA (%)	35.3%	28.1%	26.9%
Net Income	7.4	5.7	5.0
NPM (%)	27.2%	18.8%	18.5%
ROE (%)	18.7%	12.2%	
ROA (%)	5.9%	4.5%	

Stock parameters

CMP (USD)	3.86	
Bloomberg Ticker	DHUS OM	
Market Cap (USD mn)	54.0	
EV (USD mn)	36.5	
Valuation multiples	2015	TTM
P/E	9.5	13.1
EV/EBITDA	3.4	5.1

5 Majan College (Oman)

Business Description

Majan was established in 1995 as the first private university college in Oman. It is a subsidiary of Human Investment Cooperation, a Kuwaiti based company whose ultimate parent is Kuwaiti Finance House. Majan is located in a single campus in Darsait which is home to a multi-cultural academic community with a student population of over 3,500, and multi-ethnic staff from various countries of over 100.

School Portfolio or Business Segments

- **Postgraduate center (PGC)** - Started in 2004, it offers MBA, MSc in computer science and MA in HRM programs and has partnered with Universities of Glasgow, Leeds, Bedfordshire and Tasmania. It has attracted students from Europe, USA, North Africa, and South Asia.
- **Centre for Teaching and Research Excellence (CTRE)** – The college is in the process of setting up a CTRE which will help staff to underpin their teaching and delivery methods with relevant research.
- **Majan Training Unit (MTU)** - MTU provides professional training opportunities to enhance and promote career growth through training workshops and programs.

Key Strengths/Positives

- Majan's postgraduate center offered the first MBA program in Oman.

Latest Developments

- On Sep 1 2015, Majan College announced its expansion plan to construct a six-storied building in Darsait over an area of 6,000 sqm at a cost of OMR 1.5mn with specially equipped classrooms, laboratories, and an auditorium with the capacity to accommodate 500 people and a cafeteria. The building was expected to have four floors by August 2016.

Financials

(USD mn)	2014	2015	9M 2016
Revenue	13.7	15.6	12.8
EBITDA	4.3	5.1	4.3
EBITDA (%)	31.2%	32.6%	33.8%
Net Income	4.1	5.4	4.0
NPM (%)	30.2%	34.8%	31.0%
ROE (%)	23.7%	27.4%	
ROA (%)	19.1%	20.8%	

Stock parameters

CMP (USD)	1.35	
Bloomberg Ticker	BACS OM	
Market Cap (USD mn)	40.5	
EV (USD mn)	22.7	
Valuation multiples	2015	TTM
P/E	7.1	8.3
EV/EBITDA	4.2	4.2





6 Al Khaleej Training and Education Company (Saudi Arabia)

Business Description

Al Khaleej Training and Education, established in 1993 is a leading training and education provider with over 4,500 employees, having a clientele of over 50,000 individuals and 2,500 corporates. It provides computer and English language training, electronic services, and is into the establishment of private schools, managing the university preparatory year and providing professional call center services to major companies. The company owns two K-12 schools, one each in Dammam and Riyadh under the brand 'Rowad Al Khaleej International Schools'.

Business segment

- **Computer training:** The company has 40 centers in Saudi providing computer training courses of duration between 3 months to two years to individuals, and advanced programming and networking courses to corporates. It has the franchisee rights of New Horizon Company in the Middle East.
- **Language:** The company provides training courses in English language consisting of 6 levels over a period of 2 to 14 months.
- **Educational projects:** The company establishes schools and universities, operates the orientation years for many Saudi universities and manages their faculty.
- **Financial and management training:** The company provides development courses in stock trading, management, leadership and others.
- **Communication centers:** The company provides call centers of numerous companies, with operating and management services via telephone.
- **Schools:** The company incorporates private educational schools for boys and girls in Saudi Arabia.

Key Strengths/Positives

- Possesses a large network of over 80 branches in Saudi.
- Owner of over eleven international franchisee rights for international companies.
- Won more than 55 domestic and international awards.

Latest Developments

- In August 2015, the company entered into an agreement with Manafea Holding Co. (MHC) to build and lease 8 to 10 international kindergartens in Riyadh, Jeddah, and the Eastern Province, with funding to the tune of USD 66.6mn from MHC.

Financials

(USD mn)	2014	2015	H1 2016
Revenue	192.9	193.6	83.0
EBITDA	30.1	27.6	6.5
EBITDA (%)	15.6%	14.3%	7.8%
Net Income	23.8	18.8	1.1
NPM (%)	12.3%	9.7%	1.4%
ROE (%)	18.8%	13.6%	
ROA (%)	9.8%	6.6%	

Stock parameters

CMP (USD)	4.99	
Bloomberg Ticker	ALKHLEEJ AB	
Market Cap (USD mn)	199.7	
EV (USD mn)	333.6	
Valuation multiples	2015	TTM
P/E	20.1	17.7
EV/EBITDA	17.7	15.7

7 Bahrain Institute of Banking and Finance (Bahrain)

Business Description

Bahrain Institute of Banking and Finance (BIBF) provides over 300 different courses for banking sector training, in the areas of banking, accounting and finance, leadership and management, insurance, Islamic finance and IT. Training is awarded in the form of training courses, professional qualifications, University degrees and customized courses. Since its inception in 1981, BIBF has grown from training 450 applicants a year primarily within the banking industry, to 20,000 from various sectors of the economy. BIBF has made its mark internationally with clients in US, Europe, Asia, Africa and the Middle East.

School Portfolio or Business Segments

- **Academic:** offers undergraduate and postgraduate programs through University of DePaul, University of London and Bangor University.
- **Accounting & Finance:** provides internationally recognised qualifications such as CPA (Certified Public Accountant), CMA (Certified Management Accountant), ACCA (Association of Chartered Certified Accountants), CIA (Certified Internal Auditor) and FIA, in both English and Arabic.
- **Banking:** offers bespoke training and master classes from global experts on key, contemporary topics in banking and finance designed for middle to top-level management. These are offered in partnership with ACI, GARP, PRMIA, CISI, IFS, ICA, ACAMS and Fitch learning.
- **Information Technology:** provides courses such as CCNA (Cisco Certified Network Associate), CCIE (Cisco Certified Internetwork Expert), CISA (Certified Information Systems Auditor), Cloud Computing, Information Security Policies, Fundamentals of IT Audit, and Corporate Social Media.
- **Insurance:** offers Insurance Management Diploma, Intermediate Insurance Diploma, and Advanced Insurance Diploma.
- **Islamic Finance:** offers advanced diploma courses in Islamic Finance, Islamic Commercial Jurisprudence, Islamic Mutual Funds, and Sharia for Bankers.

Key Strengths/Positives

- BIBF is recognized by the Association of Chartered Certified Accountants (ACCA) as a Platinum Approved Learning Provider
- Ranked 'Outstanding' by the QQA in the 2013 vocational review.
- Highly competent faculty with global experience.
- The Higher Education Council (HEC), Bahrain, has included BIBF international academic programs under its umbrella.

Latest Developments

- In August 2016, BIBF signed a MoU with Bahrain Olympic Committee (BOC) for providing training and development of human capital at BOC.
- In March 2016, BIBF signed an agreement with the UAE-based International Islamic Centre for Reconciliation and Arbitration to launch a joint certification in Islamic arbitration.
- In January 2016, BIBF collaborated with BMI Offshore Bank Seychelles to provide training to the employees of the Financial Intelligence Unit of BMI Bank in the areas of Islamic Banking, Anti-Money Laundering/Financial Crime prevention and customer service.





8 University College of Bahrain (Bahrain)

Business Description

University College of Bahrain (UCB) provides undergraduate programs in business administration, media and communication, and IT, in addition to the Master's program. It is founded in 2002 and is licensed by Ministry of Education of the Kingdom of Bahrain. UCB also provides specialization in Islamic Finance & Banking, with a tieup with the International Islamic University Malaysia in Kuala Lumpur. Over 700 graduates have emerged from UCB's courses.

Business Segments

- **Department of Business Administration:** offers Bachelor of Science (B.Sc.) in Business Administration and Masters in Business Administration (MBA) degrees.
- **Department of Information Technology:** offers the degree B.Sc. in IT. It offers IT courses in the areas of internet technology, application development, computer security, programming, computer networks, web-application design, databases, and data communications.
- **Department of Media & Communication:** offers Bachelor of Arts degree in communication & multimedia with specializations in Graphic Design and Multimedia. The Graphic Design course spans over a period of four years and provides exposure to printed publications, visual communication, corporate designs, digital media, and packaging, advertising, and color studies, among others. The multimedia courses covers a variety of communication mediums including pictures, text, sounds, music, videos, audio, animation, films, and the browser support for fonts, colors, text, formatting, and style.

Key Strengths/Positives

- Degrees given by the UCB are recognized for securing admission in postgraduate programs in North America and the UK.

Latest Developments

- In February 2016, UCB entered into a partnership with Ellucian, a global leading provider of higher education software and services, to implement Ellucian Quercus, a cloud-based student administration system, to effectively complete administration tasks.
- In January 2016, UCB entered into a strategic partnership with Aafaq Education LCC, a private company specialized in managing and investing in educational institutions, to offer Executive Master's degree in Islamic Finance.

9 Sheffield Private School (UAE)

Business Description

Sheffield Private School (SPS), incorporated in 2004 and located on the border of Sharjah and Dubai, is a private Dubai based school offering the British curriculum. The school targets the middle to high end population segment, currently catering to 1,588 students. The total staff strength is 146, including 74 teachers and 29 teaching assistants. The school teaches students from Foundation to grade 13, and is managed by a team of professionals, including a managing director, principal and vice principal. It currently offers three curricula:

- Early Years Foundation Stage (EYFS) framework for pre-primary
- National Curriculum of England and Wales for primary and secondary
- IGCSE curriculum through Cambridge & Edexcel for 14 to 16 year olds

As required by the National Curriculum for England, the SPS school management ensures that the school teachers engage in continuous assessment to ensure that good progress is being made by each and every student. The school has 67 classrooms over a total built up area of 170,687 square feet which can accommodate 1,800 students. The average annual tuition fee is USD 6,812 (AED 25,000) with fees ranging between USD 5,630-10,616 across all segments.

Student-Teacher ratio (Jun 2016): 15.4 (incl. teaching assistants)

Key Strengths/Positives

- Consistently rated as 'Acceptable' by the KHDA over the past seven years.
- Revenue growth of more than 10% per annum.
- Strong brand with an able leadership acknowledged by the KHDA.

Ownership Structure

Majority owned by GFH Capital Limited

Financials

(USD mn)	2012	2013	2014	2015
Revenue	8.9	10.2	10.9	11.4
EBITDA	4.0	4.7	5.1	5.2
EBITDA (%)	45.0%	46.5%	46.8%	45.7%
Net Profit	2.9	4.1	4.2	4.3
NPM (%)	32.7%	40.1%	38.8%	38.0%





10 Philadelphia Private School (UAE)

Business Description

Philadelphia Private School (PPS), incorporated in 2006, is a private K-12 school based in Dubai, offering the American curriculum. It currently caters to 1,393 students and has a total of 100 teachers as of 2015. The school is divided into four broad segments across KG to grade 12 - Infant, Elementary, Middle School and Senior School. The school operations are managed by School Development Consultants, Beirut who also operate the Learner's World School in Lebanon. PPS has 64 classrooms over a total built up area of 127,829 square feet which can accommodate 1,920 students. The annual fee ranges between USD 4,466-7,648 across all segments.

Graduates from PPS over the past four years have enrolled in top universities and institutes across the world, such as: London School of Business and Finance, American University of Dubai, Iowa State University, York University, Canada, Birla Institute of Technology and Science India, etc.

Student-Teacher ratio

	2012	2013	2014	2015
Students	789	998	1,261	1,393
Teachers	62	78	95	100
Student-Teacher ratio	12.7	12.8	13.3	13.9

Key Strengths/Positives

- Consistently rated as 'Acceptable' by the KHDA over the past six years, and is working towards 'Good' rating.
- Accredited by "Advanc-ed" (a worldwide organization unifying various key agencies on school accreditation, formerly CITA), ensuring global recognition of quality and service that PPS offers.
- Strong management team with a well-trained team of professional teachers. Separation of ownership and operations, with the school being operated by a Lebanese school operator.
- Healthy growth and expansion - During 2013-15, student enrolments grew at a strong CAGR of 18%, coupled with a 13.2% CAGR in the number of teachers. Expansion plans are in place to increase the capacity by 700 additional students.

Ownership Structure

Majority owned by GFH Capital Limited

Financials

(USD mn)	2012	2013	2014	2015
Revenue	4.6	6.0	7.9	9.1
EBITDA	(0.1)	0.7	2.8	3.2
EBITDA (%)	(1.2%)	12.3%	35.9%	35.2%
Net Profit/(Loss)	(0.6)	0.2	2.3	2.2
NPM (%)	(12.5%)	3.2%	29.0%	24.2%

11 AMA International University W.L.L (Bahrain)

Business Description

AMA International University W.L.L is a limited liability company incorporated in the Kingdom of Bahrain in 2002. It is a member of the AMA Education system, which is the largest educational network in Asia. The company currently has two business divisions – a university and a school of basic education. The university spans across an area of 57,450 sqm having a total of 5,546 students enrolled in 2015-16. Started in 2004, the AMA International School in Bahrain offers American curriculum, and was the first Bahraini school to integrate robotics in its curriculum. It currently operates at its maximum capacity of 1,700 students with expansion plans underway to increase the school capacity to 2,100 students.

Business Segments

- **AMA International University:** It offers undergraduate and graduate programs in the field of finance, business administration, computer science and engineering under its four colleges.
- **AMA International School:** It is a K-12 school offering the American curriculum. It is recognized by the Bahrain MoE and has recently started offering the IB Diploma program as authorized by the IB World School.

Key Strengths/Positives

- Managed and operated by the experienced AMA Group which has over 150 campuses in Philippines.
- AMA International University is the second largest university in Bahrain and is the only university to offer mechatronics engineering.
- The university is accredited by Accreditation Board for Engineering and Technology (ABET) and the European Council for Business Education (ECBE), both international, non-profit educational organizations.
- AMA International School is affiliated with 'Great Explorations in Math and Sciences', British Council, University of Cambridge International Examination and IB Diploma Program.

Latest Developments

- In 2015, AMA International University tied up with ECE Paris and IT Paris Eiffel, two French institutions, for student and faculty exchange programs and joint research projects.
- Expansion plans are underway to increase the school capacity by 24% to 2,100 by 2017.

Financials

(USD mn)	2013	2014	2015
Revenue	32.6	34.7	35.3
EBITDA	11.3	11.5	13.5
EBITDA (%)	35%	33%	38%
Net Income	10.0	10.0	10.7
NPM (%)	31%	29%	30%
Free Cash Flow	10.1	7.6	13.1





12 British School of Bahrain (Bahrain)

Business Description

The British School of Bahrain, began operations in 1995 and located in Hamala, is a private Bahrain based school offering British curriculum. The school caters to pre-primary to grade 13 education, and currently offers two curriculums:

- National Curriculum of England and Wales (pre-primary)
- IGCSE curriculum (grades 11 to 13)

The school's facilities include 7 Computer labs, 5 iPad Mobile labs, 9 Science labs and a food technology lab. It also provides excellent sports facilities including a flood-lit astro-turf football pitch, two tennis courts, a Basketball court and two indoor swimming pools. It also hosts a world challenge where grade 12 and 13 students are encouraged to lead their own expeditions to other countries. Successful expeditions to Nepal and Ethiopia have helped students gain new skills. Fees amount to USD 6,893 p.a. for kindergartens, and range between USD 8,761-17,824 from primary to secondary education. Total enrollments across the school totaled 2,189 students representing 81 nationalities, with a total staff strength of 264. The school has a student-teacher ratio of 14.

Key Strengths/Positives

- First school in Bahrain to become a BTEC approved member and ASDAN education partner which will help in providing first class business and enterprise education.
- Focus on extra-curricular activities with initiatives such as World Challenge, Model United Nations and Top quality sports infrastructure.
- Accreditation from the Council of British International Schools (COBIS) and the University of Cambridge.

Management

- Ms. Julie Ann Gilbert – Head of School
- Mr. Faisal Al Alwan, Dr. Husam Noor and Dr. Fadheela Al-Mahroos - Board Members
- Feriha Gauntlett, Katy Brand and Khalil Ahmed – Head Teachers

13 Newton International School (Qatar)

Business Description

Newton International Schools, established in 2007, is a group of private schools located in Doha. It owns and operates six schools within Qatar, four in Doha city and two in Barwa city. These schools provide the National curriculum of England and Wales, along with the Cambridge International Primary Program (CIPP) from the kindergarten to grade 13. The curriculum consist of a primary curriculum (from early foundation stage to year 6) and secondary curriculum (from years 7-13). The schools provides English medium programs along with Arabic and Islamic studies, that are accepted globally. Muslim pupils are offered Islamic Studies with Arabic A offered to native speakers and Arabic B to nonnative speakers.

School Portfolio

- Newton International School D-Ring - provides education up to year 9.
- Newton International School West Bay Doha - provides education up to year 6
- Newton International School Lagoon - provides education up to year 13.
- Newton British School - provides education up to year 6
- Newton International Academy, Barwa city - provides education up to year 13
- Newton British Academy, Barwa City - provides education up to year 9.

Key Strengths/Positives

- Accreditation from Advanced Accreditation Commission for one of the school.
- Well known in Qatar with its six branches.





14 International School of London (Qatar)

Business Description

The International School of London (ISL), founded in 1972, is a private group of schools, with branches in UK and Qatar. It was one of the first schools to offer the IB Diploma, with the first batch of diploma holders graduating in 1978. It now offers the IB Primary and Middle Years programs in addition to the IB Diploma and is especially well known for its world language programs. The curriculum includes literacy lessons related to mother tongue or foreign language from early childhood. The school has students from 72 nationalities, teaching staff from 48 nationalities, 4 faculty members are also IB workshop leaders, and 14 languages are taught in the school.

School Portfolio

- ISL Chiswick, West London
- ISL Woking, Surrey
- ISL Doha, Qatar

Key Strengths/Positives

- Highly qualified teaching faculty who conduct IB workshops.
- Well known for its language programs, with as many as 14 languages being taught.

Latest Developments

- On 7 Sep 2016, for the fourth year in a row, graduates of ISL Qatar IB diploma program surpassed international averages, achieving a diploma average of 31 points and a 94% pass rate. Eight students achieved 35 or more points, placing them in the top 22% of IB Diploma graduates worldwide.

15 Ma'arif For Education and Training (Saudi Arabia)

Business Description

Ma'arif for Education & Training, established in the 1970s, is the one of the largest owner and operator of private schools in Saudi Arabia. Ma'arif owns over 100 schools in the country, providing K-12 education to both boys and girls, following IB & IGCSE and Saudi curriculum. More than 23,000 students are enrolled in Ma'arif schools, and the company employs more than 2800 employees; teachers and administrative staff.

Business segments

- **Schools and programs:** Ma'arif private schools provide diverse educational programs and courses in Arabic, National and International curriculums from kindergarten to secondary. The International schools offer British and American curricula from grade 1 to 6. Some of the schools operated and owned by Ma'arif include Manarat Riyadh, Manarat Eastern Province, Al Faisalia Islamic School for Girls, Manarat Jeddah, Manarat Madinah, Green Hills International, Noor Al Islam School and Manarat Al-Ahsa
- **Training projects:** Ma'arif offers various training programs such as academic training (for training trainers), specialized training programs (computer science, maths), leadership development programs (for top management), special skills program (for general development), financial and administrative training and self-development programs.
- **Unique Academic Programs:** Ma'arif offers Masarat programs, which emphasize on developing students' basic skills, career planning and supports the student to identify his/her interests and potential. It also provides Alkhawarizmi programs, which is an educational mathematical program designed for children.
- **Academic activities:** Ma'arif also offers qualifying languages program like ESL service. These programs bridge the gap between the applying students and their peers in English, maths and science.
- **Smart Education:** Ma'arif arranges Smart Education programs to enable parents to follow up on their children's academic progress and asses their performance.

Key Strengths/Positives

- Ma'arif possesses more than 40 years of experience in school management.
- One of the largest owner and operator of private schools in Saudi Arabia with more than 100 schools.

Latest Developments

- Ma'arif successfully hosted Advanced Global Conference KSA 2016, where almost 1,000 participants from various international educational schools and organizations participated.





16 GEMS Education Group (UAE)

Business Description

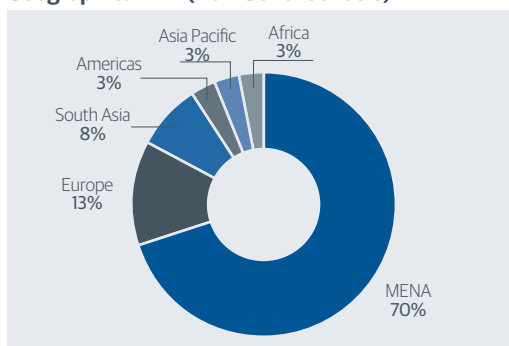
GEMS Education, earlier known as Global Education Management Systems (GEMS), is a Dubai based international education company providing K-12 education, with a portfolio of 89 schools in 14 countries with over 13,000 educators across six different world class curricula. GEMS has offices in the UK, US, Singapore, India, Saudi Arabia, Qatar, Egypt, Kenya, Switzerland, and the UAE.

Business mix

GEMS' portfolio of schools based on curriculum, are as follows:

1. American: Total 8 schools offering this curriculum, with six schools in UAE, one in UAE and Qatar each
2. British: Total 42 schools including 21 in UAE and one in Qatar
3. Dual curriculum: Schools such as Dubai based GEMS Modern Academy, Dubai American Academy and GEMS Wellington Academy offer a combination of curricula
4. Indian: Total 30 schools offering the CBSE and ICSE curriculum of which 14 are based in UAE such as GEMS Millennium School in Sharjah, GEMS United Indian School in Abu Dhabi, GEMS Heritage Indian School and GEMS Modern Academy in Dubai
5. French: Two schools, one in France and the other in Egypt
6. International Baccalaureate: Total 12 schools including seven in UAE offering the PYP, MYP and DP programs
7. Early Years - Little GEMS: Four pre-schools across the US, UK and Kenya

Geographical mix (Number of schools)



Country presence

GEMS Schools	Countries
MENA	UAE, Qatar, Saudi Arabia, Egypt and Jordan
Europe	UK, France and Switzerland
South Asia	India
Americas	US
Asia Pacific	Singapore and Malaysia
Africa	Uganda and Kenya

Key Strengths/Positives

- It is the largest operator of K-12 schools in the world, with its schools consistently featuring in the list of outstanding schools.
- Possesses an extensive network of over 70 schools in over twelve countries.

Latest Developments

- GEMS Education launched the first licensed, dedicated teacher training institute in the UAE, The Tellal Institute in partnership. (June 2016)
- The company announced plans to setup 7 new schools in 2016 to meet the demand for high quality schools in the UAE. These include 2 Indian schools (CBSE) in Abu Dhabi, 2 American curriculum schools and 3 schools in Dubai (British). (Feb 2016)

17 Emirates International School (UAE)

Business Description

Emirates International School (EIS) is part of the UAE based conglomerate, Al Habtoor Group having global operations. It is a private international group of schools, operating two schools in Dubai, EIS Meadows and EIS Jumeirah, providing K-12 education with the IB curriculum. Teachers of these schools possess international experience

School Portfolio

- **EIS Meadows** – Commenced operations in 2005, the school caters to over 1,500 students from over 80 different nationalities with teaching staff from over 25 different nationalities. The school's facilities include swimming pool, indoor basketball stadium, IT suites, and prayer rooms.
- **EIS Jumeirah** – Established in 1991, it follows the national curriculum of England and IB. It caters to over 2,000 students from over 70 different countries. EIS Jumeirah is the first school in Dubai, to offer IB Diploma programs. The school provides an IB curriculum for the Primary Years Program (PYP), Middle Year Program (MYP), IGCSE and IBDP. The school's facilities include music rooms, swimming pool, laboratories, drama rooms, and grass turf pitches for sports.

Key Strengths/Positives

- Reputed for producing top ranked graduates. EIS Jumeirah's results in the Diploma Program have been the highest in the region, with an average IB DP graduate score of 33 vs a global average of 29 in 2015.
- Strong backing of the one of the largest conglomerates in UAE.
- A member of the Middle East International Baccalaureate Association, the Near East and South Asia Council of Overseas Schools and the British Schools in the Middle East Organization.





3.2 Industry Attractiveness and Profitability Analysis (5-Forces Framework)

Five Forces	Remarks	Impact
Bargaining power of Suppliers	<ul style="list-style-type: none"> Increase in demand for schools offering international curricula and good quality education, strengthens the case for private players to lobby for fee hikes. 	High
	<ul style="list-style-type: none"> Shortage of skilled teachers across GCC is likely to raise the cost of education providers, which is expected to be passed on to students. 	High
	<ul style="list-style-type: none"> Cut in government spending towards education due to lower oil prices, could hit the supply of new public schools impacting the demand-supply scenario, increasing suppliers bargaining power. 	Low
Bargaining power of buyers	<ul style="list-style-type: none"> Many expatriates prefer going back to their home country for higher education due to high costs in GCC. 	High
	<ul style="list-style-type: none"> Skill gap due to lack of relevant curriculums has led to dropouts in secondary and higher education. 	Low
Threat of new entrants	<ul style="list-style-type: none"> Given the public school development pipeline across GCC, a significant increase in supply of public schools is expected, which would increase competition. 	Moderate
	<ul style="list-style-type: none"> Dedicated education zones for foreign universities, free infrastructure and tax breaks is likely to attract new foreign players at the tertiary level. 	Moderate
	<ul style="list-style-type: none"> Tax incentives by the government for setup of new schools, such as no corporate tax for the first 5 years (Oman) is expected to spur new schools. 	Low
Threat of substitutes	<ul style="list-style-type: none"> Increasing demand for private schools, poses a risk of reduced demand for public schools. 	Moderate
	<ul style="list-style-type: none"> Scholarship programs by governments to send students abroad for higher education impacts demand at the tertiary level to some degree. 	Low
Industry rivalry	<ul style="list-style-type: none"> Rise of international schools due to a rising expatriate population increases the competitive intensity in the K-12 sector across all public and private schools. 	High
	<ul style="list-style-type: none"> Increasing presence of foreign universities at the tertiary level is expected to drive competition for tertiary enrolments among all universities. 	Moderate

Source: GFH Analysis

4. Key Drivers and Trends

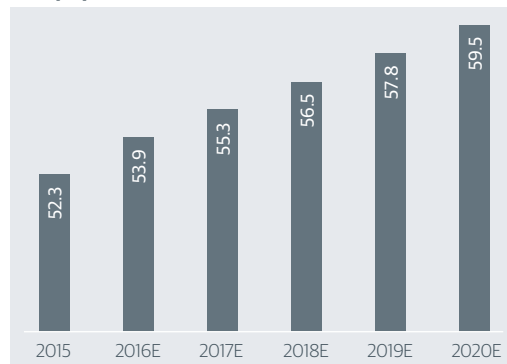
4.1 Key growth drivers

GCC's population is estimated to grow at a CAGR of 2.5% from 2015-20 to 59.5mn in 2020 with 23% estimated to be below the age of 15

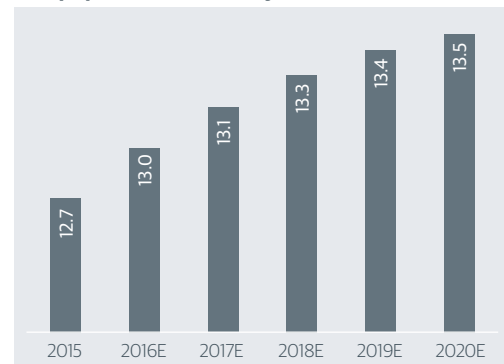
Population growth

The GCC population is estimated to grow at a CAGR of 2.5%³⁵ from 2015-20 to 59.5mn by 2020, out of which an estimated 13.5mn³⁶ or 23% are expected to be below the age of 15. The large base of student population supported by the already large expatriate community (86% in Qatar, 89% in UAE) that is set to rise due to international events such as the World Cup 2022 and World Expo 2020, is expected to drive enrolments across education segments. The expatriate community which prefers private schools offering international curricula, is expected to drive demand for foreign schools and universities to set up campuses across GCC.

GCC population forecast (mn)



GCC population below 15 years (mn)



Source: IMF, United Nations Population Division

Government support

Government budgets towards education has remained strong across all the GCC nations over the past five years, with budgeted spends ranging between 9% (Bahrain) and 23% (Saudi) of government expenditure. Government initiatives to set up public schools which include 18 kindergartens in Qatar, 100 schools in Abu Dhabi and a number schools under the Saudi Tenth Development plan are expected to result in an increase in the supply of new schools in the GCC by 2020. Higher education projects include the construction of 3 new universities in Saudi Arabia and the Sabah Al Salem University in Kuwait. Other government initiatives and programs such as the King Abdullah Public Education Development Program (worth USD 21bn), Kuwait Schools Development Program and Qatar's Outstanding Schools Program not only focus on setting up public schools, but also encourages private players to invest in educational projects across GCC.

High disposable incomes and willingness to spend

The GCC countries have traditionally enjoyed high per capita incomes given the wealth created from predominant oil driven economies. The average GDP per capita based on PPP in 2015 for GCC is over USD 69,700³⁷, which is higher than that of all major developed countries including the US and the UK. This high level of personal income in a tax-free environment has boosted disposable incomes in GCC, which increases their propensity to spend, especially towards quality education. Demand for international schools and universities offering better quality of education is on the rise.

Government budgeted spends towards education range between 9-23% of government expenditure in the GCC

GCC's average GDP per capita (PPP) of \$ 69,700 in 2015 is higher than that in the US and UK

35 IMF

36 United Nations Population Division

37 IMF





Skill gap and demand for improved curriculums

There exists a skill gap across many GCC countries due to lack of skill-based curriculums in higher education institutes and the skills required by the labor markets. This coupled with localization drives across GCC countries which aim to increase the share of nationals in the private sector, is expected to increase demand for vocational education. Although, currently enrolments in vocational centers is low as compared to higher education, there is an increasing trend of nationals as well as expatriates enrolling for such courses.

4.2 Key trends

Pre-primary enrolments grew at a CAGR of 9.8% from 2010-15

Growing importance of pre-primary education

Pre-primary education was not very popular in the traditional Arab society. However, the rising expatriate population and awareness among local parents regarding its importance, is changing perceptions towards pre-primary education, of particularly locals. Saudi Arabia aims to build 1,500 nurseries by 2020 and UAE aims to increase pre-primary GER to 95% under its Vision 2021. This change in the mindset across GCC nations has led to increase in pre-primary enrolments which grew at a CAGR of 9.8% from 2010-15.

Private schools account for 70% of primary and secondary enrolments in UAE and 57% in Qatar

Rising demand for international curricula schools

A high expatriate population across the GCC and the desire to obtain good quality education among both the locals and expatriates, has spurred demand for private schools, particularly foreign schools offering international curricula, such as American, British, IB, etc. In 2015, private schools accounted for 70% of primary and secondary enrolments in UAE and 57% in Qatar. High disposable income available with GCC citizens is a factor which has supported the demand for quality education in international private schools, although expensive.

Enrolments at the tertiary level in GCC grew at a CAGR of 10% during 2010-15

Setup of higher education hubs to tap a growing tertiary market

Increasing demand for quality higher education institutes with world class facilities, has led to the development of dedicated educational zones in select GCC countries to attract foreign players. The Dubai International Academic City, home to 22 foreign universities, and the Education City in Qatar which hosts 8 foreign universities, are prime examples of educational hubs drawing international players to the GCC, which is attracting international students. The under construction Sabah Al Salem education city which will house the existing Kuwait University colleges is another upcoming world class education hub. The healthy growth in GCC enrolments at the tertiary level (CAGR of over 10%) during 2010-15, bodes well for higher education providers (both local and foreign) to setup new campuses in the GCC and attract international students.

5. Key Issues and Challenges

Shortage of qualified international teachers has affected international schools across GCC

Shortage of skilled teachers

A global shortage of teachers coupled with the demand for qualified international educators has led to widespread teacher shortage across the GCC. This problem is prominent among international schools due to limited supply of foreign teachers that are willing to stay in the GCC. This is on account of variety of factors such as: high cost of living in countries like UAE and Qatar, high demand for teachers in their home countries, teachers moving to GCC only for temporary stays and the emergence of other Asian education markets which are less expensive and more liberal than countries such as UAE with respect to specific laws. The problem of teacher shortage is expected to worsen with a number of new schools set to open by 2020.

43% of school applications for hike in fees in Abu Dhabi were rejected by the regulator

Government regulation of private schools

While private schools require prior approvals from the ministry before increasing fees, with caps for hikes also determined by the ministry, existing profitability of these schools are under pressure given the rising cost of providing education. Fee hikes were capped at 6.4% for 2016-17 in Dubai for 'Outstanding' schools, while 57% of Abu Dhabi schools that applied for a fee hike were permitted an average 6% hike in fees with 43% of applications for fee hikes rejected by the regulator, ADEC. This could act as a deterrent for new schools or hurt existing providers. Private schools are also required to have a specified quota of local teaching staff, which is a challenge in many cases where availability of qualified local teachers is scarce. Regulation on the two key aspects of fees and teacher hiring, pose a challenge to the education sector in GCC.

Dropout rates in secondary and higher education

Lack of skill based curricula that are not in line with the skills required in the labor market, coupled with the preference of many GCC nationals to work in the lucrative public sector has led to a high dropout rate at secondary schools and higher education institutes. Lack of a career guidance system with a superficial counselling service at universities, are issues responsible for dropout in Oman. While initiatives such as improving curriculum to shift from memory based learning to skill based learning, making education compulsory and improved career counselling could reduce dropout ratios, the problem still persists.

Operating costs of schools are increasing with rising salaries of teachers which are in short supply

Rising costs of setting up and operating schools

The global decline in oil prices has impacted government revenue across the GCC, with most nations reporting higher budget deficits. With governments resorting to spending cuts and austerity measures, including reduction in budgeted spends towards education, the planned supply of new public schools could get impacted, that could worsen the gap between demand and supply. Apart from the high costs to set up new schools, operating costs for running schools are increasing on account of the rising costs (salaries and benefits) of teaching staff, which are in short supply, especially the qualified teachers.

Scholarship programs and preferences of expatriates to go back to their home country for higher education continue to impact university/college enrolments in the GCC

Preference of students to go abroad for higher education

Increasing preference among students to move abroad for higher education in pursuit of better quality of education or acquiring global competencies, is impacting demand in GCC's higher education institutes. Additionally, the trend of governments providing scholarships to students wishing to study abroad and providing them with best possible living conditions (Oman) has further encouraged students to move abroad to reputed foreign universities. Many expatriates prefer going back to their home country for tertiary education due to better quality of education than that in GCC and the rising education costs in the GCC. These factors continue to impact enrolments in GCC's universities and colleges.



6. Sector Outlook



While the declining oil price environment continues to hurt government revenue and widen budget deficits, government spending is expected to be impacted across the GCC. However, government spending towards education in 2016 is expected to sustain or increase in Bahrain, Kuwait and the emirates of Abu Dhabi and Dubai in UAE. While education budgets for 2016 in the other GCC countries are lower than the 2015 levels, initiatives by these governments such as PPPs and privatization of government schools and institutions, are expected to boost investments in the education sector.

The pre-primary segment is expected to be the fastest growing segment in the GCC education sector estimated to grow at a CAGR of 8% from 2015-20 to 1.07mn in 2020, with growth led by Saudi (11% CAGR) and Qatar (10% CAGR), driven by increase in GER from 17.8% to 27% in 2020 for Saudi, and from 69.8% to 84.9% in 2020 for Qatar. The tertiary segment is another promising segment with enrolments estimated to grow at a CAGR of 5% from 2015-20 to 2.47mn in 2020, with Qatar and UAE expected to grow the fastest at a CAGR of 9% each during this period. Enrolments at the primary and secondary level are estimated to grow at a steady CAGR of 3.7% to 11.8mn in 2020. Overall enrolments are estimated to grow at a CAGR of 4.1% from an estimated 12.5mn in 2015 to 15.3mn in 2020.

Given the pipeline of schools expected in the GCC, while no significant gap between demand and supply is expected in Bahrain, Saudi, UAE and Qatar (primary and secondary) going forward, a significant gap is expected at the primary and secondary level in Oman (10% of demand) and Kuwait (16% of demand), and at the pre-primary level in Qatar (27% of demand) and Kuwait (7% of demand).

Governments across the GCC have been focusing on improving the quality of education through measures such as the setup of regulators overseeing quality assurance in Kuwait and Oman, increased teacher training in Saudi and attracting foreign players through tax breaks and government funding in Qatar, etc. This focus towards quality augurs well for the education sector, given the expected growth in demand going forward.

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