



# Sector Report GCC Education

January 2020



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# 01

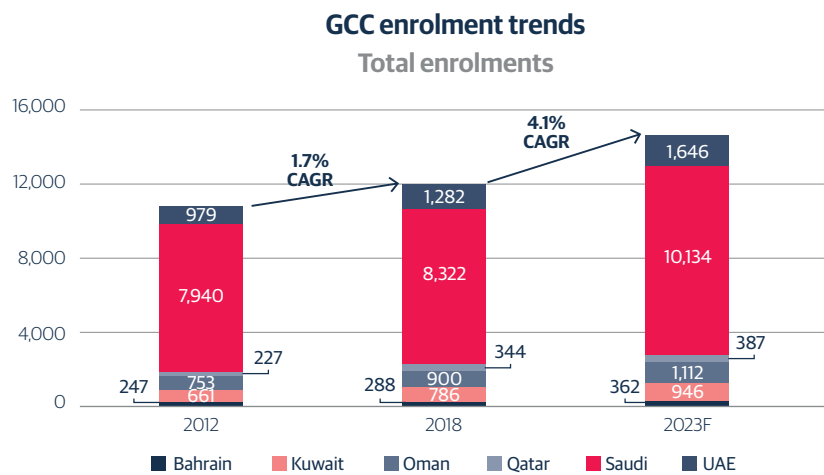
## Executive Summary

The GCC education sector offers significant growth opportunity with total enrolments growing at a CAGR of 4.1% over 2018-23, outpacing the CAGR of 1.7% registered over the past six years.

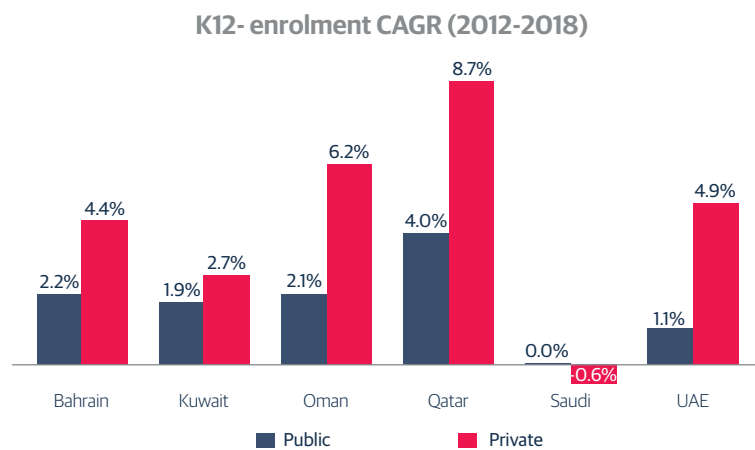
# 1. Executive Summary

Education, and in particular K12 schools, has long been an attractive sector for investment. The underlying fundamentals are positive and provide investors with a defensive position in troubled times and significant upside when economic conditions are strong. These fundamentals are particularly evident in the GCC, making it one of the World's best regions for participation in the sector.

The GCC education sector offers significant growth opportunity with total enrolments growing at a compound annual growth rate (CAGR) of 4.1% over 2018-23, outpacing the CAGR of 1.7% registered over the past six years. Strong demographics, need for quality education coupled with government impetus on raising education spending is expected to drive sector growth in future.



Source: UNESCO, Statistics authorities of respective countries, GFH Analysis;



Source: UNESCO, Statistics authorities of respective countries, GFH Analysis;

Saudi Arabia and UAE accounting for 81% of total enrolments are anticipated to contribute significantly to this momentum. Saudi Arabia's total enrolments are likely to grow at a CAGR of 4.0% over 2018-23, which is almost at par with GCC average of 4.1%. As part of the Vision 2030, the country aims to increase the number of students enrolled in private schools from 13% in 2018 to 25% by 2030. Furthermore, rise in share of Saudi private schools is expected to result in an additional requirement of 800,000 new seats in the sector by 2030.

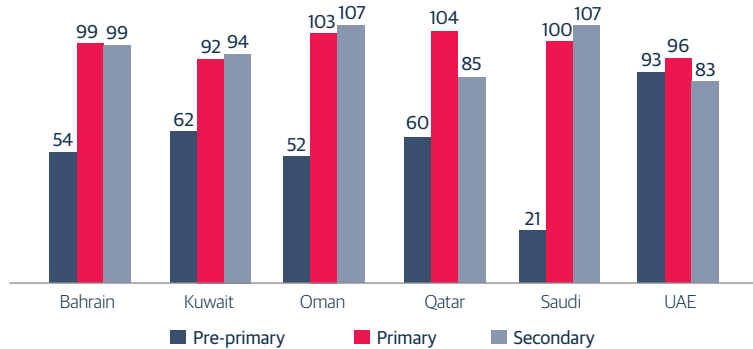




Segment-wise, pre-primary sector is estimated to grow at fastest pace, at a CAGR of 7.7% during 2018-23. This is expected to be driven by improvement in Gross Enrolment Ratio (GER) as expatriate population grows and nationals preference shift towards pre-primary schooling. Saudi Arabia, Qatar and UAE expected to grow at a CAGR of 10.9%, 4.5% and 5.6%, respectively. Tertiary segment is likely to increase at 4.7% over 2018-23, continuing to benefit from improved GER levels. Rise in GER is anticipated to be supported by the government's push for improving quality of higher education and growth in presence of foreign universities and their campuses, especially in Qatar, UAE, Kuwait and Bahrain. This is expected to sustain growth in tertiary segment. UAE, Qatar and Saudi Arabia are likely to grow at a CAGR of 8.7%, 5.5% and 4.0%, respectively, while Bahrain, Kuwait and Oman is expected to grow at "5.1%, 4.8% and 5.2%, respectively."

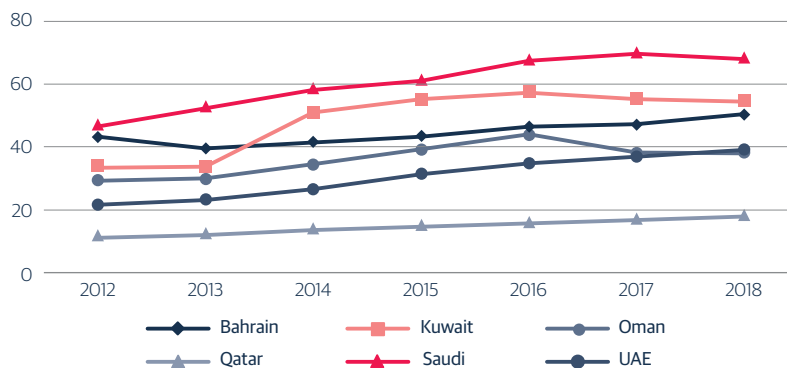
The premium fee sector has also experienced a rise in demand, primarily driven by foreign direct investment bringing expatriates whose compensation packages enable them to access classic international schools. In the faster growing mid-market or affordable fee segment, the fundamental driver has been the emerging middle classes with higher per capita disposable income and a growing belief in the need for quality international style education. In the GCC, this has been amplified by a growing demand for a K12 education that eases access to and assimilation with international undergraduate programmes.

### GER comparison in GCC K12- GERs (2018)



Source: UNESCO, Statistics authorities of respective countries;

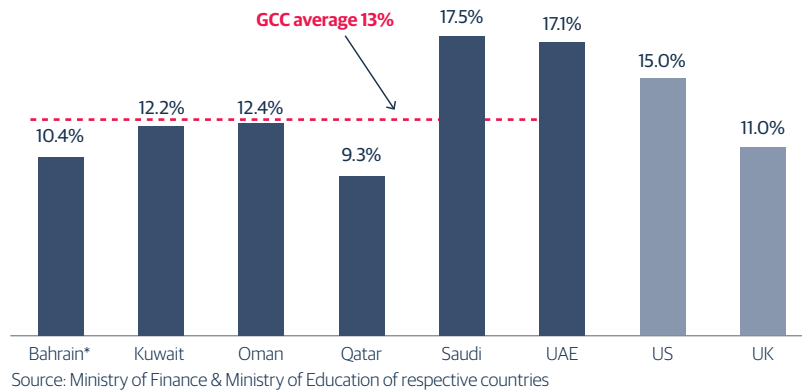
### Tertiary GER trends



Source: UNESCO, Statistics authorities of respective countries;

On the supply front, the factors look promising. Recovery in oil prices is expected to support the GCC nations spending in the education sector over near to medium term, as government raise their budget allocations. Additionally, the GCC nation's commitment to improve quality and infrastructure of education as a part of their national long-term visions further makes the sector ripe for investment. This is expected to encourage public and private sector participation in the infrastructure development projects.

GCC Government education budgets for 2019 (% of Govt. expenditure)



Some of the noteworthy projects in sector include the Saudi government's commitment to build around 1,500 nursery schools by 2020 under the King Abdullah project as well as build 60 schools in Jeddah and Makkah. Kuwait plans to build nine public schools and Egypt to build and operate schools with a total of 910 classrooms under public private partnership (PPP). However, a significant gap between demand and supply is expected to continue.

Investors and education companies are targeting to fill the gap with the investment in and creation of private school groups. UAE's GEMS Education, along with its partner Hassana Investment Co, announced plans to build more than 50 schools in Saudi Arabia following their acquisition of Saudi Arabia-based school operator, Ma'arif Education Group for USD 800mn. The deal aims to build a network of new schools for 130,000 students across the nation while creating up to 16,000 new jobs, with 40% of the candidates to be Saudi nationals. The incentives have also attracted private players such as GFH Capital which created Britus Education in 2019, to develop a portfolio of affordable, international style schools across the MENA region. By the end of 2019, had acquired six schools with four in Saudi Arabia, one in Dubai and one in Bahrain.

Whilst the demand and supply side fundamentals are particularly attractive in the GCC, the level of regulation in the region is not as enabling as it is in other parts of the world. Stringent regulations on fee increases and a growing regulatory involvement in the recruitment of teachers and other operational aspects of school operation make growth slightly harder to achieve. However, this is tending to favour the more sophisticated investor/owner at the expense of the traditional operator. Most schools are standalone or part of very small groups. Traditional investors have not been sophisticated in the management of their school assets either in an educational or commercial sense. Traditional owners tend to focus too much on controlling expenditure at the cost of educational quality which dampens enrolment growth. The more recent investor/owners of K12 schools have brought many of the skills and techniques found in other consumer service sectors with a resulting strong growth in enrolment and school profitability. The barriers to growth for these operators tend to be a shortage of well skilled school leaders and teachers. However, there is a solid growth opportunity resulting from the growing impact of technology in schools, which is leading to changes in the quality and variety of educational provision. Rather than being a disruptive force which could reduce the need for 'bricks and mortar' schools, it has been used to enhance opportunities for students to learn as well as leveraging teachers' time more effectively in areas like assessment. The GCC eLearning market is forecasted to grow by at a CAGR of 14.0% during 2018-2022.

In summary, participation in the GCC education sector has many positive attributes for investors. Whilst direct investment in a school or schools can produce excellent returns, there is an inherent risk unless the investor can recruit, retain and incentivize good management. The best route for participation is through investment in one of the merging schools groups who have secured high quality educational and operational managers.







$1 \times 1 = 1$   
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$1 + 1 = 2$   
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# 02

## Key Drivers and Trends

The demand for foreign schools and universities to set up campuses across GCC is expected to be driven by the expatriate community which prefers private schools offering international curricula.

## 2. Key Drivers and Trends

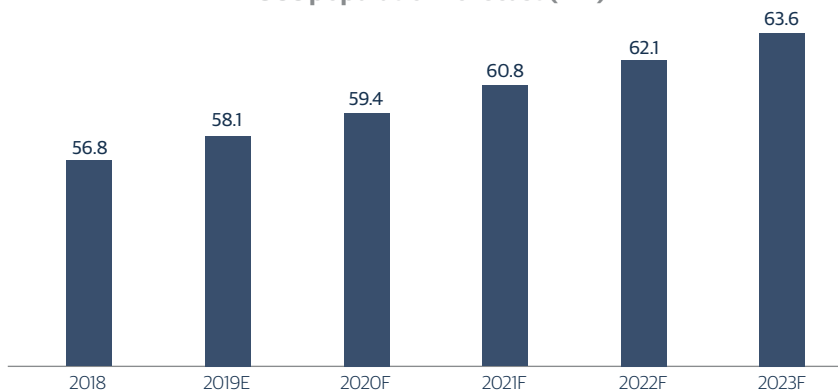
### 2.1 Key growth drivers

**GCC's population is estimated to grow at a CAGR of 2.3% during 2018-23 to 63.6mn, with 26% estimated to be below the age of 15**

#### Growing population

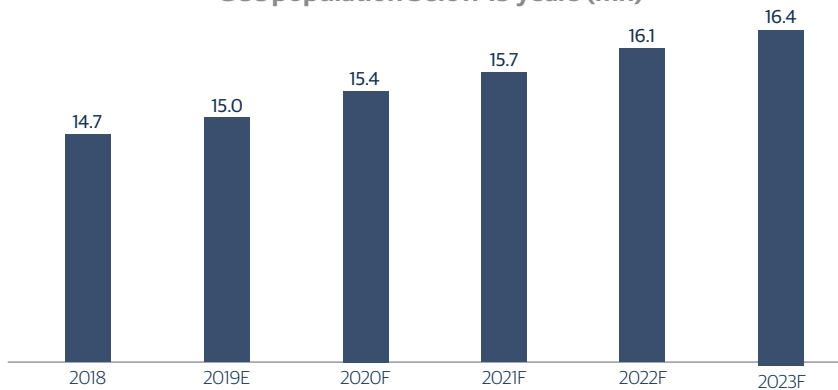
The GCC population is estimated to grow at a CAGR of 2.3%<sup>1</sup> during 2018-23 to reach 63.6mn, out of which an estimated 16.4mn<sup>2</sup> or 26% are expected to be below the age of 15. The large student base coupled with existing large expatriate population (87% in Qatar, 87% in UAE, 70% in Kuwait) is expected to increase further with global events such as the World Cup 2022 and Dubai World Expo 2020, which will drive enrolments across education segments. The demand for foreign schools and universities to set up campuses across GCC is expected to be driven by the expatriate community which prefers private schools offering international curricula.

GCC population forecast (mn)



Source: IMF, World Bank

GCC population below 15 years (mn)



Source: IMF, World Bank

<sup>1</sup> IMF

<sup>2</sup> United Nations Population Division





**Government budgeted spends towards education range between 9-18% of government expenditure in the GCC**

### **Government support and initiatives**

Budgets for government education has remained strong across all the GCC nations over the past five years, with spending ranging between 9.0% (Qatar) and 17.5% (Saudi) of total government expenditure. GCC governments have taken initiatives to set up public schools which is expected to increase the supply of new schools.

Qatar's Ministry of Education and Higher Education (MEHE) has signed multiple contracts and allocated government-owned plots for the development of at least nine private schools that will potentially offer over 11,000 new seats (the new schools are part of Qatar's plan to have 50,000 seats by 2022). In Kuwait, four new elementary schools are being developed under Kuwait's School Development Program which was scheduled to get completed by 2019. Major other initiatives including 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 the GCC.

The governments are also working to improve the overall quality of education. In 2017, the UAE's Ministry of Education (MoE) announced an Emirati School Model (ESM) to be implemented for Abu Dhabi education system. Under this initiative, all public and private schools need to improve the efficiency of education and achieve a standardized education system across the UAE. Similarly, in May 2018, the Saudi government, under their Vision 2030 announced handing over 25 public schools to run by private sector under the 'Independent Schools' initiative.

### **High income levels and willingness to spend**

The per capita income levels in GCC are have been traditionally higher due to wealth generated from oil-based economy. The average GDP per capita (PPP) in 2018 for GCC is over USD 62,087<sup>3</sup>, which is higher than that of all major developed countries including the US and the UK. This high level of per capita income in a relatively low-tax environment, where nationals enjoy several benefits like free public education and healthcare has boosted disposable incomes in GCC. This results in increased spending, especially towards quality education. Demand for international schools and universities offering better quality of education is on the rise.

### **Growing demand for private schools**

Public schools have been enjoying majority share of enrolments since many years. However, the dynamics have started changing in favor of private schools which offer better quality of education and multiple curriculum formats. With growing number of expatriates, the demand for private schools have increased as they cater to customized needs of the expatriates in terms of curricula offered. Additionally, increasing number of local nationals are preferring private education system as it helps their children to get global exposure. Seeing the growing demand, there is increased investments being made in the K-12 private education market.

**GCC's average GDP per capita (PPP) of USD 62,087 in 2018 is higher than that in the US and the UK**

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## 2.2 Key trends

### Increased government spending on education sector

Decline in oil prices resulted in challenging macroeconomic conditions for the GCC nations and had forced them to exercise fiscal discipline. However, with sustained improvement in the oil prices, the governments of GCC nations are expecting revival in spending and business activities. The education sector will be one of the largest beneficiary as the governments recognize the importance of investing in skills and training to provide employment opportunities and improve overall competitiveness.

### Pre-primary education gaining prominence

The traditional society has not been exposed to pre-primary education much, however with increasing awareness among local parents regarding its importance, the perception is changing. In an effort to support this, the GCC nations are driving the sector to accompany the growing relevance of the pre-primary education. For instance, 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 has led to increase in pre-primary enrolments which increased at a CAGR of 5.9% during 2012-18.

**Pre-primary enrolments grew at a CAGR of 5.9% during 2012-18**

### Growing popularity for international curricula schools

Growing population base driven by increasing number of expatriates and the desire to obtain quality education, has spurred the demand for private schools, particularly schools offering international curricula, such as American, British, IB, etc. In 2018, private schools accounted for 72% of primary and secondary enrolments in the UAE and 58% in Qatar. High disposable income of GCC nationals is one of the factors which has supported the demand for quality education offered by international private schools.

**Private schools account for 72% of primary and secondary enrolments in UAE and 58% in Qatar**

### Increasing popularity of eLearning

Learning is no longer limited to the physical classroom or the library due to the spread of high-speed internet. eLearning in the GCC is gaining prominence as the member countries are aiming to bring world-class educational institutions in the region. The eLearning market in GCC is forecasted to grow at a CAGR of 14.0% during 2018-2022 driven by the huge government investment and rapid adoption of online education and eLearning by educational institutes and corporate organizations. Saudi Arabia holds the largest market share of over 35% in the region followed by the UAE with over 21% of the market.

**eLearning expected to grow with technological advancement in the coming future**

### Science, technology, engineering and mathematics (STEM) to be focus area

STEM are the subjects with high importance in the western education system, and are expected to become an even bigger focus area in the GCC as well. STEM is gaining prominence as it is highly anticipated that most of the jobs will get redundant due to advancements in technologies such as artificial intelligence, robotics, among others. One such instance is in the UAE, where 1.9mn jobs are expected to become redundant with the advancements in technologies. On the other hand, the US Department of Commerce estimates states that STEM occupations are growing at 17% compared to other occupations which are growing at 9.8%.

**STEM will be a key focus area in future**





**Enrolments at the tertiary level in GCC grew at a CAGR of 5.5% during 2012-18**

### **Growing trend of higher education hubs to tap a growing tertiary market**

The GCC governments are developing dedicated educational zones to attract foreign players to cater to increasing demand for quality higher education institutes. Dubai International Academic City, home to 22 foreign universities, and the Education City in Qatar which hosts eight foreign universities, have been developed to draw international players as well as students. The under construction Sabah Al Salem Education City which will house the existing Kuwait University colleges is another upcoming education hub. The healthy growth in GCC enrolments at the tertiary level (CAGR of over 5.5%) during 2012-18, provides a good opportunity to higher education providers (both local and foreign) to setup new campuses and attract international students.





# 03

## Key Issues and Challenges

The GCC education sector is witnessing rapid changes with adoption of international curricula that are prevailing in the modern education system

## 3. Key Issues and Challenges

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### Shortage of qualified international teachers has affected international schools across GCC

#### Lack of skilled teaching staffs

While the GCC education sector is witnessing rapid changes with adoption of international curricula that are prevailing, they have failed to translate and upgrade the skills set of the teachers to adopt to the changing environment. The region remains dependent on expat teachers to fill the gap. This problem is prominent among international schools due to limited supply of foreign teachers that are willing to stay in the GCC. The reason being high cost of living in countries like Qatar and the UAE and increasing demand of teachers from home countries of the expatriate teacher. Also, expatriate teachers find Asian education markets more lucrative which are less expensive and more liberal than the GCC. The problem of teacher shortage is expected to worsen further with a number of new schools set to open by 2020.

#### Nationalization drive leading to hire local teachers

GCC nations are focusing on lowering the number of expatriate teachers due to the drive for nationalization. Kuwait has restricted the recruitment of expatriate teachers and is increasing the number of Kuwaiti teachers. During Q1 2019, the number of Kuwaiti teachers increased by 6.8% YoY to 59,700 while number of expatriate teachers declined by 3.0% YoY to 26,100. This approach has created fear amongst the expatriate teaching community.

#### Stringent government regulation for private schools

The profitability of the private schools is largely impacted by the regulations that necessitate the prior approvals from the Ministry before increasing fees. Since the limit of the fee hike is regulated, private schools have to bear the increasing cost of providing education. Effective FY 2019-20, 90% of private school students in Dubai will not have their school fees hiked by more than 2.07%. Earlier, Dubai's private schools were allowed to hike school fees between 3.21%-6.42%. The regulation also acts as a deterrent for new schools to enter the market besides hurting 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 limited. Both hiking of fees and hiring of teaching staff poses a potential challenge to the education sector growth.

### Dubai capped fee hike to 2.07% effective FY 2019-20

#### Secondary and higher education sees higher dropout rate

Many GCC nations witness a high proportion of dropout at secondary and higher education institutes due to the preference of the local students to work in the public sector. The lack of curriculum being in line with the industry requirement is also another reason for dropout. Consequently, many GCC nations are now focusing on matching their curriculum as per the industry requirement.

### Operating costs of schools are increasing with rising salaries of teachers

#### Increasing costs of setting up and running schools

The recent economic slowdown due to lower oil prices led to various austerity measure in the GCC countries, including cuts in government subsidies and introduction of tax regime. This resulted in increased cost of setting up schools. Also, the increase in the salary and benefits of teachers is triggering the rise in the overall cost of running the schools besides the high cost of setting up a new school. Moreover, considering the shortage in the availability of the qualified teachers, the schools are left with less options but to increase the salaries and benefits, as they have to retain the talent.





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**Enrolments in GCC  
get impacted by  
increasing number of  
scholarship programs  
and preferences of  
expatriates to their  
home countries**

**Overseas preferred destination for higher education**

A large proportion of students among local population prefers to pursue their higher education in the US and Europe, to secure better jobs. The governments also provides scholarships to the local students which motivates them to move abroad for further studies. Also, children of expatriates too prefer to go back to their home country for tertiary education due to better quality of education at reasonable cost than that being offered in GCC. These factors continue to impact enrolments across universities and colleges in GCC.



# 04

## Sector Outlook

The pre-primary segment is expected to be the fastest growing segment, estimated to grow at a CAGR of 7.7% from 2018-23 to 1.2mn in 2023.

## 4. Sector Outlook

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The GCC economies which were adversely affected by the decline in oil prices have started to improve with the recovery in oil prices. The fiscal deficits are also likely to turn into surplus in some GCC nations in next two years, which will have a direct positive impact on the government spending. For FY 2019, all GCC nations have increased their budget allocation for education sector especially Qatar which increased its education expenditure by 36.2% YoY to QAR 19.2bn (USD 5.2bn). The government initiatives such as PPPs and privatization of government schools and institutions, are also expected to boost investments in the education sector. The pre-primary segment is expected to be the fastest growing segment, estimated to grow at a CAGR of 7.7% from 2018-23 to 1.2mn in 2023, with growth led by Saudi Arabia (CAGR of 10.9%), UAE (CAGR of 5.6%) and Qatar (CAGR of 4.5%). The growth during 2018-23 will be driven by increase in GER from 21.2% to 32.3% in Saudi, from 92.6% to 104.8% in the UAE and from 60.3% to 73.3% in Qatar.

The tertiary segment is another promising segment with enrolments estimated to grow at a CAGR of 4.7% during 2018-23 to reach 2.69mn in 2023, with Qatar and the UAE expected to grow the fastest at a CAGR of 5.5% and 8.7%, respectively. Enrolments at the primary and secondary level are estimated to grow at a steady CAGR of 3.6% to 10.7mn in 2023. Overall enrolments are estimated to grow at a CAGR of 4.1% from 11.9mn in 2018 to 14.6mn in 2023. GCC nations have been focusing on improving the quality of education through measures such as appointing regulators overseeing quality assurance in Kuwait and Oman, increased teacher training in Saudi, attracting foreign players through tax incentives and government funding in Qatar. This focus towards quality augurs well for the education sector, given the expected growth in demand going forward.









# 05

## GCC Education Market

The GCC education market is on a growth path due to robust demand resulting from an increasing population, high per capita income and the need for quality education.

## 5. GCC Education Market

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### 5.1 Introduction

The GCC education market is on a growth path due to robust demand resulting from an increasing population, high per capita income and the need for quality education. K-12 enrolments have grown at a CAGR of 0.9% during 2012-18, which have been supported by the increasing expenditure towards education by governments and increased private sector participation, along with increasing population base of school age students. The government finances which have been impacted due to lower oil prices are improving after the recovery in oil prices. The region's commitment towards education remains intact, as reflected in the long term visions of each GCC nation. Despite challenges such as teacher shortage, growth drivers and trends are in place for the education sector to grow going forward.





## 5.2 Bahrain

Bahrain's dependence on oil has been declining since 2013, with contribution of oil and gas to GDP decreasing from 25.4% in 2013 to 14.7% in 2018 although the sector still accounts for 78% of the government revenue. The government's revenue increased by 6.0% YoY in 2018 to USD 888mn while the expenditure was up by 3.0% YoY to USD 1.3bn resulting in a 1.9% YoY decline in deficit to USD 493mn. The country approved two year budget for FY 2019 and FY 2020, with estimated revenues of USD 1.0bn and USD 1.1bn against an expenditure of USD 1.2bn for both the years. The resultant deficit is expected to be USD 708mn and USD 613mn for FY 2019 and FY 2020, respectively. The country has received commitment for a five year aid worth USD 10bn in October 2018 from its allies Saudi Arabia, the UAE and Kuwait, to ease pressure on its currency and debt markets.

Bahrain's fiscal situation has been severely affected due to the impact of the drop in oil prices despite the diversification in the economy. Bahrain's debt levels have been increasing, with debt to GDP increasing from BHD 13.4bn (USD 35.3bn, 30% of GDP) in 2010 to BHD 11.7bn (USD 30.8bn, 93% of GDP) in 2018. The country's government spending on education as percentage of GDP decreased to 2.2% in 2018 compared to 2.7% in 2015. Education expenditure as percentage of the total expenditure by the government also declined to 8.7% in 2018 compared to 9.1% in 2017. The government has budgeted an expenditure of USD 916mn and USD 876mn for the education sector in 2019 and 2020, respectively.

The enrolments in Bahrain's K-12 schools increased at a CAGR of 3.1% during 2012-18 due to increase in the nation's population (CAGR of 3.4%) as well as the government's focus to improve education sector in the country during the period. It ranks 43<sup>rd</sup> amongst 189 countries in the Human Development Index in 2018 with a score of 0.846, which puts it in the 'Very high human development' category. Bahrain's performance was most notable in education, where it ranked first in the GCC for attainment and in the top quartile globally for the number of years a child spends at school, averaging 13.3 years per child.

**Government spending on education as percentage of total expenditure declined to 8.7% in 2018 compared to 9.1% in 2017**

**Bahrain has one of the most liberal business environments in GCC with no taxes and free repatriation of capital**

### 5.2.1 Key Statistics

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	35.4	37.7	38.2	44.3
Real GDP growth	3.8%	1.8%	2.0%	2.8%
GDP per capita on PPP (USD)	44,570	44,473	44,465	45,201
Population (mn)	1.45	1.48	1.51	1.64
Inflation (%)	1.4	2.1	1.4	2.1
Non-oil % of GDP	87%	85%	NA	NA
Non-oil exports (USD bn)	6.1	5.6	NA	NA
Actual spend on education (USD mn)	866	850	916	NA
Actual spend on education (% of Govt. expenditure)	9.1%	8.7%	10.4%	NA

Source: IMF

### 5.2.2 PEST Analysis

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>Bahrain has a fair level of political stability which operates as a constitutional monarchy with an elected legislative assembly. There is absence of violence or terrorism</li> <li>Bahrain has one of the most liberal business environments in the GCC region with absence of corporate income tax, personal income tax, wealth tax and withholding tax. Moreover free repatriation of capital, profits or dividends is allowed</li> <li>Foreign ownership up to 100% is permitted</li> <li>The nation's ranking on corruption improved to 99 in 2018 compared to 46 in 2010, driven by removal of all watchdogs post suppression of the Arab spring protest in 2011</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>An increasing GDP per capita (PPP) bodes well for affordability of education fees at all levels, given that fees continue to rise every year</li> <li>Private sector participation in education has been increasing steadily due to PPPs as well as growing preference for private education</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>The government is committed to improve the standards of education. Government allocation towards education has been largely stable at around 2.2% of GDP since 2010</li> </ul>
<b>Technological</b>	<ul style="list-style-type: none"> <li>The nation established Bahrain FinTech Bay in 2018. As of 2019, the hub has around 100 partners, including educational institutions and others to drive innovation and the entrepreneurial ecosystem</li> </ul>

Source: GFH Analysis

**Foreign ownership up to 100% is permitted**

**Bahrain established the Bahrain Fintech Bay in 2018 to bring in technological enhancement in the nation**





## 5.2.3 Education market segmentation

### Market structure

Pre-primary education in Bahrain is provided by the private sector and includes nurseries for children up to the age of 3 years, and kindergartens (KG) 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.

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 targeted towards employment.

### Regulatory framework

Nurseries are supervised by the Ministry of Social Development, while the kindergartens are supervised by the Ministry of Education (MoE), which also regulates all the schools. MoE sets uniform curriculum for pre-primary education and regulates the tuition fees.

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.

#### 5.2.3.1 Pre-primary segment

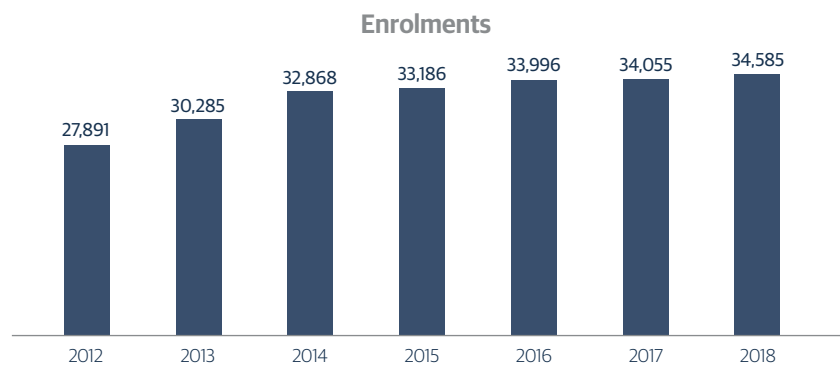
Pre-school is not compulsory in Bahrain, with no public pre-schools existing in the country. The number of nurseries and kindergarten schools have steadily increased from 142 in 2012 to 194 in 2018.

#### Student enrolments & enrolment ratio:

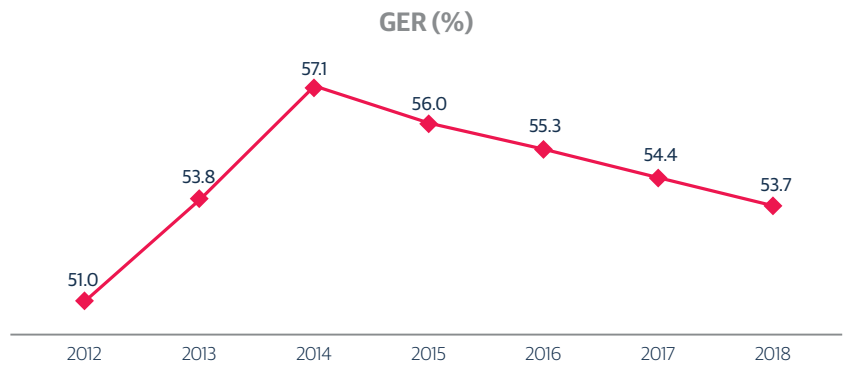
Despite no government pre-primary schools in Bahrain, total enrolments have grown at a CAGR of 3.7% during 2012-18 to 34,585 students with the GER increasing from 51% in 2012 to 53.7% in 2018. This can be attributed to an increase in the expatriate population and increasing tendency of parents to get their kids to start schooling soon.

**Pre-primary schools have steadily increased from 142 in 2012 to 194 in 2018**

**GER in pre-primary schools increased during 2012-18 from 51% to 53.7%**



Source: UNESCO



Source: UNESCO

**Student-teacher ratio has started declining during 2012-18 despite a 4.4% CAGR increase in the number of pre-primary teachers**

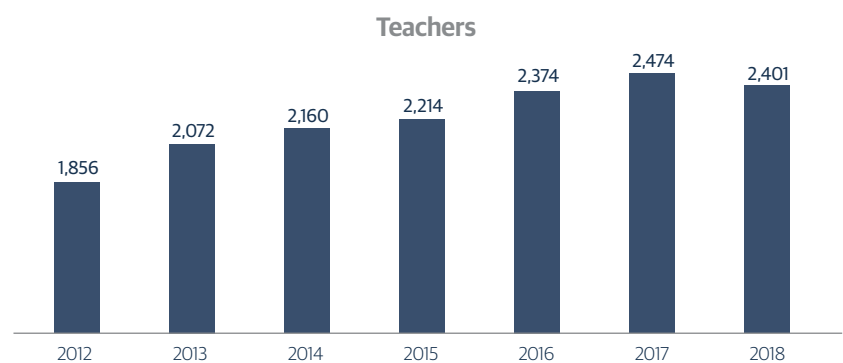
**The profile of teachers is challenging with only 52.4% of them trained and 63% qualified as of 2017**

Teachers:

Bahrain has been facing shortage of teachers for the past few years. Despite a 4.4% CAGR in the number of pre-primary teachers from 1,856 in 2012 to 2,401 in 2018, the student-teacher ratio has started declining from 15.0 in 2012 to 14.4 in 2018. The shortage of teachers can be attributed to:

- Teachers going on long sabbatical or quitting for maternity reasons (as all teachers at the pre-school level, are female)

At the pre-primary level, just over 50% of the total teachers were trained as per pre-primary requirements in 2018 (46.7% in 2013), while a little above 60% were qualified (up from 55.8% in 2013). Bahrain underperforms compared to other GCC nations like Oman, Saudi and UAE where 100% of the teachers, at the pre-primary level are trained and qualified.

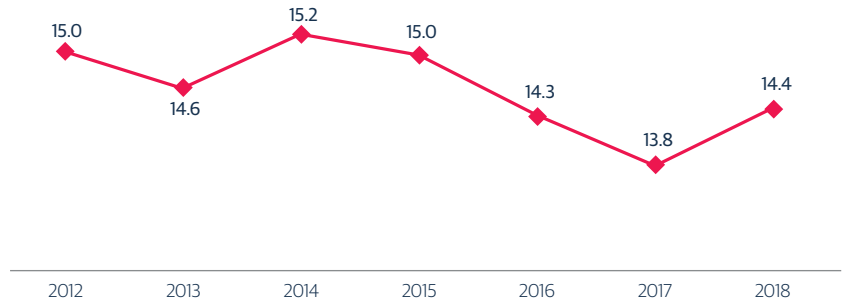


Source: UNESCO





Student-Teacher ratio



Source: UNESCO

**Enrolments at the pre-primary level are estimated to grow at a 4.0% CAGR during 2018-23**

### Market size & estimates

The size of the pre-primary education segment is estimated to surpass 42,000 enrolments by 2023 from 34,585 in 2018, implying a CAGR of 4.0% during 2018-23, with improvement in the GER from 53.7% in 2018 to 59.2% in 2023.

### Key players in pre-school market

Schools	Curriculum	Fee Structure p.a. (USD)
Britus Education	British	2,700 - 5,899
Bahrain Bayan School	American	9,396
St. Christopher's School	British	8,273 - 10,828
Ibn Khuldoon National School	Bi-lingual	7,764 - 7,830
British School of Bahrain	British	7,933- 9,718
Naseem International School	IB	7,390-9,839
Abdul Rahman Kanoo International School	IB	3,206- 3,179

Source: Individual school websites

**There are 209 public and 71 private schools as of 2018**

### 5.2.3.2 Primary and secondary segment

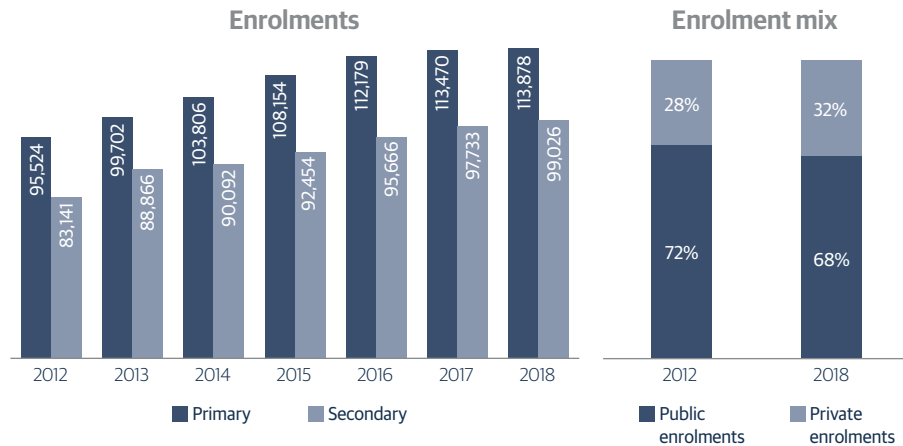
In 2018, there were 209 public and 71 private schools in Bahrain all of which are regulated by the MoE.

**Enrolments in private schools increased at a CAGR of 4.9% overall during 2012-18 driven by an increasing trend towards international curriculum and increased focus on quality of education**

#### Student enrolments & enrolment ratio:

Total enrolments at primary and secondary schools have shown a promising trend, growing at a CAGR of 3.0% each during 2012-18. This has been driven by enrolments at private schools which increased at a CAGR of nearly 5.0% and 4.7% in both primary and secondary schools respectively. The drive towards private schools is supported by an increasing trend towards enrolment in schools offering international curriculum. The mix of students at private schools has therefore increased to 32% of total students in 2018 compared to 28% in 2012.

## Enrolment trends at primary & secondary schools



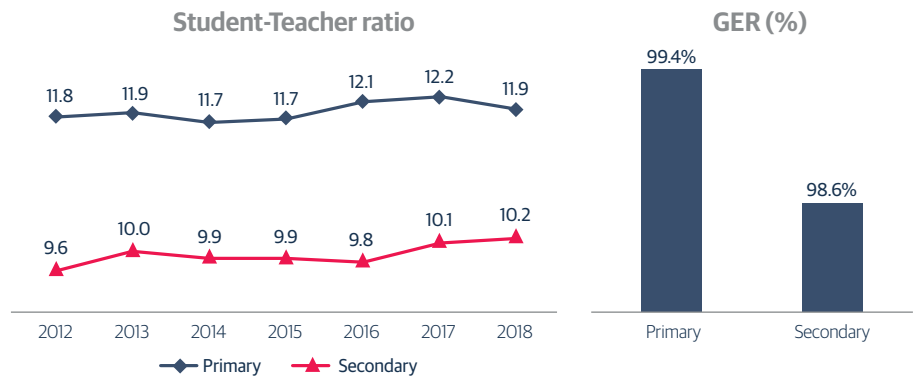
Source: UNESCO; Note: Secondary includes intermediate

**Number of teachers increased at a CAGR of 2.3% during 2012-18, resulting in improved student-teacher ratio**

### Teachers:

The student-teacher ratios in both the primary and secondary schools improved to 11.1 in 2018 compared to 10.7 in 2012 due to marginal improvement in the total enrolments. The total enrolments increased at a CAGR of 3.0% during 2012-18 compared to 2.3% CAGR witnessed in number of teachers.

## Primary & secondary school trends



Source: UNESCO

### Quality/effectiveness of private schools

The Education and Training Quality Authority (BQA), 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 BQA was set up in 2008 to review, improve the performance and output of kindergartens. It conducts reviews of schools in yearly cycle wherein each cycle takes 3-5 years to complete, and each cycle is divided into two or more phases.





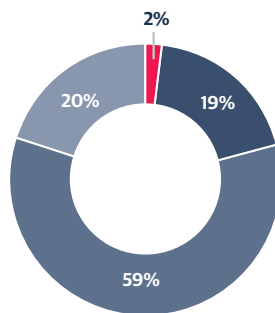


The BQA, through the Directorate of Government Schools Reviews (DGS) completed phases 6 and 7 of Cycle 3 in May 2018 by reviewing 64 public schools. The findings revealed that on basis of overall effectiveness, 15% of the schools were judged 'outstanding', 19% as 'good', 34% as 'satisfactory' and 32% as 'inadequate'.

The BQA review recommended various initiatives such as i) providing professional development programs to teaching and administrative staff, ii) developing students' skills by effective teaching strategies which will enable a culture of lifelong learning, iii) Ensuring parents' participation in the learning process by increasing their awareness and role, iv) following up on safety and security procedures free from any hazards.

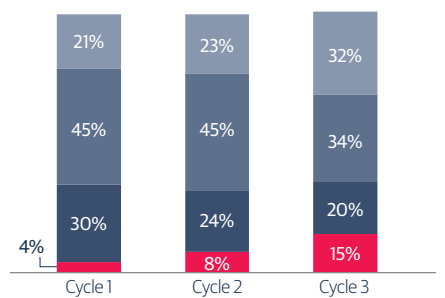
### Judgements awarded to private schools

Key parameters - Cycle 1



■ Marked Improvement ■ Improvement  
■ No Changes ■ Decline

Overall effectiveness - Cycle 1 vs Cycle 3



■ Outstanding ■ Good ■ Satisfactory ■ Inadequate

Source: QQA; \* Based on 184 schools reviewed in Cycle 1 (2008-11), Cycle 2 (2011-14) and Cycle 3 (2015-18)

### Factors affecting demand and supply

- Government's desire to improve the education infrastructure and quality of education (Higher Education Council's National Strategy for Higher Education) are expected to attract not only more enrolments, but also more companies to setup new schools
- Bahrain's population has grown at a CAGR of 3.8% during 2012-18, with the expatriate population growing at much faster CAGR of nearly 5.1%. This is expected to drive private enrolments across levels with more schools required to cater to the growing population
- Higher income levels of the parents and their increased willingness to spend on quality education has boosted the demand for private schools offering a highly regarded curriculum (international)
- Increasing international students due to better quality education relative to regional peers. The National Higher Education Strategy 2014-24 projects the proportion of international students attending higher education in Bahrain to grow to 35% of the total student population, with ~80% of those from Saudi Arabia or Kuwait

**Bahrain's expat population which grew at a faster CAGR of 5.1% during 2012-18 is expected to drive enrolments in private schools**

**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 102.5% in 2018 to 110.4% in 2023**

### Market size & estimates

Enrolments in the primary education segment is estimated to grow at a CAGR of 3.5% to more than 135,000 in 2023 compared to 113,878 in 2018. GER is expected to improve from 99.4% in 2018 to 107% in 2023, as the basic education is compulsory for children between 6-14 years. Secondary enrolments are estimated to grow at a CAGR of 3.5% to more than 117,000 in 2023 compared to 99,026 in 2018, with GER expected to improve from 98.6% to 106.2% during this period.

### Supply and pipeline

Bahrain-based urban developer, Diyar Al Muharraq is planning to add eight schools and two universities, one of which is a medical university to enhance the nation's educational sector.

Athena Private School for Special Education launched a new school in Bahrain for children with learning difficulties in September 2019. The spacious school of over 6,000 square meters can house up to 1,455 students. Athena will admit children's aged between 3-5 years for pre-school, 6-9 years for lower school, 10-13 years in middle school, 14-16 years in upper school, and 16-18 years for the post-16 phase.

### Pipeline of public schools

Schools	Capacity		Investment (USD mn)	Project Completion as of August 2019
	Students	Classrooms		
Isa Town Primary School for Boys	1,400	35	12.9	Foundation completed
Hamad Town Intermediate School for Boys	1,000	30	10.2	69%

Source: MoE





### Top players in primary & secondary school market (Private schools)

Schools	Curriculum	Review Scale	Annual Fee Structure Range (USD)
Britus Education	British	Not Available	2,970-11,124
Nadeen International School*	English National	Outstanding	6,303-8,213
The British School Of Bahrain*	English National	Outstanding	6,899-17,842
St Christopher's School*	British	Outstanding	4,037-20,325
The Bahrain Bayan School	American, Arabic	Outstanding	9,870-12,338
Ibn Khuldoon National School	Bilingual	Outstanding	9,589-12,587
Riffa Views International School*	IB	Outstanding	7,295-26,262
Al Noor International School*	British, CBSE, Bahrain	Satisfactory	Not available
Arabian Pearl Gulf School	IB	Good	Not available
Al Hekma International Model School*	American	Satisfactory	3,589-9,558
Al-Raja School	American	Satisfactory	Not Available
Modern Knowledge School*	IB, American	Satisfactory	3,416-5,753
Abdul Rahman Kanoo International School*	IB, British	Satisfactory	2,827-7,136
New Millennium School	Indian	Good	2,514-4,345
Al Mahd Day Boarding School*	Cambridge	Satisfactory	Not Available

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

#### 5.2.3.3 Tertiary segment

There are three public universities, a regional university and 12 private universities in Bahrain offering higher education. The University of Bahrain is the major university (public) comprising of 10 colleges with over 25,000 students enrolled in 2018, constituting over 60% of the total enrolments at the tertiary level.

#### Student enrolments & enrolment ratio:

Enrolments have been modestly increasing at a CAGR of 1.7% to reach 44,940 in 2018 compared to 40,498 in 2012. 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 (2014-24), which includes improving the quality of education and strengthening linkages between higher education and vocational education. The GER at the tertiary level increased to 50.5 in 2018 compared to 43.2 in 2012.

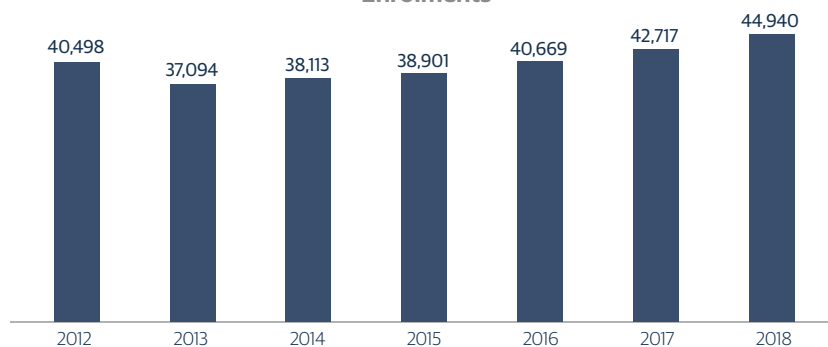
Student population at Bahrain's higher education institutes (HEIs) are dominated by locals and females constituting 63%.

**Tertiary enrolments modestly grew at a 1.7% CAGR during 2012-18, while GER improved to 50.5%**

**Locals dominate student enrolments in HEIs, with females accounting for 63%**

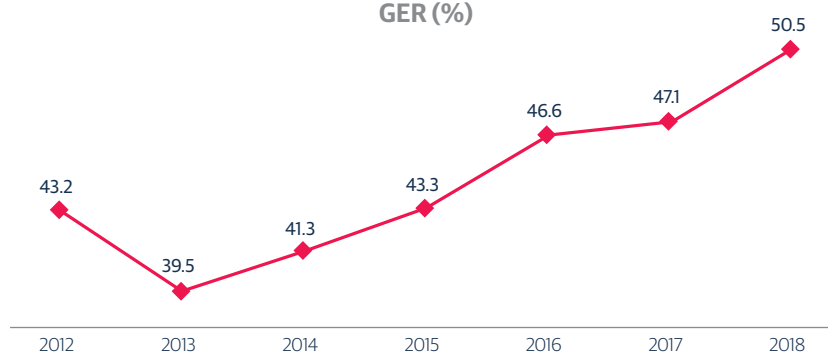
## Tertiary education statistics

### Enrolments



Source: UNESCO

### GER (%)



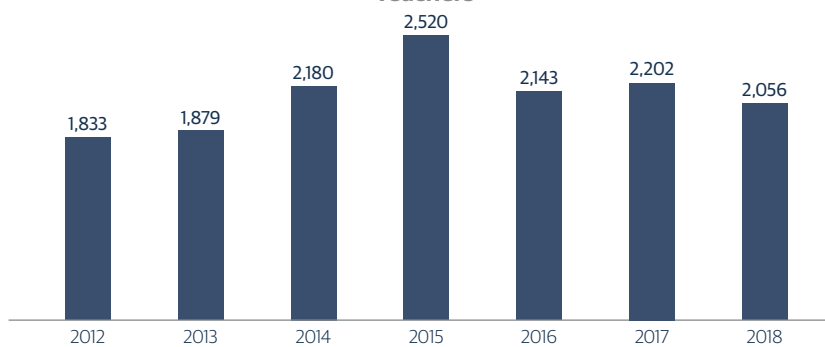
Source: UNESCO

### Teachers:

The number of teachers increased at a CAGR of 1.9% during 2012-18. The issue of availability of teachers at the tertiary level is again getting traction, as the student-teacher ratio has returned to 21.9 in 2018 after declining to a level of 15.4 in 2015.

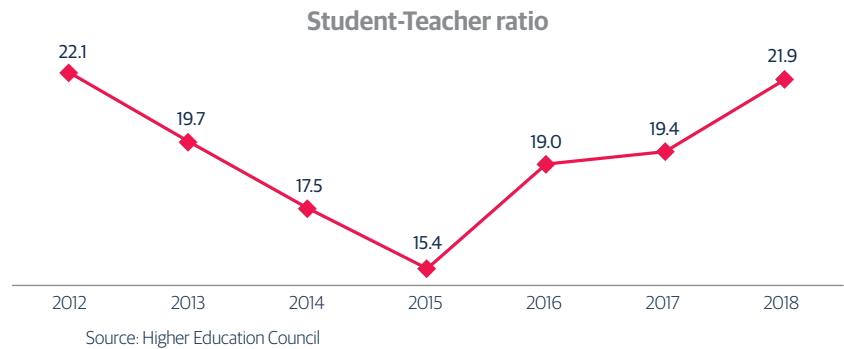
## Teacher trends - Tertiary education

### Teachers



Source: Higher Education Council, UNESCO





### Factors affecting demand and supply for higher education

- Bahraini government's focus to improve the quality of higher education, reflected in the HEC's approval of Bahrain's first National Strategy for Higher Education and Scientific Research, is expected to increase the number of enrolments and number of private institutions
- The strategy is designed to expand the engagement skills of students to match employers' needs, develop the quality of teaching, accreditation of higher education institutes and provide internships and work placement schemes
- Expanding 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

An area of higher education that remains less developed is research due to most graduate degrees not being research-based and low research and development (R&D) expenditure in the region.

**GER in tertiary education is expected to increase from 50.5% in 2018 to 58.5% in 2023**

### Market size & estimates

The tertiary education market in Bahrain is estimated to exceed 57,500 enrolments by 2023 from 44,940 in 2018, implying a CAGR of 5.1% during 2018-23, with the GER expected to improve to 58.5% in 2023 from 50.5% in 2018.

### Supply and pipeline

Bahrain's first purpose-built American university, "The American University of Bahrain" which started in September 2019, is built on a 75,000 square meter plot in the prestigious Riffa area. The American University of Bahrain (AUBH) has received institutional approval by the HEC and plans to launch its schools of Engineering, Architecture and Design, and Business in the 2019-20 academic year.

### Top players in tertiary education (Universities)

University	Type	Review Scale*	Annual Fee Structure Range (USD)
University of Bahrain	Government	Confidence	Maters: 371 per credit, Doctoral: 424 per credit Master
Ahlia University	Private	Confidence	Bachelors: 44,938 (4-yrs), Masters: 18,675-27,490
British University of Bahrain	Private	-	19,246
Arab Open University	Private	Confidence	-
Royal College of Surgeons in Ireland – Medical University of Bahrain	Private	Confidence	-
Royal University for Women	Private	Confidence	477 per credit – 530 per credit
University College of Bahrain	Private	No Confidence	
Applied Science University	Private	Confidence	-
Gulf University	Private	Limited Confidence	2,652 per sem
Kingdom University	Private	Confidence	31,594 – 38,279
AMA International University	Private	No Confidence	7,500
Arabian Gulf University	Regional	-	17,773 – 31,303
Bahrain Polytechnic	Government	Confidence	NA

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





### 5.2.3.4 SWOT Analysis

Strengths	Weaknesses
<p>A. Bahrain has the oldest public education system in the GCC with the first modern school in the region established in 1919. The average expected years of schooling in Bahrain is 13.3 years compared to 11.9 years for the Arab states and ranks highest in GCC</p> <p>B. Bahrain witnessed a healthy increase in enrolments across all segments of the K-12 market during 2012-18, at a CAGR of between 3.1%, driven by a increasing expatriate population</p> <p>C. The nation gives high importance to education and ranks second in GCC in terms of literacy rate, which stands at 95.7% as of 2015. The nation also has the highest female literacy rate of 93.5% in the Arab region</p> <p>D. The nation's education sector is well supported by availability of highly qualified teachers. Among all the teachers available at primary and secondary level, 96.1% and 97.5% of them respectively are highly qualified</p>	<p>A. The spending on education as a percentage of GDP is lower than other GCC nations. The total expenditure on education sector was 2.2% of GDP in 2018 compared to 5.2% in Oman and 4.6% in Saudi</p> <p>B. Despite strong and quality literacy rate among women, only 32% of women aged 15 and above are in the workforce, compared to 85% among qualified male population</p> <p>C. Pre-school education is provided by private sector only. The sector faces the challenge of skilled teacher's availability, as at the pre-primary level only 62.7% of the teachers are qualified</p>
Opportunities	Threats
<p>A. The basic education is free and compulsory for all aged between 6-14 years. With population growing at a CAGR of 3.4% between 2012-18, the nation offers plenty of growth opportunities</p> <p>B. Government's efforts under the National Higher Education Strategy 2014-24 aims to make Bahrain a regional hub for private higher education and the government is making required efforts to achieve the targets. The efforts are likely to support higher education enrolments and opportunity for private operators to setup higher education institutes</p> <p>C. Bahrain is making required changes in curriculum to better prepare students for careers. The secondary education is split into two categories, unified and vocational which are focused on university preparation and technical education, respectively</p> <p>D. Relatively higher participation of girls expands the total market, 97% of girls and 98% of boys are enrolled in primary school, while 91% of girls and 87% of boys attend secondary school</p>	<p>A. The increase in the salaries of teachers and the higher cost of education could impact affordability for parents who enrolled their children in private schools and may adversely affect school and tertiary enrolments</p> <p>B. The increasing gap between the supply and demand in schools could drive incremental demand abroad, resulting in potential loss of business for education providers</p> <p>C. Bahrain is conducting an assessment study on the effects of a proposed ban on expat recruitment in 35 professions. The ban could negatively impact the number of expatriates who drive the growth in education sector</p>

Source: GFH Analysis

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### **5.2.3.5 Investment Opportunities**

Apart from the various new public schools and universities that are coming up, the development pipeline of private schools indicate 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, is likely to open opportunities for more private and foreign universities (or their campuses) to come up in Bahrain.

### **Outlook**

As the nation is moving from an oil dependent economy to a more knowledge-based one, education is taking a leading role in training the next generation of students on how to prosper in this new landscape.

The education market in Bahrain is steadily growing with a focus on improving the quality of education and the technology infrastructure across all levels of education, well supported by the government. The government spending towards education is expected to increase consistently from USD 866mn in 2017 to USD 916mn in 2019 and is likely to increase further driven by the government's efforts to provide sustained funding to the sector and make Bahrain a higher education hub. Enrolments continue to pick-up from the pre-primary to tertiary levels and are expected to continue over the next five years. The tertiary education is likely to be the fastest growing segment with a forecasted CAGR of 5.1% during 2018-23 led by government's efforts to improve the higher education.

Trends including a shift towards private schools and increase in new enrolment opportunities are likely to result in growth in Bahrain's private K-12 education market. The market is forecasted to grow from USD 400mn in 2017 to USD 700mn by 2023. The growth is likely to be driven by various factors, such as increased government and private spending on education, growth in population and employment, and growing demand from expatriates.

Bahrain's move to introduce value-added tax (VAT) combined with wider financial measures are expected to result in a 25.0% YoY increase in the non-oil revenues in 2019. The USD 10bn aid announced by UAE, Saudi Arabia and Kuwait in 2018 to Bahrain, is expected to improve the financial stability of the nation in terms of public debt burden. The aid will partly drive the economic growth to 2.3% in 2019 and an average 2.4% annually until 2022.

In 2018, Bahrain launched efforts to eliminate its fiscal deficit by 2022 through Fiscal Balance Program (FBP), which aims to achieve annual savings of BHD 800mn (USD 2.1bn) in spending. The program is based on six pillars, which include controlling public expenditure, a voluntary retirement scheme for public sector employees, streamlining distribution of cash subsidies to citizens and increasing non-oil revenues.

Bahrain has plans to grow its national technology ecosystem, which will enable job creation for the nationals and decrease reliance on oil and gas sector. The number of Bahraini tech startups increased to 75 at the end of 2018 and the Bahrain Economic Development Board aims to grow the same to 200 companies in next two years. In order to fuel the growth in startups the nation's educational system needs to be strengthened to be able to supply the required skillful resources to develop and operate these startups.







### 5.3 Kuwait

Kuwait has a geographically small but wealthy and relatively open economy with 6% of the world's crude oil reserves. Oil-based economy accounted for 48% of the GDP and 88% of government revenues in 2018.

The nation continues to make investments to boost its oil production from the current 2.72 million barrels per day (mbpd) in November 2019 to 4.75 mbpd by 2040. These includes investments of USD 115bn in the oil sector until 2024, as well as investments of USD 500bn till 2040. The government's current 5-year plan (2015-2020) aims to increase non-oil revenues, attract more investments, increase the percentage of Kuwaitis in total population and boost private sector participation levels. The government increased its development expenditure to USD 116bn in the current 5-year plan compared to USD 104bn as per the previous 5-year plan. Kuwait's education expenditure at 7.8% of GDP is higher than Oman (5.0%), Bahrain (2.2%) and OECD<sup>4</sup> nations (5.3%) in 2018.

The government's revenue increased by 1.9% YoY in FY 2017-18 to KWD 13.3bn (USD 44.0bn). The expenditure increased by 12.4% YoY to KWD 19.9bn (USD 65.3bn). This resulted in a deficit of KWD 6.6bn (USD 21.6bn). For FY 2018-19, the nation's budget deficit is forecasted to be lower at KWD 4.8bn (USD 15.9bn) supported by higher oil prices. The parliament has passed an annual budget for FY 2019-20 projecting a deficit of USD 22bn.

For FY 2019-20, Kuwait has budgeted KWD 2.7bn (USD 9.1bn) for education expenditure, which is 12.2% of the total expenditure. Kuwait ranks 56<sup>th</sup> amongst 189 countries in the Human Development Index 2018. The nation's score of 0.803 puts it in the 'Very high human development' category.

**The government plans to spend up to USD 115bn until 2024 and USD 500bn till 2040 to boost the oil production**

<sup>4</sup> Organization for Economic Co-operation and Development

### 5.3.1 Key Statistics

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	119.5	141.6	137.6	155.3
Real GDP growth	-3.5%	1.2%	0.6%	2.6%
GDP per capita on PPP (USD)	60,169	59,227	57,958	57,651
Population (mn)	4.45	4.57	4.70	5.25
Inflation (%)	1.5	0.6	1.5	2.5
Non-oil as % of GDP	58.0%	52.0%	NA	NA
Non-oil exports (USD bn)	NA	NA	NA	NA
Govt. spend on education (USD bn)	5.9	9.2	9.1	NA
Govt. spend on education (% of Govt. expenditure)	9.0%	12.8%	12.2%	NA

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

### 5.3.2 PEST Analysis

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>The political stability of Kuwait has improved to 89 in 2018 from 104<sup>th</sup> amongst 195 nations with a score of 0.11, as per the World Bank's Political Stability Index for 2018</li> <li>Kuwait was ranked 97<sup>th</sup> among 190 countries in the ease of starting a business which is relatively lower compared to its GCC counterparts, as per World Bank's Ease of Doing Business ranking in 2019. Also, the time required to set up a business in Kuwait is average of 35 days, comparatively higher than that of the MENA's average of 20.5 days</li> <li>However, the establishment of the Kuwait Direct Investment Promotion Authority (KDIPA) enables foreign investment of 100% in education, which has supported the investment and increased the number of foreign schools in Kuwait</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>The government spending in education has increased consistently from 11% of total spending in 2011 to 12.8% in 2018 and 12.2% in 2019</li> <li>Kuwait's net general government assets are at 400% of GDP as of end-2018, which is the highest ratio amongst all sovereigns. This results from historical savings from the oil profits by the Kuwait Investment Authority (KIA), Kuwait's sovereign wealth fund</li> <li>The National Development Plan laid out in Kuwait Vision 2035, places a strong emphasis on education as a catalyst to economic diversification, sustainable growth and social progress</li> <li>Private sector participation has been rising in education, with 40 new private schools coming up over the past four years during 2014-18</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>An increasing percentage of expats of the total population, from 64.4% in 2011 to 69.2% in 2018, is driving demand for private and foreign schools</li> <li>Kuwait has a young population, where more than 21.2% of the people are below 14 years of age. This demography is expected to increase the demand for elementary education in future</li> </ul>

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

21.2% 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**

#### **Technological**

- The Kuwait's Ministry of Education (MoE) looks to implement latest technology in education sector with introduction of "Robot" in artificial intelligence technology which forms an important part of nation's education curricula
- The Sabah Al Salem University City, called the Education City, which consolidates all branches of the Kuwait University, is planned with addition of world class educational facilities including most advanced digital teaching and learning resources. The project is on track to be completed by end of 2019

Source: GFH Analysis

### **5.3.3 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 providing employment oriented courses in specific sectors.

#### **Regulatory framework:**

All schools, including pre-schools are regulated by the MoE. 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 3.0% fee hike is permitted annually for private schools and any higher increase in fees requires the prior approval of the Ministry. In February 2019, the Education Minister issued a ministerial resolution stating that no fees will be hiked for all private schools for FY 2019-20 and warned that legal actions would be taken against them in case of increase in school fees in violation of the ministerial resolution.

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

#### **Government initiatives to develop the sector:**

Kuwait's "National Development Plan 2035" under the vision of the Emir of Kuwait has the following two programs as part of human capital development.

1. **The quality of education program** – aims to improve the general level of education outcomes by developing curriculum, improving the school environment and upgrading the teacher competence levels. The estimated cost of the program is KWD 209.9mn (USD 688.8mn) and covers the following:
  - National standards for learning
  - Local and international studies to measure and evaluate the education system in Kuwait
  - National tests for university admission
  - Teacher license projects

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

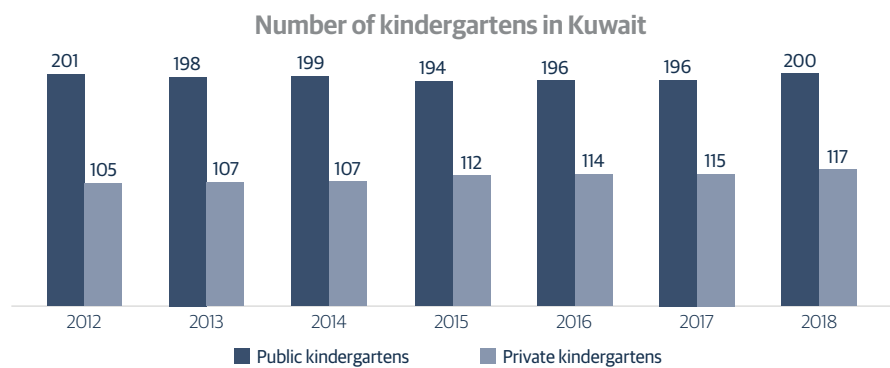
- School excellence to apply Total Quality Management (TQM) standards in school management
- Discovery and sponsorship of gifted students (future scientists)
- Integrated system of education reform

2. **Raising the capacity of higher education program** - aims to raise the higher education quality by reducing student congestion within the university institutions. The program provides additional study spaces and increases the scope of the needs of the labor market by diversifying university specialties to suit the needs of the labor market. The total estimated project cost is KWD 2.8bn (USD 9.2bn). The Higher Education Program also includes a government building project (University of Kuwait). The project includes the construction of academic buildings, colleges of engineering, medicine, administrative sciences, literature, architecture, social sciences and student service centers

In March 2019, Kuwait issued tenders for 125 development projects across the country, as part of its plan for FY 2019-20, which includes construction of new private school complexes in Kuwait's southern commercial hub of Egaila.

### 5.3.3.1 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.



Source: Kuwait Central Statistics Bureau

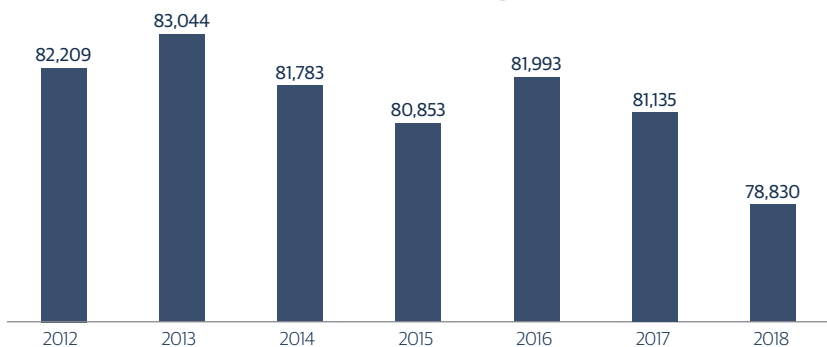
**Enrolments in pre-schools declined marginally during 2012-17 with GER dropping from 82.2% in 2012 to 62.5% in 2018**

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 by 0.7% during 2012-18, with the GER declining from 82.2% in 2012 to 62.5% in 2018.



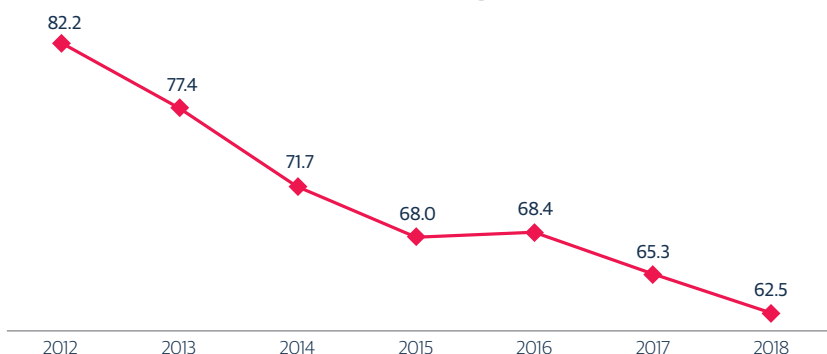


### Enrolments in kindergartens



Source: Kuwait Central Statistics Bureau

### GER (%) - Kindergartens



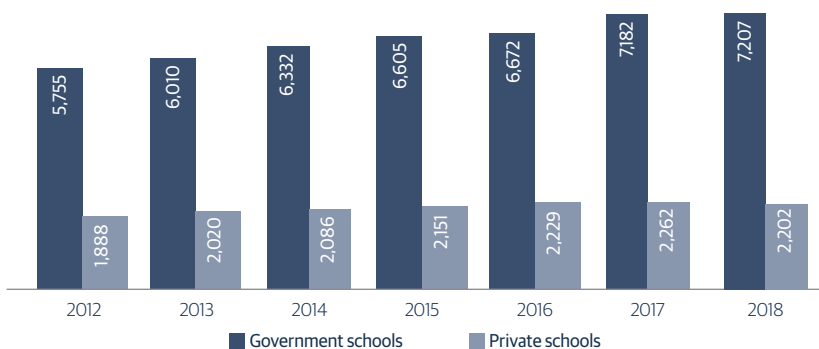
Source: Kuwait Central Statistics Bureau

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

### Teachers

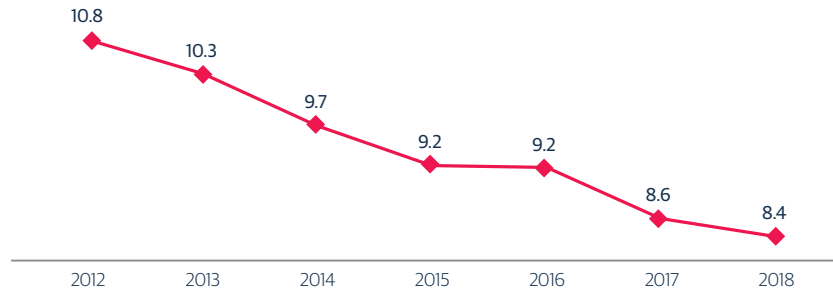
Around 97% of the government kindergartens teachers in 2018 are Kuwaitis, while private kindergartens have a fair share of non-Kuwaiti teachers. In FY 2018-19, 99.2% of the teachers are females in private kindergartens, while the same being 100% in government kindergartens.

### Number of teachers - Pre-primary



Source: Kuwait Central Statistics Bureau

### Student-Teacher ratio - Pre-primary



Source: Kuwait Central Statistics Bureau

**Student-teacher ratio declined during 2012-18 from 10.8 to 8.4, the second lowest in GCC after Oman**

**Pre-primary enrolments are estimated to grow at a CAGR of 1.8% from 2018-23 with GER estimated to decline from 62.5% in 2018 to 59.4% in 2023**

While the number of enrolled students declined at a CAGR of 0.7% during 2012-18, the number of teachers employed has increased steadily at a CAGR of 3.5%, due to an increasing expatriate teacher population which has resulted in a drop in the student-teacher ratio from 10.8 in 2012 to 8.4 in 2018, the second lowest in GCC after Oman. Kuwait currently faces no shortage for pre-primary teachers.

### Market size & estimates

The pre-primary education segment is estimated to grow gradually from 78,830 in 2018 to more than 86,000 enrolments in 2023, at a CAGR of 1.8% due to slow growth in GER resulting from the preference for home schooling. GER is estimated to decline from 62.5% in 2018 to 59.4% in 2023.

### Supply and pipeline

As part of the first phase of Kuwait's Schools Development Program, the MoE is pursuing the development of nine public schools, which includes five 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.

### Key players in pre-school market

Schools	Curriculum	Fee Structure p.a. (USD)
American International School	American	9,433 - 12,706
Kuwait English School	British	6,078 - 9,495
English Playgroup	British	4,895 - 4,994
Oxford Academy	English	3,949 - 4,090
International British School	British	5,076 - 5,122

Source: Individual school websites



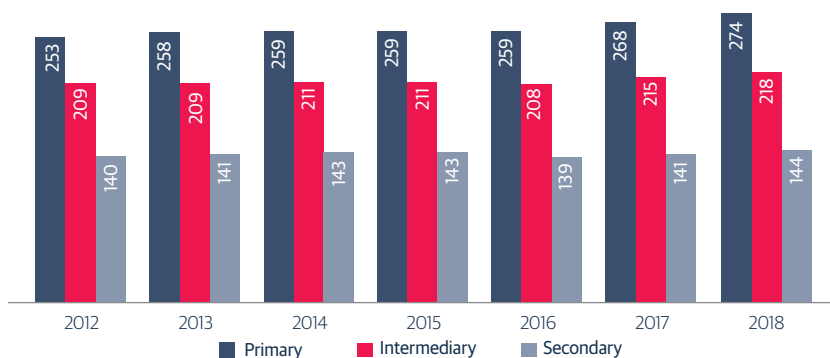


**Kuwait has more numbers of public schools as compared to private ones offering primary education**

### 5.3.3.2 Primary and secondary segment

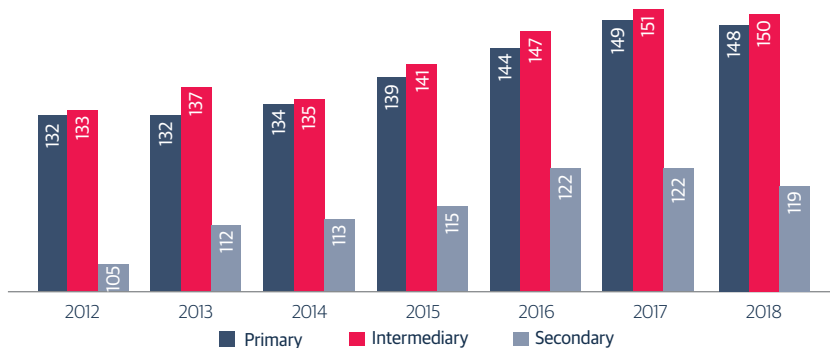
The MoE offers free education to Kuwaiti children in public schools. Kuwait has more number of government schools (274) compared to private schools (148) in 2018, providing primary education, with both government and private schools maintaining a flat to marginally increasing trend over the past 3 years.

Number of government schools



Source: Kuwait Central Statistics Bureau

Number of private schools

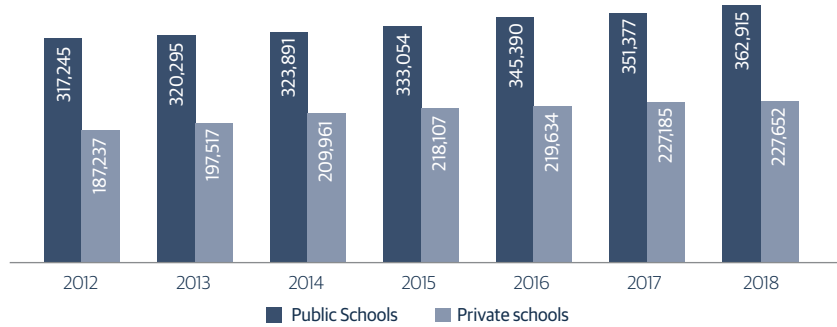


Source: Kuwait Central Statistics Bureau

**Private enrolments grew at a CAGR of 3.3% during 2012-18, while public enrolments grew at a CAGR of 2.3%**

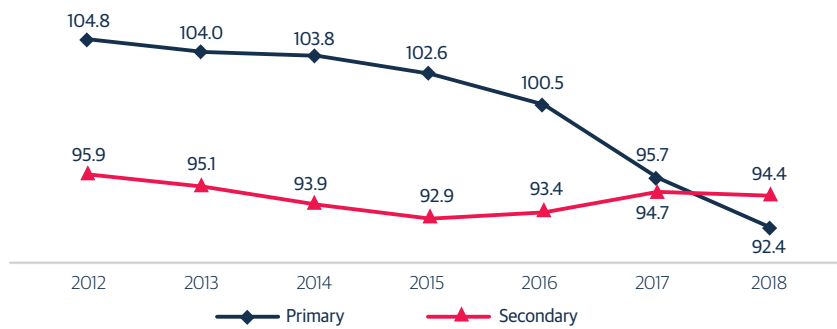
With primary and secondary education (between the ages of 6-14) being compulsory, Kuwait has a high enrolment ratio in schools. Increase in expatriate population, higher disposable income and the desire for international curriculum offering quality education is driving demand for private schools, where enrolments continue to grow at a faster pace than public schools. The total primary and secondary private enrolments increased at a CAGR of 3.3% during 2012-18, compared to a 2.3% CAGR during the same period for government schools. The GER for primary education has been declining due to higher increase in the official age population at 5.5% CAGR during 2012-18 compared to a 3.3% CAGR in the enrolments.

Number of students in primary and secondary



Source: Kuwait Central Statistics Bureau

GER (%) - Primary and secondary



Source: Kuwait Central Statistics Bureau

### Teachers

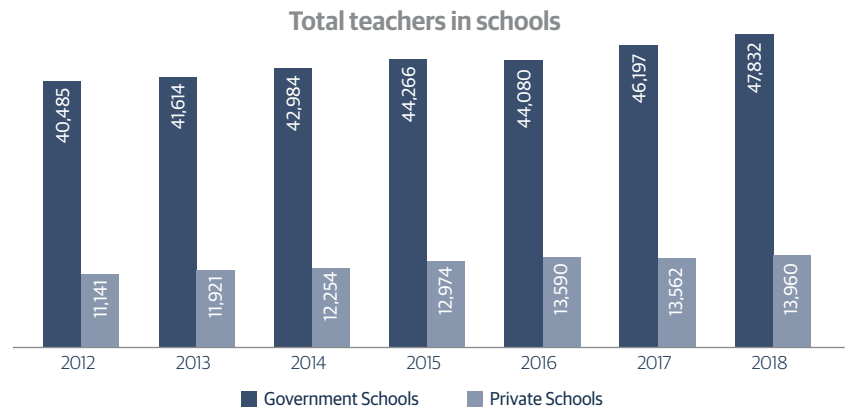
The ratio of Kuwaiti teachers in public schools is comparatively lower in the primary (71% in 2018) and secondary (56%) levels compared to the pre-primary sector (97%). With many private schools (including foreign schools) offering international curriculum, teachers are sourced from the country whose curriculum they follow. Increasing salaries of teachers (especially foreign expatriate teachers) is a concern facing private schools in Kuwait.

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 comparatively higher proportion at 47% in private schools.

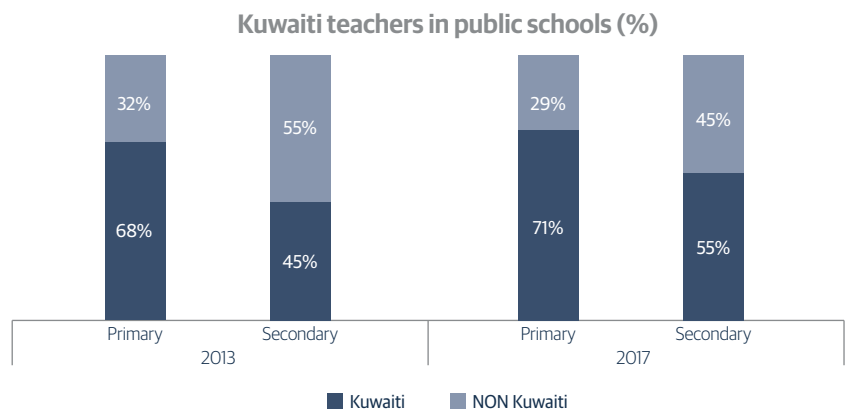
In Q1 2019, the total number of K-12 teaching staff members (public and private) increased to 85,800 compared to 82,800 during Q1 2018. The number of Kuwaiti teachers increased to 59,700 in Q1 2019 compared to 55,900 in Q1 2018, while number of expatriate teachers declined to 26,100 from 26,900.







Source: Kuwait Central Statistics Bureau

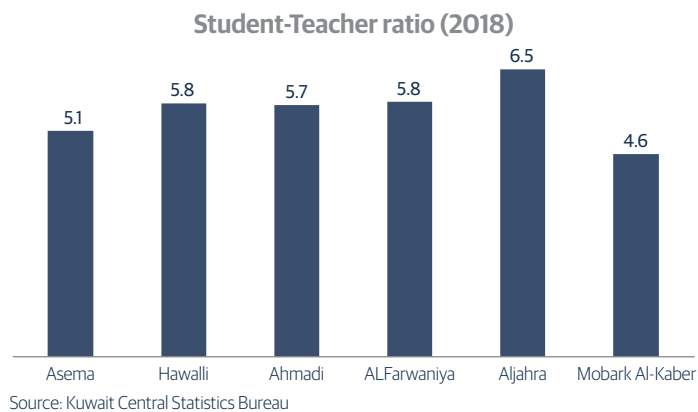
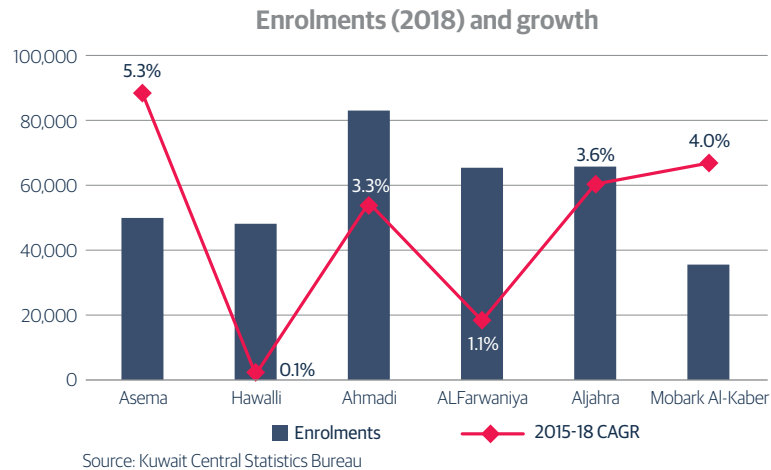


Source: Kuwait Central Statistics Bureau

## Kuwait does not face a shortage of teachers

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 8.6-8.9. This has been driven by a large expatriate teacher population which grew rapidly few years ago, when Kuwait incentivized expat teachers to move into the country. However, there is an oversupply in the market, with the MoE planning to reduce the number of expat teachers in Kuwait by 365 during school year FY 2018-19. The Ministry also announced that it will not open local contracting with expat teachers for the upcoming school year.

## Primary and secondary education parameters by governorates in public schools



**Asema is the fastest growing governorate in Kuwait with CAGR of 5.3% during 2015-18 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. While enrolment growth over 2015-18 has been the fastest in the Asema governorate at a CAGR of 5.3%.

### Factors affecting demand and supply

- The population of Kuwait has grown at a CAGR of 3.1% during 2012-18 and is expected to grow at CAGR of 2.8% during 2018-23, thus creating additional demand for educational infrastructure
- High GDP per capita (based on PPP) of USD 59,227 (2018) and state subsidy for citizens represents considerable potential to spend on quality education due to higher disposable income
- 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 98.4mn (USD 322.6mn) during FY 2017-18 and since its commencement of operations it accumulated KWD 805.6mn (USD 2.6bn). This is expected to give a boost to the number of schools in Kuwait





- The Kuwaiti School Development Program which involves the development of nine schools, comprises of five kindergartens, three elementary schools and a middle school, having a combined capacity of 4,350 students. The project is executed along with the Partnership Technical Bureau highlighting the government's efforts to increase participation of the private sector via PPP

**Enrolments in primary and secondary education are estimated to grow at CAGR of 3.8% each during 2018-23**

### Market size & estimates

The primary education segment is estimated to grow at a CAGR of 3.8% during 2018-23 to more than 337,500 enrolments in 2023 from 279,956 in 2018, while the secondary segment is estimated to grow at a CAGR of 3.8% during 2018-23 to more than 374,500 enrolments in 2023 from 310,611 in 2018. GER in primary education is expected to improve from 92.4% in 2018 to 97.1%<sup>5</sup> in 2023, while GER in secondary education is expected to improve from 94.4% in 2018 to 99.3% in 2023. The growth in total primary and secondary enrolments are driven by faster growth in private enrolments than public enrolments.

### Supply and pipeline

Under the Kuwait's Schools Development Program, the following four 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	Khalidiya	750	2019
Hawali Elementary	Salmiya	750	2019

Source: Partnerships Technical Bureau

### Top players in primary and secondary school market

Schools	Curriculum	Fee Structure p.a. (USD)
Dasman Bilingual School	American	9,878 - 10,190
Al Bayan Bilingual School	Canadian	13,427 - 14,803
American International School	American	12,707 - 14,889
Canadian Bilingual School	Canadian	10,499 - 12,191
International British School	British	6,605 - 12,126
Indian Public School	CBSE	1,238 - 1,603

Note: Fees from individual school websites

### 5.3.3.3 Tertiary segment

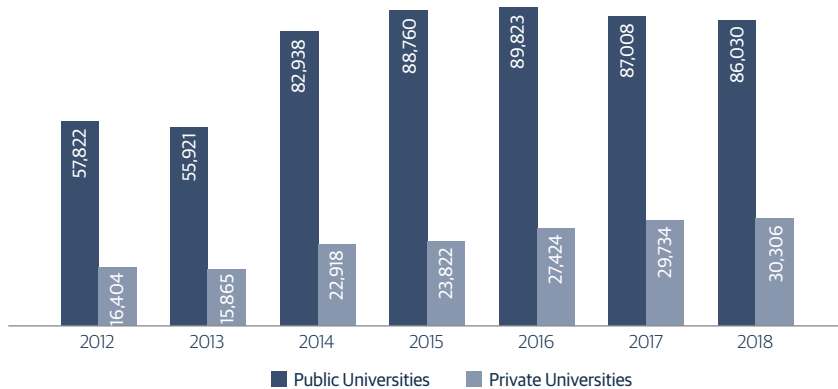
The tertiary segment includes all the universities and colleges offering graduation courses in Kuwait. Currently, Kuwait has 20 licensed private universities and colleges and one public university (Kuwait University) to cater to the demand for tertiary education in Kuwait. Kuwait University is the largest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

<sup>5</sup> GER can exceed 100% at any level due to addition of students repeating a particular grade for different reasons

University enrolments grew at CAGR of 7.8% during 2012-18, with GER increasing from 33.4% to 54.4%

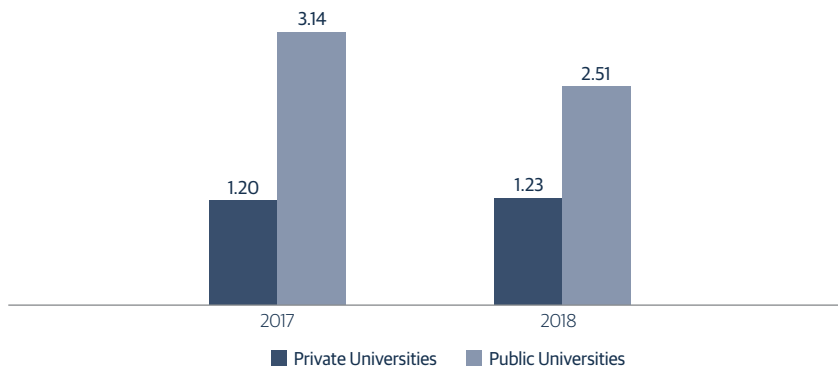
### Tertiary enrolments in Kuwait

#### Total number of enrolled students



Source: Kuwait Central Statistics Bureau

#### Female to male student ratio



Source: Kuwait Central Statistics Bureau

Demand for private universities is healthy with the number of enrolments in private universities growing at a CAGR of 10.8% during 2012-18. Total university enrolments increased at a CAGR of 7.8% during 2012-18, with the GER increasing from 33.4% in 2012 to 54.4% in 2018. 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.

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

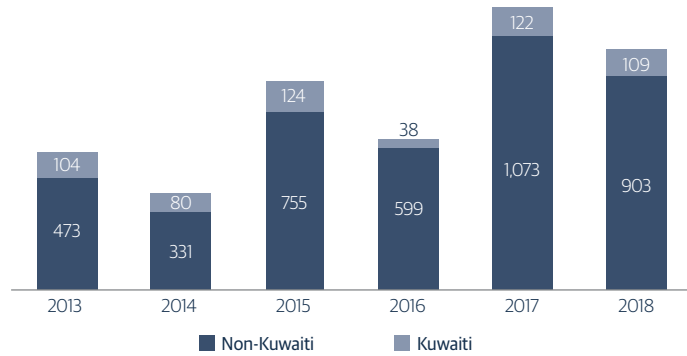
#### Teachers

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, 82.7% of the total teachers in 2018 were Kuwaitis, reflecting the focus of the government to hire more local teachers. The ratio of female to male teachers is high across public and private universities with female teachers accounting for 72% of total teachers in Kuwait University and 55% of total in private universities.



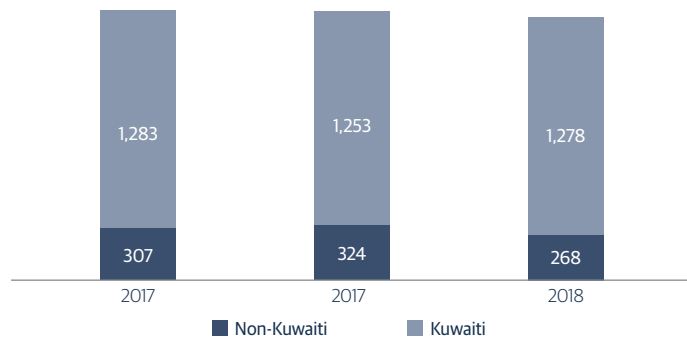


### Teachers in private universities



Source: Kuwait Central Statistics Bureau

### Teachers in Kuwait University



Source: Kuwait Central Statistics Bureau

### Factors affecting demand and supply

- There is great potential for additional private universities to start operations in Kuwait given the high growth (10.8%) of historical student enrolments seen during 2012-18
- The increasing number of non-Kuwaiti student enrolments in private universities in Kuwait (4,787 in 2012 to 6,850 in 2018) is a factor that could drive demand for more foreign universities or their branches to come up in Kuwait

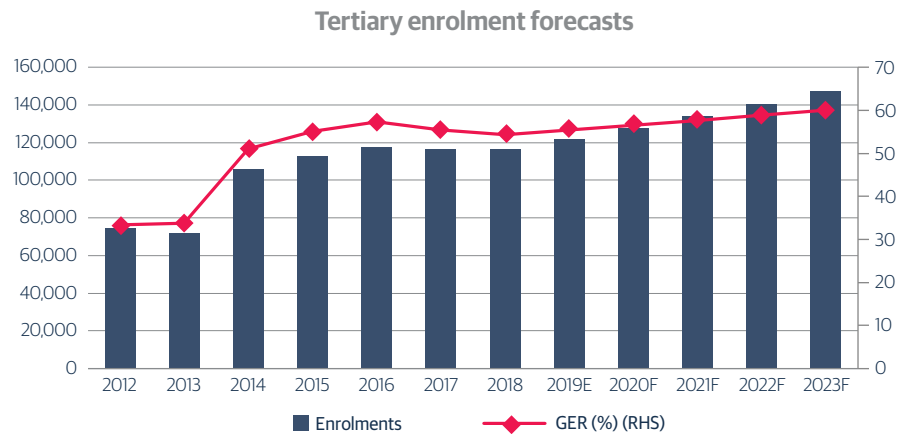
### Quality regulator

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.

**Enrolments in tertiary education are estimated to grow at a 4.8% CAGR during 2018-23**

### Market size & estimates

Demand in the tertiary segment is estimated to grow at a CAGR of 4.8% from 116,336 enrolments in 2018 to more than 147,300 in 2023, with GER expected to improve from 54.4% in 2018 to 60.0% in 2023.



Source: Kuwait Central Statistics Bureau, Axience

### Supply pipeline

- Kuwait University, College for Women which is being constructed in the Subah Al-Salem University City is expected to cater to 3,000 undergraduates and 300 graduates by 2025
- The Sabah Al Salem University City which is under construction will consolidate all colleges of Kuwait University into a single campus and is expected to be completed by 2025

### Key players in tertiary education market

Schools	Courses	Fee per credit hour (USD)
Kuwait University	Engineering, Computer Science, Law, Business Administration, Medicine, Pharmacy	9,496 - 16,684 per year
Maastricht School of Management	MBA Program	29,576 per year
Australian College of Kuwait	Engineering	6,638 - 11,567 per semester
American University of Kuwait	College of Arts & Sciences and College of Business & Economics	(690 - 755) per credit

Source: Various college websites and Wikipedia





#### 5.3.3.4 SWOT Analysis

Strengths	Weaknesses
<p>A. FDI allowance of 100% helps foreign schools to provide better and variety of curricula</p> <p>B. Government support not only in terms of increasing education spends but also initiatives to improve quality of tertiary education</p> <p>C. Increasing expatriate population (3-year CAGR of 4.3%) augurs well for future school demand</p> <p>D. The nation's high GDP per capita favors for the development of higher education</p>	<p>A. Lack of quality education driven by lack of strong monitoring authority and shortage of qualified teachers (only 75-80% of teachers are trained or qualified)</p> <p>B. Regulation of school fees may impact profitability of private schools, with increasing cost of providing education. This could discourage investments in the education sector</p> <p>C. Kuwait's economy remains almost entirely dependent on oil, which accounts for an estimated 88% of exports and 48% of government revenues in 2018</p>
Opportunities	Threats
<p>A. Establishment of the Partnerships Technical Bureau by the government to develop PPP projects in the education sector, is expected to provide quality infrastructure to upcoming schools</p> <p>B. Private sector has a strong presence in the country as it educates more than 40% of pupils. Private sector is seeing rapid expansion as compared to public education system in the country</p> <p>C. Growing presence of international players offering a variety of courses in higher education</p>	<p>A. The widespread economic impact due to fall in global oil prices directly impacts government spending towards education and scholarships provided by the government</p> <p>B. Increasing salaries of teachers which increases the cost of education could impact affordability for parents of private school students (costs not covered by the state), that could impact higher studies enrolments</p> <p>C. In May 2019, Kuwait's MoE terminated more than 220 expatriate support staff in schools in line with the replacement policy. This creates instability amongst expat teaching staffs</p>

Source: GFH Analysis

**The Kuwait Education Fund with an AUM of USD 40mn offers opportunity to invest in public and private schools and universities**

#### 5.3.3.5 Investment Opportunities

- KAMCO Investment Company launched the Kuwait Education Fund having assets under management (AUM) of USD 40mn as of November 2018 to invest in establishment of schools and universities in both private and public sectors. Units of this fund are available for purchase by investors. In June 2019, the fund recorded a 56% return on investment since inception of April 2007

### Major M&A Deals in the Kuwaiti Education Sector

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2018	Boubyan Petrochemical Co	Eyas for Higher and Technical Education Co	Kuwait	50.5	N/A
2018	Undisclosed Acquirer	Dar Al Maarif Educational Services Co	Kuwait	N/A	N/A
2017	Nord Anglia Education Inc	British School of Kuwait	Kuwait	N/A	N/A
2017	Boubyan Petrochemical Co	Educational Holding Group	Kuwait	191.1	82.1%
2017	Kuwait Projects Co Holding KSCP	United Education Co	Kuwait	28.3	20.3%

Source: Bloomberg

### Outlook

Kuwait's real economic growth is expected to accelerate to 2.5% in 2019 as compared to 1.7% in 2018 and a contraction of 3.5% in 2017 due to higher oil prices. However, the fiscal financing needs remain large and the government must enact reforms to strengthen its position. The non-oil growth is forecasted to increase to about 3.5% in 2020, from 2.5% in 2018 due to increasing activities in the infrastructure projects.

The pre-primary segment is expected to grow at a sluggish pace in terms of enrolments, with primary education expected to be the fastest growing of all the segments. While quality of education in Kuwait lags behind most of its GCC 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. More number of private players is expected to enter into this space with increasing numbers of tie-ups between the government universities. This shall be an emerging trend in Kuwait's overall education sector from the pre-primary to tertiary segment and will include eLearning market as well.

Kuwait's private K-12 education market which is valued at USD 1.3bn in 2017 is expected to grow to USD 2.0bn by 2023 due to growth in school age population as well as increasing willingness amongst parents to pay for private schools that provide differentiated offerings and improved results. Tuition fee hike will be limited due to strict regulations, for example, Kuwait has limited tuition fee hike up to 3.0% while UAE and Bahrain have set a limit of 5.0%. However, it can be difficult to retain talent due to the Kuwaitization ratio which restrict the number of expatriate teachers, and the new decree, which prohibits visas for expatriates under the age of 30.







**Maintaining government social program spending is the top focus of the Budget 2019**

#### 5.4 Oman

Oman is a high-income economy which is largely dependent on its oil revenue, which accounts for 54% to government revenue and 33% to GDP in 2019. The decline in oil prices over the past couple of years has negatively impacted Oman's fiscal balance which changed from a surplus of USD 1.4bn in 2012 to a deficit of USD 7.3bn, (-9.2% of GDP) in 2019. However, the recovery in crude prices is likely to have a positive impact on the nation's fiscal health. IMF expects the nation's budget deficit to narrow down to 7.0% of GDP in 2023 due to economic reforms to raise its non-hydrocarbons revenue. In July 2019, the country raised USD 3.0bn from the international debt market by issuing a bond to cover its budget deficit.

The fiscal revenue for Oman is forecasted to grow by 6.3% YoY to USD 26.3bn in 2019 compared to USD 24.8bn in 2018. The improvement in revenue is likely to be driven by the recovery in oil prices. According to the 9<sup>th</sup> five year plan of 2016-20, the government's revenue is forecasted to increase at a CAGR of 5.0% to reach USD 29.4bn in 2020. The growth is likely 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. The expenditure is expected to increase by 3.2% YoY to USD 33.6bn in 2019.

Despite the challenging situation, the 2019 budget was focused on a fiscal sustainability framework which has three drivers, with the foremost being - maintaining government social program spending, followed by continued stimulation of the economy and controlling the fiscal deficit. Annual expenditure on basic social services as a percentage of overall public spending is expected to increase to 39% in 2019 compared to 33% in 2015, while the education expenditure as percentage of overall public spending is expected to increase to 16% in 2019 compared to 15% in 2015.

The nation has increased the budgeted expenditure on education by 1.3% YoY to USD 4.2bn in 2019 compared to USD 4.1bn in 2018. The number of enrolments in Oman's education system (pre-primary to tertiary) have grown at a CAGR of 3.0% during 2012-18, compared to CAGR of 4.1% witnessed in nation's population during the period. The enrolments were largely impacted by the sluggish growth in public school enrolments, which came in at 2.1%

The country is ranked 47<sup>th</sup> (of 140 countries) in Global Competitiveness Index 4.0 edition 2018. This index assesses the ability of nation to provide high level of prosperity to their citizens.

#### 5.4.1 Key Statistics

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	70.6	79.3	76.6	87.0
Real GDP growth	0.4%	1.8%	0.04%	2.5%
GDP per capita on PPP (USD)	42,231	42,593	41,352	39,660
Population (mn)	4.14	4.28	4.31	4.87
Inflation (%)	1.6	0.9	0.8	2.8
Non-oil % of GDP	74.4%	68.4%	NA	NA
Non-oil exports (USD bn)	8.1	10.9	NA	NA
Govt. spend towards education (USD bn)	4.1	4.1	4.2	NA
Govt. education spend (% of Govt. expenditure)	13.5%	12.6%	12.4%	NA

Source: IMF; Oman government's Vision 2020

#### 2.4.2 PEST Analysis

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>The political situation is stable in Oman which is reflected by its 54<sup>th</sup> rank amongst 195 nations in the World Bank's Political Stability Index</li> <li>Oman is an absolute monarchy ruled by the Sultan and the government appointed by him. Political parties and politically motivated associations are prohibited. The Basic Law of the Sultanate of Oman serves as the constitution</li> <li>The country is split into 11 governorates</li> <li>Oman is in the process of introducing a 5.0% VAT which was scheduled on 1<sup>st</sup> September 2019</li> <li>Government has initiated action to amend a law to permit 100% foreign investment in education</li> <li>Oman ranks 78<sup>th</sup> amongst 190 nations on the ease of starting a business which requires on an average four procedures and takes six days</li> </ul>





**22.8% of Oman's population is below 14 years of age, which augurs well for growth in elementary education demand**

<b>Economic</b>	<ul style="list-style-type: none"><li>• Oman ranks 37<sup>th</sup> amongst 229 nations on the basis of GDP per capita compared by the Central Intelligence Agency</li><li>• The economy is driven by hydrocarbon reserves, however they are limited compared to its neighbours</li><li>• Real GDP is expected to be supported by the increase in oil output as the government is using enhanced oil recovery techniques to boost production</li></ul>
<b>Social</b>	<ul style="list-style-type: none"><li>• A steadily increasing expatriate population (44% of total population) is driving demand for international schools offering a global curriculum. During 2012-18, the expatriate population increased at a CAGR of 4.8% compared to Omani population which increased at a CAGR of 3.5%</li><li>• With over 22.8% of population up to the age of 14, demand for elementary education is expected to increase in future</li></ul>
<b>Technological</b>	<ul style="list-style-type: none"><li>• Ministry of Education and Oman Telecommunications Company (Omantel) signed MoU to add programming course into the curriculum of the primary education</li><li>• Oman is working with Tech developers and entrepreneurs to develop apps that will contribute to school children safety in the nation</li><li>• The nation is also working towards developing student learning using artificial intelligence and programming to completely change the way school and university students learn in the classroom</li></ul>

Source: GFH Analysis

### 5.4.3 Education market segmentation

#### Market structure

In Oman, the education is free at all three levels (pre-primary, primary and secondary). The adoption of Basic Education System (K-12) from General Education system has made enrolments compulsory for students aged 6-17 which increased enrolments in primary schools and the trend is expected to continue. The basic education is divided into two cycles i.e. cycle one (Grade 1 to 4) and cycle two (Grade 5 to 10) followed by two years post basic education (Grade 11 to 12).

#### Regulatory structure

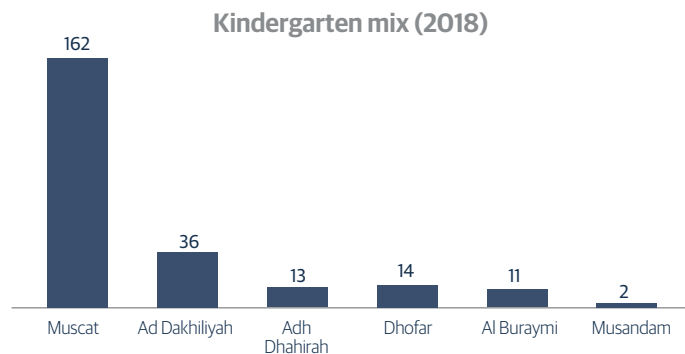
The governance of the Omani higher education system is divided between different ministries and authorities, however the Education Council is considered the highest-mandated authority in the Omani government to oversee the higher education system (public and private) and it frames policies and assures quality. 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).

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

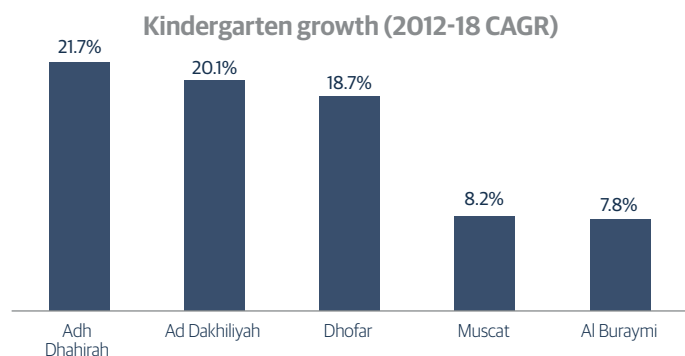
### 5.4.3.1 Pre-primary segment

The kindergarten school segment in Oman is dominated by private players due to the absence of reputed public kindergartens. In 2017, there were total of 238 private and 11 public pre-primary schools across Oman. The number of enrolments in private schools in the pre-primary segment increased at a CAGR of 6.5% during 2012-18.

#### Private kindergartens - Governorate wise



Source: Oman National Centre for Statistics and Information



Source: Oman National Centre for Statistics and Information

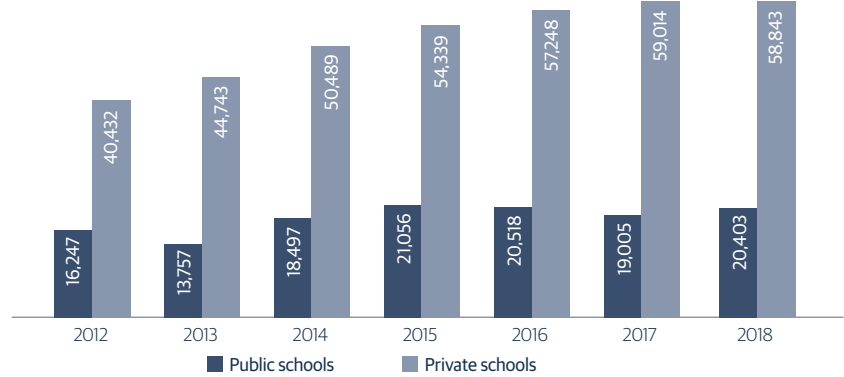
**Enrolments at pre-primary level grew at CAGR of 5.7% for the period of 2012-2018**

The number of students enrolled across all kindergartens in Oman is gradually increasing, with the increasing population. The GER for pre-primary education in 2018 is reported to be 52.2% compared to 53.3% in 2012. Enrolments at the pre-primary level increased at a CAGR of 5.7% for the period 2012-18, with private school enrolments at CAGR of 6.5% and public school enrolments at CAGR of 3.9%. The lower growth in public school enrolments indicates few public schools catering to pre-primary education in Oman. The annual tuition fees for pre-primary schools range between OMR 262-4900 p.a. (USD 678.3-12,686) with foreign schools with Asian curriculum at the lower end and foreign schools (American, British) at the higher band of the range.



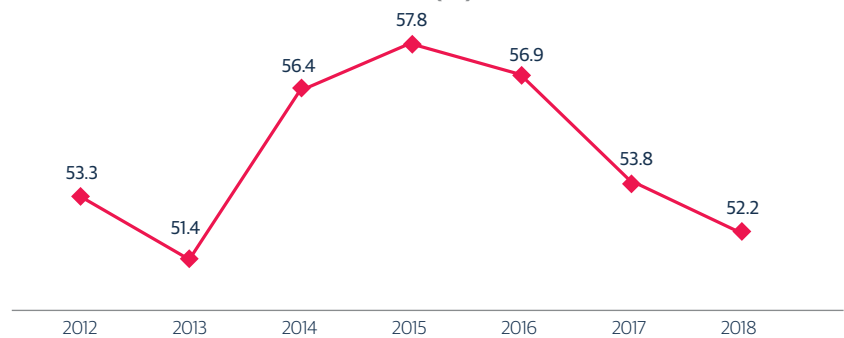


### Pre-primary metrics Number of students enrolled



Source: UIS and Oman National Centre for Statistics and Information

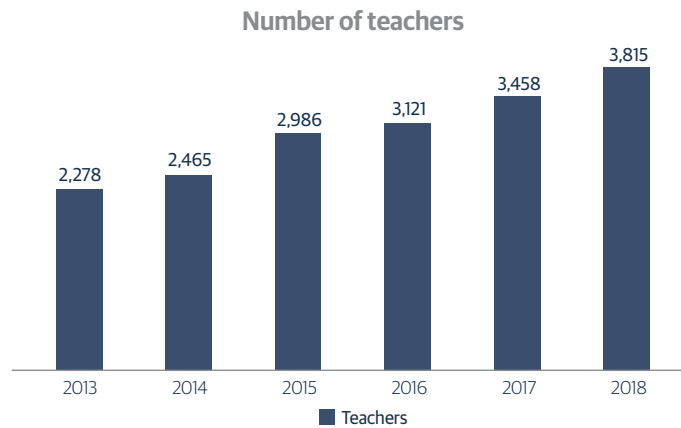
### GER (%)



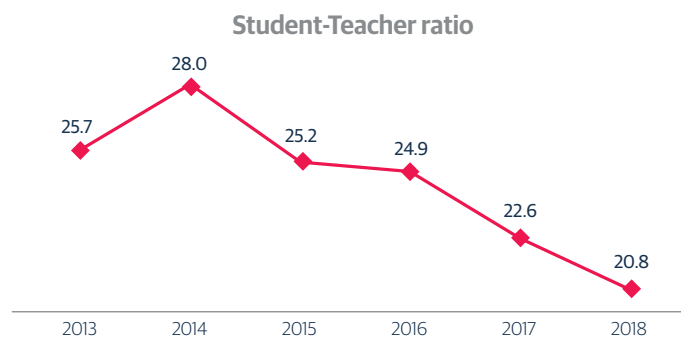
Source: UIS and Oman National Centre for Statistics and Information

#### Teachers:

The number of teachers in pre-primary schools increased at a CAGR of 10.9% during 2013-18. The student-teacher ratio has been very high at a range of 20-30% during 2013-18.



Source: GCC Stats



Source: GCC Stats

**Pre-primary enrolments are expected to grow at a CAGR of 4.7% during 2018-23**

### Market size & estimates

The pre-primary education segment increased at a CAGR of over 5.7% during 2012-18. The total enrolments are estimated to increase at a CAGR of 4.7% during 2018-23 to more than 99,000 in 2023 compared to 79,246 in 2018, with the GER estimated to increase from 52.2% in 2018 to 56.2% in 2023.

### Leading players in pre-school market

Schools	Curriculum	Fee Structure Range (USD)
AGS Muscat British Independent Education	British	9,090-10,389
American International School of Muscat	American	13,376 - 21,428
The Sultan School	Oman	6,527
Muscat International School	Oman	5,194
Montessori Oman	Oman	6,259

Source: UNESCO, Oman National Center for Statistics and Information

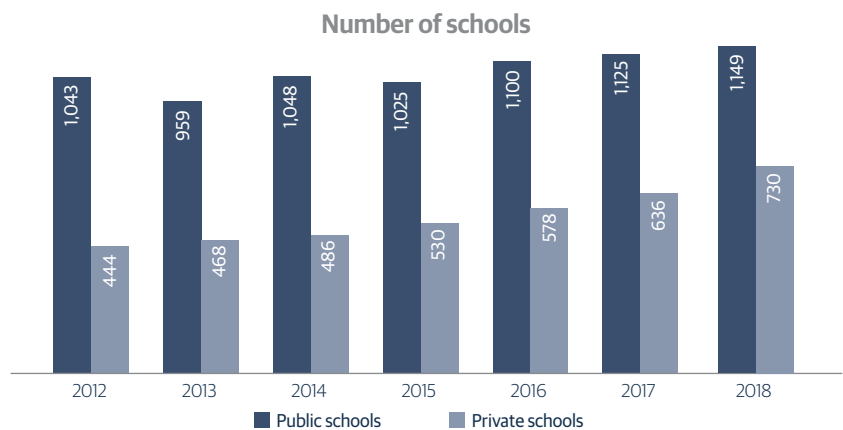




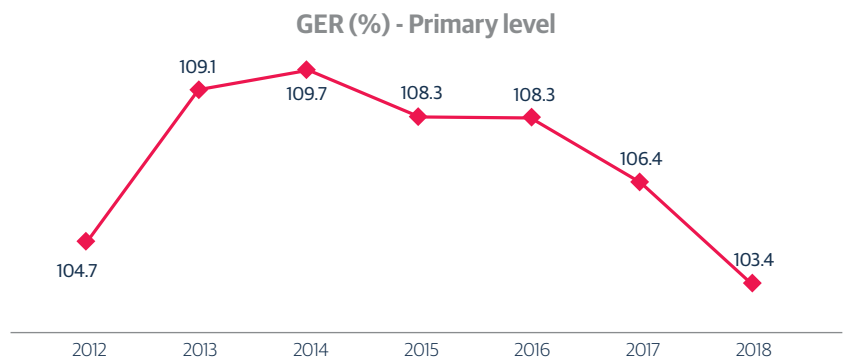
**Compulsory education has increased the GER at the primary and secondary levels to over 103.4% and 106.7%, respectively**

### 5.4.3.2 Primary and secondary segment

The total enrolments in primary and secondary segment increased at a CAGR of 2.6% to 701,185 in 2018 compared to 599,538 in 2012 driven by a 6.0% CAGR in private schools enrolments. Compulsory education has resulted in a high GER at both the primary and secondary education levels i.e. 103.4% and 106.7% respectively in Omani schools.



Source: UNESCO, Oman National Center for Statistics and Information



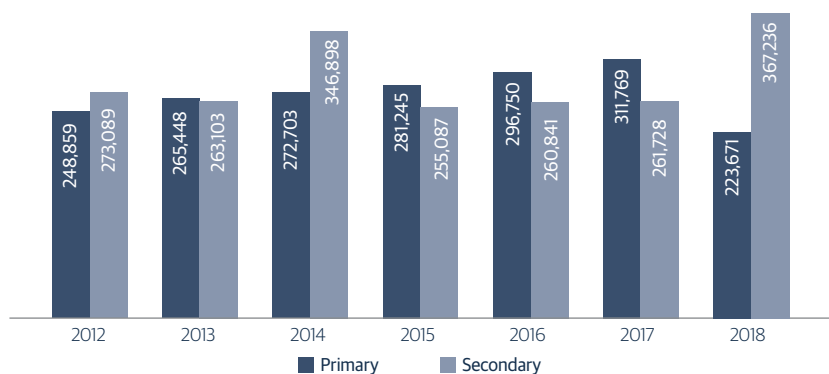
Source: UNESCO, Oman National Center for Statistics and Information

**Primary and Secondary enrolments in private schools grew at a CAGR of 1.4% and 12.7% respectively during 2012-18**

In recent years, an increasing number of students are opting for private schools over public schools. The preference for international curriculum and an increasing expatriate population are driving enrolments in foreign schools. These factors have driven primary and secondary enrolments in private school at CAGR of 1.4% and 12.7%, respectively during 2012-18, compared to primary and secondary enrolments in public schools CAGR of negative 1.8% and 5.1%, respectively during 2012-18. In 2018, the nation witnessed a huge decline of 27.4% YoY in the total number of enrolments in primary schools to 278,745, while the total secondary enrolments increased drastically by 42.8% YoY to 422,440.

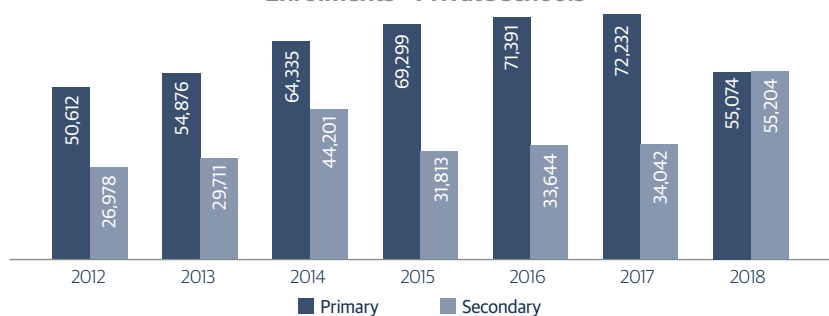
## Primary and secondary school enrolments

### Enrolments - Public schools



Source: Oman National Centre for Statistics and Information

### Enrolments - Private schools



Source: Oman National Centre for Statistics and Information

### Teachers:

The composition of teachers at public schools is dominated by local teachers which account for 83-85% of the total while private schools (including international) across Oman have majority of expatriate teachers (63%). The private school operators 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, largely due to time consuming procedures to hire teachers from abroad. The delays in acquiring visas for new teachers due to various attestations required in their home countries and approvals from the Ministry of Manpower increases the overall required hiring time. Consequently, the student-teacher ratio in international schools is significantly higher at 21 compared to 9.3 in public schools. In addition 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**

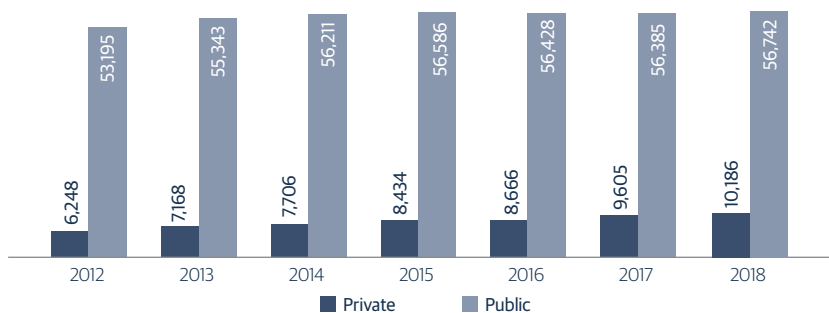






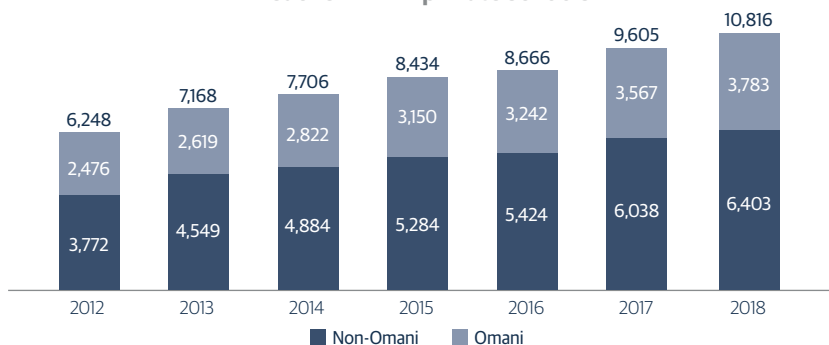
**Student-Teacher ratio in international schools is significantly higher than public schools**

### Total teachers (Primary and secondary schools)



Source: Oman National Centre for Statistics and Information

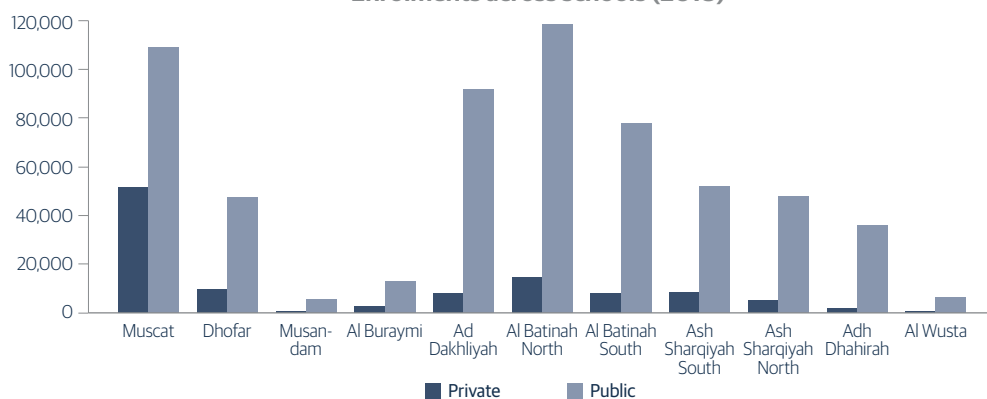
### Teacher mix in private schools



Source: Oman National Centre for Statistics and Information

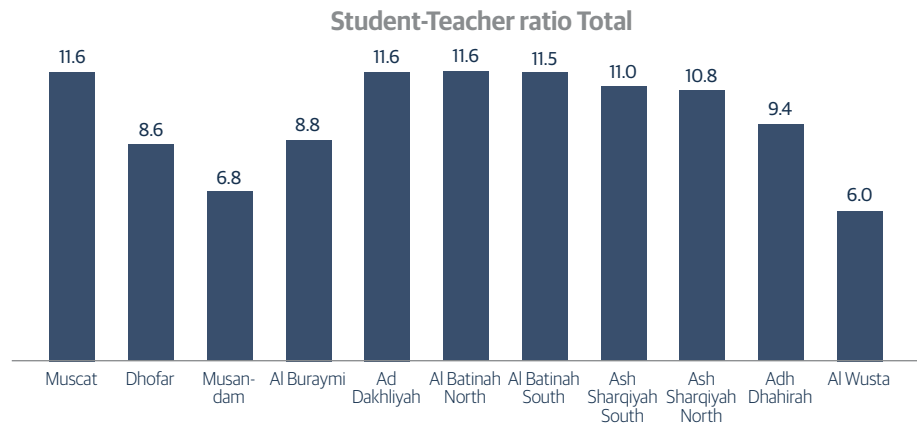
### Primary and secondary education parameters by governorates in schools

#### Enrolments across schools (2018)



Source: Oman National Centre for Statistics and Information

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



Source: Oman National Centre for Statistics and Information

Al Batinah is the largest governorate in Oman in terms of student enrolments at public schools, whereas Muscat has the highest number of enrolments in private schools. Muscat is home to majority of the expatriate population 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 increased at a CAGR of 4.1% during 2012-18, and is expected to grow at a CAGR of 3.1% during 2018-23.

- Increase in allocation of government spending towards education (12.4% of total expenditure in 2019 compared to 11.0% in 2012) and the government's proposed amendment to law allowing 100% foreign investment in education indicates desire to improve education quality

#### Market size & estimates

The CAGR for enrolments at primary and secondary schools is expected to be 4.1% during 2018-23 driven by private enrolments which is expected to grow at a CAGR of 5.2% compared to public enrolments which is expected to grow at a CAGR of 3.9%. The growth in enrolments is likely to push the demand for additional private schools, including foreign schools.





### Leading players in primary and secondary school market (Private)

Schools	Curriculum	Fee Structure Range (USD)
American International School of Muscat	American	21,428-25,895
The Sultan School	IGCSE	8,932-12,023
Muscat International School	IGCSE	8,960-13,376
British School Muscat	British	11,817-23,256
Indian School Darsait	KSBS	1,122-1,215

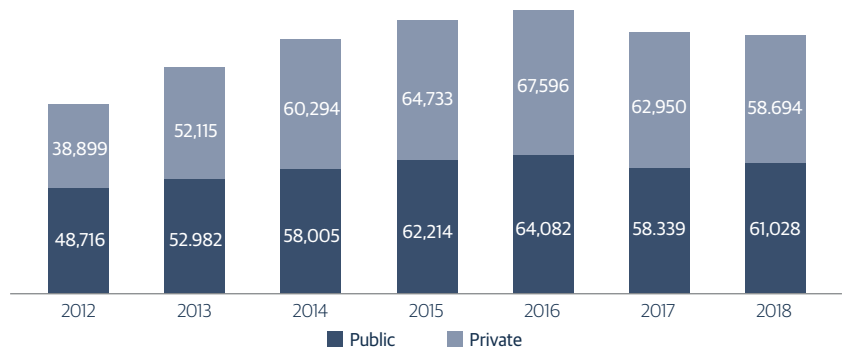
Source: Fees taken from various school websites

#### 5.4.3.3 Tertiary segment

As per National Center for Statistics and Information (NCSI), in 2018 there were 29 universities and private colleges, 13 health institutes, seven technical colleges, six colleges of applied sciences, four military and security HEIs and one - Sultan Qaboos University (SQU), Military Technical College and College of Shahriah Sciences. Sultan Qaboos University (SQU) has nine colleges i.e. Arts and Social Science, Commerce Economics, Science, Education, Agriculture & Marine Sciences, Engineering, Medical & Health Sciences, Nursing and Law.

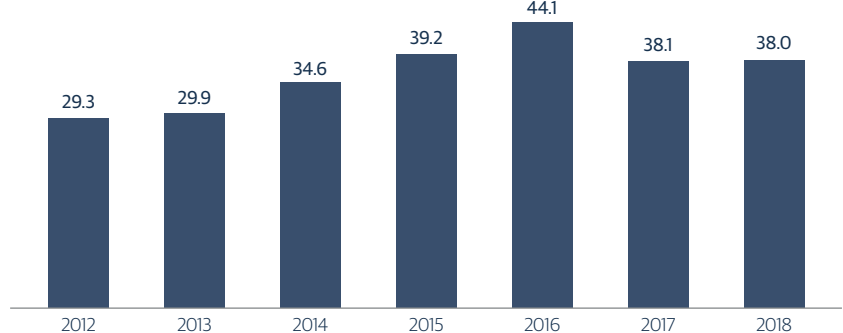
### Tertiary education metrics

#### Enrolment trend



Source: UNESCO, \* Estimates based on total tertiary population assumptions

#### GER (%)



Source: UNESCO, \* Estimates based on total tertiary population assumptions

**GER at the tertiary level increased from 29.3% in 2012 to 38.0% in 2018**

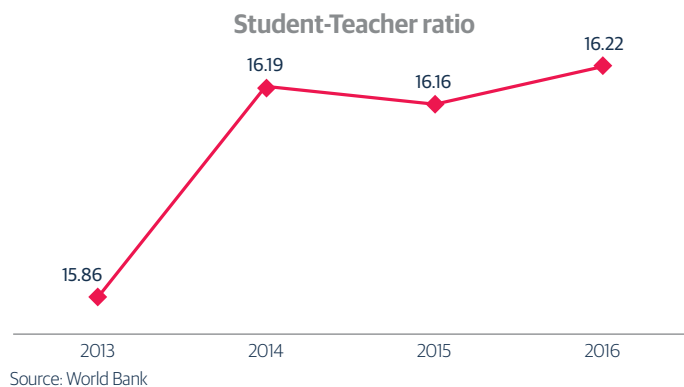
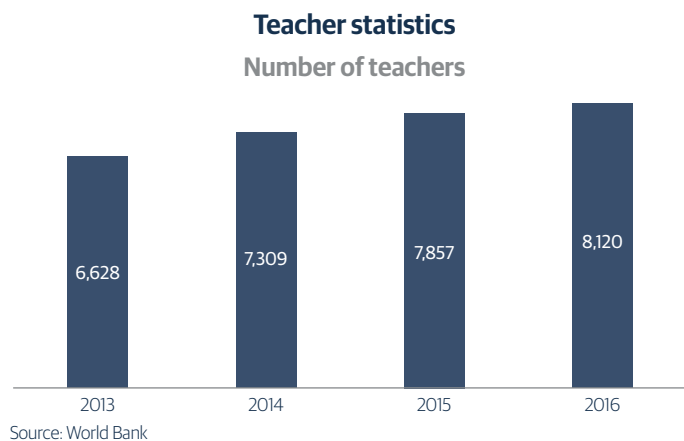
**CAGR of enrolment in tertiary segment is at 3.5% for the period of 2012-18**

The enrolments in tertiary segment increased at a CAGR of 3.5% for the period 2012-18, to 119,722 primarily driven by a higher CAGR of 7.1% in the private universities enrolments compared to a CAGR of 3.8% witnessed in the enrolments across public universities. The MoHE is the governmental body responsible for supervising high education institutes and the development of high education policies in Oman.

Teachers:

The number of teachers in tertiary segment increased at a CAGR of 7.0% to 8,120 in 2016 compared to 6,628 in 2013. The student-teacher ratio improved from 15.9 in 2013 to 16.2 in 2016.

**Number of Teacher grew at a CAGR of 7.0% during 2013-16**



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

**Dropout issue**

The increasing rate of university drop out remains a key challenge for the tertiary education segment. Average of 7,000 students drop out from the degree and diploma courses a year<sup>7</sup>. The major factors driving the high dropout rates include inappropriate learning environment with unsupportive teachers and lack of interest in students to take up specialized projects or poor parental support. The MoHE is undertaking various initiatives to address the issue, such as assigning an academic advisor to each student after admission to assist in discovering capabilities, evaluating alternative options if the current degree needs to be discontinued (for any reason) and developing a remedial plan on academic probation.

<sup>7</sup> Local Newspaper - omanobserver.com





### New Initiative for driving the demand of education

The government of Oman is fully committed to implement the Sustainable Development Goal 4 (SDG4) - Education 2030. UNESCO, in partnership with Oman National Commission, supports the implementation through three pillars of intervention in the field of education, i) sector-wide education policy and planning, ii) Promoting education for sustainable development including Green Schools and iii) Making education more inclusive<sup>8</sup>. The main aim of SDG4 - Education 2030 is to focus on quality and learning outcomes at all levels which implies that education institutions and programs should be adequately and equally resourced with sufficient number of qualified teachers.

### Market size & estimates

Total enrolments in Oman's universities and colleges is expected to increase at CAGR of 5.2% from 119,722 in 2018 to 154,039 in 2023 led by the government initiatives

### Leading players in tertiary education market

Schools	Sector	Curriculum	Fee per credit hour (USD)
Sultan Qaboos University	Public	Science, Economics, Law, Medicine	233-324
Sohar University	Private	Business, Engineering, Computer & IT, Arts	1,459
Dhofar University	Private	Commerce, Science, Arts, Engineering	181
Nizwa University	Private	Arts, Science, Economics, Pharmacy	NA
Higher College of Technology	Public	Engineering	NA
Caledonian College of Engineering	Private	Engineering	65-260
German University of Technology in Oman	Private	Accounting, Finance, Economics, Marketing	233 - 254

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

<sup>8</sup> Unesco Country Strategy for Oman 2019-2023

#### 5.4.3.4 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>A. Oman is forecasted to have the highest GDP growth rate among GCC nations of 6.0% in 2020 according to World Bank</li> <li>B. Implementation of National Education Strategy 2040 aims at improving quality of education across the country</li> <li>C. The National Education Strategy 2040, also aims to create an effective and sustainable funding system for the education sector</li> </ul>	<ul style="list-style-type: none"> <li>A. Oman has comparatively limited energy (oil and gas) resources which can last for at least 10 more years compared to 90 years for Saudi Arabia and 150 years for UAE</li> <li>B. Lack of enough quality teachers has led to classes being combined, negatively impacting student-teacher ratio in private and public schools. Oman is the lowest ranking among GCC nations in quality of primary education</li> <li>C. A high dropout rate in higher education due to lack of awareness and guidance is a major issue affecting education in Oman</li> <li>D. The private education sector is relatively immature, with a restrictive regulatory environment. Government scholarships favor public school students, placing private school students at a slight disadvantage if they hope to be selected for scholarships to study abroad</li> <li>E. Education is being supervised by multiple bodies, especially in higher education segment, resulting in duplication of efforts and resources</li> <li>F. There is also a lack of professional development programs for teaching staff</li> <li>G. Need to increase the contribution of research in education institutions towards economic and social development</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>A. Omani government has made enrolments mandatory for students aged within 6 to 17 years. The decision has resulted in increase in the GER for Primary and Secondary at 103.4% and 106.7%, respectively, in 2018</li> <li>B. Government initiatives for private players like land grants, tax incentives for first five years and capital contributions, provides opportunity for quality institutions to set up universities</li> <li>C. Increasing willingness of parents to pay for private schools that provide differentiated offerings and improved outcomes</li> <li>D. Low oil prices and adoption of 'Omanization' by major public sector companies, have encouraged many young Omanis to take up skill based higher education</li> </ul>	<ul style="list-style-type: none"> <li>A. The government's contribution towards education sector has declined to 12.6% of the total expenditure in 2018, compared to 13.5% and 21.0% in 2017 and 2016, respectively</li> <li>B. The widespread economic impact of fall in global oil prices may impact government spending towards education and scholarships provided by the government</li> <li>C. Increasing gap between demand and supply in schools could drive incremental demand out of the country</li> <li>D. Education sector might witness job losses and decline in demand due to the cost rationalization and consolidation exercise implemented by institutions</li> </ul>

Source: GFH Analysis





### 5.4.3.5 Investment Opportunities

#### Major M&A Deals in the Omani Education Sector

Period	Acquirer	Target Company	Country
2016	Al Anwar Holdings SAOG	Canadian Innovation Co for Education Services	Oman
2016	Renaissance Services SAOG	National Hospitality Institute SAOG	Oman

Source: Thomson Reuters

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

#### Outlook

In 2018, the Government of Oman had allocated OMR 1.6bn (USD 4.1bn) i.e. 12.6% of total expenditure towards education sector. Despite a reduction in government's allocation in the budget from 10.5% in 2017, the government is highly committed to growth in the sector. According to the National Strategy for Education 2040, PPPs are expected to play an active role in 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 support of Oman Academic Accreditation Authority (OAAA). The proposed Science and Technology City is expected to attract foreign investments from internationally accredited institutions and draw attention of foreign universities and improve education standards in Oman. However, issues remain such as higher dropout ratio and quality of education at the primary and secondary education level, which is impacted by the shortage and quality of teachers.

The nation has adopted a policy of economic diversification and supporting the non-oil sector. While oil and gas and related industries will continue to be of higher importance, the government's policy for the new phase is to encourage small and medium sized enterprises, logistic services and the knowledge based economy. As a result, educational programs should match the economic plans and investments of the Sultanate.

Oman is forecasted to witness highest economic growth rate amongst the GCC nations of 6.0% in 2020 driven by various government initiatives such as the Tanfeedh program for economic diversification, as well as continued investments to expand its oil and gas sector, with the Khazzan gas fields being targeted for significant expansion. Growth is projected to be slower at 1.2% in 2019 due to the nation's commitment to the December 2018 OPEC+ oil output cuts.



**Qatar successfully overcame the blockade imposed by its Gulf neighbours**

**Non-oil sector growth to drive the real GDP, largely benefiting from the expenditure related to the FIFA World Cup 2022**

**Qatar's education spending accounts for 2.7% of GDP in 2019 compared to 1.3% of GDP in 2013**

## 5.5 Qatar

Qatar is the second wealthiest nation globally in terms of GDP per capita and also the largest LNG-exporting nation. The nation has third largest proven natural gas reserve in the world. The nation's economy successfully managed the economic and financial impacts of the blockade imposed by Saudi Arabia, the UAE, Bahrain and Egypt since 5<sup>th</sup> June 2017. As a result of the blockade Qatar struggled initially with real GDP growth declining to 1.6% in 2017 compared to 2.1% in 2016. However, measures undertaken by the government at various levels worked well in not only minimizing the negative impacts of blockade but boosted the nation's economy with the real GDP growth expected to reach 2.6% in 2019. The growth is likely to be driven by higher non-oil growth rate of 5.2% primarily from the sustained infrastructure spending related to preparations for the hosting of the 2022 FIFA World Cup. In addition, the increased gas production from the Barzan field and a planned increase in LNG production capacity by 43% to 110 mn tons per annum (mtpa) by 2024 from 77 mtpa in 2018 is likely to support long term growth.

Qatar consistently reported a budget deficit since 2015-18 following the decline in oil prices. However, the recovery in oil prices is likely to enable a budget surplus of QAR 4.3bn (USD 1.2bn) in 2019. The fiscal revenues are budgeted to grow by 20.5% YoY to QAR 211bn (USD 58bn) in 2019 while the expenditure is forecasted to increase by 1.7% YoY to QAR 207bn (USD 57bn).

The nation's GDP is largely driven by the oil and gas sector, however, growth in manufacturing, construction, and financial services have increased the non-oil sector's contribution to GDP to 64% in 2018 compared to 47% in 2013. The nation is promoting PPPs to attract investments from the private sector into various sectors such as education, health and sports. The nation's spending towards education has increased at a CAGR of 12.6% during 2013-19 to QAR 19bn (USD 5.2bn) in 2019 compared to QAR 9.4bn (USD 2.6bn) in 2013. Qatar's budgeted government expenditure on education is 9.3% of total expenditure for 2019 compared to 4.6% in 2013 and accounts for 2.7% of GDP in 2019 compared to 1.3% of GDP in 2013.







The 'Qatar National Vision 2030' is aimed at transforming Qatar into a knowledge-based economy by developing the human resources through education and training policies focused towards national needs. The Education City, which houses nine international universities and more than 8,000 students is likely to play a key role in boosting the number of school enrolments.

### 5.5.1 Key Statistics

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	166.9	191.4	191.8	219.6
Real GDP growth	1.6%	1.5%	2.0%	2.1%
GDP per capita on PPP (USD)	116,149	115,196	116,014	127,063
Population (mn)	2.7	2.7	2.8	2.8
Inflation (%)	0.4%	0.2%	(0.4%)	2.0%
Non-Oil % of GDP	69.0%	64.0%	NA	NA
Non-Oil exports (USD bn)	4.9	6.6	NA	NA
Budgeted spend on education (USD bn)	3.6	3.8	5.2	NA
Budgeted spend on education (% of Govt. spend)	6.7%	6.9%	9.3%	NA

Source: IMF, QNB Quarterly Statistics

### 5.5.2 PEST Analysis

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>Qatar is a monarch Arab state completely ruled by Al-Thani family since the mid-19<sup>th</sup> century. Qatar has a very stable leadership, with a smooth transition culture from father to son</li> <li>Globally, Qatar stands at 83<sup>rd</sup> position amongst 190 economies in 2019 on the World Bank's Ease of Doing a Business Index</li> <li>Corporate tax is flat at 10% for all companies (except oil and gas companies, which pay higher tax rate of 35%) without any basic exemption limit</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>Qatar enjoys a very high GDP per capita of over USD 115,000 in 2018 and ranks second globally. The spending on private education is expected to get boost from the high disposable income and spending power among the population</li> <li>Qatar's new amended FDI law which allows 100% foreign investment in 12 sectors including education is expected to boost the sector's growth</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Qatar's population has increased at a CAGR of 6.8% during 2012-18, with expatriates accounting for 88% of the total population</li> <li>In 2018, the nation ranked 37<sup>th</sup> among 189 countries on the Human Development Index</li> <li>The government is committed to provide quality education, by attracting more foreign universities through incentives such as financing and tax breaks</li> </ul>

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

**Allowance of 100% foreign investment to boost education sector**

### Technological

- With the introduction of the online education sessions through eLearning portals, Qatar has witnessed a significant impact where higher number of students are now enrolling for the education in Qatar
- eLearning modules in Qatar has helped in development of K-12 schools and universities offering higher education. The concept not only helps the authorities in getting access to modern curriculum, but also assists the students in accessing to various other courses that are currently not being offered through offline traditional curriculum
- The GCC eLearning market is expected to grow at a CAGR of 13% during 2018-22

Source: GFH Analysis

## 5.5.3 Education market segmentation

### Market structure

The pre-school segment consists of nursery (up to age of 4 years) followed by two years of kindergarten education. Primary schooling (grades 1 to 6) is compulsory in Qatar with public schools providing free primary education. Secondary education caters to grades 7 to 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, which established clear standards on teaching content and student development.

### Regulatory Structure

The Ministry of Education and Higher Education (MEHE) is the highest official authority for all educational affairs in Qatar, with the Supreme Education Council (SEC) acting as the regulatory body overseeing all aspects of education.

School fees are regulated and all schools (including nurseries and kindergartens) seeking a fee hike require an approval from the SEC. In October 2018, the MEHE undertook a project to analyze and fix fees for private schools and universities in Qatar. Under the project the fees are determined considering the interests of both promoters and students. The project will also set standards for the supervision of universities and performance monitoring as well as to control university fees.

In February 2019, the MEHE agreed to increase the tuition fees for 28 private schools and kindergartens for the academic year 2019-20 by 3-10%. The purpose of the hike was to provide financial support in improving their academic and educational impact.

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





### Qatar Public Private Partnership Schools Development Program

The Ministry of Finance and the MEHE is planning to implement the Qatar Public Private Partnership Schools Development Program under which 45 schools will be constructed through six packages (phases). Each package is expected to be undertaken as a 'Design, Build, Finance, Operate, Maintain and Transfer' (DBFOMT) project.

Package	Number of Schools	Proposed Date for EOI*	Proposed Delivery Date
Package 1	8 Schools	January 2019	July 2021
Package 2	6-8 Schools	June 2019	December 2021
Package 3	6-8 Schools	January 2020	July 2022
Package 4	6-8 Schools	June 2020	December 2022
Package 5	6-8 Schools	January 2021	July 2023
Package 6	6-8 Schools	June 2021	December 2023

### Details of Package 1 of the Qatar schools PPP Development Program

School	Type	Area	Site Area m <sup>2</sup>	Total Students	Total Staff
01	Secondary School	Al Wakra	25,141	750	90
02	Preparatory School	Al Khisa	29,375	750	90
03	Secondary School	Umm Salal Mohammed	19,426	750	90
04	Preparatory School	Bu Fesseela	27,543	750	90
05	Primary School	Al Wukair	29,717	750	90
06	Secondary School	Al Khisa	38,659	750	90
07	Primary School	Al Wukair	33,885	750	90
08	Secondary School	Rawdat Al Naisar	24,693	750	90

Source: Ministry of Education and Higher Education

### Ministry of Education's plan 2017- 2022

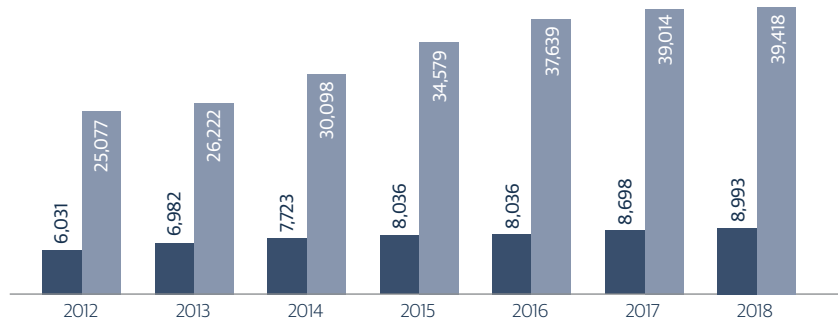
MEHE continues with its efforts to advance private education through the implementation of the strategy for 2017-2022, which aims at building a high quality education system of an international level. The strategy is focused on implementation of the below five programs:

1. Raising the quality of early education in kindergartens and public schools
2. Developing Qatar's national educational curriculum
3. Establishing a comprehensive quality management system for teachers and leaders of public and private schools
4. Improving the institutional performance of the MEHE
5. Raising the quality of services provided to the students

### 5.5.3.1 Pre-primary segment

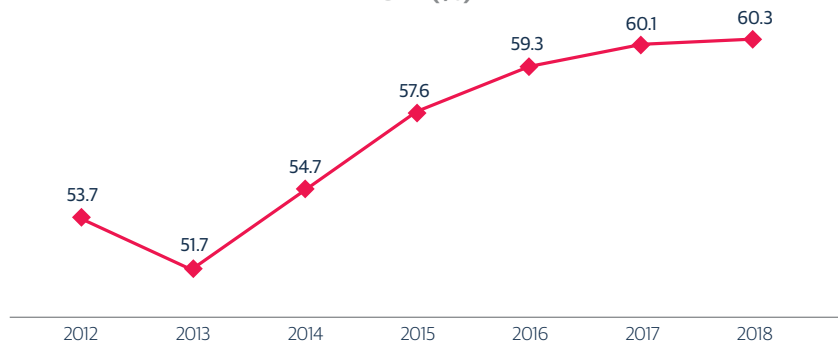
#### Pre-primary enrolment statistics

##### Total enrolments



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

##### GER (%)



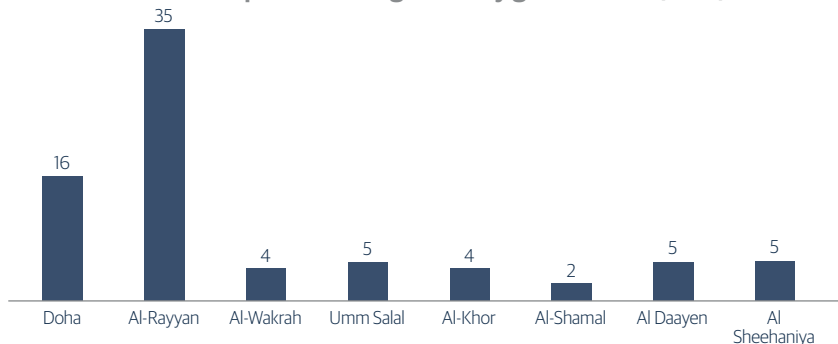
Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

**Pre-primary enrolments grew at a CAGR of 7.5% during 2012-18**

There were a total of 473 schools offering pre-primary education in 2018. Nursery education, largely offered in international schools and is not preferred by Qatari parents, while it is popular among expatriates. Pre-primary enrolments grew at a CAGR of 7.5% during 2012-18, with enrolments in private schools growing faster (7.8% CAGR) than public school enrolments (6.9% CAGR) due to increase in the number of expatriates. The GER improved from 53.7% in 2012 to 60.3% in 2018 driven by the change in the mindset of Qataris who earlier did not give importance to pre-school.

#### Pre-primary statistics

##### Number of public kindergartens by governorate (2017)

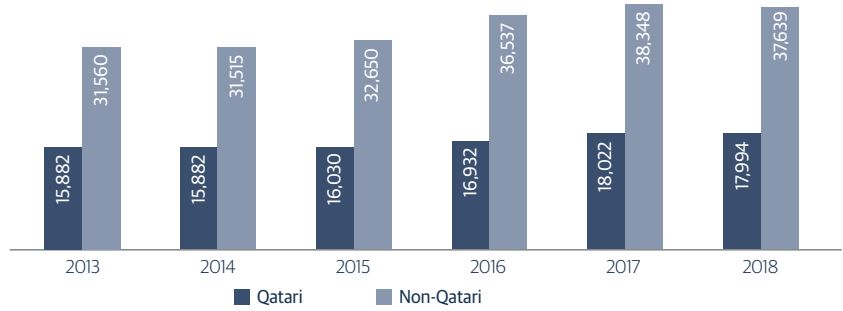


Source: UNESCO, Qatar Ministry of Development, Planning and Statistics





### Student mix - Public and private schools



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

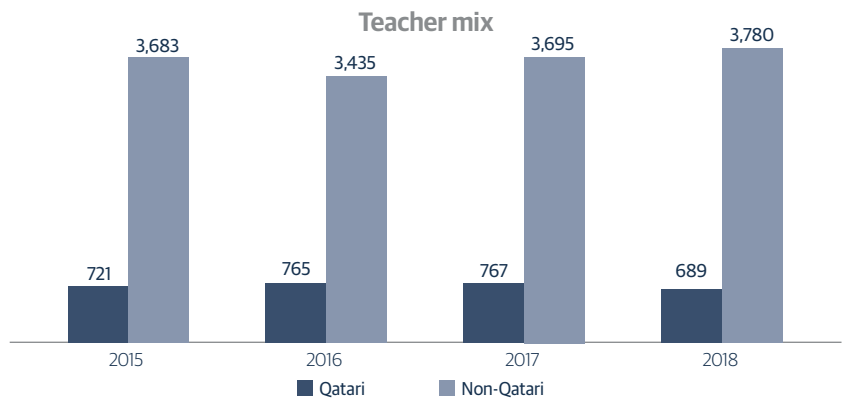
**Only female teachers are permitted in nurseries**

#### 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. The student-teacher ratio has stabilized for pre-school market around an average of 14.6 during 2012-18 as the increase in the number of student enrolment was accompanied by a corresponding increase in the number of teachers.

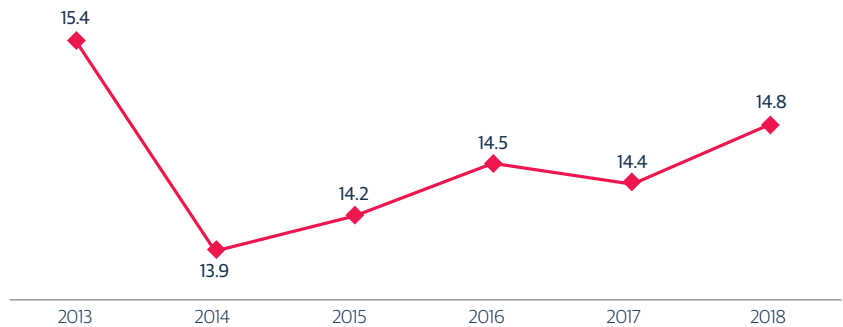
**Student-teacher ratio stabilized around an average 14.6 during 2012-18**

### Teacher statistics - Pre-primary



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

### Student-Teacher ratio



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

**GER in pre-primary is expected to improve from 60.3% in 2018 to 73.3% in 2023**

### Market size & estimates

Enrolments in pre-primary education is estimated to increase at a CAGR of 4.5% during 2018-23 to more than 60,000 in 2023, driven by higher public and private enrolments. The growth is expected to result from the changing mindset towards pre-primary education and the growing population at a CAGR of 0.5% during 2018-23, largely comprising of expats (10.5% in mid-2019). The GER is expected to improve from 60.3% in 2018 to 73.3% in 2023.

### Supply and pipeline

In February 2019, United Development Company (UDC) announced plans to construct the United School International, a three-floor school in the Giardino Village at The Pearl-Qatar. The school will have British educational curriculum and will be operated by Orbital Education, a British educational group. The school is expected to accommodate 2,500 students with 102 classrooms, comprising of 11 for pre-primary section and 91 for primary and secondary school students.

### Top players in pre-school market

Schools	Curriculum	Fee Structure Range p.a. (USD)
ACS International School, Doha	IB	14,088-17,569
Qatar Academy Al Khor	Qatar	10,533
Qatar International School	American	7,935
Royal Grammar School, Qatar	British	12,686
Doha Modern Indian School	Indian	2,443
ACS International School, Doha	IB	14,088-17,569
Qatar Academy Al Khor	Qatar	10,533
Qatar International School	American	7,935
Royal Grammar School, Qatar	British	12,686
Doha Modern Indian School	Indian	2,443

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 up to USD 100.

### 5.5.3.2 Primary and secondary segment

Among the 608 operational schools (as of 2018) offering primary and secondary education, 57% are private. The number of schools in Qatar is currently inadequate to cater to the increasing demand due to the rapid population growth. This inadequacy has forced the government to implement the Qatar Public Private Partnership Schools Development Program.

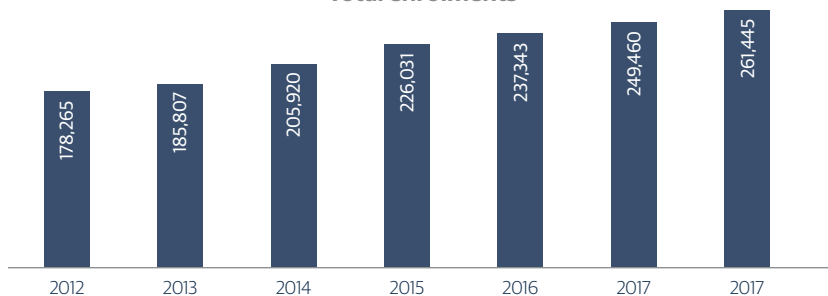
**Number of schools in Qatar is currently inadequate to cater to the increasing demand**





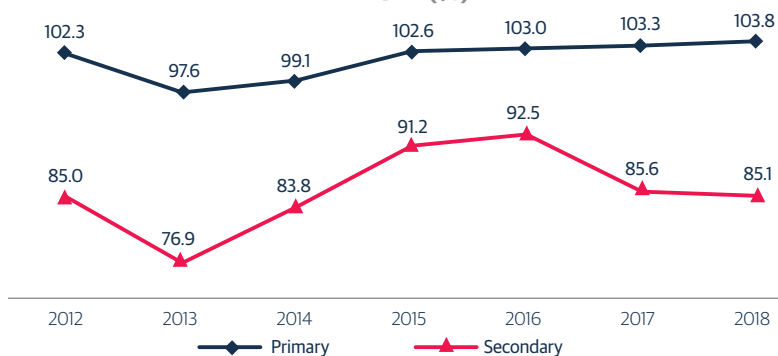
## Primary and secondary school trends

### Total enrolments



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

### GER (%)



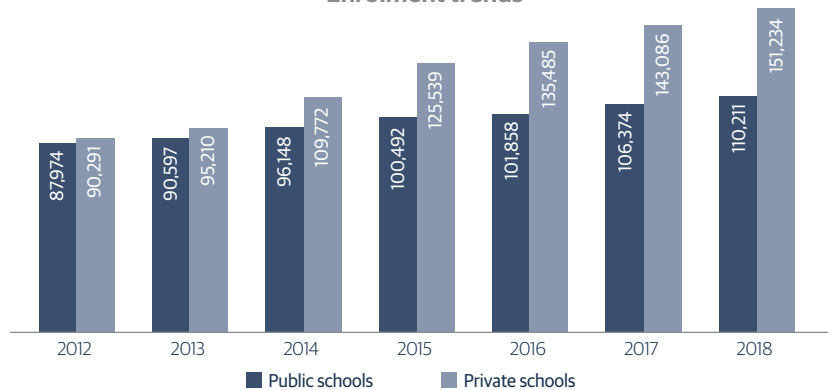
Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

**Enrolments in private schools grew at a CAGR of 9.0% during 2012-18 driven by rising expat population**

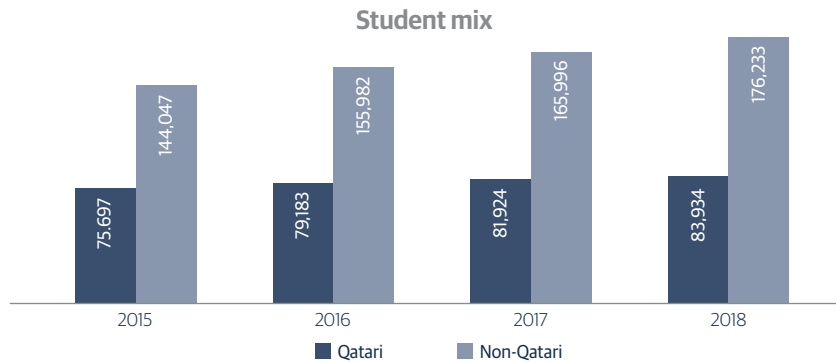
Total primary and secondary enrolments increased at a CAGR of 6.6% during 2012-18, with public school enrolments growing at a CAGR of 3.8% compared to a CAGR of 9.0% for private enrolments. Expatriate students constitute 67% of the total enrolments at schools. This faster growth in private enrolments can be attributed to the increasing expatriate population and the desire of obtaining high quality education in private schools. As a result the GER has been steadily increasing at the primary level.

## Primary and secondary enrolments at public and private schools

### Enrolment trends



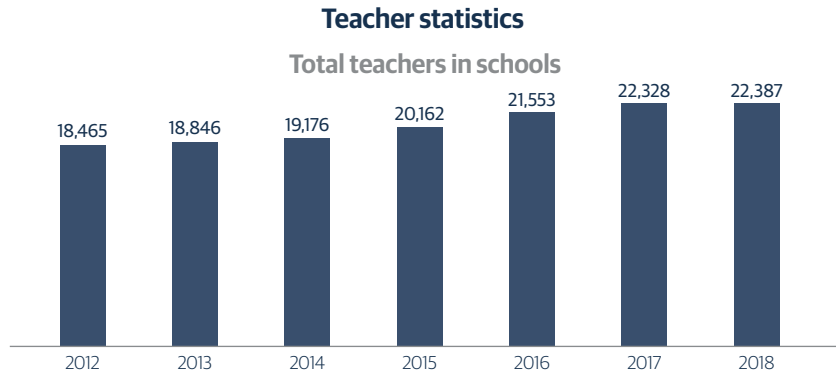
Source: UNESCO, Qatar Ministry of Development, Planning and Statistics



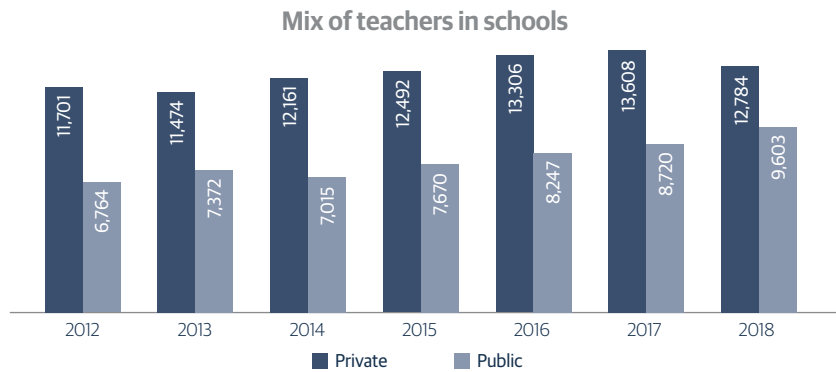
Source: UNESCO, Qatar Ministry of Development, Planning and Statistics

#### Teachers:

The number of school teachers across Qatar in the primary and secondary section increased at a CAGR of 3.3% during 2012-18. The number of teachers in public schools increased at a CAGR of 1.5% during 2012-18 compared to a 6.0% CAGR reported in private schools teachers. The shortage of number of teachers is likely to remain, considering the addition to increasing number of new schools over the next few years. The Ministry granted professional licenses to 422 teachers during the academic year 2017-18.



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



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

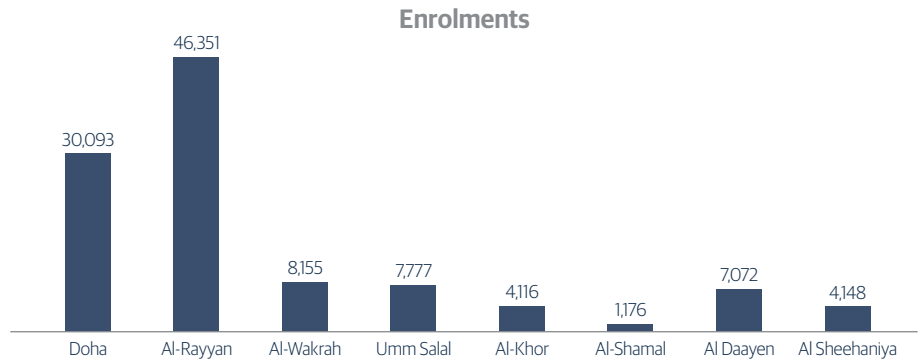






**District of Al-Rayyan is home to maximum number of public school enrolments**

### Primary and secondary public enrolments by governorates (2018)



Source: Qatar Ministry of Development, Planning and Statistics

### 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 and adhere to high standards of learning.

### Factors affecting demand and supply

- Education sector has a special focus in 'Qatar National Vision 2030' which has prompted the 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 2023 and an increasing expatriate community is likely to be key driver for demand in primary and secondary education

**Primary enrolments are estimated to grow a CAGR of 1.6% during 2018-23**

### Market size & estimates

Primary enrolments are estimated to grow at a CAGR of 1.6% over 2018-23 to more than 166,000 in 2023 driven by an increase in the GER from 103.8% in 2018 to 109.7% in 2023. Secondary enrolments are estimated to grow at a CAGR of 1.6% over 2018-23 to more than 116,000 in 2023 driven by an increase in the GER from an estimated 85.1% in 2018 to 89.9% in 2023.

**Number of private school teachers is expected to rise due to new private schools coming up in near future**

### Supply and pipeline

In March 2019, the MEHE allocated three government-owned land plots for the construction and operation of three private schools which are expected to provide more than 3,300 seats, to meet the increasing demand from growing population in Qatar.

Schools	Developer	Location	Number of Students	Curriculum
Cardiff School	NA	Al Khor area	1,134	Indian
NA	Millennium Holding Co.	Umm Al Qarn	1,185	American
NA	Hassanesco	Al Khor	1,053	American

- In July 2018, the MEHE signed six contracts with six national companies to lease government land for the construction and operation of six private schools in the nation by 2020. The new schools are expected to provide more than 8,000 seats to meet the increasing demand for private education in the nation. Five of them follow the British curriculum and one follows the Indian curriculum
- Director of Planning, Strategy and Projects Department at the MEHE announced that renovation and construction of 18 independent schools in various areas of the country which are expected to be operational in 2019 and 2020. These schools will provide additional seats for students, especially in places where there is a shortage of schools or high population density

### Top players in primary and secondary school market

Schools	Curriculum	Fee Structure Range p.a. (USD)
International School of London	British	16,188 - 20,774
American School of Doha	American	15,975 -20,543
Park House English School	British	8,691-14,394
Qatar International School	American	8,278-13,468
Newton International School	British	9,885-14,004
Doha Modern Indian School	Indian	2,979-4,764

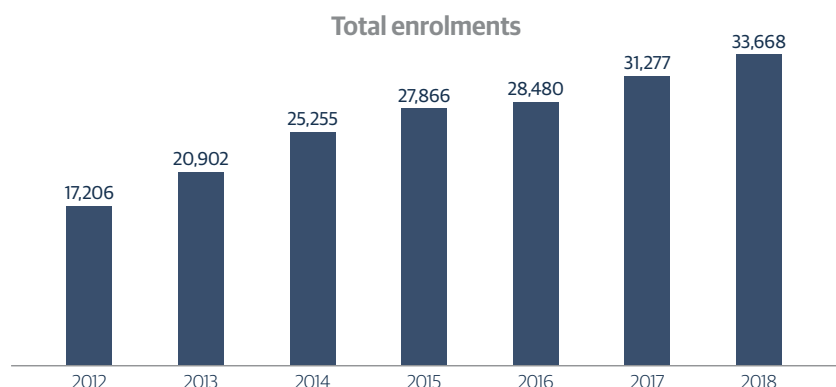
Source: Fees taken from various school websites

**Enrolments at the tertiary level grew at a CAGR of 11.8% during 2012-18, driven by Qatar University, the top ranked university in the Arab region.**

### 5.5.3.3 Tertiary segment

The Higher Education Institutes (HEIs) under the MEHE supports development of higher education by providing scholarship programs to the students. Total enrolments at the tertiary level have increased at a CAGR of 11.8% during 2012-18, with public enrolments growing faster at a CAGR of 15.0% compared to private university enrolments which reported a CAGR of 4.6%. The higher growth rate among public enrolments was primarily driven by 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. The above factors are expected to drive demand for higher education at universities going forward.

### Enrolment data at the tertiary level

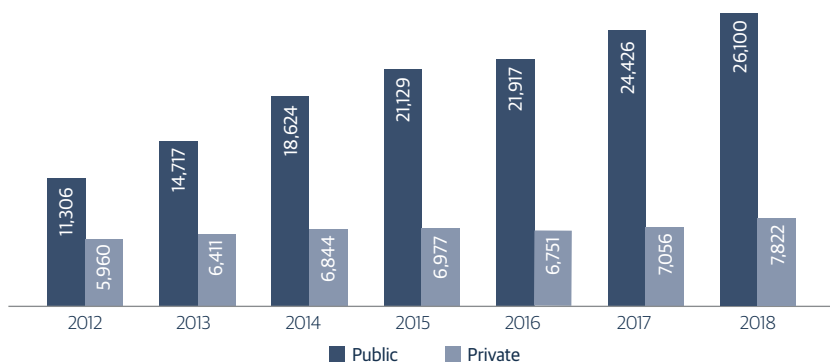


Source: UNESCO, Qatar Ministry of Development and Planning



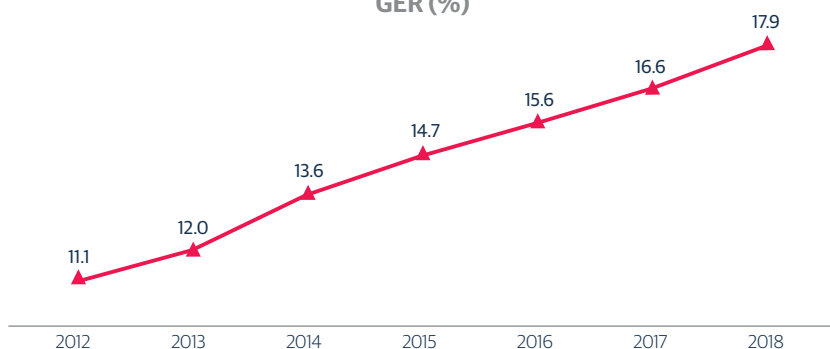


### Private and public enrolment trends



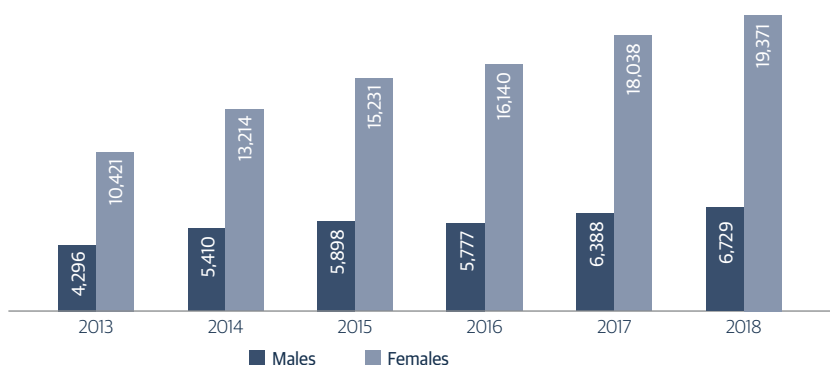
Source: UNESCO, Qatar Ministry of Development and Planning

### GER (%)



Source: UNESCO, Qatar Ministry of Development and Planning

### Student mix - Public universities



Source: UNESCO, Qatar Ministry of Development and Planning

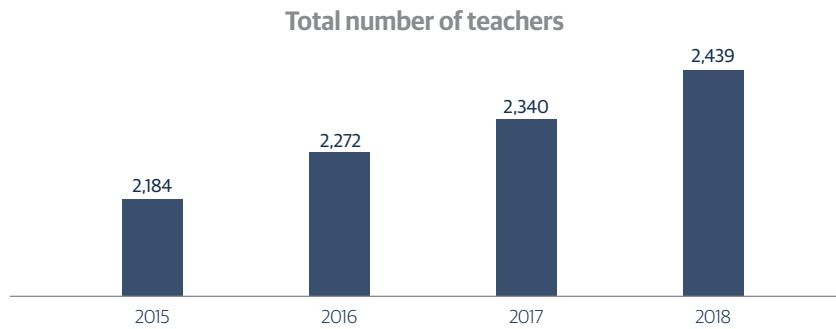
**Females outnumbered male students by three times at the tertiary level, as males skip higher education for public sector jobs**

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 11.1% in 2012 to 17.9% in 2018 but is still the lowest among all GCC nations (50% excluding Qatar).

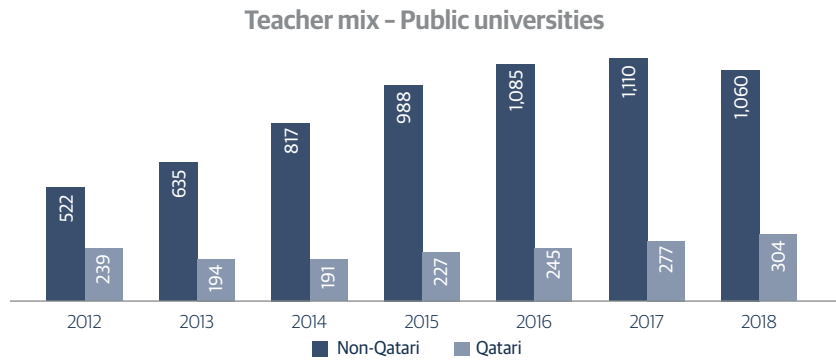
**Ministry has offered incentives and higher wages to attract foreign teachers - Public universities have large number of expat teachers**

Teachers:

There were 2,439 teachers at the university level in 2018, of which 1,075 teachers were employed in private universities. Qatar has a high number of expatriate teachers, even in public universities. To overcome the shortage of teachers in Qatar, the Education Ministry has offered incentives and higher wages to encourage foreign teachers to move to Qatar. The MEHE stated that Qatar puts the lowest workloads for teaching and offers higher salaries than any other nation.



Source: Qatar Ministry of Development, Planning and Statistics



Source: Qatar Ministry of Development, Planning and Statistics

**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. The city has managed to attract top US-based universities, by funding them and offering incentives such as tax breaks and providing world-class facilities free of cost. The city has more than 8,000 students across the nine universities and 11 schools.

**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 of higher education facilities to Qataris who are interested in tertiary level education





### Market size & estimates

Enrolments at the tertiary level are estimated to grow at a CAGR of 5.5% during 2018-23 from 33,668 in 2018 to more than 43,900 in 2023 driven by an increase in GER from 17.9% in 2018 to 22.8% in 2023.

### Top players in tertiary education market

Schools	Curriculum	Fee Structure Range p.a. (USD)
Carnegie Mellon University	Computer Science, Biological Science, Business Studies	58,301
Georgetown University	Economics, Politics, History	55,440
Qatar University	Arts, Business Studies, Economics, Law, Medicine	16,200 - 32,400
Stenden University	IT, Business Studies, Tourism, Hospitality, Media	23,889
Calgary University - Qatar	Nursing	4,118
Hamad Bin Khalifa University	Law, Engineering, Islamic Studies, Public Health	78,251

Source: Fees taken from various school websites

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

### 5.5.3.4 SWOT Analysis

Strengths	Weaknesses
<p>A. Qatar ranks second in terms of GDP per capita income which has proved as an attractive factor for foreign universities and schools to set up their base in the country. Free healthcare, electricity, water and tax-free environment has resulted in higher disposable income, thus increasing the propensity to spend on quality education</p> <p>B. High presence of foreign universities and schools partly due to funding from the Qatari government have also contributed to the improvement of the quality of education. The nation is ranked 37<sup>th</sup> amongst 137 nation in terms of Higher Education and Training as per "The Global Competitiveness Report 2017-2018"</p> <p>C. A high population growth (CAGR of 6.8% during 2012-18), driven by expatriates, is a key demand driver for education in the nation, which is resulting from attractive employment opportunities, tax-free environment, conducive living standards along with improving life expectancy</p> <p>D. To improve quality in the private education sector, MEHE launched a project to train up to 180 teachers from international community schools and institutions during 2018-22</p>	<p>A. The shortage of teachers is a major challenge which is expected to become severe in the years to come. High costs of living in Qatar and rising demand for teachers in their home countries continues to restrain the retention of experienced personnel</p> <p>B. Due to the small population and lucrative jobs in the public sector, Qatari men opt out of higher education in Qatar</p>

Opportunities	Threats
<p>A. Upcoming smart city concepts (Lusail City) and construction of various new schools in the "Education City" gives a wide scope of opportunity for education providers</p> <p>B. The government is investing in the education sector to make the economy self-reliant. "Qatar National Vision 2030" aims to bring changes in the education system through change in the curriculum of the universities, implementation of online learning portals, increasing the number of universities and providing various courses</p> <p>C. The government is allotting lands to private players on large scale for the construction of school projects. A total of 11 plots, each were allotted in 2017 and 2018 for private school construction was a part of the plan to have 50,000 seats by 2022</p> <p>D. The introduction of online education sessions through eLearning portals is resulting in increase in the number of students enrolling for education in the nation</p> <p>E. Qatar's transformation of its public schools into independent schools (Government-funded) is increasing opportunities for PPP</p>	<p>A. SEC's rule stating that only those private schools facing financial losses will be allowed to increase the fees, could discourage potential new entrants (including foreign firms) from setting up schools in the country</p> <p>B. Increasing gap between demand and supply at the pre-primary level estimated at 27% of demand in 2020, could drive students abroad</p> <p>C. The preference for GCC students to pursue higher education abroad to gain global competencies that improve the chances of accessing employment opportunities in global market continues to pose a challenge for educational institutions of the country</p>

Source: GFH Analysis

### 5.5.3.5 Investment Opportunities

- Development of futuristic smart cities like Lusail offer 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
- In January 2019, Aberdeen University announced plans to invest GBP 100mn (USD 122mn) to expand their campus in Qatar. The 50,000 square meter new campus will be situated in Al Daayan region, near Doha offering science, engineering, math's and law courses
- During the academic year 2019-20, the MEHE received 57 new applications for license to operate private schools in Qatar. The applications comprised of 10 national schools, 14 American schools, 21 British schools, seven Indian schools and four Finnish, French, Canadian and Egyptian schools. The Ministry of Economy and Industry has allocated 11 land plots to investors to establish private schools to promote investment in the sector





## Outlook

Qatar's GDP is expected to grow by over 2.7% in 2019 compared to 2.2% in 2018 driven by improving energy prices, government spending for the 2022 FIFA World Cup, expansion of LNG capacity and National Vision 2030. It is expected to have a budget surplus of QAR 4.3bn (USD 1.2bn) in 2019 compared to a deficit of QAR 28.1bn (USD 7.7bn) in 2018. The fiscal position is also expected to be supported in the medium term by the recent tax reforms and the introduction of a VAT in early 2020. Improving economic growth and fiscal position of the government reflects an increase in the education expenditure by 36.2% YoY to QAR 19.2bn (USD 5.2bn) in 2019, which is also 9.3% of the total budgeted expenditure of 2019, one of the highest allocations in the MENA region.

Pre-primary is the fastest growing segment in Qatar's K-12 education sector (7.5% CAGR over 2012-18), and is expected to continue its growth over the next five years. Qatar's quality in higher education is supplemented by the emergence of foreign universities that have been well funded and incentivized by the government. The Qatari Ministry is emphasizing more towards female education by providing education on the online portals which resulted in increase in the number of enrolments significantly.

In July 2019, the Department of Zakat Fund of the Ministry of Awqaf and Islamic Affairs announced monetary assistance worth QAR 33.5mn (USD 9.1mn) to the families entitled to tuition fees during the academic year 2018-19, thus benefiting 3,406 students. The aid will be provided according to the fees approved by the MEHE, not exceeding QAR 12,000 (USD 3,276) for primary students, QAR 15,000 (USD 4,095) for middle school, QAR 18,000 (USD 4,914) for secondary and QAR 20,000 (USD 5,461) for the students at university.

Qatar's private school market is forecasted to reach USD 2.4bn by 2023 from USD 1.4bn in 2016. The growth will happen on the back of increasing school-age population, enrolment and tuition fees as well as growing preference towards private schools.



## 5.6 Saudi Arabia

Saudi Arabia's interim share of GDP from the oil sector for 2018 was 33.6% and for 2017 reported share of GDP from the oil sector was 28.5%<sup>9</sup>. The government revenue for 2019 is budgeted to be at USD 260bn, while the expenditure is budgeted at USD 295bn. As per Ministry of Finance Budget Statement 2019, the government aims to reduce the budget deficit to approximately SAR 131bn (USD 35bn, 4.2% of expected GDP) compared with SAR 136bn (USD 36bn, expected 4.6%) in 2018. The expected decline in budget deficit reflects the government's commitment to achieve economic targets and fiscal balance by 2023.

Saudi Arabia is one of the leading spender on education with annual allocation of 17.5% of government expenditure (USD 51.6bn) towards education in 2019. In order to further strengthen the education sector, the Ministry of Education (MoE) had planned to add 1,069 schools between 2017 and 2019<sup>10</sup>, where it developed 719 new schools in 2018 alone.

Saudi Arabia is ranked 36<sup>th</sup> among 189 countries in the Human Development Index report 2019, which is categorized in the high human development category. The country is ranked 36<sup>th</sup> out of 140<sup>11</sup> countries for Global Competitiveness Index 2019 edition.

**Saudi Arabia allocated 17.5% of total government expenditure towards education in 2019 budget**

**Saudi Arabia ranks 36<sup>th</sup> in Global Competitiveness index**

<sup>9</sup> Ministry of Finance

<sup>10</sup> 2018 Budget Statement - MoF

<sup>11</sup> Global Competitiveness Report 2018/19 - WEF







### 5.6.1 Key Statistics

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	688.6	786.5	779.3	863.3
Real GDP growth	(0.7%)	2.4%	0.2%	2.8%
GDP per capita on PPP (USD)	49,532	49,521	48,631	49,251
Population (mn)	32.6	33.4	34.1	36.9
Inflation (%)	(0.9)	2.5	(1.1)	2.1
Non-oil % of GDP	70.6	65.7	NA	NA
Non-oil exports (USD bn)	51.6	62.8	NA	NA
Govt. budget to education (USD bn)	55.2	51.2	51.6	NA
Govt. budget to education (% Govt. spend)	22.3 %	19.6%	17.5%	NA

Source: IMF, General Authority of Statistics, KSA

### 5.6.2 PEST Analysis

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>Saudi Arabia has been ranked 92<sup>nd</sup> globally in the World Bank's Ease of Doing Business ranking in 2019 out of 190 countries</li> <li>Saudi Arabia economic freedom score is 60.7, making its economy the 91<sup>st</sup> freest in 2019<sup>12</sup> index</li> <li>In 2019, the country relaxed some of its strict societal rules for foreigners in a bid to secure more foreign investments in the country over the period of next 10 years</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>Budget deficit in 2019 is expected to reduce to SAR 131bn (4.2% of 2019 expected total GDP), compared with SAR 136bn (4.6% of GDP) in 2018</li> <li>The 2019 budgeted spend towards education sector witnessed decrease of 2.1% compared to 2018</li> <li>Expected reduction in fiscal deficit in 2019 to SAR 131bn reflects the government's commitment towards achieving a fiscal balance by 2023</li> <li>Out of the total expenditure, a total of USD 51.6bn is allocated for education sector</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Half of current population (of about 30mn people) is under the age of 25 years, which is likely to be the primary driver for the growth in education sector over the next five years</li> </ul>
<b>Technological</b>	<ul style="list-style-type: none"> <li>The government's five-year plan (2015-19) includes providing high-speed internet to schools to attract more enrolments</li> <li>The Ministry of Higher Education (MoHE) established National Centre for eLearning and Distance Learning to support development of electronic education material and facilitate the faculties to create e-courses through its Learning Management System (LMS)</li> </ul>

Source: GFH Analysis

**Half of current Saudi population is under the age of 25**

12 Heritiage.org

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

**Enrolments in pre-primary segment have grown at CAGR of 7.9% for the period of 2012-18**

### 5.6.3 Education market segmentation

#### Market and regulatory structure

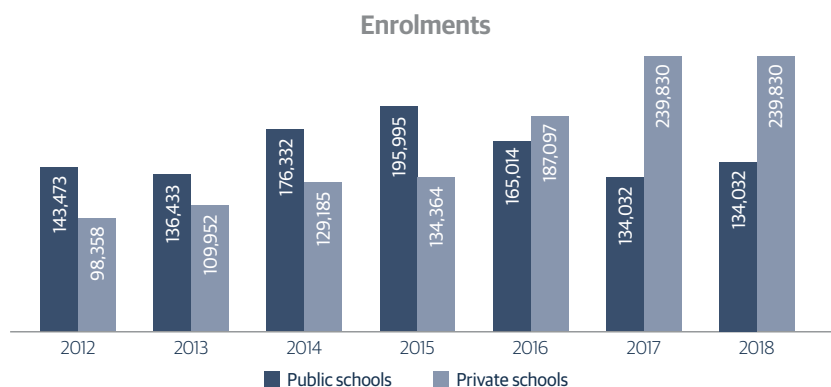
The MoE is responsible for K-12 education and MoHE is responsible for policy development and funding for higher education. Education Ministry has issued directives to prohibit private schools from increasing fees without its prior approval. Education in public schools is provided free of charge by the government to all Saudis and children of Arabic-speaking residents.

As per MoE, the government of Saudi Arabia have initiated new projects like 40 smart school initiatives which would be linked to education platform and provide means to analyze trends. 54 initiatives related to scientific research and knowledge have been considered to enhance scientific research, knowledge production, dissemination, employment and the expansion of postgraduate programs. Government is developing Saudi Digital Library which is the largest collection of academic information resources in the Arab world. It will include over 310,000 scientific references covering the different academic disciplines. Another initiative is development of teachers towards enhancing teaching and leadership competencies<sup>13</sup>.

#### 5.6.3.1 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 have grown at a CAGR of 7.9% in 2012-18 with GER of 14.3% in 2012 to 21.2% in 2018, 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 importance of kindergartens<sup>14</sup>.

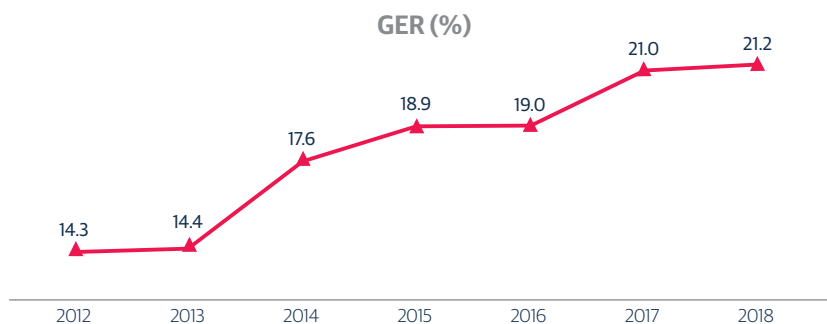
Enrolments at public schools have increased marginally at a CAGR of 0.4% for the period 2012-18 whereas the enrolments in private schools have increased at a CAGR of 16.0% during the same period. The National Transformation Program (NTP) 2020 plan is focused on increasing the number of schools, to accomplish the government target of enrolment rates of 27.2%<sup>15</sup> by 2020 from 6.2% in 2017. Therefore, there remains a huge potential for growth in this segment compared to other GCC nations.



Source: UNESCO

<sup>13</sup> Ministry of Education – Initiatives and Projects  
<sup>14</sup> The Greenwood Encyclopaedia of Children's Issues Worldwide  
<sup>15</sup> Strategic Gears



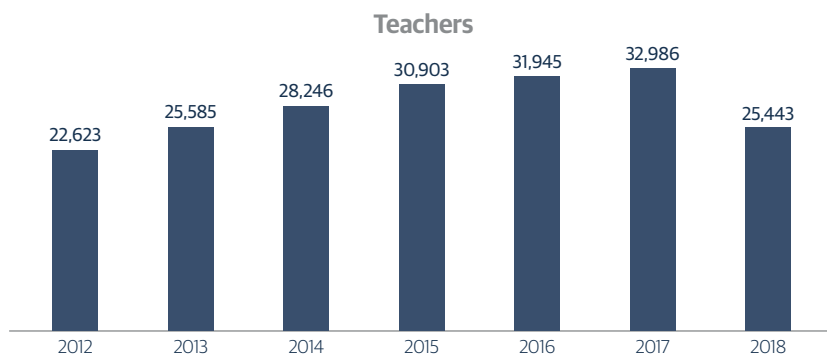


Source: UNESCO

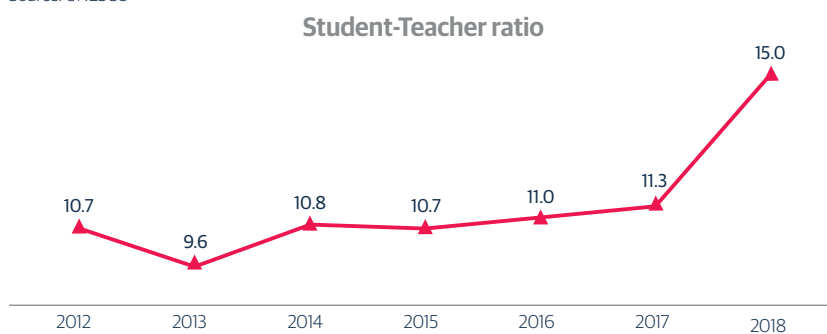
**Student-teacher ratio in 2018 increased drastically to 15.0 from 11.3 in 2017**

#### Teachers:

The number of teachers at the pre-primary level increased at a CAGR of 2.0% in 2012-18. The student-teacher ratio increased drastically to 15.0 in 2018, compared to 11.3 in 2017, due to decline in the number of teachers in 2018 to 25,443 from 32,986 in 2017. In 2018, there were 3,404 kindergartens operating in Saudi Arabia, of which 2,132 were public and 1,272 were private. Government plans to build ~1,500 nurseries by 2020 which could increase the demand for teachers<sup>15</sup>.



Source: UNESCO



Source: UNESCO

The kindergarten GER in Saudi Arabia is lowest among all GCC countries. In order to promote early education of children, the MoE agreed to bear the cost of Saudi parents willing to enroll their children in kindergartens. Under this initiative the Ministry is funding education of Saudis in private schools, who were unable to find seats in public kindergartens or who could not afford private schools.

**Saudi government is committed to construct 1,500 nurseries by 2020**

### Market size & estimates

The pre-primary education segment is estimated to grow at CAGR of 10.9% during 2018-23 to more than 640,000 enrolments. GER is expected to improve from 21.2% to 32.3% during this period. Private enrolments are expected to continue growing faster than public enrolments, due to increase the number of schools under the NTP 2020 plan.

### Supply and pipeline

The Saudi government is committed to build around 1,500 nurseries schools by 2020 under the King Abdullah project for general education development. According to available estimates, the demand for teachers at international schools is likely to reach 183,600 by 2030 indicating a huge opportunity to train and develop local teachers<sup>17</sup>.

### Leading players in pre-school market

Schools	Curriculum	Fee Structure Range (USD)
Saud International School	American and British	N/A
Union Preparatory International School	Arabic	7,194-7,460
British International School, Riyadh	British	10,885-15,257
AlReem Smart Kids Montessori Academy	American	6,394-7,194
Bright Minds Pre-School	Arabic	N/A
Artal Preparatory School (APS)	British (EYFS)	19,638-20,701
Dhahran British Grammar School	British	7,991-17,000
Multinational School, Riyadh	Australian	9,878
Zahrat Al Sahraa International School	American	3,732-4,132
Coral International School	American	4,532

Source: Fees taken from various school websites

**In 2018, public school enrolments were 89% in comparison with 11% private school enrolments**

### 5.6.3.2 Primary and secondary segment

The public school enrolments in Saudi Arabia accounted for 89% of the total enrolments in 2018, while the private school enrolments were 11%. The preference is now changing, with many Saudis turning to international schools in pursuit of better quality of education. Many of the Saudi parents prefer to enroll their children in international schools which are focused on English proficiency, international curricula, and contemporary teaching techniques<sup>18</sup>.

**Saudi Arabia has only seven international school per one million indicating huge opportunities in private education sector**

In 2018, out of 27,349, private schools in primary and secondary education accounted for 11.4% (3,113) of total. Saudi Arabia has only seven international schools per one million people whereas the GCC average of 31 indicating the large headroom for growth in the sector<sup>19</sup>. The number of students at primary and secondary level have decreased at a CAGR of 0.7% and 0.2%, respectively during 2012-18. GER for primary and secondary education is considerably high at 99.8 and 107, respectively due to compulsory education.

<sup>17</sup> Strategic Gears

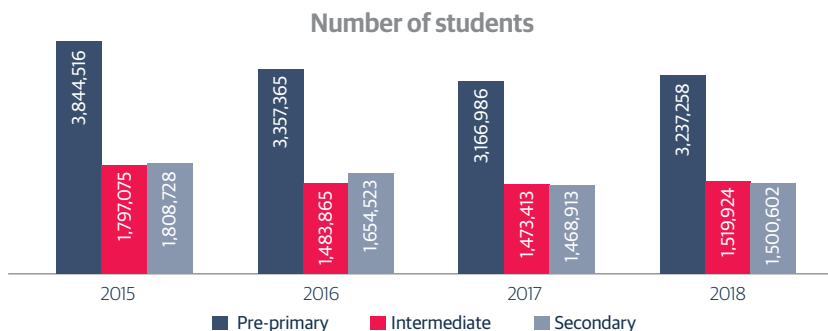
<sup>18</sup> Market Briefs – Edweek.org

<sup>19</sup> Strategic gears





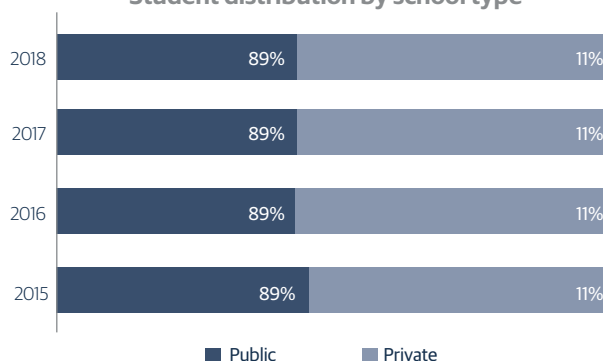
## Number of students – Primary, intermediate and secondary



Source: General Authority of Statistics

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

## Student distribution by school type



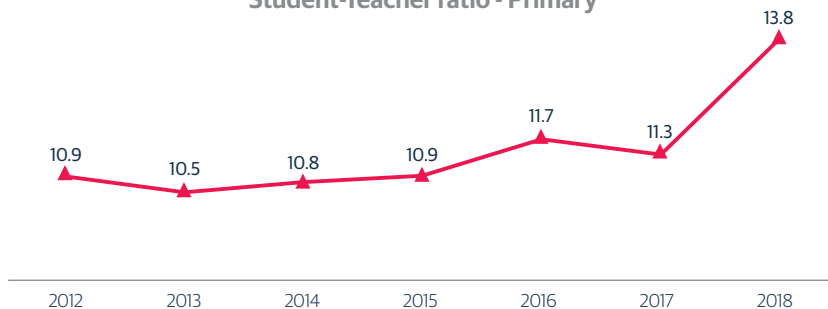
Source: General Authority of Statistics

**Some private schools hiked fees in 2018 due to increase in Ajeer levy**

Annual tuition fees at primary schools in Saudi Arabia range from USD 10,500-79,084 with British and American Schools at the higher end. The schools are not permitted to hike fees without prior approval of the MoE, however certain private schools have hiked fees in 2018 after securing MoE approvals due to increase in Ajeer levy<sup>20</sup>.

## Primary and secondary school trends

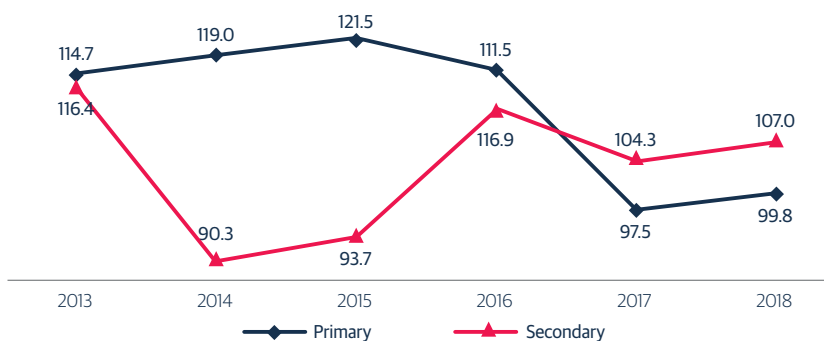
### Student-Teacher ratio - Primary



Source: UNESCO, General Authority of Statistics

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

### GER (%) - Primary and secondary



Source: UNESCO, General Authority of Statistics

#### Teachers:

The student-teacher ratio in primary education sector in Saudi Arabia increased to 13.8 in 2018 from 11.3 in 2017. According to World Economic Forum, Saudi Arabia's overall quality of education is 4.3 (out of 7) on the global index scale, significantly lower than the GCC benchmark of 5.7. One of the reasons for low score is the teacher's quality in schools which is still considered low. The average number of annual professional development hours completed by teachers is 10, compared to International benchmark of 57. To improve the quality of teachers, government targets to raise annual professional development hours to 18 hours by the year 2020.

#### Factors moving the demand and supply dynamics

- Growing population (2.3% CAGR for 2012-18) with increasing mix of expatriates, which is 32% in 2018, remains a driver for enrolments
- High GDP per capita of over USD 49,521 based on PPP and increased willingness of parents to spend on quality education. This higher purchasing power 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 from Dubai and Lebanon's SABIS to invest in building schools across the country in partnership with local providers

#### Market size & estimates

The total enrolments in primary and secondary education segment have declined at a CAGR of 0.4% for the period of 2012-18, however they are expected to increase at a CAGR of 3.5% during 2018-23 to more than 7.5mn. GER in the primary segment is estimated to increase from 99.8% in 2018 to 107.5% in 2023. The secondary education GER is estimated to increase from 107.0% in 2018 to 115.2% in 2023.

#### Supply and pipeline

In January 2018, MoE issued tenders to private companies (bidding is managed by Tatweer Buildings Co. to build and maintain 60 schools in Jeddah and Makkah as part of economic reforms. These tenders would be Saudi Arabian government's first PPP model and would enable the government to determine PPP strategy and level of foreign investor interest<sup>21</sup>.

**The governments' first model for PPP tenders to build and maintain 60 schools was issued in early 2018**



In May 2019, MoE disbursed USD 500mn in public school projects which will have occupancy of 90,000 students in major urban centers. The short term plan is to build 10 complexes in Dammam, Jeddah and Riyadh with intake of 30,000 students. The total investments in the short term plan will be USD 213mn and is expected to be completed by 2022. The long term plan is to build 20 complexes for 60,000 students, expected cost would be USD 160mn.

In April 2018, the Governor of Riyadh, Prince Faisal bin Bandar launched SAR 3.0bn (USD 800mn) worth of educational projects at the Riyadh General Administration of Education. The plan included a total of 253 educational buildings, including 132 for boys and 121 for girls, along with 122 modern gyms, 44 playing fields, and 28 kindergartens and educational offices. The school buildings would serve 206,465 male and female students at all stages of schooling with 5,899 classrooms. These projects included four kindergartens, 12 primary schools, 11 educational projects for middle school, five for high school and 13 educational complexes and gyms.

#### Leading players in primary and secondary school market

Schools	Curriculum	Fee Structure Range (USD)
American International School	American	21,084-23,908
British International School	British	15,257-24,463
Jeddah Knowledge International School	IB	12,077-16,277
Imperial International School	French	5,065-7,198
EduGates International School	American	4,665-5,998

Source: Individual school websites

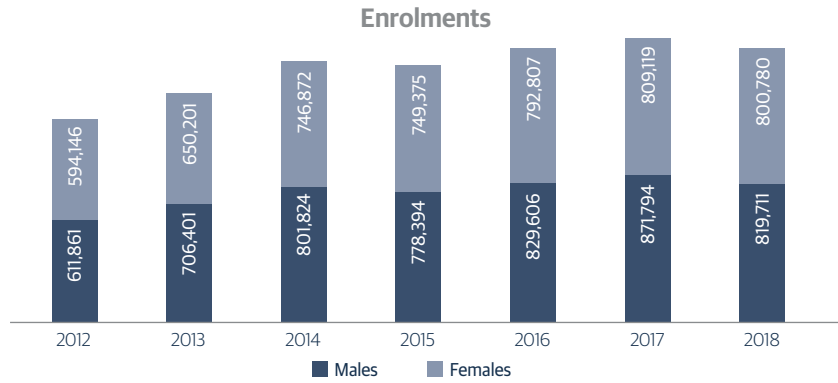
**Female enrolments grew at a 5.1% CAGR during 2012-18**

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

#### 5.6.3.3 Tertiary segment

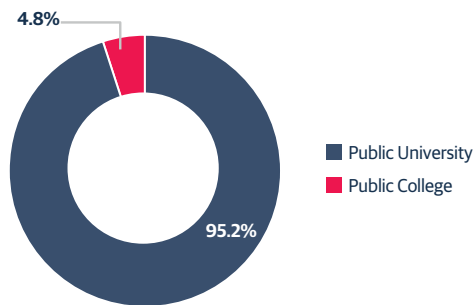
The enrolments in tertiary education have increased at a CAGR of 5.0% for the period 2012-18. The female enrolments at the tertiary level have increased at a CAGR of 5.1% during 2012-18. The GER improved from 46.5% in 2012 to 68.0% in 2018. Saudis remain inclined towards public universities rather than private ones, with public universities and colleges comprising around 95% of total enrolments in 2018. The King Abdullah Scholarship Program (KASP) started in 2005 (now extended till 2020), fully funds both undergraduate and graduate education abroad, and annually sends 125,000 students abroad on an average. The government has set stricter eligibility requirements for KASP such as, Bachelor's students must have a secondary school grade of above 90%, General Aptitude Test score of above 80%, Achievement Test of above 80%, and Associate Degrees (2 year post-secondary diplomas) must have a minimum GPA of 4.50/5.00. Graduate level applicants must have achieved the aforementioned criteria, and Master's students must additionally hold a Bachelor's degree with an overall GPA of no less than 3.75/5.00 or equivalent, while PhD students must hold a Master's Degree with an overall GPA of no less than 'Very Good' or equivalent. The committee must also conduct interviews with candidates prior to nomination.

## Tertiary education statistics



Source: General Authority of Statistics

### Enrolment across universities (2018)

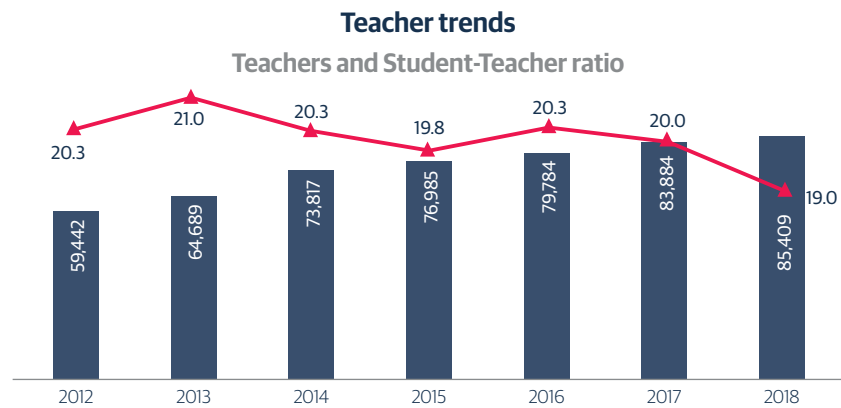


Source: General Authority of Statistics

**Student-teacher ratio declined to 19 in 2018 from 20 in 2017**

### Teachers:

The number of teachers at the tertiary level in the country have grown at a CAGR of 6.2% during 2012-18. The student teacher ratio in tertiary education declined to 19 in 2018 from around 20 over the last four years, highest within GCC.



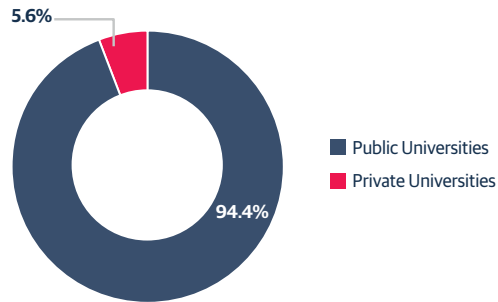
Source: UNESCO, General Authority of Statistics







### Teacher mix (public and private universities)



Source: UNESCO, General Authority of Statistics

### 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. The accreditation system aims to enhance and upgrade the quality of education under the supervision of NCAAA to ensure credibility of Saudi graduates in the labor market. The government has initiated 12 overseas scholarship which allows students to join best educational institutions and to fulfil their developmental needs.

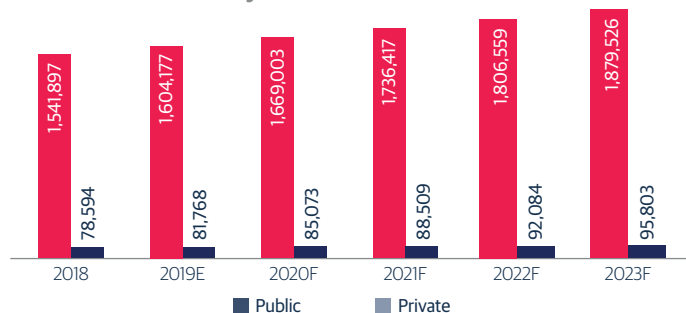
### Factors affecting demand and supply

- The MoE is substantially focusing on training and development of teachers and faculty for the upcoming institutions that are focused on subjects more relevant to the current labor market requirements and standards

### Market size & estimates

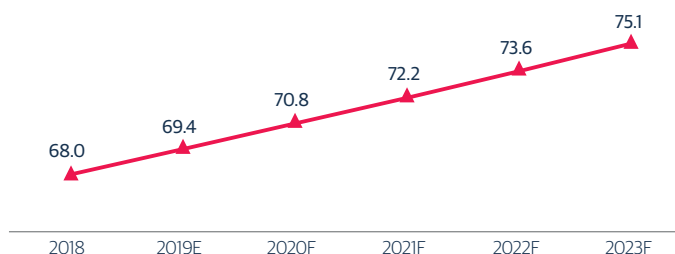
The tertiary segment is estimated to grow at a CAGR of 4.0% from 1.62mn enrolments in 2018 to 1.98mn by 2023, with GER estimated to increase from 68.0% to 75.1%, highest among all other GCC nations.

### Tertiary enrolments - Estimated



Source: GFH Analysis

GER - Estimated (%)



Source: GFH Analysis

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

### Supply and pipeline

The primary aim of Vision 2030 program is to have at least five universities become part of top 200 global education institutions by end of year 2030. As per the MoE, there are 54 planned initiatives related to scientific research and knowledge. Few initiatives mentioned by MoE are as follows:-

1. The Excellence Research Center
2. The Promising Research Center
3. The Distinctive Planning Blog
4. The National Robot Olympiad
5. The Scientific Olympiads
6. Nashr Program
7. Research Work Development Center

### Leading 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: Individual websites





#### 5.6.3.4 SWOT Analysis

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

Strengths	Weaknesses
<ul style="list-style-type: none"><li>A. Strong government support to the education sector in terms of budget allocation which is expected to be 17.5% in 2019. As a part of Vision 2030, government plans to increase school supply and improve quality of education in the country</li><li>B. A young demography where half of the population are below the age of 25, will drive demand for education</li><li>C. Increased willingness to spend on quality of education among Saudis is driving them towards international schools</li></ul>	<ul style="list-style-type: none"><li>A. Quality of education at public schools and higher education institutes is lacking</li><li>B. Quality of teachers is considered to be low. The average number of annual professional development hours is only 10</li><li>C. Skill gap between industry and educational institutes is restricting the employability of graduates in the private sector</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>A. More number of educational institutes adopting eLearning platform are estimated to grow as they get exposures to global players offering knowledge across various areas of studies</li><li>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</li></ul>	<ul style="list-style-type: none"><li>A. Regulation of fees by the MoE could discourage potential new entrants (incl. foreign) from setting up schools in Saudi Arabia</li><li>B. Higher education provision does not meet the demands of work force sectors in terms of both quality and quantity</li></ul>

**The Alkhabeer acquired 90 percent stake in Riyadh-based Tanmiyah Company**

### 5.6.3.5 Investment Opportunities

GEMS Education and Hassana Investment Company have signed a partnership to invest up to USD 800mn over the next decade to acquire and develop schools in the country. The partnership agreement will provide place for up to 130,000 students and create employment opportunities for 16,000 people<sup>22</sup>.

#### Major M&A Deals in the Saudi Education Sector

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2019	Britus Education (GFH Financial Group)	Portfolio of schools in Riyadh	Saudi	65.0	N/A
2019	Varkey Group Ltd	Maarif Education and Training Holding Co	Saudi	359.2	N/A
2019	Alkhabeer Capital	Al-Aziziyah Private School and Tanmiyah Company	Saudi	N/A	
2017	Saudi Economic & Development Co Ltd	Yusr International School	Saudi	N/A	50.0%
2017	Nord Anglia Education Inc*	Undisclosed School	Saudi	147	N/A
2017	Alinma Educational Fund	Amjad Qurtoba Schools	Saudi	N/A	100.0%
2016	Al Khabeer Capital Co	Rehab Al-Maarifa Pvt School	Saudi	N/A	N/A
2016	Alkhabeer Capital	Adwaa Al Riyadh Education Co	Saudi	N/A	N/A

Source: Bloomberg

UAE-based GEMS Education has agreed to buy the Ma'arif Education Group, the largest private school operator in Saudi Arabia. GEMS has formed a joint venture (JV) with Hassana Investment Co., the investment arm of Saudi Arabia's General Organization for Social Insurance (GOSI), to build more than 50 schools across the country.

Alkhabeer Capital, an asset management company specializing in alternative investments, has acquired 100% stake in the Alkhobar-based Al-Aziziyah Private School and 90% equity stake in Riyadh-based Tanmiyah Company. All investments were made through the Alkhabeer Education Private Equity Fund II and Alkhabeer Education Private Equity III. These acquisitions form the initial components of Alkhabeer's educational portfolio, which is expected to own and manage best-in-class K-12 education institutions across the GCC<sup>23</sup>.

<sup>22</sup> National Business News

<sup>23</sup> Arab News





## Outlook

According to the Ministry of Finance's Budget Statement 2019, public revenue in 2019 is expected to increase 8.9% YoY to reach SAR 975bn (USD 260bn) in comparison to SAR 895bn (USD 238bn) in 2018. Oil is expected to remain major contributor in country's revenue. The budget towards education is expected to be lower by 2.4%, compared to 19.9% of total expenditure in 2018. Education makes the largest component in the budget allocation, and government remains committed towards education. The Saudi Vision 2030 seeks to close gap between the skills requirement in the industry and output of the education industry. The number of lucrative public sector jobs is expected to be limited, leading Saudi nationals to tap the private sector for employment.

Saudi Arabia's Crown Prince Mohammed bin Salman has reached an agreement with China for Chinese language to be taught at all levels in Saudi schools and universities to help boost cultural diversity among students in the country in line with education goals of Saudi Vision 2030. The country has also launched projects such as providing transportation facility to female teachers of public school across the country.

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 increasing the supply of nurseries by 1,500 by 2020. An emerging trend is the rising 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, attracting foreign school providers to build schools in the country and offering customized programs for the corporate sector at the tertiary level.



## 5.7 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 resulted in reduction of contribution to GDP from oil & gas sector. The total contribution of the oil & gas sector has declined from 39.1% in 2012 to 25.9% in 2018<sup>24</sup>, while its contribution to government revenue declined from 63.6% to 36.1%. The nation is focused on creating further economic diversification and more job opportunities for nationals through improved education and increased private sector employment.

The UAE witnessed a modest growth of 1.7% CAGR in the government revenue during 2012-18 to USD 124.1bn. In 2018, the nation achieved a budget surplus of USD 9.2bn due to a decline in public expenditure at a CAGR of 2.1% to USD 114.9bn and an increase in oil prices in the last two quarters of 2018. The federal expenditure of UAE for 2019 (excluding expenditure of each of the seven emirates) is budgeted higher by 17.3% at USD 16.4bn compared to 2018 budget. The federal budget for education for 2019 has declined by 2.4% YoY (17.1% of the federal expenditure) to USD 2.8bn. Total K-12 enrolments increased at a CAGR of 3.8% during 2012-18 compared to a CAGR of 2.9% witnessed in the population of UAE, which largely comprises of expatriates, accounting for as much as 90%<sup>25</sup>. Abu Dhabi and Dubai are the largest emirates, together accounting for 76% of total primary and secondary enrolments in UAE.

The government's Vision 2021 is focused 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 35.6% of the workforce (in 2018) to 40% in 2021 by improving education quality, increasing the pre-primary GER to over 96% 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.

**Expatriates form majority of the population in UAE accounting for as high as 90%**

**Federal budget for 2019 increased by 17.3% YoY**

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

<sup>24</sup> Federal Competitiveness and Statistics Authority, UAE, Preliminary estimates.

<sup>25</sup> 2019 data





**UAE was ranked 34<sup>th</sup> in the UN Human Development Index for 2018**

The UAE was ranked 34<sup>th</sup> in the UN Human Development Index for 2018, one notch lower than the previous year but still better amongst 155 nations, classifying UAE into the group of nations that have achieved “Very High Human Development” for their citizens and residents. In 2018, the UAE occupied the first and second positions globally in 47 competitiveness indexes covering around 13 development sectors, reflecting nation’s efforts to achieve comprehensive development and the UAE 2021 Vision. In the area of education, UAE was ranked first globally in the category of “Percentage of Foreign Higher Education Student Enrolment,” as well as the “Rate of Completing the Elementary Stage in Schools” and “Presence of International Students,” according to the International Innovation Index of the INSEAD Business School in 2018.

**5.71 Key Statistics**

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	377.7	414.2	405.8	461.4
Real GDP growth	0.5%	1.7%	1.6%	2.4%
GDP per capita on PPP (USD)	62,204	61,511	60,619	59,294
Population (mn)	10.1	10.4	10.7	12.1
Inflation (%)	2.0	3.1	-1.5	2.0
Non-oil % of GDP	79.0	74.1	NA	NA
Non-oil exports (USD bn)	298.6	307.3	NA	NA
Budgeted federal education spend (USD bn)	2.78	2.83	2.76	NA
Budgeted federal education spend (% of federal expenditure)	20.9%	20.2%	17.1%	NA

Source: IMF, Federal Competitiveness and Statistics Authority, UAE

**5.7.2 PEST Analysis**

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>Political stability exists across the UAE, as reflected by its 60<sup>th</sup> rank in the World Bank’s Political Stability Index, covering 195 nations</li> <li>No corporate tax exists for any resident company in any of the emirates, however 5.0% VAT was introduced across UAE on 1<sup>st</sup> January 2018</li> <li>UAE has been ranked 11<sup>th</sup> globally in the World Bank’s Ease of Doing Business ranking in 2019 compared to 21<sup>st</sup> position in 2018</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>The UAE government continued to run a zero-deficit budget for the fourth consecutive year</li> <li>The federal budget towards education for 2019 is 1.0% lower than the previous year at AED 10.3bn (USD 2.8bn), which accounts for 17.1% of federal expenditure (20.2% for 2018)</li> <li>UAE parents are the highest spenders on education, paying around USD 99,378 annually compared to global average of (USD 44,221)<sup>26</sup>. The high level of disposable income is expected to increase demand for premium education facilities and institutes</li> </ul>

**No corporate taxes exist for resident companies**

**Federal education budget for 2019 declined to 17.1% of federal expenditure from 20.2% in 2018**

**Expatriates account for 89% of total population**

<b>Social</b>	<ul style="list-style-type: none"><li>• The large expatriate population (89%) is the key driver for high number of international schools, mainly in Abu Dhabi and Dubai</li><li>• Launch of programs such as Vision 2021 and Abu Dhabi Economic Vision 2030 are targeted towards educational reforms in UAE, prioritizing improvement in quality and infrastructure of education</li></ul>
<b>Technological</b>	<ul style="list-style-type: none"><li>• Vision 2021 lays down guidelines to ensure that all schools are equipped with smart systems and devices for all teaching methods, research and projects</li><li>• UAE Schools are experimenting with virtual reality to engage students in simulated environments which encourage creativity, problem-solving skills and critical thinking</li></ul>

Source: GFH Analysis

### 5.7.3 Education market segmentation

#### 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 March 2019, DEC announced that around 90% of private school students in Dubai will not have their school fees hiked by more than 2.07% effective FY 2019-20. Earlier in Dubai, private schools were allowed to hike school fees between 3.21-6.42% by the KHDA.

Higher education in UAE is governed by the Ministry of Higher Education and Scientific Research which is responsible for general planning of higher education and licensing private institutions.

#### 5.7.3.1 Pre-primary segment

Pre-primary segment across UAE is dominated by private schools, accounting for 79% of total pre-primary enrolments in 2018 due the large expatriate base. Total number of public kindergartens have declined at a CAGR of 0.1% from 124 schools in 2012 to 123 in 2018, with the fastest growth seen in the emirate of Fujairah (CAGR of 2.9%). Abu Dhabi has the maximum number of public kindergartens (53) followed by Sharjah (21).

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

**Dubai Executive council announced that 90% private schools in Dubai will not have their fees hiked by more than 2.07% effective FY 2019-20**

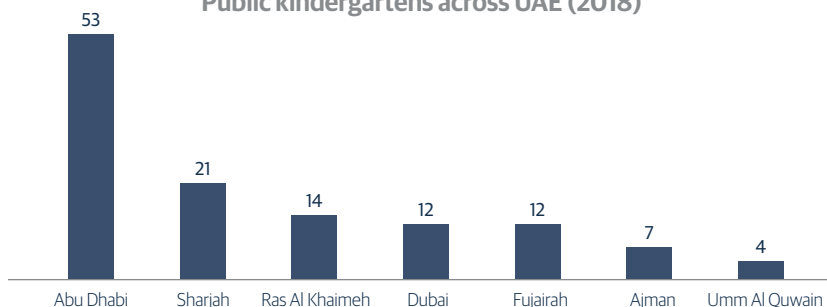
**Pre-primary segment is dominated by private schools accounting for 79% of enrolments**







### Public kindergartens across UAE (2018)



Source: Federal Competitiveness and Statistics Authority, UAE

### Growth in public kindergartens (2012-18 CAGR)

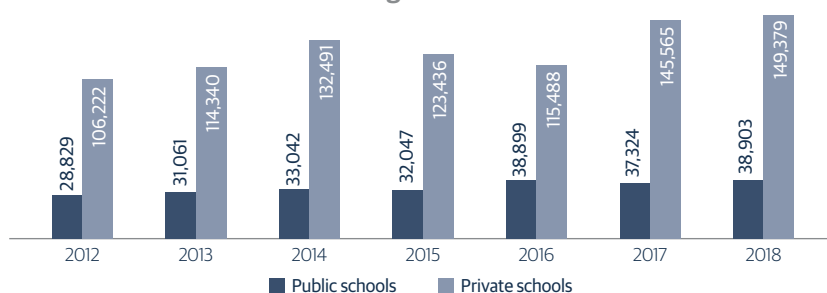


Source: Federal Competitiveness and Statistics Authority, UAE

**Pre-primary enrolments have grown at a CAGR of 5.7% during 2012-18**

Pre-primary enrolments have grown at a CAGR of 5.7% during 2012-18 driven by public as well as private enrolments, with Abu Dhabi and Dubai constituting the bulk of enrolments. Enrolment trends have been healthy at the pre-primary level with a GER of 92.6% in 2018, 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.

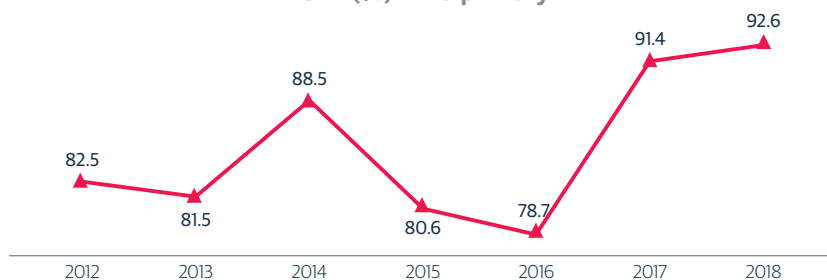
### Total kindergarten enrolments



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

**UAE's Pre-Primary GER has grown to 92.6% in 2018 from 82.5% in 2012 at the pre-primary level, which was the best among all GCC nations**

### GER (%) - Pre-primary

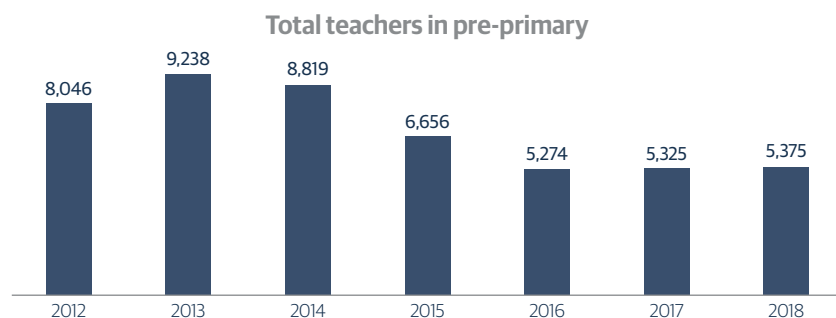


Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

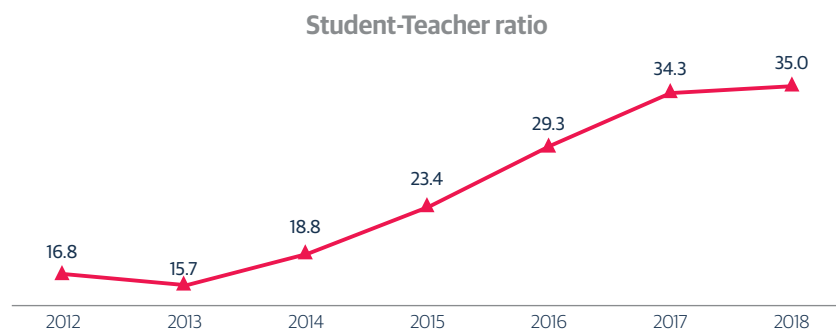
**The decline in number of teachers has pushed student-teacher ratio at very high levels of 35**

#### Teachers:

The number of teachers in pre-primary declined at a CAGR of 6.5% in 2012-18. 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. Student-teacher ratio across the pre-primary level has increased to 35.0 in 2018 compared to 16.8 in 2012, highest in GCC.



Source: UNESCO



Source: UNESCO

**Pre-primary enrolments are estimated to grow at a CAGR of 5.6% with improvement in GER from 92.6% to 104.8% during 2018-23**

#### Market size & estimates

The pre-primary segment is estimated to grow at CAGR of 5.6% during 2018-23 from 188,282 in 2018 to more than 247,600 in 2023, with an improvement in GER from 92.6% in 2018 to 104.8% in 2023. Private enrolments are expected to grow faster than public enrolments driven by the increasing expatriate population.

#### Supply and pipeline

Enrolment of students in affordable school is expected to increase in 2019, considering the announcement made by Abu Dhabi Department for Education and Knowledge (ADEK) to launch a new model of private school with fees ranging between AED 20,000 and AED 30,000 (USD 5,443 and USD 8,165). Ten new affordable private schools, offering a range of curriculums, are expected to open over 2019-21, some of which are expected to open in FY 2019-20 academic year. ADEK has also announced of ten new 'community schools' in 2019, of which five have been launched in January 2019 and five were to be launched in September 2019. In 2018-19, 20 new schools were expected to open in Dubai and Abu Dhabi. The pre-primary schools which are likely to start in 2019-2020 are as follows:





Schools	Location	Type	Capacity
Al Yahar	Abu Dhabi	Public	1,250
Al Shuaiba	Abu Dhabi	Public	1,250
Al Faydah	Abu Dhabi	Public	1,250
Al Qua'a	Abu Dhabi	Public	1,000
Shakhbut City	Abu Dhabi	Public	1,250
Royal Academy	Dubai	Public	1,500

Source: Abu Dhabi Education Council

### Key players in pre-school market

Schools	Curriculum	KHDA / ADEC Rating	Fee Structure Range (USD)
Kings' School Dubai	UK	Outstanding	11,875
GEMS Wellington International School	UK/IB	Outstanding	11,963 - 15,068
GEMS Modern Academy	Indian	Outstanding	7,799 - 9,627
Lycee Francais International Georges Pompidou (Oud Metha KG)	French	Outstanding	6,861
Repton School	UK/IB	Outstanding	14,392 - 15,864

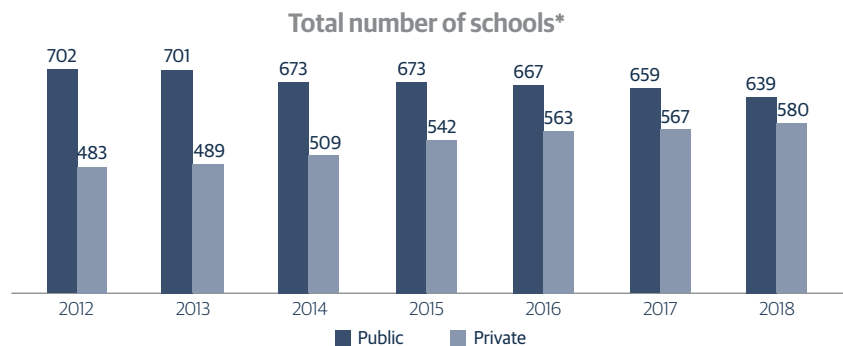
Source: ADEC and KHDA; Fees from respective school websites

**Private schools in UAE increased at a CAGR of 4.9% during 2012-18 and account for 51% of total schools**

### 5.7.3.2 Primary and secondary segment

While the increase in total number of schools during 2012-18 has been very moderate from 1,185 to 1,262, growth in private schools (constituting 51% of total schools) has been strong at a CAGR of 4.9%. 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 2.1%) in the number of public schools during 2012-18. In 2018, Abu Dhabi was home to maximum number of private schools (224), followed by Dubai (208). GER has declined to 95.6% in 2018 from over 100% seen during 2014-16, however it is still at a higher rate as education is compulsory at the primary level.

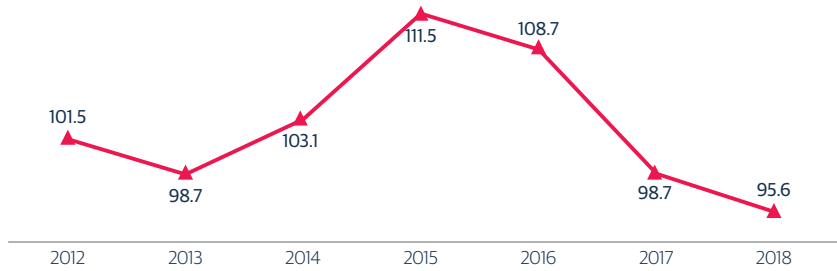
**GER at the primary level is still high at 95.6% in 2018**



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE, \*Actual data not published

**Enrolments in primary and secondary schools have grown at a CAGR of 3.4% in 2012-18 mainly driven by private school enrolments (CAGR of 4.7%)**

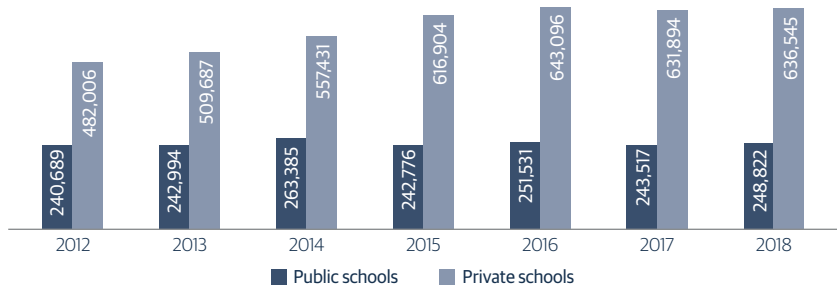
### GER (%) - Primary level



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

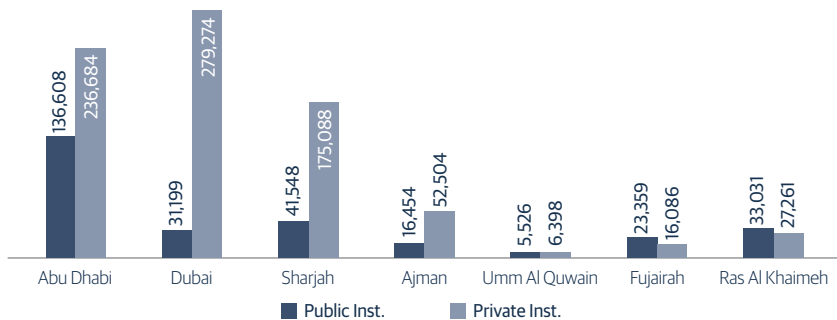
Enrolments across primary and secondary segments have grown at a CAGR of 3.4% during 2012-18, mainly driven by the growth in private enrolments, which increased at a CAGR of 4.7% compared to a 0.6% CAGR in public enrolments on account of the recent shift in preferences towards private schools and an increase in the expatriate population. Expatriates accounted for 66% of total primary and secondary enrolments in private schools in 2016. 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



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

### Enrolments - Emirate wise 2018



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE



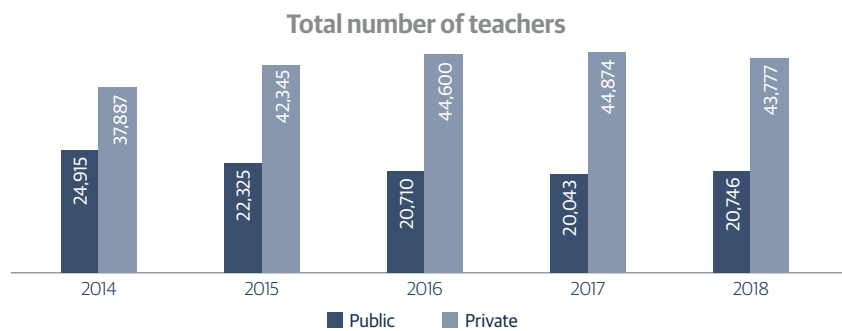


**High cost of living in UAE and strict laws pertaining to unmarried couples have worsened the problem of teacher shortage in UAE**

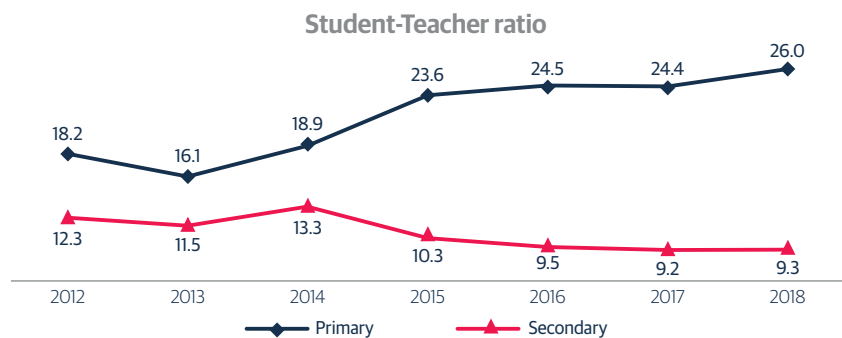
Teachers:

The total number of teachers across primary and secondary schools in UAE increased at a CAGR of 4.6% during 2012-18 mainly driven by increase in number of private school teachers (CAGR of 5.6%). Despite this growth, there remains a shortage of teachers across the UAE, especially in foreign schools. A high turnover of teachers in international schools is also one of the major issues impacting UAE, as many teachers come to Dubai on short term contracts. Higher cost of living has also affected foreign teachers who 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.

The student-teacher ratio at the primary level is among the highest in the UAE at 26.0. However, the ratio at the secondary level is comparatively low at 9.3 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.



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

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

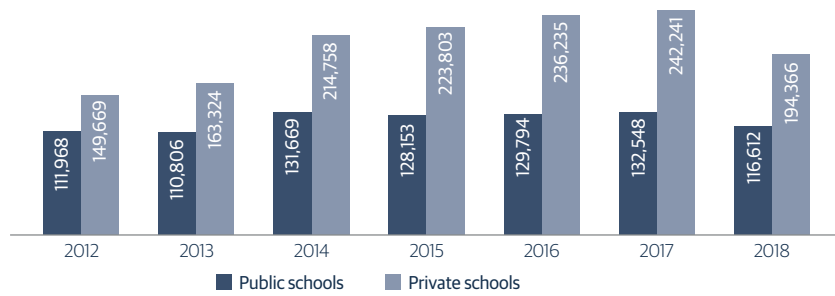
Fees across private schools in UAE vary based on their curriculum, with IB curriculum American and British schools being the most expensive. Fees of South Asian schools are lower, which target the expatriate population from those countries. For example, American School of Dubai charges an annual fee of AED 85,581 (USD 22,480) whereas the Abu Dhabi Indian School charges around AED 5,371- 12,521 (USD 1,462-3,408 p.a.)

**Private enrolments in Abu Dhabi grew at a CAGR of 3.5% during 2013-18, while that in Dubai grew at a 4.6% CAGR**

### Abu Dhabi and Dubai primary and secondary education market

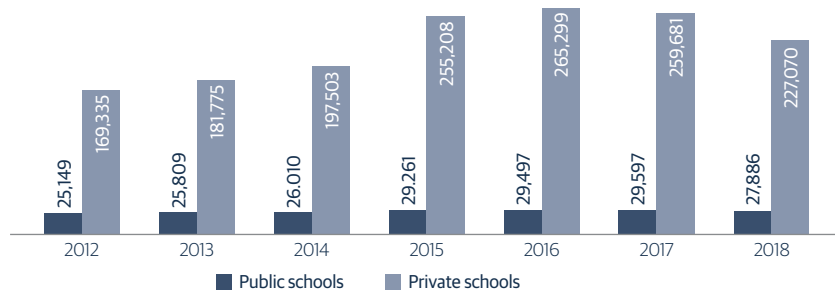
Abu Dhabi and Dubai are the two largest emirates in UAE and they account for majority of enrolments across UAE. Private schools account for maximum number of enrolments in these emirates, especially in Dubai where they account for 89% of total enrolments mainly due to the high expatriate population mix. The emirate of Abu Dhabi accounts for the maximum number of total enrolments (29%) in UAE. Total enrolments increased at a CAGR of 2.9% and 4.6% during 2012-18 in Abu Dhabi and Dubai, respectively driven mainly by growth in private enrolments (CAGR of 4.5% and 5.0%, respectively). Private enrolments in both the emirates are expected to increase due to economic growth prospects, which are likely to attract foreign professionals into the emirate. The student-teacher ratios in is 12.1 and 14.0 in emirates of Abu Dhabi and Dubai, respectively, with number of teachers having grown at CAGRs of 2.4% and 3.9%, respectively during 2012-18.

Abu Dhabi - Enrolments



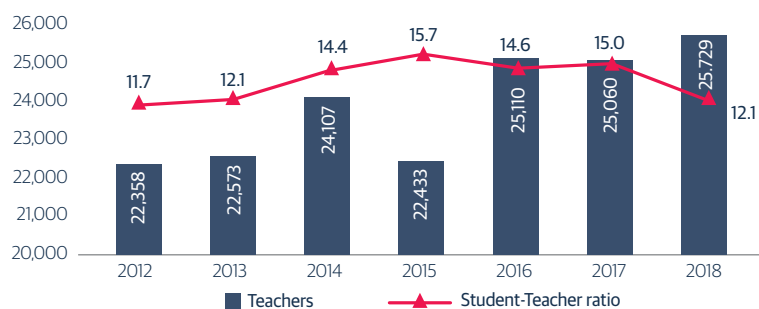
Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

Dubai - Enrolments



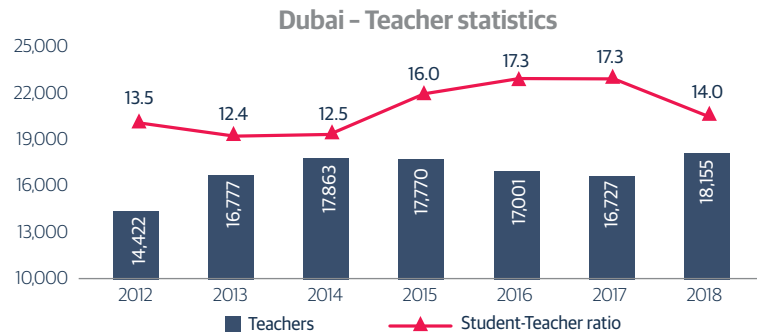
Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

Abu Dhabi - Teacher statistics



Source: Statistics Center - Abu Dhabi, Dubai Statistics Center





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**

**Both primary and secondary enrolments are expected to grow at a CAGR of 4.1% during 2018-23**

### Factors affecting demand and supply

- The significant expatriate population (89% of total population), which is further expected to increase due to World Expo 2020 in Dubai, remains a major driver for growth in private education across UAE
- Lack of a skill based curriculum has forced many male students to drop out of secondary education, thereby affecting higher education demand in UAE

### Market size & estimates

The primary enrolments are estimated to grow at a CAGR of 4.1% during 2018-23 to more than 546,000 in 2023, with the GER estimated to improve from 95.6% in 2018 to 100.5% in 2023. Secondary enrolments are estimated to grow at a CAGR of 4.1% during 2018-23 with increase in GER from 82.9% to 87.2% during this period.

### Supply and pipeline

The demand for private education in Dubai is likely to increase primarily on account of increasing population and government's efforts to transform the nation into a diversified knowledge based economy. It is estimated that 52 new educational facilities will be needed in Dubai during 2016-20 to cater to this demand.<sup>27</sup>

Abu Dhabi is expected to have five public schools by 2020 and four private schools. The development pipeline for primary and secondary schools under this program is as follows:

Schools	Location	Type	Capacity
Al Yahar	Public	Abu Dhabi	1,250
Al Shuaiba	Public	Abu Dhabi	1,250
Al Faydah	Public	Abu Dhabi	1,250
Al Qua'a	Public	Abu Dhabi	1,000
Shakhbut City	Public	Abu Dhabi	1,250
Royal Academy	Public	Dubai	1,500

Source: Abu Dhabi Education Council

School	Type	Location	Curriculum	Capacity
Al Takamul Private School	Private	Abu Dhabi	American	1,200
Stepping Stones Private School	Private	Abu Dhabi	British	360
Polaris Private Academy	Private	Sharjah	UAE	1,250
Al Manara Private School	Private	Dubai	UAE	1,250
Repton School	Private	Abu Dhabi	UAE	1,250

### GEMS Schools

School	Type	Location	Curriculum	Fees
GEMS Vertus School	Private	Dubai	National	AED 34,000 to 42,500 (USD 9,254 to 11,5680)
Mizhar	Private	Dubai	National	AED 22,000 to 29,000 (USD 5,988 to 7,893)
Juwaiza'a	Private	Sharjah	Indian	Upcoming
GEMS	Private	Abu Dhabi	International	Upcoming

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

The demand for schools in UAE is expected to increase with the growing population. No major gap in demand and supply is estimated given the supply pipeline up to 2020 in UAE, largely led by Abu Dhabi and Dubai.

### Top players in primary and secondary school market

Schools	Curriculum	KHDA / ADEC Rating	Fee Structure Range (USD)
GEMS Wellington International School	UK/IB	Outstanding	15,068 - 26,027
Dubai British School	UK	Outstanding	17,697 - 20,419
GEMS Jumeirah Primary School	British	Outstanding	14,024
Kings School, Dubai	British	Outstanding	14,975 - 18,073
GEMS Modern Academy	Indian	Outstanding	10,902 - 14,274
Repton School, Abu Dhabi	British	Outstanding	16,268 - 18,241

Source: ADEC and KHDA; Fees from respective school websites

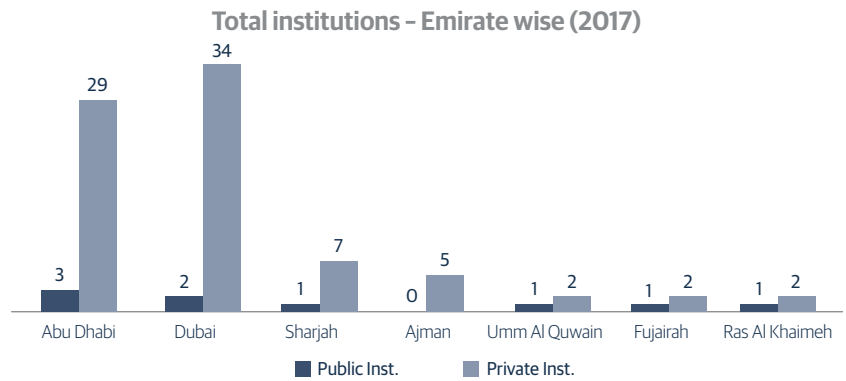
**Despite government colleges being free for UAE nationals, private institutes account for 73% of total enrolments in 2017**

### 5.7.3.3 Tertiary segment

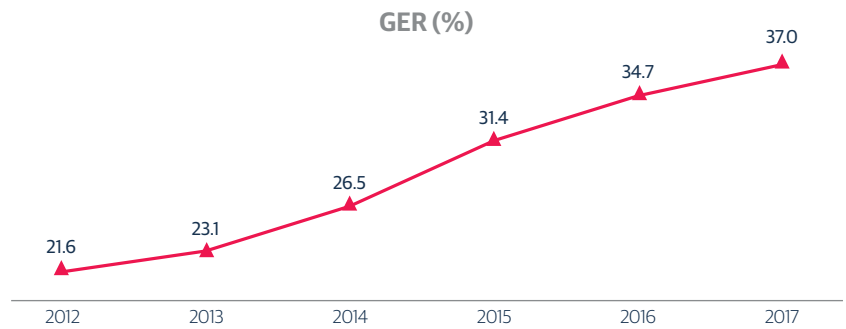
The UAE tertiary segment comprises of 79 licensed institutes (including public and private), majority of which are located in Abu Dhabi and Dubai. The three main government institutions in UAE are 1) United Arab Emirates (UAE) University, 2) Higher College of Technology (HCT) and 3) Zayed University. Dubai has five public universities and 61 private universities and colleges.







Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE



Source: UNESCO, Federal Competitiveness and Statistics Authority, UAE

**Enrolments at the tertiary level grew at a healthy CAGR of 9.5% during 2012-17 with GER increasing from 22% to 37% during this period**

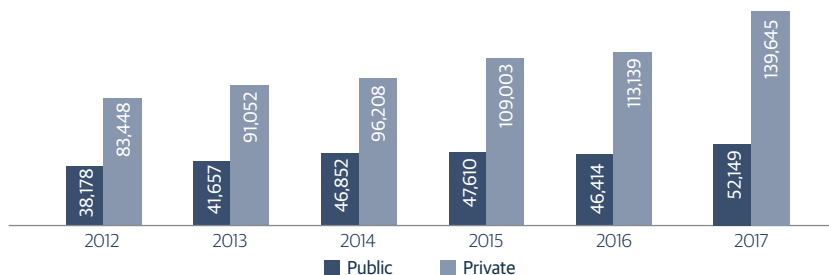
Enrolments at the tertiary level in UAE increased at a strong CAGR of 9.5% during 2012-17 with private enrolments growing faster (CAGR 10.8%) than public enrolments which saw a CAGR of 6.4%. Contribution of female enrolments at the tertiary level has declined to 46.9% in 2017 from 51% in 2016. The GER at the tertiary level increased from 21.6% in 2012 to 37.0% in 2017.

Higher education sector offers number of opportunities for investors and operators to grow, as currently, only 15% of total K-12 students attend private universities in Dubai.

In September 2017, MoE launched the National Strategy for Higher Education 2030 to build and achieve the highest scientific and professional education standards to serve the UAE's future generations. The following initiatives were part of the strategy:

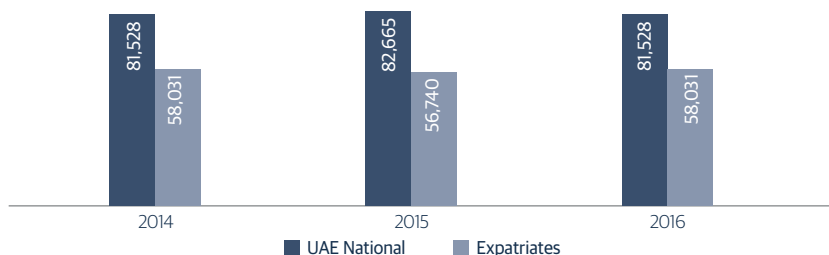
1. **The Investment in Knowledge:** Aims to increase the number of Ph.D. students by increasing support for postgraduate funding and creating incentives to pursue higher education by ensuring attractive job opportunities
2. **The Competitive Research Funding:** An initiative that will create a platform to provide funding for research in vital sectors and stimulate the collaboration between higher education institutions and the private sector

### Total enrolments



Source: Federal Competitiveness and Statistics Authority, UAE

### Student mix 2016



Source: Federal Competitiveness and Statistics Authority, UAE

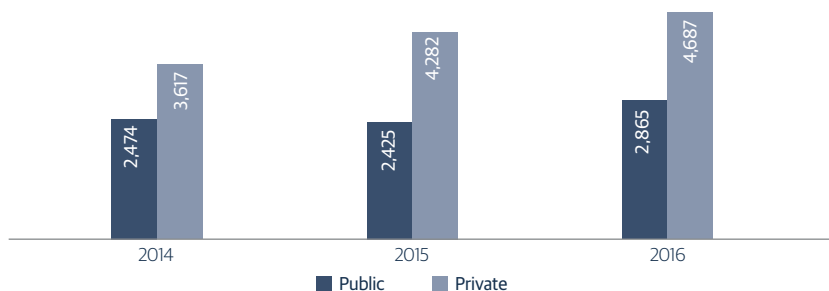
**Expatriates account for over 87% and 98% of teachers at all public and private universities, respectively**

### Teachers:

Majority of teachers at the tertiary level are expatriates, accounting for 87% and 98% in public and private universities, respectively. While the number of teachers at the tertiary level increased at 8.5% CAGR during 2013-16, the student-teacher ratio at the tertiary level in UAE declined to 21.1 compared to 22.5 in 2013.

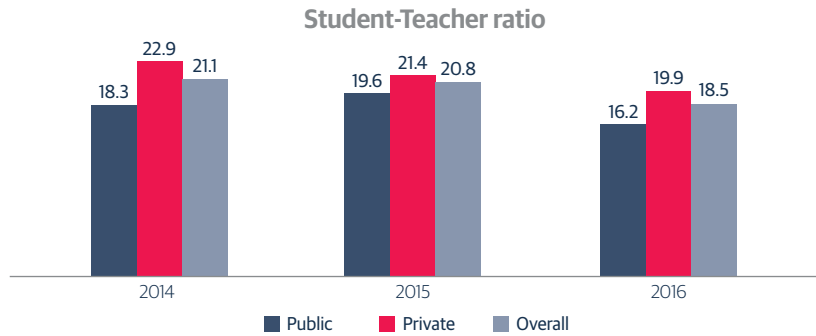
### Tertiary teacher statistics

#### Total number of teachers



Source: Federal Competitiveness and Statistics Authority, UAE





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

**Tertiary enrolments are estimated to grow at CAGR of 8.7% during 2017-23 with increase in the GER from 37.0% to 51.1% in 2023**

### 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

### Market size & estimates

Enrolments at the tertiary level are estimated to grow at a CAGR of 8.7% during 2017-23 to more than 31,600 while the GER is estimated to improve from 37.0% in 2017 to 51.1% in 2023, driven by private and public enrolments which are supported by increasing number of international enrolments at foreign universities.

### Key players in tertiary education market

University/College	Sector	Curriculum	Fee Structure p.a. (USD)
New York Institute of Technology	Private	Accounting, Engineering, Journalism, Law, Media	9,964 - 16,158
The British University in Dubai	Private	Business, Law, Engineering, IT	61,259
The University of Sharjah	Private	Law, Arts, Humanities and Social Sciences, College of Sciences, Mass communication, Business Administration, Engineering, Dentistry	3,902 - 14,640
Zayed University	Public	Arts, Business, Science, Media, Economics and Communications	22,870 - 34,849
Higher Colleges of Technology	Public	Engineering, Health Science, IT	326 per credit
United Arab Emirates University	Public	Business, Economics, Engineering, Law, Medicine, IT.	36,306

Source: Fees from University / College websites

### 5.7.3.4 SWOT Analysis

Strengths	Weaknesses
<p>A. Large expatriate population is a key driver for private education demand, which is likely to rise further considering the employment opportunities provided by UAE</p> <p>B. Strong spending power of parents augurs well for foreign schools to set up base in UAE and improve quality of education</p> <p>C. Quality of higher education - an established breeding ground for foreign universities or their campuses, with presence of DIAC</p>	<p>A. Shortage of teachers, especially across foreign schools is likely to impact quality of education</p> <p>B. High dropout ratio among local males in the secondary segment has affected enrolments across schools</p>
Opportunities	Threats
<p>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</p> <p>B. Existing skills gap and demand for technically trained employees is likely to increase demand for vocational training</p> <p>C. Improving fiscal position due to higher oil prices is expected to support government spending towards education</p>	<p>A. Regulation of private school fees could act as a deterrent to private players to establish schools in UAE</p>

Source: GFH Analysis

### 5.7.3.5 Investment Opportunities

#### Major M&A deals in UAE

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2018	Amanat Holdings	Sobha Ltd-North London Collegiate School Real Estate Assets	UAE	98	NA
2018	Undisclosed Acquirer	Eton Institute	UAE	N/A	NA
2018	Eng Nashat Sahawaneh*	Philadelphia Pvt. School	UAE	N/A	NA
2018	Amanat Holdings PJSC	Abu Dhabi University Holding LLC	UAE	87.2	35.0%
2018	Khazanah Nasional Bhd	Gems Menasa Cayman Ltd	UAE	N/A	N/A
2017	Al Mal Capital PSC*	Mir Hashem Khoory LLC-Kent College Dubai	UAE	N/A	NA
2017	Abraaj Capital Ltd	Middlesex Uni Dubai	UAE	74.8	NA
2017	Kaplan Inc	Genesis Institute	UAE	N/A	100.0%
2017	GEMS Education Ltd	Wesgreen Intl. School	UAE	N/A	NA





2016	KOOH Sports Pvt Ltd	Its Just Football	UAE	1	NA
2016	Al Najah Education LLC	Brooklyn Melodies Music Centre	UAE	N/A	NA
2016	Large Saudi Conglomerate	Emirates College of Technology	UAE	N/A	NA
2016	Amanat Holdings PJSC	Madaares PJSC	UAE	38	16.0%
2016	Rashed Abdul Rahman Al Rashed & Sons Group	Emirates College of Technology	UAE	N/A	NA

Source: Thomson Reuters

Deals in the UAE education sector have largely been in the private school space, indicating the increasing demand for schools offering international curriculum, such as the Philadelphia Pvt. School, Abu Dhabi University Holding LLC. and GEMS Menasa Cayman Ltd.

### Outlook

Although federal expenditure and budgeted spend towards education for 2019 has decreased to 17.1% compared to 20.2% in 2018, 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 9.5% during 2012-17, 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. Overall, outlook for education in UAE is positive with enrolment growth expected to steadily increase across all segments.

The UAE government has allocated AED 5.0bn (USD 1.4bn) to invest in hi-tech infrastructure for schools over the period of next six years in 800 public and private schools following the curriculum of the MoE. However, the UAE education sector is witnessing oversupply of schools which will force the low-performing institutions out of the market while the medium and high-end schools will see consolidation.

eLearning market is the fast emerging segment and is increasing its revenue coming from various conventional education system. eLearning industry in the UAE is still in its early growth stage. In 2018, the technology market had more than half of the share in the overall eLearning market in UAE.



### 5.8 Egypt

Egypt has a mixed economic system with centralized economic planning and government regulation. Egypt government's revenue increased at a CAGR of 18.9% during 2012-18 to USD 51bn in 2018. Despite of the healthy revenue growth the nation reported high fiscal deficit, which increased at a CAGR of 10.6% during 2012-18 to USD 22.5bn. The consistent high level of fiscal deficit is primarily driven by higher public expenditure which increased at a CAGR of 15.9% to USD 73.2bn during 2012-18. The nation's total expenditure for 2019 is budgeted higher by 18.0% YoY to USD 86.3bn.

**In budget 2019, the allocation for education sector increased by 26.9%**

According to the Article 19 of the nation's constitution, education is free across the nation at various levels. The State's educational institutions, kindergarten, elementary schools and universities are financed by the government. The 2019 budget for education increased by 26.9% YoY to USD 12.2bn. Total K-12 enrolments increased at a CAGR of 2.6% during 2012-18 compared to a 2.8% CAGR witnessed in the population of Egypt for the same period.





### 5.8.1 Key Statistics

Macro parameter	2017	2018	2019E	2023F
Nominal GDP (USD bn)	236.5	249.6	302.3	419.8
Real GDP growth	4.1%	5.3%	5.5%	6.0%
GDP per capita on PPP (USD)	11,530	11,870	12,243	14,078
Population (mn)	94.8	97.0	99.2	108.7
Inflation (%)	23.5	20.9	13.9	7.0
Non-oil % of GDP	5.9	6.4	5.9	6.8
Non-oil exports (USD bn)	15.1	16.3	18.0	28.5
Budgeted federal education spend (USD bn)	8.3	9.6	12.2	NA
Budgeted federal education spend (% of GDP)	4.0%	3.6%	3.3%	NA

Source: IMF, Ministry of Finance

### 5.8.2 PEST Analysis

PEST Factors	Remarks
<b>Political</b>	<ul style="list-style-type: none"> <li>Although the political stability of Egypt is very low as indicated by its 177<sup>th</sup> rank in the World Bank's Political Stability Index, the country continues to be a key influencer within the Arab world and in the wider MENA region</li> <li>The State has a Presidential system of government and the legislative power is unicameral, with the power resting with House of Representatives</li> <li>There are eight different active political alliances based on their religious and political orientation</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>Egypt's GDP increased to EGP 4.4tn (USD 250bn) in FY 2018 from EGP 3.5tn (USD 237bn) in FY 2017, largely due expansion in the gas extractives, tourism, manufacturing, construction and ICT sectors</li> <li>Agriculture contributes 11.5% of the GDP in 2018 and employs 24.5% of the active population</li> <li>The services sector represents 55.2% of the nation's GDP and employs 49.6% of the population. The sector is largely dominated by revenues from telecommunications and tourism</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Arabic is the official language of Egypt with the vast majority of population speaking Egyptian Arabic</li> <li>Egypt's constitution specifies free and compulsory education for all children between the age of 6 and 15 years</li> <li>The official youth literacy rate increased from 85% in 2005 to 94% in 2017</li> <li>The number of international degree-seeking students in the country is consistently increasing due to the introduction of the International Branch Campus Law. In 2017, approximately 47,000 foreign college students enrolled in Egypt which was a significant increase compared to fewer than 2,000 in 2010</li> </ul>
<b>Technological</b>	<ul style="list-style-type: none"> <li>Egypt has implemented the new education system at secondary schools to eliminate focus on textbook answers and provide encouragement to independent research</li> <li>As on March 2019, 400,000 tablets were delivered, of the planned 1.0mn under the new education system</li> </ul>

Source: GFH Analysis

Expatriates account for  
-10% of total population

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**Egypt has the largest education system in the MENA region**

### **5.8.3 Education market segmentation**

#### **Market and regulatory structure**

Egypt has the largest education system in the MENA region with 12.6mn elementary students, 9.1mn secondary students and 2.9mn tertiary students in 2018. The basic education which is compulsory, comprises of six years of elementary school education and three years of secondary school and is completed till the age of 15 years. Post completion of the secondary school, students have the option to go for a three year senior secondary school or five year technical secondary education.

In response to the increasing demand for higher education, the country in the early 1990s started liberalizing its state-controlled system and permitted the establishment of private higher education institutes. However, total enrolments in private institutions remained relatively low compared with those of other African countries that pursue privatization to accommodate surging demand.

Since September 2018, the Egyptian government introduced the New Educational System (NES) in the kindergarten and primary section with following features:

1. No exams for first to the fourth grade students
2. Conduct examination at the school level and not national level
3. No more paper exams, exams to be conducted through the student's digital device
4. Allowing students to carry books with them to the exam, to achieve the goal of comprehension rather than memorization
5. The new curriculum will be multidisciplinary to allow unity of all subjects, avoid repetition of concepts and the interrelationship between different branches of sciences
6. The teacher is the cornerstone of the new education system and Ministry of Education (MoE) is working on training 200,000 teachers

The Egypt Cabinet announced the following achievements in the education sector until March 2019:

1. Under the NES a total of 45,800 teachers were trained to use technology in the education process
2. Two out of 11 Honor Students Schools were equipped with the required technology, situated in the governorates of Sharqeya and Qalyubiyah
3. Established 3,491 and renovated 1,362 classrooms as part of its plan to establish 40,000 new classrooms by 2023
4. 1,252 teachers were trained to deal with students with mild disabilities
5. 1,176 teachers and officials were trained for technical education and entrepreneurship
6. The first phase of Zoweil University was finished, and the second phase has begun as part of the High and University Education System Program
7. The construction of the buildings of six faculties at the International University for Science and Technology is ongoing







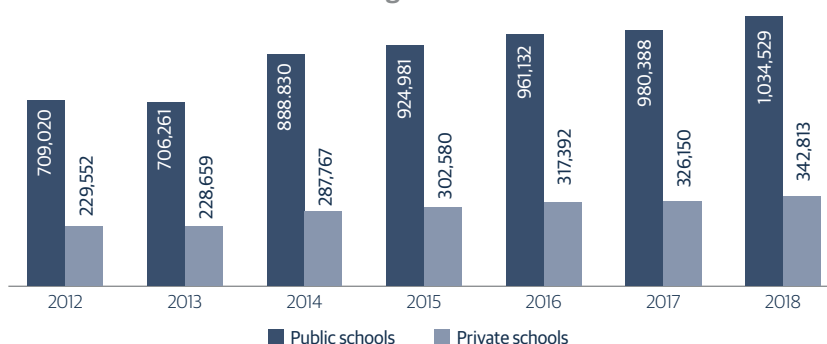
**Pre-primary enrolments have grown at a CAGR of 6.6% during 2012-18**

### 5.8.3.1 Pre-primary segment

Pre-primary segment across the Egypt is dominated by public schools, accounting for 75% of total pre-primary enrolments in 2018. The enrolments have increased at a CAGR of 6.6% during 2012-18 driven by higher public as well as private enrolments. The nation reported a low GER of 28.7% in 2018 compared to a GCC average of 58.7. This can also be attributed to the huge population of around 97mn.

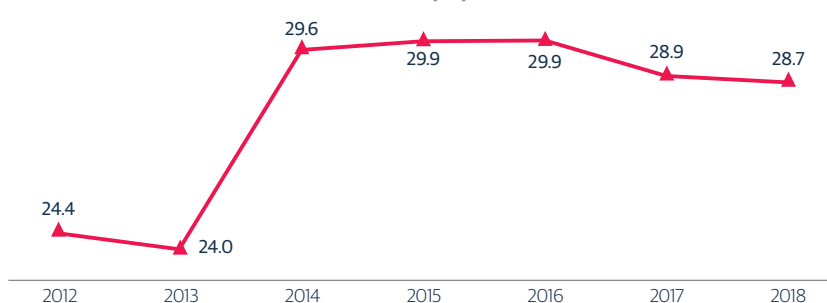
**Egypt's pre-primary GER has grown to 28.7% in 2018 from 24.4% in 2012**

Total kindergarten enrolments



Source: UNESCO

GER (%)



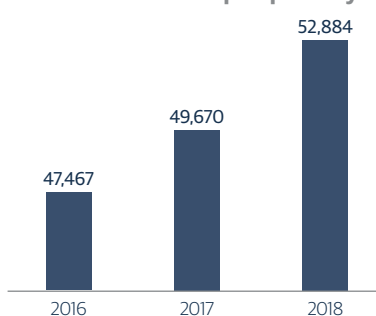
Source: UNESCO

#### Teachers:

The number of teachers in pre-primary schools increased at a CAGR of 5.6% during 2016-18 to 52,884 in 2018. The student-teacher ratio was almost flat at around 26.0 in 2018 compared to 26.9 in 2016.

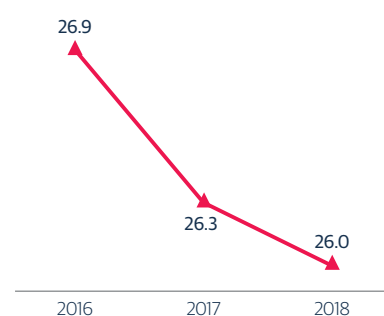
**The student-teacher ratio remained almost flat during 2016-18**

Total teachers in pre-primary



Source: UNESCO

Student-Teacher ratio



**Pre-primary enrolments are estimated to grow at a CAGR of 4.9% during 2018-23 with improvement in GER from 28.7% to 32.5%**

### Market size & estimates

The pre-primary segment is estimated to grow at CAGR of 4.9% during 2018-23 from 1.4mn in 2018 to more than 1.7mn in 2023, with an improvement in GER from 28.7% in 2018 to 32.5% in 2023. Private enrolments are expected to grow faster than public enrolments due to increasing preferences for private education.

### Supply and pipeline

Egypt government has signed PPP schools agreement with number of investors in January 2019, to build and operate schools with a total of 910 classrooms at an estimated cost of EGP 500mn (USD 30mn) as part of the first phase of the program. The first offering saw 24 land plots in six governorates being awarded on 30-year usage terms to five consortiums.

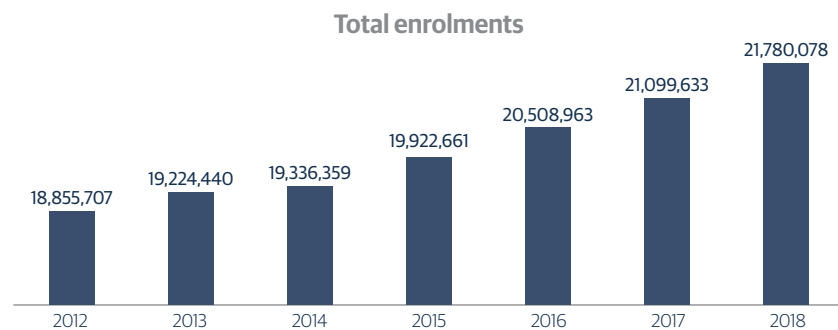
The government expanded the PPP schools program in September 2018 to include 1,000 schools and announced plans for the phase two of the program consisting of 200 schools to be offered in a tender that is expected to be completed by 2021.

### 5.8.3.2 Primary and secondary segment

Though the education at public primary and secondary schools is nominally charged, the low quality of the education at these institutions drives more affluent families to send their children to private schools, unaffordable to the majority of the population. Private schools offering high-quality education mostly operate in the cities of Alexandria, Cairo and Giza.

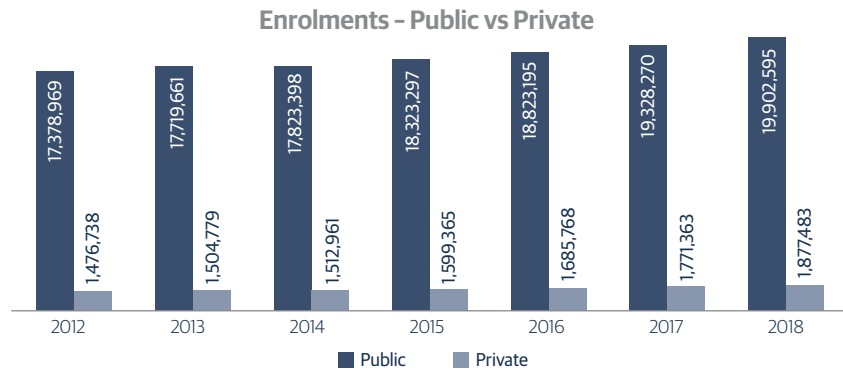
Enrolments across primary and secondary segments have increased at a CAGR of 2.4% each during 2012-18, mainly driven by the growth in private enrolments. During 2014-18, the total private enrolments for primary and secondary segment increased at a CAGR of 5.5% and 5.6%, respectively while the public enrolments for the same period increased at a CAGR of 3.0% and 2.5%, respectively.

**Total enrolments grew at a CAGR of 2.4% during 2012-18**



Source: UNESCO

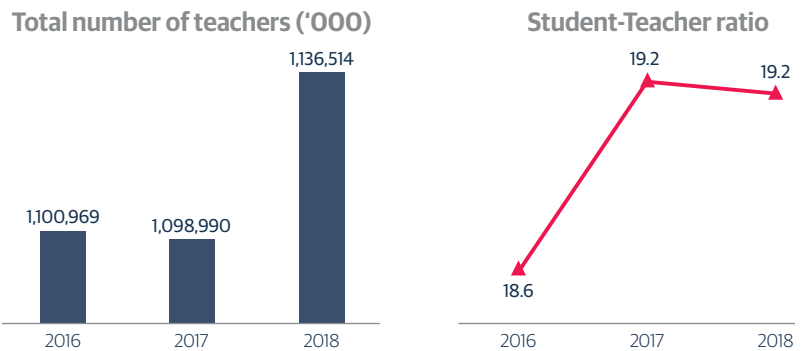




Source: UNESCO

#### Teachers:

The total number of teachers in primary and secondary section increased at a CAGR of 1.6% to 1,136,514 during 2016-18, which increased the student-teacher ratio to 19.2 in 2018 compared to 18.6 in 2016.



Source: UNESCO

#### Supply and pipeline

Egypt's MoE is completing the establishment of nine public international schools which charge nominal fees. These schools are established to grant international certificate programs to middle class students, including the International Baccalaureate (IB), the American Diploma and International General (IG).

EFG Hermes, Egypt's biggest investment bank and GEMS Education, UAE's largest private school operator have formed a 50:50 JV in 2019 to invest around USD 300mn in Egyptian education sector over next five years. The JV targets an internal rate of return (IRR) of 25% per annum. EFG considers the Egyptian education market to be lucrative as there are over 600,000 students that enter schools each year and has around 21mn enrolled students, of which 10% are in private schools.

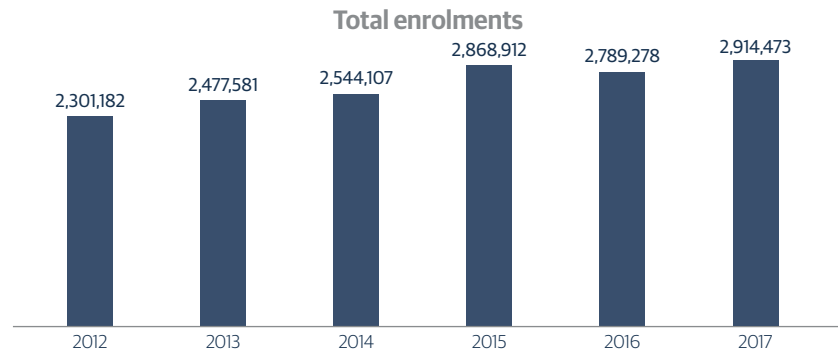
#### Market size & estimates

The primary enrolments are estimated to increase at a CAGR of 3.3% during 2018-23 to more than 14.9mn in 2023, with the GER estimated to improve from 106.3% in 2018 to 111.7% in 2023. Secondary enrolments are estimated to increase at a CAGR of 3.3% during 2018-23 with increase in GER from 87.9% to 92.4% during this period.

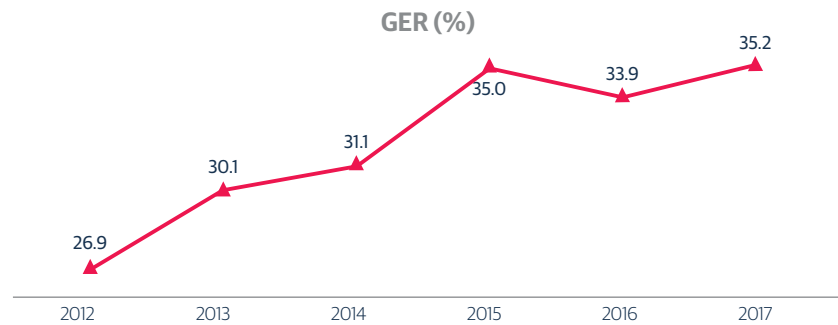
**Enrolments in Tertiary segment increased at a CAGR of 4.8% during 2012-17**

### 5.8.3.3 Tertiary segment

Enrolments at the tertiary level in Egypt increased at a healthy CAGR of 4.8% during 2012-17. The GER improved from 26.9 in 2012 to 35.2 in 2017, due to the nation's efforts to improve the impact of education on the society.



Source: UNESCO



Source: UNESCO

**Tertiary enrolments are estimated to grow at CAGR of 7.9% during 2017-23**

### Market size & estimates

Enrolments at the tertiary level are estimated to grow at a CAGR of 7.9% from 2017-23 with the GER estimated to improve from 35.2% in 2017 to 48.5% in 2023. In 2019, out of the 50 Egyptian universities, 26 are private, as more Egyptian households are willing to pay for quality education.





#### 5.8.3.4 SWOT Analysis

Strengths	Weaknesses
<p>A. Egypt has the largest education system in the MENA region with total 26.3mn enrolments in the K-12 and tertiary market. The country has been valuing education as the means to social and economic mobility</p> <p>B. Sustainable demand for education due to huge population which grew steadily at a CAGR of 2.8% during 2012-18</p> <p>C. The spending on pre-tertiary education has increased from EGP 29bn (USD 1.7bn) in FY 2008-09 to a budgeted EGP 202bn (USD 12.2bn) in FY 2018-19</p> <p>D. Egypt has achieved close to universal access to primary education with a net enrolment rate of 97% in 2018</p> <p>E. In 2019, the Times Higher Education list for the best 1,200 universities incorporated 19 Egyptian universities compared to only three in 2016</p> <p>F. Egypt has improved in the 2019 Global Innovation Index by 13 ranks to 92 when compared to 2018, reflecting the nation's success in innovation</p>	<p>A. The percentage of people below poverty line has increased to 32.5% across Egypt during 2017-18 compared to 27.8% in 2015, according to Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS)</p> <p>B. Highest unemployment amongst university graduate (34% in 2018) and many more engaged in insecure, low status and low-paid work</p> <p>C. Expatriates population which is responsible for driving growth of the education sector in all the GCC nations, is very low at 10% of the total population</p>
Opportunities	Threats
<p>A. Improving macroeconomic environment showing strong signs of recovery supported by USD 12bn support from the IMF</p> <p>B. The Egyptian government is actively encouraging private-sector participation for establishing schools. In February 2019, the nation signed USD 36mn contract to construct 24 language schools across the nation through PPP</p> <p>C. High population and lack of resources for education indicate significant growth opportunities</p> <p>D. The government is also increasing the number of partnerships with global universities</p> <p>E. The efforts to improve the nations Information and Communications Technology (ICT) sector has started repaying. The sector's contribution to GDP is likely to reach 4.0% by 2019 and 5.0% by 2021 compared to 3.5% in 2018, according to Minister of Communications and Information Technology</p>	<p>A. Strong reliance on the government as the main education provider. In 2018, 90% of the total K-12 student population attended public schools and 80% of total higher education students attended public universities</p> <p>B. Government spending between 2004 and 2017 declined from 11.9% to 7.4% of the state budget for pre-university education and from 3.5% to 2.3% for tertiary institutions, according to CAPMAS</p> <p>C. In 2018, the MoE prepared a draft law to criminalize unauthorized education centers, as the household expenditure on education exceeded that of the government</p>

Source: GFH Analysis

### 5.8.3.5 Investment Opportunities

#### Major M&A deals in Egypt

Period	Acquirer	Target Company	Country	Deal Value (USD mn)	Stake Acquired
2019	Egyptian-American Enterprise Fund	Advanced Education for the Establishment, Management, and Ownership of Educational Facilities S.A.E.	Egypt	NA	NA
2018	Egyptian Financial Group-Hermes Holding Co	Portfolio of Schools in Egypt	Egypt	48	100%
2015	Abraaj Group Ltd	Thebes Education Group	Egypt	NA	NA

Source: Bloomberg

The Egyptian-American Enterprise Fund (“EAEF”) completed the acquisition of a minority stake in “Advanced Education for the Establishment, Management, and Ownership of Educational Facilities S.A.E.” for an undisclosed amount. The company exclusively manages and operates Dr. Nermien Ismail Language Schools, one of the largest blended learning and technology focused private school in Egypt.

Also the acquisition of Egyptian Financial Group-Hermes Holding Co is one of the largest deal in the Egypt’s education sector in value terms.

#### Outlook

Egypt has the largest education system in the MENA region with around 23mn students in pre-tertiary education. The overall population has been growing at a CAGR of 2.8% during 2012-18 to 97mn and is forecasted to grow at a CAGR of 2.3% during 2018-23 to reach 109mn. The GDP growth rate has improved to 5.3% in 2018 compared to 2.2% in 2012 and is expected to reach 5.9% in 2023. In November 2018, S&P Global Ratings raised Egypt’s sovereign credit rating to B from the earlier B-. The revision in ratings was driven by a more competitive exchange rate, improving macro fundamentals and higher domestic gas production.

Egypt’s economy has largely benefited from the USD 12bn received under a three-year Extended Fund Facility (EFF) from the IMF in 2016 to support the nation’s economic reform program, which is reflected in higher growth, reduced deficits, a reformed exchange regime and increased foreign reserves. The facility was followed by strict austerity measures from the government including a steep currency devaluation, deep cuts to energy subsidies and introduction of a value-added tax resulting in many citizens struggling to manage finances.

Egypt’s economic growth has been healthy averaging 5.3% during 2017-18, driven by an expansion in the gas extractives, tourism, manufacturing, construction and ICT sectors. Private investment is picking up and net exports are improving. Egypt’s fiscal deficit is expected to narrow from 9.4% of GDP in FY 2018 to 7.8% and 6.4% of GDP in FY 2019 and FY 2020 respectively due to higher revenues from tax reforms, robust real GDP growth as well as increased revenue from the gas sector due to higher production from the Zohr field.





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The nation's education sector is also likely to benefit from the Vision 2030, which aims to overhaul the current educational system with serious efforts to modernize the education sector from elementary schools to universities.

The International Branch Campus Law introduced by Egypt is expected to help the nation attract many international universities, especially from the UK since both nations have a strong bilateral relationship in higher education. The law will also aid in increasing the number of UK-Egypt partnerships, enabling the Egyptian public and private universities to increase the quality and breadth of their program.

Three leading universities in Egypt will partner with American universities to create Centers of Excellence in energy, water, and agriculture, supported by an investment of USD 90mn through the US Agency for International Development (USAID). The three centers will establish linkages between Egyptian universities and leading universities in the US to increase cooperation and drive research and innovation in sectors that are key to Egypt's future economic growth.

Egypt's House of Representatives approved an USD 500mn loan to support the education reform project signed between Egypt and the International Bank for Reconstruction and Development (IBRD). The project will expand access to quality kindergartens for around 500,000 children, train 500,000 teachers and education officials, while providing digital learning resources to 1.5mn students and teachers.

Despite various challenges surrounding the Egyptian education sector they also possess many opportunities for positive reform to be created by private investments. Private schools and universities are becoming increasingly necessary while the government's vision for education is also likely to create many business opportunities for education-centric businesses.





# 06

## GCC Competitive Landscape



# 6. GCC Competitive Landscape

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## 6.1 Key Player Profiles

### 1 Britus Education (Bahrain)

#### Business Description

Britus Education is a K-12 education platform launched by Bahrain-based GFH Financial Group B.S.C. in May 2019, with a portfolio of USD 200mn. The platform targets to invest in mid-market schools that can be improved through maximizing student capacity, improving academic outcomes and optimizing fee structures. The schools are committed to offer students with a premium education at an affordable range.

Britus has acquired a portfolio of five schools in the two countries of Saudi Arabia and the UAE. The schools largely follow British Curriculum which comprise of Early Years Foundation Stage for children aged 3 to 5 years and then progresses to the highly respected IGCSE qualifications for students at the age of 16, and ends with A-Levels in their final year at the age of 18.

#### School Portfolio

- **Bright Life International School (Saudi Arabia):** The school is one of the most reputed schools in Riyadh. The school also offers Egyptian curriculum
- **The Sheffield Private School (UAE):** The school is a co-educational British Curriculum School based in Dubai. Opened in 2004, it provides education to around 1,500 students aged 3-18 years. The school received a rating as "Good" consecutively for three years in the KHDA inspection report
- **Education Castle International School (Saudi Arabia):** Started in 2013, the school provides students with a quality curriculum, based on the Common Core State Standards Initiative (CCSSI), an educational initiative in the US. The school was classified as category "A" from the Ministry of education and passed Tadaruj Program with grade (excellent)
- **Education Gate International School (Saudi Arabia):** The school is situated in Riyadh and offers education through a KG section, lower grade and upper grade
- **Education Gate International School 2 (Saudi Arabia):** The school 2 was opened as an international school in the year 2013, offering curriculum based on CCSSI. The school complex has over 10 buildings with 11 administrative offices and enrolment of over 1,500 students
- **AMA International School (Bahrain):** Started in 2004, the school offers American curriculum supported by various co-curricular activities to ensure that students have the opportunity to develop fully as individuals

#### Key Strengths/Positives

- Backed by Bahrain-based GFH Financial Group, which is one of the most recognized financial groups in the Gulf region with operations focused in the GCC, North Africa and India
- The school offers premium education at affordable fees, to make excellent learning available to students across all backgrounds
- The school believes that every child is a high performer and takes into consideration each student's unique capabilities and focuses towards unlocking their full potential
- The portfolio of five schools across the GCC offer variety of renowned international curriculums, exposing them to wider range of learnings
- The School recognizes Teachers to be a great asset and provides them with a structured Teacher Development Program.

#### Latest Developments

- In late 2019, Britus Education acquired operational control of the AMA International School Bahrain. The transfer of the educational licence is in progress with the MoE. The school has about 1,800 students and offers an American and a British Curriculum. The school is ideally positioned to take advantage of a lack of high quality capacity in the mid-market in Bahrain.





## 2 Nord Anglia Education (UK)

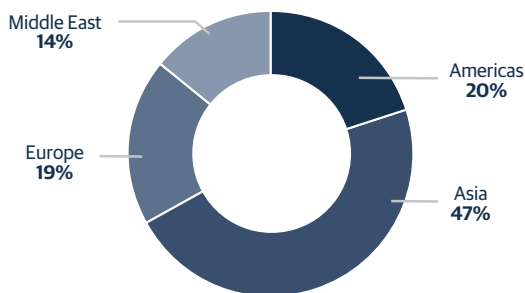
### Business Description

Founded in 1972, Nord Anglia Education is based in London, UK. The institution's campuses are located across Americas, Europe, Asia and the Middle East. The institution provides education services through 66 schools in 29 countries to over 64,000 students from preschool to the end of secondary education. The school also boasts a global campus that connects students from the 29 countries to collaborate and learn together. The company also offers International Master's program with King's College London, allowing teachers to understanding of effective international school leadership.

### Academic Curricula Offered

- **The British Curriculum:** Follows the English National Curriculum that begins with Early Years Foundation Stage for kids aged three to five and progresses to GCSE or IGCSE qualifications for older students
- **The International Baccalaureate Program:** Offers Primary Years Program and Middle Years Program, with many schools also offering the rigorous International Baccalaureate Diploma Program for 16 – 19 year olds
- **Swiss Maturité:** It is offered to 15 - 18 year old students, as it opens the gates to all Swiss universities and schools of higher education
- **French Baccalauréat:** It offers diploma courses for students aged 15 – 18 years old and recognized by universities worldwide
- **IEYC, IPC and IMYC:** The International Early Years Curriculum (IEYC) is for ages 2-5 years, International Primary Curriculum (IPC) is for ages 5-11 years and International Middle Years Curriculum (IMYC) is for ages 11-14 years
- **United States Curricula:** It is offered by the company's US based schools
- **Vietnamese Curriculum:** Offers the best features of British international education, while also allowing students to explore Vietnamese literature, language and culture

### Geographical Mix (Number of schools)



### Country Presence

Nord Anglia Education Schools	Countries
Americas	Brazil, Costa Rica, Panama, US
Asia	Cambodia, China, India, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and Uzbekistan
Europe	Czech Republic, Hungary, Ireland, Netherlands, Poland, Russia, Slovakia, Spain and Switzerland
Middle East	Kuwait, Qatar and UAE

### Key Strengths/Positives

- Follows the British model of higher education and uses English as the medium of instruction.
- Strong global footprint across four continents – North America, South America, Asia and Europe.
- Diverse set of eight curriculum offerings encompassing across the globe

### Latest Developments

- In February 2019, Nord Anglia entered India with acquisition of People Combine Education India Initiatives Ltd. schools under the Oakridge International brand. It acquired 5 based in India, providing K-12 education
- In October 2018, Nord Anglia announced that the institution has moved its Global headquarters back to London, UK after six years in Hong Kong
- In October 2017, Nord Anglia acquired The British School of Kuwait (BSK), thus representing it's interest in a well-established Kuwait-based school

### 3 GEMS Education Group (UAE)

#### Business Description

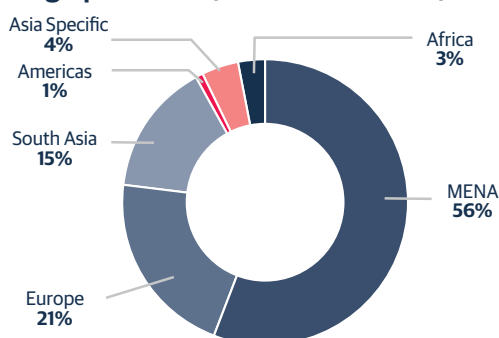
Founded in 1968, GEMS Education, earlier known as Global Education Management Systems (GEMS), is a Dubai based international education company providing K-12 education with a portfolio of 47 owned schools in Qatar, Egypt, Saudi Arabia and the UAE. The school educates over 120,000 students from over 176 countries and employs over 16,000 staff and education professional from over 115 nationalities. GEMS has offices in the UK, US, Singapore, India, Saudi Arabia, Qatar, Egypt, Kenya, Switzerland, and UAE.

#### Business Mix

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

- **American Curriculum:** Offers education option for students from Kindergarten (age 5) to Grade 12 (age 17). Total of 6 schools offering this curriculum, with five schools in the UAE, one in Qatar
- **British Curriculum:** Also known as National Curriculum for England, offers education for student from Nursery (ages 3-4) to Primary (ages 4-11) to Secondary (ages 11-18). Total of 28 schools including 27 in the UAE and one in Qatar
- **Indian Curriculum:** Offers the CBSE (Central Board of Secondary Education) and the CISCE (Council for the Indian School Certificate Examinations) affiliated education system through 15 schools based in the UAE
- **International Baccalaureate:** Offers three IB programs through 8 schools in the UAE
  - The Primary Years Program (PYP) for students aged 3 to 12
  - The Middle Years Program (MYP) for students aged 11 to 16
  - The Diploma Program (DP) for students aged 16 to 19
- **Dual Curricula:** Offers a combination of the above curricula through a portfolio of schools

#### Geographical Mix (Number of schools)



#### Country Presence

GEMS Schools	Countries
MENA	Egypt, Qatar and UAE
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
- It is the first in the UAE to have been accredited as High Performance Learning (HPL) World Class Schools

#### Latest Developments

- On August 26, 2019, GEMS and Hassana Investment Company (investment arm of GOSI) JV acquired Ma'arif Education and Training Company for USD 800mn
- On July 10, 2019, a consortium led by CVC Capital Partners agreed to buy a 30% stake in GEMS Education from the existing shareholders
- On May 30, 2019, GEMS Education and Hassana Investment Company formed a JV to enhance and grow the education sector in Saudi Arabia by building a significant portfolio of more than 50 schools that will cater to over 100,000 students in the country





## 4 Inspired Education Group (UK)

### Business Description

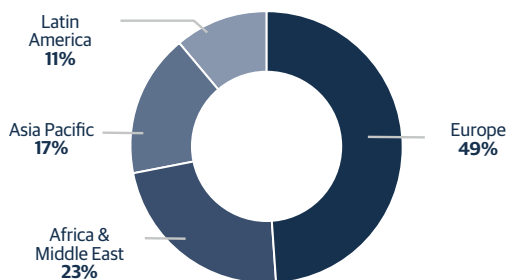
Headquartered in London, UK, Inspired Education Group was founded by Nadim M Nsouli in 2013, when his Group acquired Reddam House in South Africa. Inspired is a leading global premium schools group providing education to more than 45,000 students across a global network of over 71 schools present in five continents. Inspired is a co-educational, non-denominational, independent school group which has achieved excellence in private education for students from ages 1 to 18. The Group offers scholarships for excellence in academics, performing arts and sport for needy students.

Inspired schools offer a premium boarding option as part of their holistic educational complement across the world. The Group's Global Exchange Program offers its students a unique opportunity to explore new environments, improve language skills, make new friends and experience new cultures.

### Academic Curricula Offered

- **The International Baccalaureate Middle Years Program (IB MYP):** The IB MYP is a five-year program for students aged 11-16 years and aims to make practical acquaintances between their studies and the real world. The curriculum framework comprises of eight subject groups. The MYP requires at least 50 hours of teaching time for each subject group
- **The English National Curriculum:** Provides broadly based, age-appropriate courses of study, designed to build towards GCSE and A Level qualification. The education system is divided into foundation stage (ages 3 to 5), primary education (ages 5 to 11) and secondary education (ages 11 to 18)
- **Bilingual French-English curriculum:** Offers structure and English National Curriculum in combination of Curriculum in French. Students are taught in both languages. There is no translation or repetition
- **The Spanish Curriculum:** Offers structure and curriculum of English National Curriculum in combination of Spanish Curriculum
- **South African Independent Examination Board (IEB):** It is a South African independent assessment agency which offers examinations for various client schools, mostly private schools
- **Cambridge Primary Program:** The program caters to learners between age 5 to 11 year olds and aims to develop skills in ten subjects including English, Mathematics and Science

### Geographical Mix (Number of schools)



### Country Presence

Regions	Countries (No. of schools)
Europe	UK (4), Switzerland (3), Spain (11), Portugal (5), Italy (10), Belgium (1) and Latvia (1)
Africa & Middle East	Oman (1), Bahrain (1), South Africa (12) and Kenya (2)
Asia Pacific	Australia (4), New Zealand (6), Vietnam (1) and Indonesia (1)
Latin America	Mexico (3), Panama (1), Costa Rica (1), Colombia (1) and Peru (2)

### Key Strengths/Positives

- Global footprint across four continents- Europe, Africa & Middle East, Asia Pacific and Latin America
- Offers diverse set of curriculum across the different geographies

### Latest Developments

- In November 2019, Inspired signed a partnership agreement with global education technology company, Crimson Education, to gain access to the latter's College Counselling Services and Technology Platform
- In January 2018, Inspired acquired The British School of Bahrain (BSB) which provides education to more than 2,500 students in Bahrain

## 5 Cognita Schools (UK)

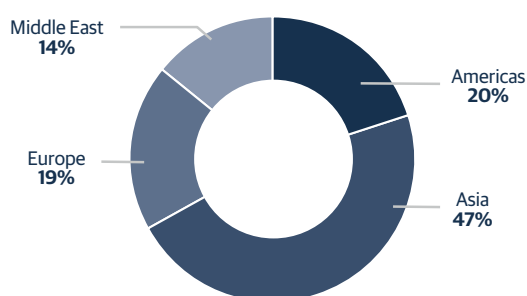
### Business Description

Launched in 2004 in the UK, Cognita is a global private schools group which owns and operates schools spanning in nine different countries across Europe, Latin America and Asia. The company's first expansion beyond the UK came in 2004, with schools in Singapore and Spain. Currently, it operates a portfolio of 74 schools in Brazil (2), Chile (13), Hong Kong (2), Singapore (2), Spain (7), Switzerland (1), Thailand (4), the UK (40) and Vietnam (3). The Group employs 7,000 teaching and support staff in the care and provides education to more than 43,000 students from 94 different nationalities.

### Academic Curricula Offered

- **The International Baccalaureate (IB):** It is offered by a number of international schools. The IB offers three programs - the Primary Years Program, the Middle Years Program and the Diploma Program
- **The English National Curriculum:** Provides broadly based, age-appropriate courses of study, designed to build towards GCSE and A Level qualification
- **The Chilean Curriculum:** Prepares students for national assessment through the Sistema de Medición de la Calidad de la Educación
- **IGCSE:** It is recognized by leading universities in the UK and worldwide as equivalent to GCEs
- **The Spanish Curriculum:** Offers structure and curriculum of English National Curriculum in combination of Spanish Curriculum in schools in Spain
- **The American Curriculum:** Offers robust and comprehensive program to help students become inspired learners and responsible citizens
- **The Brazilian Curriculum:** It is offered in schools of Brazil through a bilingual approach using Portuguese and English language
- **The Australian Curriculum:** It is offered by the Australian International School in Singapore alongside the IB

### Geographical Mix (Number of schools)



### Country Presence

Cognita Schools	Countries
Asia	Hong Kong, Singapore, Thailand and Vietnam
Europe	Spain, Switzerland and UK
Latin America	Brazil and Chile

### Key Strengths/Positives

- Global footprint across three continents – Asia, Europe and South America
- Diverse set of eight curriculum offerings encompassing across the globe

### Latest Developments

- On September 3, 2018, Zurich-based investment firm, Jacob Holdings agreed to acquire Cognita from Bregal Investments and US buyout fund KKR in a deal valued at GBP 2 bn, including debt



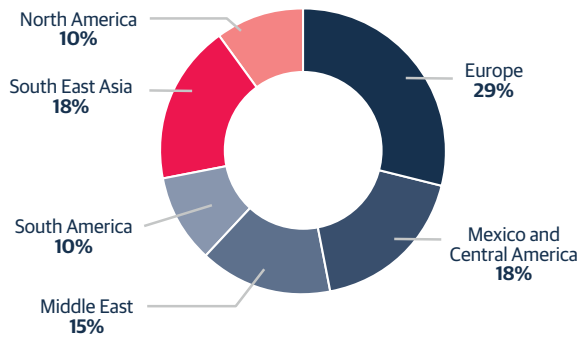


## 6 International Schools Partnership Ltd. (UK)

### Business Description

The International Schools Partnership Ltd. (ISP) is an educational management services firm that manages and oversees a group of international schools in 9 countries worldwide including the UK, the US, Spain, Chile, Costa Rica, the UAE, Qatar, Malaysia, and Mexico. ISP operates 40 schools educating almost 36,000 students and 5,000 staff located across the globe by delivering multiple curriculum and building local brands and reputations. The institution provides education to children and students from 2-18 years of age.

### Geographical Mix (Number of schools)



### Country Presence

International Schools Partnership Schools	Countries
Europe	Spain and UK
Mexico and Central America	Mexico and Costa Rica
Middle East	Qatar and UAE
South America	Chile
South East Asia	Malaysia
North America	US

### Key Strengths/Positives

- A well-diversified player within the learning and education segment
- Provides regional curriculum with international teaching standards and exposures
- Strong global footprint across four continents – North America, South America, Asia and Europe

### Latest Developments

- In May 2019, ISP completed the acquisition of Asia Pacific Schools (APS) from KV Asia. APS which runs two schools is located in Salangor, Malaysia becomes the 40<sup>th</sup> school to be included in ISP's portfolio
- In March 2019, ISP concluded the 100% stake acquisition in Colegios Pedro de Valdivia schools. The Colegio Pedro de Valdivia schools teaches approximately 6,250 children and students from 3-18 years of age across four schools based in Santiago, Chile
- In February 2018, ISP acquired Claremont Independent School, an East Sussex (UK) based independent school for an undisclosed amount

## 7 Nafais Holding Co. (Kuwait)

### Business Description

Established in 1984, Nafais Holding Co. KSC, owns and operates educational facilities including schools, colleges and institutes across Kuwait, Egypt and Saudi Arabia. The company operates primarily across three business segments - Education, Healthcare and Financing & Investment. Moreover, Nafais also engages in the following activities: 1) Ownership and operation of hospitals, 2) Investments in educational sector, 3) Investments in development of Real Estate property, 4) Asset Management. The Group operates 20 subsidiaries including Al Tafawoq International Educational Services, Al Malee Educational Services Co, Al Tafawoq Educational Services, Al Mowasat HealthCare Co KSC, Athman Investment Co, etc.

### Business Segments

- **Education:** Al Malee Educational Services operates two schools based on international curriculum, namely, Gulf English School and Al Takamul School as well as two other schools in Kuwait, namely Al Mansour School and Al Rawad School. Nafais has a larger presence through its associate company, Educational Holding Group (EDU) which own owns Gulf University and American Creativity Academy through its subsidiaries Eyas Holding and Knowledge Village
- **Healthcare:** Al Mouwasat Healthcare Company provides healthcare services primarily in Kuwait. The company owns New Mowasat Hospital (NMH), which is one of the first private hospitals in Kuwait
- **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

- NMH is one of the most highly regarded hospitals in Kuwait and is in the process of expanding itself
- The educational segment comes with a strong financial backing of its holding Group, which has a strong presence in the region too
- EDU is the first educational company to get listed on the Kuwait Stock Exchange in 1993
- The founders and the management team of the investment segment has a long drawn experience and expertise in fund management

### Latest Developments

- On February 15, 2018, Nafais Holding officially withdrew from Bursa Kuwait following approval from Capital Markets Authority that came in March 2017
- In a first move, Boubyan Petrochemical Company had initially acquired a 53% stake in EDU in Q2 2017 for USD 129mn, later increasing its stake by 25% through a mandatory tender offer in Q4 2017 for USD 63mn

### Financials

(USD mn)	2014	2015	2016
<b>Revenue</b>	<b>40.5</b>	<b>41.2</b>	<b>42.9</b>
<b>EBITDA</b>	<b>7.1</b>	<b>11.0</b>	<b>15.9</b>
EBITDA (%)	17.4%	26.8%	37.0%
<b>Net Income</b>	<b>22.9</b>	<b>16.0</b>	<b>16.2</b>
NPM (%)	56.5%	38.8%	37.7%
<b>ROE (%)</b>	<b>11.3%</b>	<b>7.8%</b>	<b>7.8%</b>
ROA (%)	8.5%	6.6%	6.8%







## 8 Humansoft (Kuwait)

### Business Description

Human Soft Holding Company KSCC was established in Kuwait in 1997 and was listed on Kuwait Stock Exchange in 2005. The company, along with its subsidiaries, is engaged establishing and managing private universities and colleges, providing computer education, language training, executive courses, and electronic commerce and media. The company operates with four business segments: 1) Training and Career Development Programs, 2) English Training, 3) Learning Solutions, and 4) Higher Education.

### Subsidiaries

- **Al Arabia Educational Enterprises:** It is a specialist unit catering to the emerging education sector in the Middle East
- **American University of the Middle East (AUM):** It is one of the leading institutions of higher-level learning that offers majors in Engineering and Business studies
- **American College of the Middle East (ACM):** Offers diploma courses in Business Administration, Information Technology and Engineering
- **Track Learning Solutions:** Offers eLearning solutions, eLearning consultancy and business development to organizations across the Middle East, Asia and North Africa
- **New Horizons Computer Learning Centers:** Operates in Kuwait, Qatar and the UAE as a franchisee from New Horizon and offers courses focusing on technical, application and business skills
- **Expression Institute for Private Training:** Provides English language training solutions with over 250 centers in more than 100 countries
- **Tawteen:** Focuses on career development and job placement of GCC nationals in the private sector. Also focuses on career development and placement of students at AUM and ACM
- **Humansoft School of Management:** Provides management and training services to schools such as Al-Jazeera Academy and Al-Maha Schools

### Key Strengths/Positives

- A veteran player with over 20 years of experience in learning and education
- Offers courses and learning modules in diverse fields

### Latest Developments

- In 2017, Al Othman Commercial Enterprises sold a 15% stake in Humansoft for USD 184mn. This was followed by another 17% stake sale in 2018 for USD 226mn
- In 2017, Al Imtiaz Investment too sold a part of its stake (10%) held in Humansoft for USD 120mn

### Financials

(USD mn)	2016	2017	2018
<b>Revenue</b>	<b>180.3</b>	<b>203.7</b>	<b>229.2</b>
<b>EBITDA</b>	<b>93.1</b>	<b>106.9</b>	<b>125.0</b>
EBITDA (%)	51.6%	52.5%	54.5%
<b>Net Income</b>	<b>80.1</b>	<b>92.6</b>	<b>104.2</b>
NPM (%)	44.4%	45.5%	45.5%
<b>ROE (%)</b>	<b>56.0</b>	<b>53.5</b>	<b>50.8</b>
ROA (%)	31.1	30.5	30.2

### Stock parameters

CMP (USD)	10.3
Bloomberg Ticker	HUMANSFT KK
Market Cap (USD mn)	1259.4
EV (USD mn)	1241.4

Valuation multiples	2018	TTM
P/E	12.7	11.1
EV/EBITDA	10.5	9.0

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

### Business Description

Incorporated in 2000, Eyas for Higher & Technical Education Company K.S.C. is a shareholding company for educational services headquartered in Safat in Kuwait. Listed in Kuwait Stock Exchange since 2004, the company's main activities include establishing 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: Establishes, manages and provides educational services within the State of Kuwait
- Investment Activities: Investing surplus cash in investment portfolios

### Key Strengths/Positives

- The company operates one of the most prestigious universities in the region - "Gulf University for Science and Technology" (GUST). GUST solves 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	2016
<b>Revenue</b>	<b>68.6</b>	<b>72.3</b>	<b>73.9</b>
<b>EBITDA</b>	<b>18.0</b>	<b>16.1</b>	<b>21.6</b>
EBITDA (%)	26.3%	22.2%	29.2%
<b>Net Income</b>	<b>13.2</b>	<b>12.9</b>	<b>15.8</b>
NPM (%)	19.2%	17.8%	21.3%
<b>ROE (%)</b>	<b>14.8%</b>	<b>14.3%</b>	<b>16.6%</b>
ROA (%)	11.3%	11.2%	12.9%





## 10 Dhofar University (Oman)

### Business Description

Incorporated in 2004, Dhofar University (DU) is a private, non-profit institution for higher education based in Salalah, Oman. DU offers two-year diploma, four-year bachelor's degree and a two-year master's degree that uses credit hour system with English as medium of instruction. Through its four colleges, DU offers 56 academic programs in various specializations, including Arts and Applied Sciences, Commerce and Business Administration, Engineering and Law. This includes 16 diploma programs, 26 bachelor programs, 13 master programs and 1 teaching diploma program. As of fall 2018, student enrolments grew to 5,274 students, up from 1,500 student in 2014.

### Portfolio of Colleges

- **College of Arts and Applied Science (CAAS):** Offers 26 programs in areas of computer science, languages and translation, math and science, social science and teaching. This include - six diploma, 12 bachelor, seven master and one teaching diploma - programs
- **College of Commerce and Business Administration (CCBA):** Offers 13 programs specializing in areas of accounting, finance, business administration, management, logistics and supply chain, management information systems, and marketing. This include - five diploma, six bachelor and two master - programs
- **College of Engineering (CE):** Offers 14 programs in various engineering fields such as civil, chemical, mechanical, electrical and computer, and architecture. This include - five diploma, seven bachelor and two master - programs
- **College of Law:** Was established at the University of Dhofar in 2018. It offers three law programs in Arabic including one bachelor program and two master programs
- **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

- DU is the first one in Oman that follows the American model of higher education and uses English as the medium of instruction
- Provides a wide variety of academic degrees and diplomas in diverse fields
- All diploma and degree programs awarded by DU are duly approved by the Ministry of Higher Education (MoHE)

### Latest Developments

- On August 13, 2018, DU's executive council announced to exempt female students residing in its hostel from paying internal housing fees starting with the academic year 2018-19

### Financials

(USD mn)	2014	2015	2016
<b>Revenue</b>	<b>27.3</b>	<b>30.0</b>	<b>32.7</b>
<b>EBITDA</b>	<b>9.7</b>	<b>8.4</b>	<b>8.2</b>
EBITDA (%)	35.3%	28.1%	25.2%
<b>Net Income</b>	<b>7.4</b>	<b>5.7</b>	<b>4.9</b>
NPM (%)	27.2%	18.8%	15.0%
<b>ROE (%)</b>	<b>18.7%</b>	<b>12.2%</b>	<b>9.9%</b>
ROA (%)	5.9%	4.5%	3.6%

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## 11 Newton International School (Qatar)

### Business Description

Established in 2006, Newton International Schools is a group of private schools, located in Doha, Qatar. It owns and operates eight private schools in Doha and offers the National Curriculum of England and Wales, along with the Cambridge International Primary Program (CIPP) from the kindergarten to year 13. The curriculum consist of a primary curriculum in two stages (from year 1-6) and secondary curriculum in (from year 7-13). They also offer Early Year Foundation Stage that sets standards for learning, development and care for children from birth up to 5 years of age. 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, West Bay:** Offers education up to Year 6
- **Newton International Academy, Barwa City:** Offers education up to Year 13
- **Newton International School, Lagoon:** Offers education up to Year 13
- **Newton International School, D-Ring Road:** Offers education up to Year 9
- **Newton British Academy, Barwa City:** Offers education up to Year 9
- **Newton British School, Al Waab:** Offers education up to Year 6
- **Newton British Academy, Al Dafna:** Offers education up to Year 6
- **Newton British School, Muraikh:** Offers education up to Year 9

### Key Strengths/Positives

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





## 12 International School of London (Qatar)

### Business Description

Founded in 1972, The International School of London (ISL) is a private group of schools, with branches in UK and Qatar. It was one of the first schools to offer the IB diploma. As a fully authorized IB school, the school offers IB Primary Years, Middle Years and Diploma programs. The curriculum includes literacy lessons related to mother tongue or foreign language from early childhood. The school has nearly 1,000 students from 70 nationalities, and teaching staffs from 40 nationalities. The school teaches 13 languages in its mother tongue literacy program.

### Program Portfolio

- **IB Primary Years Program:** Offers an Early Childhood Program through grade 5 for children aged 3-5 years
- **IB Middle Years Program:** Offers a rigorous and challenging framework of academic study and life-skills appropriate for 11 to 16 year olds
- **IB Diploma Program:** Offers a two year internationally recognized, pre-university course curriculum, which is accepted by almost every country in the world for university entrance

### Key Strengths/Positives

- Highly qualified teaching faculty who conduct IB workshops
- Well known for its language programs, with as many as 13 languages being taught
- ISL Qatar is accredited by the Council of International Schools (CIS) and the New England Association of Schools and Colleges (NEAS&C)
- Act as a learning center for faculty as well
- More than 40 years of successful experience in offering the IB Diploma program

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## 13 Ma'arif For Education and Training (Saudi Arabia)

### Business Description

Established in the 1970s, Ma'arif for Education & Training is the one of the largest owner and operator of private schools in Saudi Arabia. With over 40 years of experience in school management and 13 campuses, Ma'arif runs more than 100 schools across the country, providing K-12 education to both boys and girls, following IB & IGCSE and Saudi curriculum. More than 22,000 students are enrolled in Ma'arif schools, and the company employs more than 2,800 employees; teachers and administrative staff. Some of the schools run by Ma'arif includes: Manarat Schools, Al Faisalia Islamic Schools, Green Hills International schools and Nour Al Islam Schools.

### 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. The International programs enables the students to study international curriculum in English, except for 'Arabic, Islamic and Social studies'
- **Training Projects:** Ma'arif offers various training programs such as academic training (for training trainers), specialized training programs (computer science, mathematics), 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:** Also offers qualifying languages program like ESL service. These programs bridge the gap between the applying students and their peers in English, Mathematics and Science. The institution also boasts a sports program, leadership program and a science club
- **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

- Over 40 years of experience in school management
- One of the largest owners and operators of private schools in Saudi Arabia with more than 100 school portfolio
- Associated with GEMS Education, the world's largest operator of K-12 schools

### Latest Developments

- On August 26, 2019, GEMS Education KSA completed the acquisition of Ma'arif Education and Training Company for an amount worth USD 800mn. GEMS Education KSA is a JV of General Organization for Social Insurance (GOSI) and GEMS Education





## 14 Emirates International School (UAE)

### Business Description

Emirates International School (EIS) is part of the UAE based conglomerate, Al Habtoor Group having global operations. EIS portfolio consists of two schools, Emirates International School Jumeriah and Emirates International School Meadows, which commenced operations in 1991 and 2005, respectively. The schools provide K-12 education with the IB curriculum. The group is authorized to offer all four programs of the International Baccalaureate (IB) i.e. Primary Years Program (PYP), Middle Year Program (MYP), Diploma Program (DP) and the Career-related Program (CP).

### School Portfolio

- **EIS Jumeirah:** Was established in 1991 and follows the national curriculum of England and IB. It caters to over 2,225 students from Early Years to Year 13 from over 70 different countries. EIS Jumeirah is the first school in Dubai to offer IB Diploma programs. The school offer all four IB programs - PYP, MYP, DP and the CP. The school's facilities include music rooms, swimming pool, laboratories, drama rooms, and grass turf pitches for sports
- **EIS Meadows:** Was established in 2005 and has an enrolment of 1,647 students from KG1 to Year 13 which comprises of 75 nationalities and a diverse faculty of 14. The school's facilities include swimming pool, indoor basketball stadium, IT suites, and prayer rooms

### Key Strengths/Positives

- One of a select group of schools who are authorized to offer all four IB programs: PYP, MYP, DP and the CP
- Reputed for producing top ranked graduates. EIS Jumeirah's results in the DP have been the highest in the region, with an average IB DP graduate score of 32 versus a global average of 30 in 2017
- 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

### Latest Developments

- On June 08, 2018, EIS Jumeirah announced the appointment of Pratibha Rao as the new School Principal effective September 2018. Ms. Rao has been active in IB education in the region since 1993 and comes with over 25 years of educational experience in the classroom and administration

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## 15 Davis Education Foundation (US)

### Business Description

Davis Education Foundation is a not-for-profit entity that was established in 1982 for the benefit and betterment of schools in Davis County in Utah, US. The foundation takes care of the basic needs of its participating students and distributes clothing, school supplies, hygiene essentials and pantry packs among them. The foundation provides assistance to students with financial issues impeding their path to a high school diploma or post-secondary academic goals. For the overall development of the participating schools, the foundation has invested in advanced computer labs and fostered teaching in the fields of science and engineering. Since 2013, the foundation has invested over USD 13.8mn in the development of schools, students, and teachers. As of 2018, the foundation serves over 72,200 students and employs over 3,600 teachers in 90 Davis School District schools.

### Programs Offered

- **Cash For Classrooms Grant:** The program is grant that provides financial means for educators to create experiences that enrich and enhance student learning. To generate funding the Foundation partners with individuals, corporations, agencies, and organizations
- **Child Spree:** It is a yearly event organized to provide back-to-school clothing essentials to over 300 students in need. The event also provides school supplies and backpacks to participating students
- **Innovative Grant Program:** It is designed to encourage, facilitate, recognize and reward innovative and creative ideas in education
- **No Hunger Zone:** The program is offered in collaboration with Bountiful Food Pantry and the Davis Hospital and Medical Center to make Davis County a "No Hunger Zone"
- **Kid's Closet:** The program assist schools in providing basic clothing and essentials to students. Participating schools need to complete referrals and submit to Foundation electronically

### Latest Developments

- In December 2018, the Salvation Army partnered with Davis Education Foundation to help more than 1,200 students with gifts and clothing essentials for the Christmas holidays







## 16 Dulwich College International (China)

### Business Description

Dulwich College International (DCI) was founded in China in partnership with Dulwich College, an independent school in the UK with a history spanning four centuries. Since starting the operations in Shanghai in 2003, enrolment at DCI schools has grown to 9,000 students hailing from over 60 countries. The group comprises of seven colleges, two high schools one sister school spread across China, South Korea, Singapore and Myanmar. These schools are all co-educational and principally cater to the expatriate community. The school teaches IGCSE and A Level curriculum to students who are aiming for top universities in the UK, US and elsewhere.

### Portfolio of Schools and Colleges

#### Colleges:

- China - Dulwich College Beijing, Dulwich College Shanghai Pudong, Dulwich College Shanghai Puxi, Dulwich College Suzhou
- South Korea -Dulwich College Seoul
- Singapore -Dulwich College Singapore
- Myanmar - Dulwich College Yangon

#### High Schools:

- China - Suzhou International School, Zhuhai International School

#### Sister Concern Schools:

- Dehong Chinese International School – 3 schools located in Beijing, Xi'an, Shanghai

#### Key Strengths/Positives

- In the academic year, 2018-19, Dulwich College International students scored an average of 36.4 points on their IB exams, relatively above the global average. One in three of IB students achieved over 40 points, out of a possible 45.

#### Latest Developments

- In September 2019, Dehong International Chinese School, the sister school of DCI officially opened two new schools, one in Xi'an, and the other in Grassetown, Beijing

## 6.2 Industry Attractiveness and Profitability Analysis (5-Forces Framework)

Five Forces	Remarks	Impact
<b>Bargaining power of suppliers</b>	<ul style="list-style-type: none"> <li>Increasing expat population is fueling the demand for schools offering international curricula and good quality education which strengthens the case for private players to lobby for fee hikes</li> </ul>	High
	<ul style="list-style-type: none"> <li>Increasing number of enrolments is not well supported by the availability of skilled teachers and other administrative staffs, which is likely to raise the cost of education and is expected to be passed on to students</li> </ul>	High
	<ul style="list-style-type: none"> <li>Moreover, shortage of skilled teachers locally leads to hiring of expats at higher cost which is again passed on to students</li> </ul>	High
<b>Bargaining power of buyers</b>	<ul style="list-style-type: none"> <li>GCC governments are set to increase the spending towards education and delay the unpopular austerity initiatives, leading to higher debt accumulation in a moderate oil price environment, thus increasing the buyers bargaining power</li> </ul>	Moderate
	<ul style="list-style-type: none"> <li>Increasing preference of expatriates on sending their kids to their home country for higher education due to high costs in GCC</li> </ul>	High
	<ul style="list-style-type: none"> <li>Increasing dropouts of GCC nationals from higher education, as they prefer to work in highly paid public sector jobs early in their career</li> </ul>	Moderate
	<ul style="list-style-type: none"> <li>Skill gaps due to lack of relevant curriculums has led to dropouts in secondary and higher education</li> </ul>	Low
	<ul style="list-style-type: none"> <li>Nationalization drive by various GCC governments will increase the buyers bargaining power</li> </ul>	High
<b>Threat of new entrants</b>	<ul style="list-style-type: none"> <li>GCC governments are increasingly coming up with initiatives to develop more and more public schools thus fueling the supply and leading to increased competition in the market</li> </ul>	High
	<ul style="list-style-type: none"> <li>Developing dedicated education zones/cities for foreign universities, offering free infrastructure and tax incentives is likely to spur the attractiveness of new foreign players at the tertiary level</li> </ul>	Moderate
<b>Threat of substitutes</b>	<ul style="list-style-type: none"> <li>Increasing demand for private schools offering international curriculum, poses a risk of reduced demand for public schools</li> </ul>	Moderate
	<ul style="list-style-type: none"> <li>GCC government's initiative to offer scholarship programs to send local students abroad for higher education impacts the demand at the tertiary segment</li> </ul>	Low
<b>Industry rivalry</b>	<ul style="list-style-type: none"> <li>Growing expatriate population is resulting in increased demand of international schools, which intensifies the competitive landscape in the K-12 segment across all public and private schools</li> </ul>	High
	<ul style="list-style-type: none"> <li>Increasing presence of foreign universities at the tertiary level is expected to drive competition for tertiary enrolments among all universities</li> </ul>	Moderate

Source: GFH Analysis



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