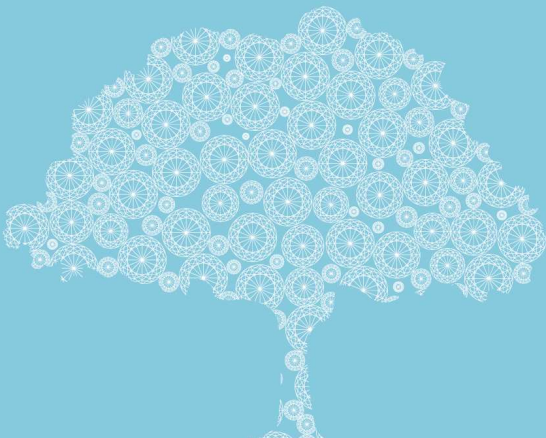


MENA: Education Sector Report

- How large is the MENA education sector?
- What is the status of education in the MENA region?
- What are governments doing to improve the level of education in the region?
- What are the indicators depicting huge demand for education in the MENA?
- What are the key challenges faced by the MENA education market?
- What are the investment opportunities for private equity firms?
- Which private equity deals have taken place in the MENA education market?



EXECUTIVE SUMMARY

As per our estimate, MENA education market's size could be as high as USD75.3 billion. The region has an estimated 52 million number of students in 2009, which implies an average annual spend per student to about USD 1,450. Our estimate of the market size is based on the region's average GDP (USD1.66 trillion), MENA governments' spend on education and statistics on public and private education spending as a percentage of GDP (public: 85%, private 15%). The latest data from the World Bank indicates that MENA governments, on average, spend 3.8% on education (GCC: 3.6%, MENA Ex-GCC: 4.2%).

Public spending on education has increased over years with increased recognition to improve employability of the local populace. Saudi Arabia plans to spend USD40 billion on education in 2011; this is up from USD36.7 billion in year 2010. In the last budget, the Kingdom's government designated 25.9% of its total annual budget for education and training purposes. According to data from the World Bank, public expenditure on education in the MENA stands at 18.6% of total government spending compared to the world average of 14.2%.

Some of the regional governments spend more than developed countries as a percentage of GDP. For instance, Saudi Arabia, the largest education market in the MENA spends 5.6% of its GDP, while other countries such as Tunisia and Morocco spend 6.9% and 5.6% of their GDP, respectively. This is higher than the world average of 4.4% and the North American average of 5.1%.

Adult literacy rates in the region average a little over 80% vis-à-vis the average of 97% in developed countries. Most countries in the MENA offer an average 9.3 years compulsory education which is low compared to the 12 mandatory years in developed countries such as the US and UK. Only Qatar, Tunisia and Jordan have 10 or more years of compulsory education. Although literacy rates in the MENA have improved due to government initiatives, a lot still needs to be done, especially in the area of female education in countries such as Morocco, Egypt, Algeria and Tunisia. Governments in the MENA have made significant progress in primary level education. However, enrollment rates at the secondary and tertiary levels are significantly lower than the average in developed nations.

Improving the quality of education has become one of the top priorities of governments in the MENA region. Countries forming a part of the MENA (particularly the ones that are hydrocarbon rich) have realized that they would have to invest in educating their future generations in order to ensure strong economic growth. Low literacy, poor enrollment at higher level of schooling, ill-qualified teachers, outdated curriculum and little faith in the overall system are issues still plaguing the education system.

There is a shortage of quality teachers in the MENA. A UNESCO report titled “Teachers and Educational Quality: Monitoring Global Needs” estimates that the Arab world (especially Saudi Arabia, Egypt, Morocco, and the UAE) would need an additional 450,000 teachers by 2015. The course curriculum in many parts of the region is also considered outdated. According to the World Economic Forum’s Global Competitiveness Report 2010–11 (that ranks countries on the basis of the educational system’s quality, enrollment rates, level of access to the internet in schools etc.), most countries in the MENA score low on the quality of education and training that they offer. For example, Morocco, Egypt, Algeria, Libya and Kuwait have been reported to have some serious deficiencies.

Nevertheless, there are certain bright spots within the MENA region. For instance, the UAE has established an excellent and diversified system of higher education system. The country’s government has established some premier institutions such as UAE University, Zayed University and Higher Colleges of Technology. In addition, there are a wide range of options available through the private sector. UAE citizens have the option of attending private institutions with an increasing number of students flocking in from neighboring countries to attend these institutions. Several Purpose Built Zones house some of the world’s leading education institutions - American University in the Emirates, the London Business School, Cass Business School, University of Wollongong, Rochester Institute of Technology, and Heriot Watt University.

As per our findings, private equity firms have invested a total of USD275.1 million (disclosed value) through 13 deals in the MENA education sector since 2005. Private equity players have a key role to play in the development of the education sector. The recession-proof nature of this business coupled with government support and favorable demographics are the key advantages of the sector.

INTRODUCTION

“The greatest use that can be made of wealth is to invest it in creating generations of educated and trained people” – HH Sheikh Zayed Bin Sultan Al Nahyan, founder of the UAE.

“Education, a basic human right, is fundamental to development, poverty reduction, and growth. By unleashing the power of the human mind, education provides individuals with opportunities to improve their own quality of life and allows them to make meaningful contributions to their communities.” – The World Bank

Education is widely considered as the key to economic growth and social progress. It breeds thinking and creativity—essential factors that help shape an economy. The need for an education system that is efficient and responsive to the needs of the economy/society is significantly higher today. Therefore, with its high level of illiteracy and massive unemployment, the MENA region is seeking a solution to develop and improve its educational system.

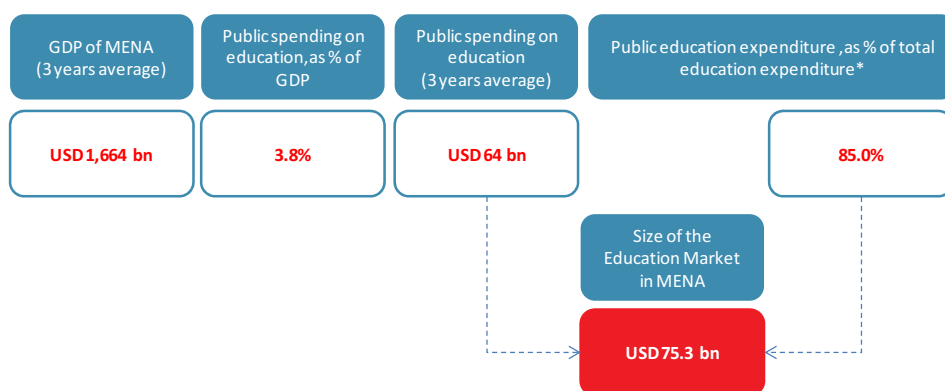
Education is widely considered as the key to economic growth and social progress

The MENA education market is estimated to be valued at USD75.3 bn

We estimate the MENA education market at USD75.3 billion (bn). We considered GDP of the region, public spending on education (as a % of GDP) and private spending on education (as a % of total education expenditure) for calculations. The data available from the World Bank indicates that the MENA governments, on an average spend 3.8% on education. In addition, the World Bank data also shows that historically, private spending on education in various countries across the world has been approximately 15% on an average.

The GCC countries account for majority share of the MENA education market with an estimated size of USD44.9 bn with Saudi Arabia being the clear market leader.

Exhibit 1: Education is a USD75 bn opportunity



* Based on the assumption that private expenditure represents 15% of total education expenditure

Source: IMF, The World Bank, Al Masah Capital Research

The MENA region on an average spends USD1,450 per student annually

Taking into consideration the numbers of children attending schools, the annual average spend on a per student basis comes to about USD1,450 for the MENA region. As per our workings the number of children attending schools (at all levels including primary, secondary and tertiary) in the MENA region stood at 52 mn in 2009.

Exhibit 2: Student distribution across segments in GCC and the MENA ex-GCC – 2009 (in mn)

Country	School Age Population			Gross Enrolment Rate			Students		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
KSA	3.29	3.09	2.31	99%	97%	33%	3.26	2.99	0.76
UAE	0.29	0.34	0.29	105%	95%	30%	0.30	0.32	0.09
Kuwait	0.22	0.28	0.22	95%	90%	19%	0.21	0.26	0.04
Oman	0.36	0.35	0.28	84%	91%	26%	0.30	0.32	0.08
Qatar	0.08	0.08	0.13	106%	85%	10%	0.08	0.07	0.01
Bahrain	0.08	0.08	0.07	107%	96%	22%	0.09	0.08	0.01
Egypt	10.29	9.96	8.79	100%	79%	28%	10.26	7.90	2.50
Algeria	3.02	4.75	3.75	108%	83%	31%	3.25	3.95	1.15
Morocco	3.59	3.82	3.25	107%	56%	13%	3.85	2.13	0.42
Tunisia	0.95	1.33	1.05	107%	92%	34%	1.01	1.22	0.35
Libya	0.73	0.77	0.62	110%	93%	56%	0.81	0.72	0.35
Jordan	0.85	0.81	0.64	97%	88%	41%	0.82	0.71	0.26
Lebanon	0.45	0.48	0.38	103%	82%	53%	0.46	0.39	0.20
	24.20	26.14	21.78				24.72	21.07	6.22

Source: UNESCO, IMF, The World Bank, Al Masah Capital Research

OVERVIEW OF THE CURRENT EDUCATION SYSTEM

Education in the MENA has evolved from the religious school system (where children were taught to recite the holy books and acquire basic language skills) to the current modern form.

Understanding the MENA education system

Structure of a formal education system comprises pre-primary, primary, secondary and higher education. It typically includes two years of pre-primary and 12 years of primary and secondary education prior to higher or technical education.

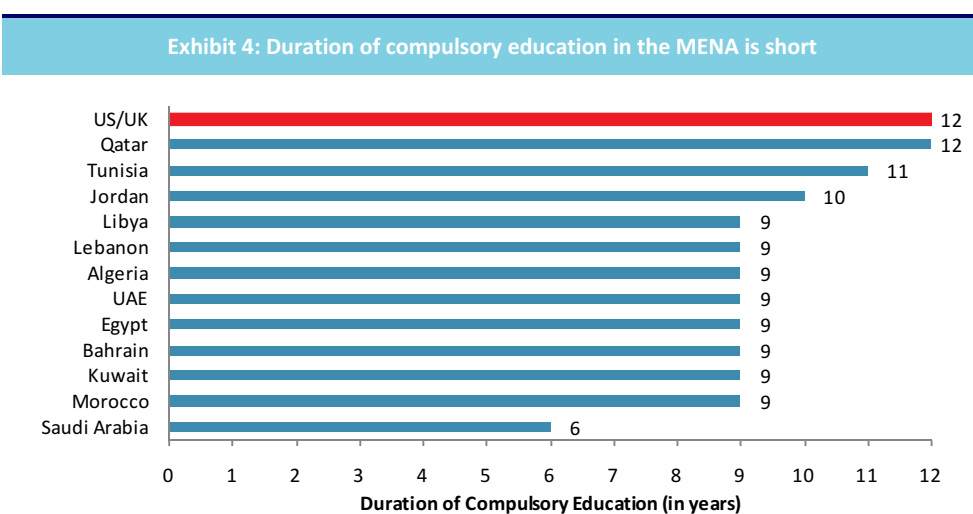
Compulsory education prescribed in the MENA on an average is lower than that of the developed markets



Source: Abu Dhabi Education Council, Al Masah Capital Research

By law, most countries in the MENA offer an average 9.3 years of compulsory education¹ to its citizens, while it is 12 years in the developed nations like the US and the UK. Data from the World Bank suggests that the duration of compulsory education across the MENA varies from country to country.

Most of the MENA countries offer nine years of compulsory education; it is just six years in Saudi Arabia



Source: The World Bank

¹ Education that is legally required to be available to (and attended by) the school-age population of a country

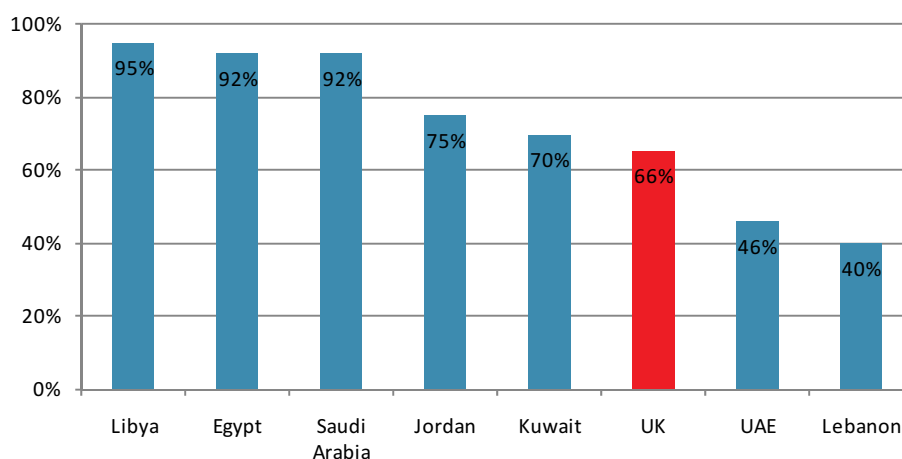
A large portion of countries in the region (Morocco, Kuwait, Bahrain, Egypt, the UAE, Algeria, Lebanon and Libya) offer nine years of compulsory education. Citizens of Saudi Arabia, the largest economy in the MENA, are entitled to just six years of compulsory education. However, countries such as Jordan, Tunisia and Qatar offer 10–12 years of compulsory education.

Education in the MENA is largely provided by governments

Education is generally perceived as the government's prerogative

Education is generally perceived as the government's prerogative. As a World Bank report aptly puts it, free education, publicly provided, has been a central tenant of the social contract in every MENA country since independence. Data from Parthenon Group, an advisory firm, confirms that governments play a predominant role in the education system in most of the MENA countries.

Exhibit 5: Percentage of students enrolled in public institutions, 2006



Source: The Parthenon Group, OECD

Public institutions in Libya, Egypt, and Saudi Arabia enroll more than 90% of all eligible students vis-à-vis the UK average of 66%.

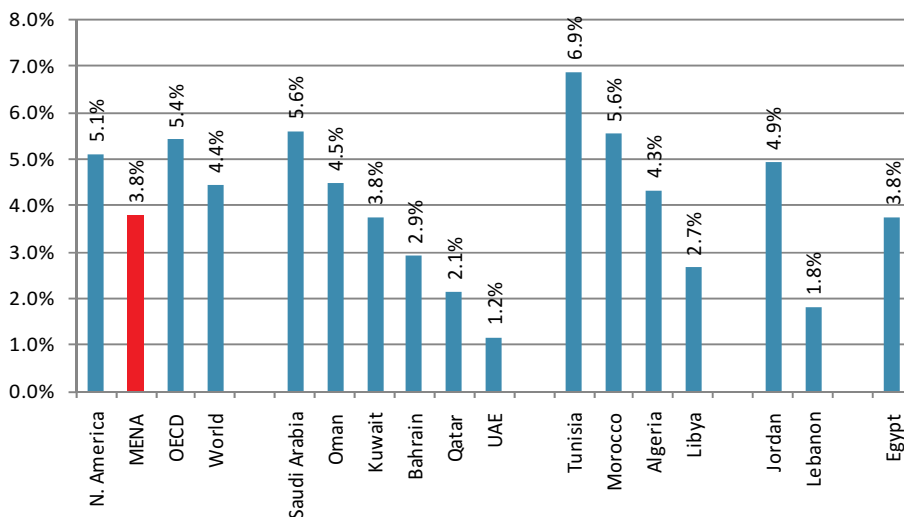
Expenditure on education is high in the MENA

The MENA region spends 3.8% of GDP on education

The MENA region's spending on education is comparable to that of world average. At an estimated 3.8% of GDP, public expenditure on education is in almost in line with world's average of 4.4%.

Government expenditure on education in some of the MENA countries such as Tunisia (6.9%), Jordan (4.9%), Saudi Arabia (5.6%) and Morocco (5.6%) is higher than that in OECD (5.4%) and North America (5.1%). In terms of country clusters, Saudi Arabia accounts for the largest spending within GCC, while Tunisia leads in Maghreb.

Exhibit 6: Public spending on education by country as % of GDP – latest available



Source: World Bank

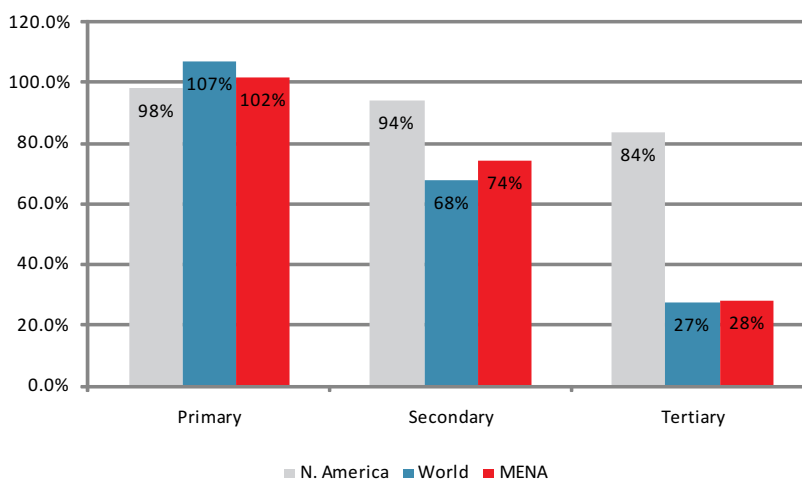
Note: Saudi Arabia, Oman, Kuwait, Bahrain, Qatar and the UAE represent the GCC; Tunisia, Morocco, Algeria and Libya represent Maghreb; Jordan and Lebanon represent Levant

School enrollment (at primary level) indicates progress

Enrollment rate at the primary level is high in the MENA; it is above that of North America average

The MENA region has evolved since the early 1960s in terms of equitable access to formal education. Large and continued spending on education by governments has resulted in higher enrollments. This is true especially at the basic/primary level. As per our workings and data from the World Bank, gross primary education enrollment² in the MENA stands at 102% vis-à-vis the world (107%) and North America (98%).

Exhibit 7: Gross enrollment rates – Primary, Secondary, and Tertiary Education



Source: The World Bank, Al Masah Capital Research

² Gross enrollment rate, a statistical measure used in the education sector, refers to the number of students enrolled at a certain level of education as a percentage of the population of the age group that officially corresponds to that level.

Enrollment rate at secondary and tertiary level in the MENA is almost on par with world average; but lower than that of North America

At 74% and 28%, enrollment rate at the secondary and tertiary levels in the MENA is reasonable compared to the world average (68% and 27%), but significantly lower than that of North America (94% and 84%).

Enrollment statistics by sub-segments and country clusters

- **At Primary Level** – Bahrain enjoys the top spot among GCC countries with gross primary enrollment of 106.6%; within Maghreb, Libya ranks first with 110.3% enrollments and in Levant, Lebanon leads with 103.2% enrollments.
- **At Secondary Level** – Within GCC, Saudi Arabia ranks first (96.8%), while Libya (93.5%) and Jordan (88.2%) lead in Maghreb and Levant, respectively.
- **At Tertiary Level** – Saudi Arabia is the leader (32.8%) in the GCC region, while Libya (55.7%) and Lebanon (52.5%) rank first in Maghreb and Levant, respectively.

Exhibit 8: Gross Enrollments – latest available

Country	Primary	Secondary	Tertiary
Bahrain	106.6%	96.4%	21.8%
Qatar	105.9%	85.2%	10.2%
UAE	105.4%	95.2%	30.4%
Saudi Arabia	98.9%	96.8%	32.8%
Kuwait	94.8%	89.9%	18.9%
Oman	83.9%	91.3%	26.4%
Libya	110.3%	93.5%	55.7%
Algeria	107.7%	83.2%	30.6%
Morocco	107.4%	55.8%	12.9%
Tunisia	107.1%	91.8%	33.7%
Lebanon	103.2%	82.1%	52.5%
Jordan	96.8%	88.2%	40.7%
Egypt	99.7%	79.3%	28.5%

Source: The World Bank

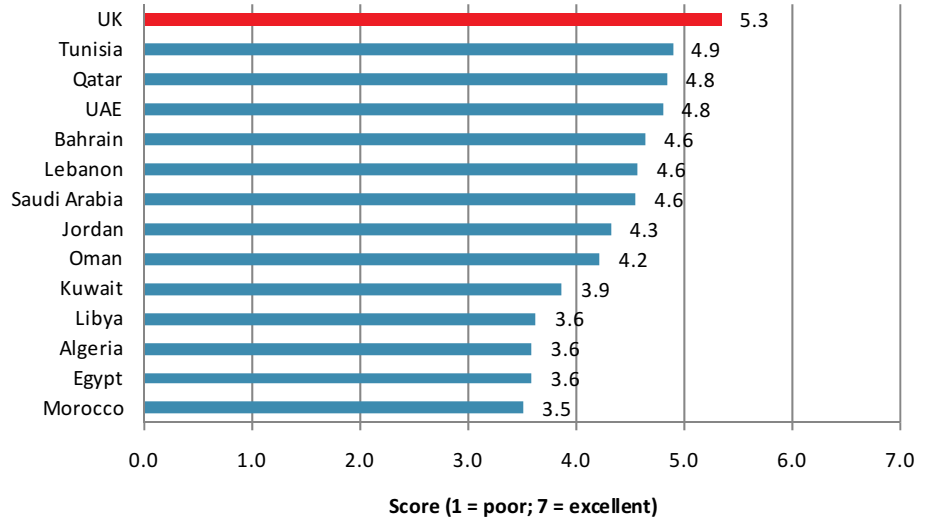
Lower quality of education, especially in Maghreb

Most of the MENA countries score low on quality of education

According to the World Economic Forum’s Global Competitiveness Report 2010–11 (that ranks countries on the basis of the quality of the educational system, enrollment rates, level of access to the internet in schools and availability of specialized research and training services, among others), most countries in the MENA score low on the quality of education and training. In fact, countries such as Morocco, Egypt, Algeria, Libya and Kuwait have been reported to have some serious deficiencies in their quality of education.

Exhibit 9: Quality of higher education and training in the MENA compared to the UK

Quality of higher education is low in Maghreb countries



Source: Global Competitiveness Report 2010–2011, WEF

In terms of country clusters, in Maghreb, which comprises Morocco, Algeria, Libya (excluding Tunisia), the higher education system is underdeveloped.

WHAT ARE THE GOVERNMENTS' INITIATIVES?

Reforms in the education sector

Education reform is underway in most of the MENA countries; Qatar has made notable progress on this front

Most of the MENA countries are seeking to reform their education system in an effort to make it more effective and robust. They are investing money and time to understand and adopt the best practices from across the globe. The State of Qatar has made significant progress on this front. It now ranks among the top five nations globally in terms of quality of primary education³.

Prior to reforms, the education system followed in Qatar was teacher-centered; focused on rote-memorization with little of analytical thinking; and had an outdated and rigid curriculum that hardly stressed on the importance of research and communication. There was also lack of vision; and poor allocation, compensation, and training of teachers.

Later, on recommendations from RAND (a US-based non-profit research institution), the Qatari leadership took the following steps:

- Made the Supreme Education Council (SEC) the principal authority for kindergarten to year 12 education. The SEC comprises three institutes: the Education Institute to develop curriculum standards and provide professional development for teachers and staff; the Evaluation Institute to assess the learning of students and monitor the performance of schools; and the Higher Education Institute to help outstanding students pursue interests in fields that directly benefit the society and economy.
- Established independent (charter) schools with new curriculum standards and assessment systems. These government-funded schools are not operated by the Ministry of Education, but by other parties. This system is aimed at decentralizing decision making and increasing accountability.
- Granted autonomy to Qatar University. Its administrative and academic structures were decentralized and academic standards upgraded.
- Established a 1,400-hectare Education City, which houses American institutions of higher education such as Virginia Commonwealth, Texas A&M, Weill Cornell, Carnegie Mellon and Georgetown.

Oman has adopted 10-year system of compulsory education for children in the age group of 6–17

Similarly, Oman has made steady progress. The government first addressed quantitative issues by building schools; thereafter, it took initiatives to improve the quality of education. Oman also adopted a unified 10-year system of compulsory basic education for pupils in the age group of 6–17. Also, the government delegated responsibility for school management to local educational administrative bodies and school staff rather than the Ministry of Education.

In the UAE, the education reform process is still at a nascent stage. In 2005, Dubai Education Council (DEC) and Abu Dhabi Education Council (ADEC) were established. DEC was given the task of raising the education standards by attracting world-class international primary and secondary

³ The Global Competitiveness Report 2010-11 (World Economic Forum)

schools to Dubai, and focusing on international accreditations; while ADEC was asked to improve and modernize facilities, reduce bureaucracy, update curricula and seek involvement from the private sector.

Higher allocation for education in budgets, five-year plans

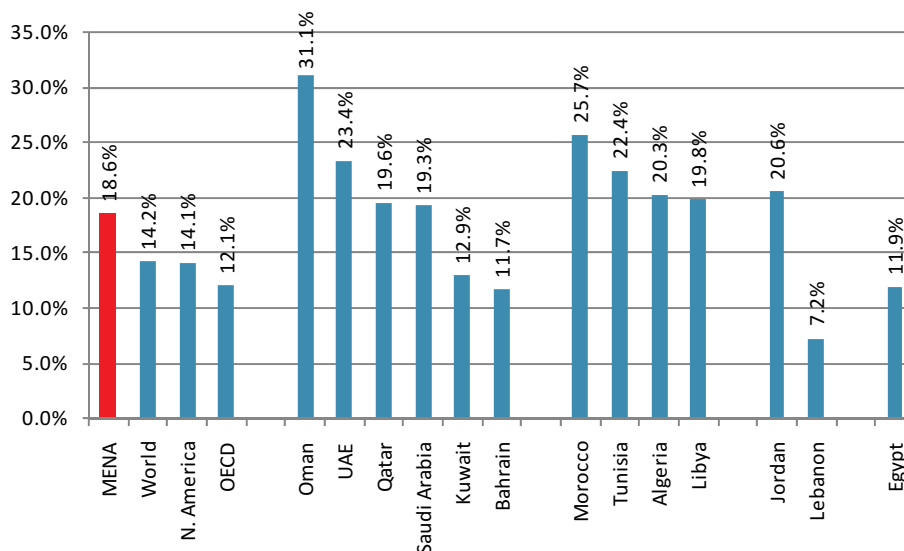
Most of the MENA countries have increased allocations for education in their five-year plans, indicating the rising focus on education. For instance, in its Ninth Five-Year Plan (2009–14), Saudi Arabia dedicated USD195 billion (bn) to human resource development. This includes building several new facilities (25 technology colleges, 28 technical institutes, and 50 industrial training institutes); providing USD240 million (mn) in grants for research projects each year; establishing 10 research centers and 15 university technological innovation centers in association with King Abdullah City for Science and Technology (KACST); and building at least eight technology incubators at KACST and other universities.

Saudi Arabia has allocated USD195 bn to human resource development in its Ninth Five-Year Plan

Public expenditure on education in the MENA stands at 18.6%

Data from the World Bank suggests that public expenditure on education in the MENA stands at 18.6% compared to the world's average of 14.2%. Public spending on education within GCC is the highest in Oman (31.1%), while Morocco (25.7%) leads the charts in Maghreb.

Exhibit 10: Public spending on education as % of total government expenditure– latest available



Source: The World Bank

Note: Oman, UAE, Qatar, Saudi Arabia, Kuwait and Bahrain represent the GCC; Morocco, Tunisia, Algeria and Libya represent Maghreb; Jordan and Lebanon represent Levant

The UAE has developed a diversified system of higher education

Countries in the MENA could draw learning from the UAE, which has established an excellent and diversified system of higher education in a very short period of time. Apart from the government institutions like UAE University, Zayed University and Higher Colleges of Technology, the UAE citizens now have the option to attend a wide range of private institutions like American University in Dubai, Ajman University of Science and Technology, Al Hosn University, Masdar Institute for Science and Technology, among others. Thanks to establishment of several Purpose Built Zones, a number of international universities namely American University in the Emirates, London Business

School, University of Wollongong, Rochester Institute of Technology, and Heriot Watt University have also built campuses in the UAE.

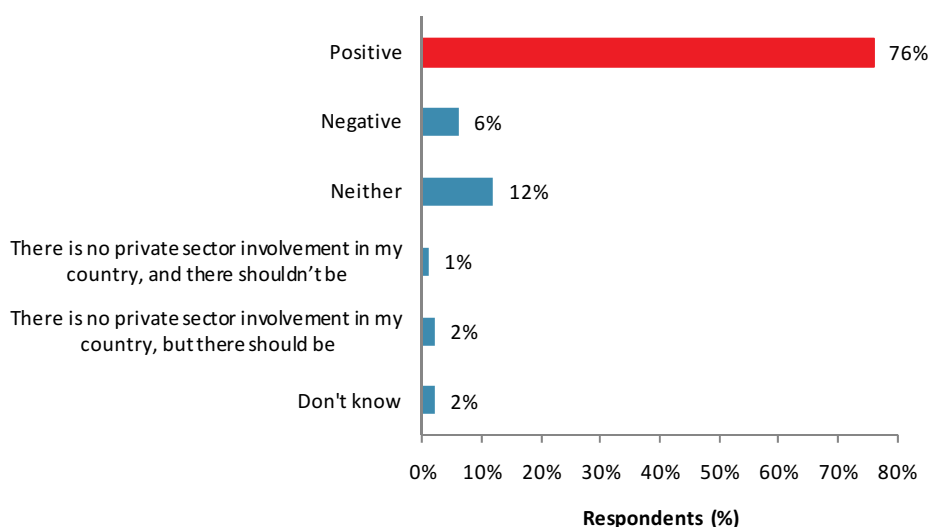
Policies encouraging private sector participation

Many regional governments are seeking private sector participation in education

Schooling in the MENA region is largely provided by governments. However, considering the slow pace of improvement in the quality of education imparted and the regular demand for higher outlays for the sector, most governments are seeking partnerships with the private sector. Findings based on a survey by Economist Intelligence Unit indicate that a rise in the private sector's involvement in the education system of a country is considered "positive".

Conducted in February 2009, the survey had 211 respondents (123 from private sector companies and 88 from educational institutions).

Exhibit 11: Survey responses to the question "Would a rise in private sector involvement in your country's education sector be a positive or negative trend?"



Source: The EIU Report – Global education 20/20: What role for the private sector?

In order to increase the private sector's participation in education, governments usually adopt the Public-Private Partnership or PPP model. PPP could be defined as a model of development cooperation wherein the private and public sector (government) pool expertise and resources to achieve development goals. Many forms of PPPs are currently used in education worldwide. The popular types are given below.

PPP in education offers several benefits

Exhibit 12: Types of public-private partnerships

What government contracts for	Definition	Contract types
Management, professional services (input)	Government buys school management services or auxiliary and professional services	Management contracts Professional services contract (curriculum design)
Operational services (process)	Operational services (process)	Operational services (process)
Education services (output)	Government buys student places in private schools (contracts with school to enroll specific students)	Contract for education of specific students
Facility availability (input)	Government buys facility availability	Provision of infrastructure services contracts
Facility availability and education services (input and output bundle)	Government buys facility availability combined with services (operational)	Provision of infrastructure contracts with education services contracts

Source: The World Bank

PPP offers a host of benefits: 1) sharing the financial burden; 2) sharing the risk; 3) greater efficiency; 4) speedy implementation; 5) cost reduction; 6) greater accountability for performance; 7) improved quality of education; and 8) greater operational flexibility.

DEMAND DRIVERS/MARKET OPPORTUNITIES

Attractive demographics

About 3.9 mn children enter the education system in MENA, every year

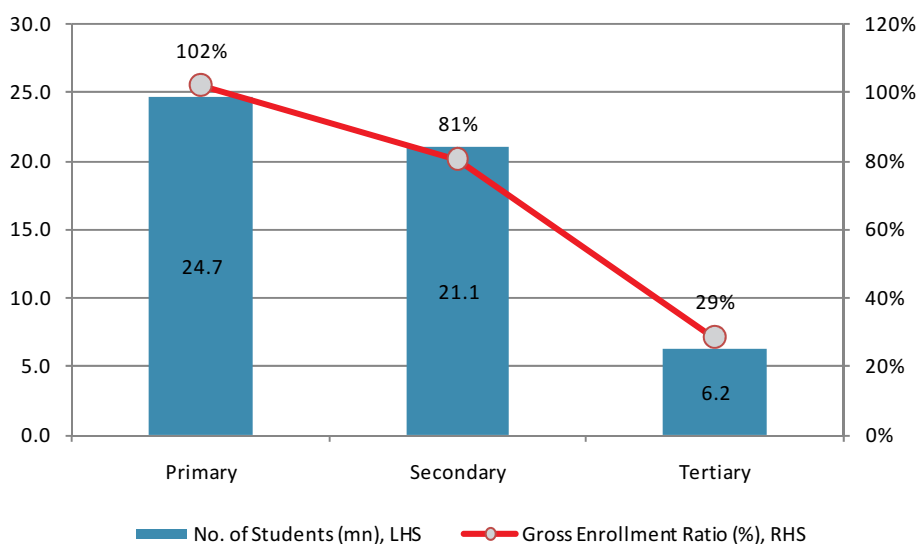
The MENA region has a large population base of 214 mn people. Over the last decade (2000–10), population growth in the region averaged 2% per annum, higher than the global average of 1.3%. The Population Reference Bureau (PRB) expects the region to add another 58 mn by 2025. Assuming 100% enrollment rate at the primary level, approximately 3.9 mn children would enter the education system every year in the region.

In addition, there is significant scope for growth at the secondary and tertiary levels of education. Earlier in the report, we highlighted that the enrollment rate at the secondary and tertiary levels in the MENA is significantly lower than that in developed nations.

Enrollment rate at tertiary level is the lowest among enrollments at all levels

Low enrollments indicate that many students prefer to opt out of the education system at higher levels. This could be ascribed to several reasons: 1) Lack of interest in studies; 2) Poor confidence in the country’s higher education system; 3) Cost factor; many governments in MENA provide just primary level of education for free or at a subsidized fee; and 4) Lack of curriculum choice (more options in humanities and social sciences).

Exhibit 13: Lesser number of students enroll for secondary and tertiary levels of education



Source: IMF, UNESCO, Al Masah Capital Research

Saudi Arabia has announced the plans to establish seven new colleges

Governments in the MENA have realized the situation and are taking steps to improve their higher education systems. The announcement by King Abdullah to establish seven new colleges – college of business at Tabuk, college of computer science and information technology at Baha, college of business administration at Hafr Al-Baten, college of business administration at Hail, college of arts and science at Qassim, and two medical colleges at Shaqra and Dawadmi – in Saudi Arabia being a recent example.

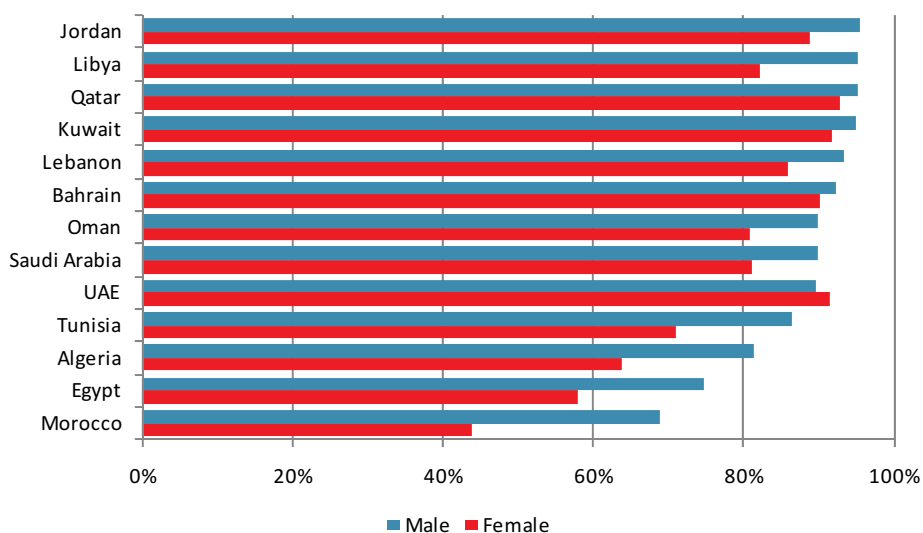
Average adult literacy rate in the MENA is around 80%

Low literacy rates

Adult literacy rates in the MENA region average a little more than 80% compared to the average of 97% in developed countries. Literacy rates in the MENA countries—although low according to world standards—have improved significantly due to government initiatives to boost education.

The three countries in the region with adult literacy rates of 90% and more for both males and females are Qatar (95% for males, 93% for females), Kuwait (95%, 92%), and Bahrain (92%, 90%). On the other hand, countries having adult literacy rates between 85% and 90% are Jordan (95% for males, 89% for females), Lebanon (93%, 86%), and the UAE (89%, 91%).

Exhibit 14: Adult (15+) literacy rate for males and females across the MENA region



Qatar, Kuwait and Bahrain have over 90% literacy rates among both males and females

Source: UNESCO

Maghreb region, which includes Morocco (56%), Algeria (73%) and Tunisia (78%), has the lowest literacy rate. These countries (along with Egypt) also need to address the issue of a lower literacy rate among females.

Therefore, countries that are low on the literacy scale, and are seeing greater involvement from the government in addressing the issue could provide majority of opportunities for private firms.

More women pursuing education

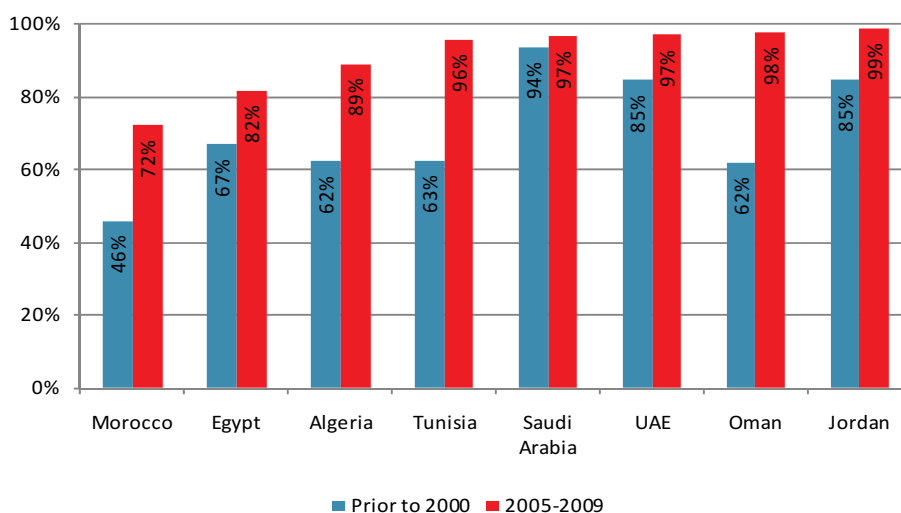
Women in many parts of the MENA were earlier confined to their homes and deprived of the right to education. However, the current situation is much different.

Statistics show that literacy rates for women in the region have shot up in recent years. For instance, literacy rate among females in Morocco is 72% (15–24 years) compared to 46% a decade ago. Female literacy has significantly improved in countries such as Tunisia, Oman and Algeria. However, considering female literacy rates in Jordan (99%) and Saudi Arabia (97%), there is lot

Literacy rate among females in Morocco has increased to 72% from 46% a decade ago

more scope for girl child education in various parts of the MENA.

Exhibit 15: Literacy rate among females (15–24 years)



Source: The World Bank, UNICEF

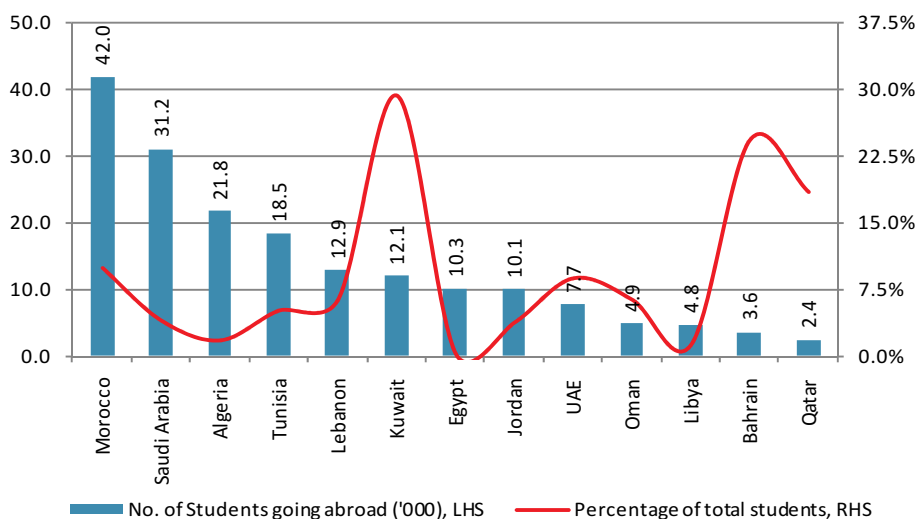
Quality higher education key for containing outbound students

The number of outbound students in the MENA was estimated at 182,000 in 2009

Another factor that indicates the potential for the education market is the outbound students, estimated at 182,000 in 2009.

Governments in the MENA have made significant progress in education at the primary level. The rising number of gross primary education enrollment reflects this progress. Enrollment rates at secondary and tertiary levels are significantly lower in the MENA compared to the average in developed nations.

Exhibit 16: Students from the MENA region going abroad for higher education - 2009



Source: UNESCO, IMF, Al Masah Capital Research

France, the UK, the US and Germany are the popular education destinations among the MENA students

The main reason for this is the lack of good quality higher education in the region. Therefore, a large number of students (~182,000 in 2009) head abroad in search of better education every year. Data from UNESCO indicates that the most preferred education destinations for MENA students are France, the UK, the US and Germany.

Some of the MENA countries are looking at foreign collaborations as a way to deal with this situation. For instance, the UAE currently houses Michigan State University, Rochester Institute of Technology, Middlesex University, London Business School and several other international universities. Qatar has Weill-Cornell University, Carnegie Mellon University, Texas A&M, Georgetown University and Virginia Commonwealth University.

Such initiatives in other MENA countries could provide investment opportunity for private equity firms.

Large out-of-school population

Around 1.7 mn children at the primary level are out of school in the MENA region

Data from the World Bank indicates that as many as 1.7 mn children at the primary level are out of school in the MENA region. Egypt has the most out-of-school population at primary level in the MENA, followed by Saudi Arabia and Morocco. With increased initiatives, this out-of-school population is expected to help increase the market size for education.

Exhibit 17: Children out-of-school at primary level

Country	Female	Male	Total
Egypt	313,561	157,490	471,051
Saudi Arabia	243,771	204,779	448,550
Morocco	202,851	153,666	356,517
Algeria	81,615	59,437	141,052
Oman	34,253	33,350	67,603
Jordan	22,131	30,113	52,244
Libya	46,760	1,249	48,009
Lebanon	21,225	19,049	40,274
Kuwait	8,010	6,374	14,384
UAE	4,237	2,454	6,691
Tunisia	251	6,312	6,563
Qatar	673	627	1,300
Bahrain	786	241	1,027

Source: The World Bank

Note: Most of the data (except Tunisia, Kuwait, Libya, and Jordan) is for 2009

The number of female students out of school is much higher than that of males

The number of female students out of school significantly exceeds males, indicating that parents in MENA region prefer to educate the male child over the female. Going forward, the government's growing emphasis on female education (for instance, opening of the world's largest women-only university in Saudi Arabia in May 2011) is expected to increase student enrollments.

Vocational education and training, University education and Work readiness programs are focus areas for private sector participation

Disconnect between education offered and workplace requirements

The MENA region has a high unemployment rate; one in four youths is unemployed in the region. Based on a survey of employers, the region's youth often lack basic skills required for securing a job. The MENA education system, to a large extent, fails to impart the right skills required for a modern workplace. As a result, employers (particularly in GCC) prefer to hire foreigner's vis-à-vis nationals. Foreign employees are considered to be proficient in terms of productivity as well as accept lower salaries.

As per a World Bank report, Education for Employment: Realizing Arab Youth Potential, disconnect between education and workplace requirements is ascribed to factors such as ill-equipped classrooms, untrained teachers and outdated curriculums. Furthermore, the report highlights three main areas for private sector participation – vocational education and training, university education and work readiness programs.

- **Vocational Education and Training:** This is usually a diploma program, targeted at post-secondary school students in order to build their skills for the job market in sectors like healthcare, tourism, and construction among others.
- **University Education:** The current undergraduate system is largely disconnected from the demands of the job market. As such, the private sector has an opportunity to establish private universities and colleges that offer tailored curriculum to suit the needs of private employers.
- **Work Readiness Programs:** It is aimed at students who have secondary or post-secondary education, but need to sharpen their skills (applied skills, soft skills, language skills and entrepreneurial skills) at their workplace.

Shortage of good schooling

The MENA region has over 100,000 K-12 schools. Although there are no formal studies available to confirm this, our workings indicate that this number could be close to 119,000, with most schools located in Egypt (37%), Saudi Arabia (22%), Algeria (19%), Morocco (8%), and Jordan (5%).

However, despite having a number of schools, the lack of availability of good schooling ails the education system in the region. PISA results from the OECD (which surveys 15-year-olds on knowledge and skills essential for full participation in society) ranked the UAE at 42nd position, followed by Jordan (55), Tunisia (56) and Qatar (61).

Establishment of new world-class schools and/or renovation of existing ones with the help of private equity could be pursued to improve the infrastructure and curriculum.

The MENA region has over 100,000 K-12 schools with Egypt accounting for largest share

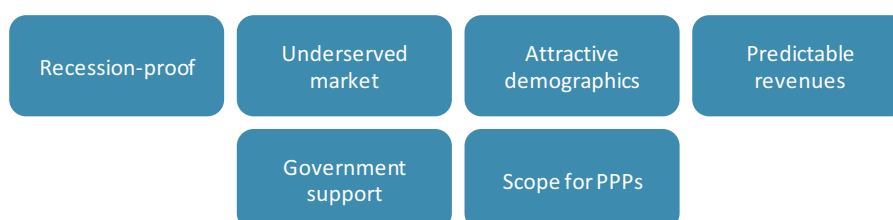
KEY CONSIDERATIONS FOR PE INVESTMENT IN THE MENA EDUCATION SECTOR

Excellent business model

Education, as a business, is attracting a lot of private equity firms. There are several reasons for this: education as a “for-profit” enterprise does not draw flak from the society, it is considered a recession-proof business (similar to healthcare), scope for growth is high due to the underserved market, the region’s attractive demographics, easier predictability of revenues; and continued support from the governments.

Education sector has emerged as one of the popular avenues of investment for PEs

Exhibit 18: Why is education attracting private equity?



Source: Al Masah Capital Research

Education is high on growth agenda of governments

As mentioned before, providing access and imparting quality education is among the top priorities of governments in the region. Significant budgetary allocations for education and related activities undertaken by various governments for several years emphasize the importance given to the sector.

Public spending on education (as a % of government expenditure) in the MENA stands at 18.6%

Data from the World Bank indicates that public spending on education (as a % of government expenditure) in the MENA stands at 18.6% compared to the world’s average of 14.2%.

Saudi Arabia can be considered as an example to gauge the level of investments in education in the region. For 2011, the Kingdom allocated SAR150 bn (USD40 bn), about 25.9% of its annual budget, for education and training. With this, the size of Saudi Arabia’s education budget has nearly tripled since 2000. The 2011 budget includes the construction of 610 new schools in addition to the 3,200 schools already under construction.

KSA established the largest women-only university in the world, this year

In May 2011, Princess Nora bint Abdulrahman University (PNU), the largest women-only university in the world, was opened in KSA. Built at a cost of USD5.3 bn, the PNU campus covers an area of 8 million square meters, houses 15 colleges, a 700-bed hospital, and can accommodate 50,000 students. The country also established Saudi Arabia King Abdulaziz City for Science and Technology (KACST), way back in 1977, to support and promote applied scientific research and coordinate the activities of the scientific research institutions/centres in line with requirements of development plans of the Kingdom. KACST funds more than 400 independent research projects annually and acts as the Kingdom’s patent office. KACST has over 2,500 researchers and professionals.

Gross profit margins in the education varies from 30-60% with pre-school and higher education being the most profitable segments

Pre-school and higher education yield attractive margins

Gross profit margin in the education business varies from 30–60% depending on the segments. For instance, pre-school and higher education categories generate gross margins of 55–60%, while the same for vocational institutions stands at 30–35%. Accordingly, operating profit margins are high in the pre-school and higher education categories (up to 40%) and lower in vocational institutions (up to 15%).

Exhibit 19: Typical profit margins in education business

Segment	Gross Margins	Operating Margins
Pre-School	55% - 60%	20% - 40%
K-12	NA	NA
Higher Education	55% - 60%	35% - 40%
Vocational (includes IT Training and Language)	30% - 35%	10% - 15%
Others (Holding Company - Diversified)	35% - 45%	8% - 10%

Source: Al Masah Capital Research, Various Companies

At the end of 2010, university projects worth ~USD32.0 bn were planned or under way in the GCC

List of major education and related projects in the GCC

According to MEED, university projects worth ~USD32.0 bn were planned or under way in the GCC at the end of 2010. Saudi Arabia was the most active market in the region with the two largest university projects (Princess Nora bint Abdulrahman University for Girls (PNU) and King Saud University schemes) under execution. The Kingdom was followed by Kuwait (with its USD3.0 bn Sabah al-Salem New University) and the UAE (USD874 mn New York University, USD817 mn New Zayed University Campus, and USD327 mn Paris-Sorbonne University campus on Reem Island). Other GCC countries too have a few university projects under various stages of development.

Exhibit 20: Major Education projects in the GCC region

Project	Country	Value – USD mn	Status
King Abdullah University of Science and Technology	Saudi Arabia	3,000.00	Ongoing
Saudi National Guard Health Affairs - King Saud University for Health Sciences	Saudi Arabia	1,600.00	Ongoing
RCJY - Jubail two University College	Saudi Arabia	133.30	Ongoing
Ewaan Al Farida - Four New Schools	Saudi Arabia	NA	Ongoing
King Saud University – Medical City	Saudi Arabia	NA	Ongoing
Kuwait University City - College of Business and College of Women	Kuwait	900.00	Ongoing
Kuwait University City - College of Engineering and Petroleum	Kuwait	500.00	Ongoing
Kuwait University City - Faculty of Arts and Education	Kuwait	428.00	Ongoing
Kuwait University City - College of Science and Faculty Club	Kuwait	140.00	Ongoing
Mubadala - New York University	UAE	874.40	Ongoing
Dubai Maritime City - Academic Campus	UAE	850.00	On Hold
Masdar Institute of Science and Technology	UAE	500.00	Ongoing
Mubadala - UAE University Campus	UAE	NA	Ongoing
Mubadala - Abu Dhabi University Education Park	UAE	NA	On Hold
Qatar Foundation - Central Library	Qatar	271.00	Ongoing
Qatar Foundation - Faculty of Islamic Studies	Qatar	212.00	Ongoing
Ashghal - Five New Schools Around Doha and in Villages - Package 4	Qatar	NA	Ongoing
Ashghal - Nine New Kindergartens Around Doha and in Villages – Package 4	Qatar	NA	Ongoing

Source: Zawya

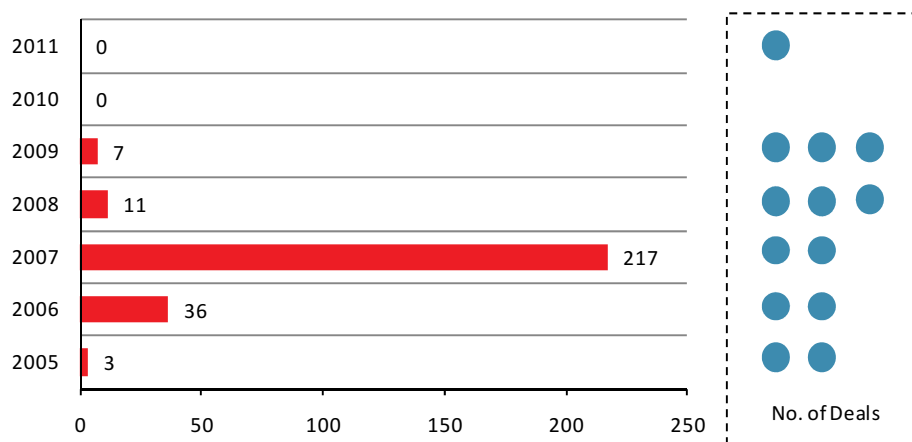
Of late, several GCC governments have announced higher expenditure on housing, schools and hospitals in an effort to allay the recent wave of civil unrest in the Arab world. This is expected to drive activity in the education sector.

Deal activity in the education sector

Private equity players have invested USD275.1 mn (disclosed value) through 13 deals in the education sector in the MENA since 2005. Going by the deal count (which we consider a better indicator due to lack of details on transaction values), there has been increased activity in the sector, especially during 2008–09.

Exhibit 21: PE activity in the MENA education sector – Disclosed Value (USD mn) and Deals (No's)

Education sector has attracted 13 PE investments worth USD275.1 mn since 2005



Source: Zawya

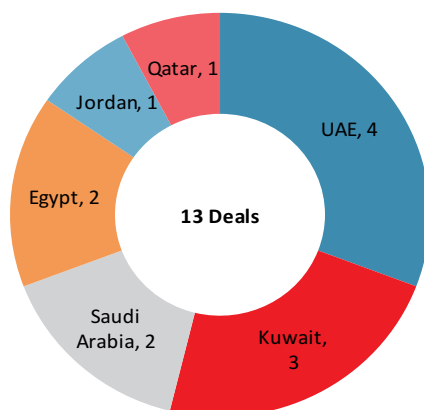
Note: The above numbers are highly underestimated because of poor deal disclosures in the MENA region

The UAE is the clear favorite among private equity investors. Four (out of the 13 deals taken place in the MENA education sector since 2005) were with UAE-based companies. The total value of these deals stood at USD131.3 mn. In terms of value of deals, Saudi Arabia comes second (two deals worth USD93.0 mn), while Kuwait follows the UAE (three deals worth USD47.8 mn) in terms of numbers.

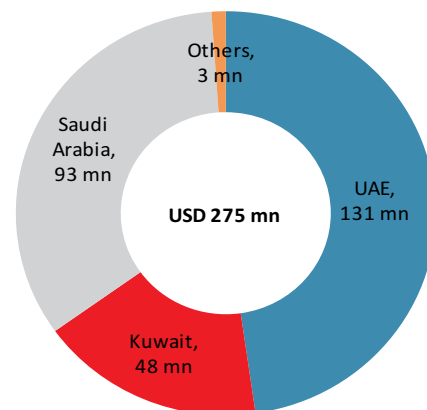
Exhibit 22: Number of deals – 2005 to date

Exhibit 23: Value of deals – 2005 to date

UAE has emerged as the most attractive PE investment destination



Source: Zawya



Source: Zawya

The single largest transaction took place between Abraaj Capital and Global Education Management Systems (GEMS) in December 2007. As per Zawya, Abraaj paid USD124.3 mn through Infrastructure and Growth Capital Fund L.P. to acquire a significant stake in GEMS.

The transaction between Abraaj Capital and GEMS was the largest deal

Dubai-based GEMS is the largest K-12 private school operator in the region and has 52 years of direct experience in managing and operating schools across various curricula. GEMS currently operates a growing network of over 100 international schools in the UAE, Saudi Arabia, Egypt, Qatar, Jordan, India, and China, delivering education to more than 100,000 students.

Exhibit 24: Private equity deals across various the MENA countries since 2005

Deal value (USD mn)	Percentage Stake	Company	Country	Sub-Sector	PE Fund/Firm	Year
124.30	NA	Global Educational Management Systems (GEMS)	UAE	Childcare, Elementary, and Secondary Schools	Abraaj Capital	2007
93.00	50.0%	Maarif Education and Training Holding Company	Saudi Arabia	Elementary Schools	GulfCapital	2007
20.75	40.0%	Al Rayan Holding Co.	Kuwait	Education Services	Private Equity Fund	2006
15.58	18.9%	Rayan Holding Co.	Kuwait	Education Services	Global Investment House	2006
11.43	NA	Madaares PJSC	Kuwait	Conventional	Global Capital Mgmt.	2008
7.00	NA	Al Maaref Private School	UAE	Childcare, Elementary, and Secondary Schools	NBK Capital	2009
3.00	6.7%	Al-Isra Education & Investment Co.	Jordan	Conventional	Foursan - Deutsche Bank	2005
NA	NA	OstazOnline	Egypt	Internet Education Services	EFG-Hermes Private Equity	2005
NA	60.0%	Baby Academy	Egypt	Childcare	First Education Holding	2008
NA	100%	Al Zuhour Private School	UAE	Childcare, Elementary, and Secondary Schools	First Education Holding	2008
NA	NA	Al Raeda for Education Development	Saudi Arabia	Other Support Services	Eastgate MENA Direct Equity	2009
NA	100%	Al Maaref Private School	UAE	Childcare, Elementary, and Secondary Schools	First Education Holding	2009
NA	NA	Establishment for Educational Development LLC	Qatar	Childcare, Elementary, and Secondary Schools	NBK Capital	2011

Source: Zawya

The second largest deal was between GulfCapital and Maarif Education & Training Holding Co., the largest private K-12 education provider in Saudi Arabia with 17 schools catering to over 22,000 students. As per Zawya, Abu Dhabi-based GulfCapital paid USD93.0 mn through GC Equity Partners Fund II, L.P. for an undisclosed stake in Maarif.

KEY CHALLENGES

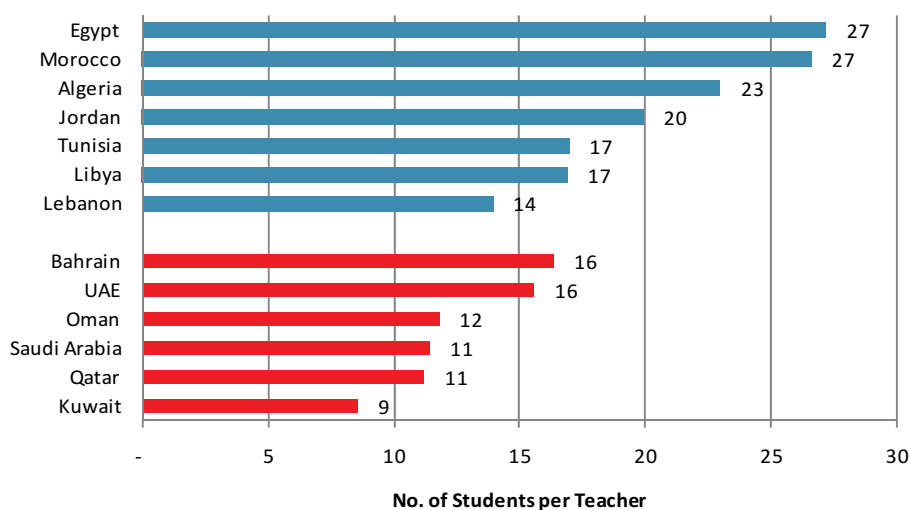
Availability of quality teachers is a concern

The MENA's pupil-teacher ratio of 17:1 is better than the world average of 24:1

The MENA region has 17 students for every one teacher (a pupil-teacher ratio of 17:1) compared to the world average of 24:1. Yet, the knowledge level and skill set among students in the MENA region is far lower compared to the counterparts in the developed countries. One key reason for this is the poor quality of teachers in the MENA region.

Good teachers are essential in an education system as they are the ones who impart knowledge and values to the future generation. However, countries in the MENA face an acute shortage of teachers. Therefore, those hired to serve as teachers are often not adequately qualified for the position. The result is lower knowledge level and skill sets among students in the MENA region - MENA students score lower on Trends in International Mathematics and Science Study (TIMSS⁴) compared to the average score in developing/developed regions.

Exhibit 25: Pupil-teacher ratio at primary school level across the MENA



Kuwait has one teacher for nine students on an average

Source: The World Bank

A UNESCO report titled "Teachers and Educational Quality: Monitoring Global Needs" estimates that the Arab world, mainly Saudi Arabia, Egypt, Morocco and the UAE, would need an additional 450,000 teachers by 2015.

Arab world would require an additional 450,000 teachers by 2015

Capital expenditure on setting up schools

Setting up an educational institute requires significant amount of time and money. Upfront investments in the education business, particularly for higher education institutions, can be quite sizeable.

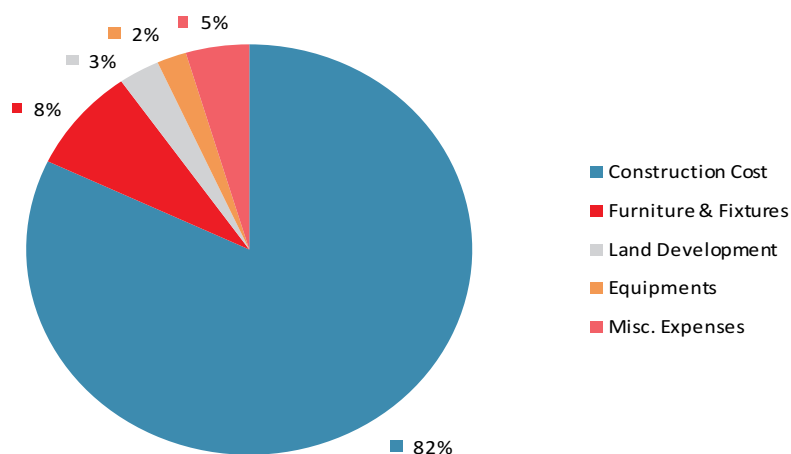
⁴ TIMSS measures the knowledge of fourth and eighth grade students (Years 5 and 9) in mathematics and science. It also monitors curricular implementation and identifies the most effective instructional practices across the world.

The recently opened International Indian High School at Dubai Silicon Oasis was constructed at a cost of AED100 mn

The recently opened International Indian High School at Dubai Silicon Oasis was constructed at a cost of AED100 mn. In an interview with Emirates247.com, Mr. Sunny Varkey, Founder and Chairman of Gems Education, said that they invested between AED50 mn and AED100 mn per school.

Based on the above, establishing a modern state-of-the-art campus with amenities like an amphitheatre, cafeteria, activity room, gymnasium, swimming pool and an indoor sports complex for 3,000 students could cost about USD27 mn in Dubai.

Exhibit 26: Capital expenditure on establishing a highly modern school



Source: Career Point Infosystems Ltd. (Prospectus), Al Masah Capital Research

Cost of construction is the largest expense head while setting up an education institution

Note:

Construction cost usually includes designing and engineering cost, construction of administrative building, library, cafeteria, auditorium, health centre, swimming pool etc.

Furniture & fixtures includes the cost of furniture for classrooms, administrative building, library etc.

Land development is largely associated with the cost on leveling and filling of land, road development, water and sewerage facility, electricity, and landscaping activities.

Equipment mainly include the cost of acquiring IT hardware/software, and teaching equipment.

Miscellaneous expenses include professional fee, advisory fee, and fee for technical services required for the construction of the facility.

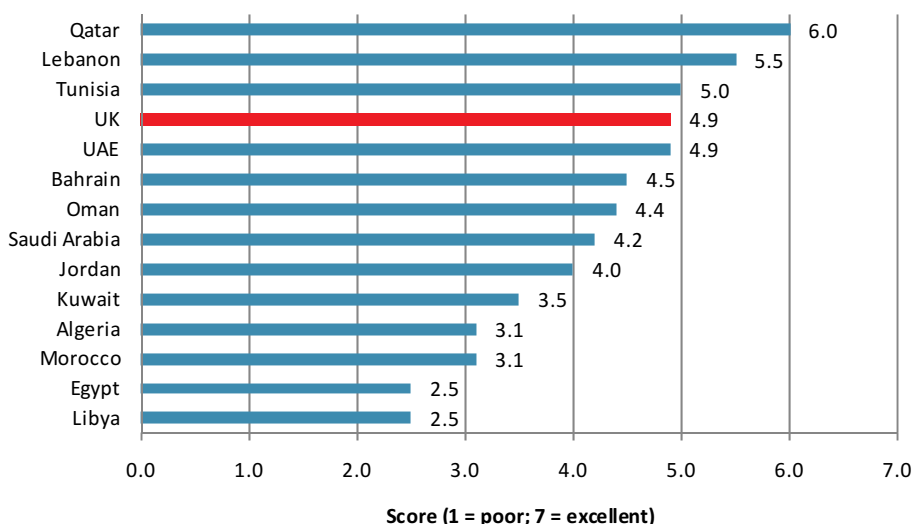
Quality of education in Libya, Egypt, Morocco and Algeria is considered to be poor

Poor quality course curriculum

The quality of primary education in the MENA region is still below the standards in developed nations such as the UK. A consultancy firm McKinsey and Co recently reported that the majority of schools in the UAE rank between "poor" to "fair" by international standards.

Data from World Economic Forum (WEF) suggests that countries like Libya, Egypt, Morocco, and Algeria particularly need to improve their quality of education at the primary level. These countries could learn from Qatar, which now ranks among the top five nations globally in terms of quality of primary education.

Exhibit 27: Quality of primary education in the MENA is poor



Source: GCR 2010 - 11, WEF

Lack of flexibility

Lack of flexibility in charging tuition fees is a constraint

Owners of private schools in the MENA region often cite lack of flexibility, especially with regard to tuition fees.

For instance, private schools in Dubai were not permitted to increase the fee for the academic year 2011–12. In March 2011, Dubai Executive Council rejected requests⁵ from over 30 schools seeking to hike the fee by 3–50%.

The case in Saudi Arabia is no different. In October 2011, following some private schools' decision to hike the tuition fee by 30%, Faisal Bin Mu'ammam, Deputy Minister of Education in Saudi Arabia, stated that any private school found to be overcharging parents would be penalized.

⁵ Dubai follows a system of school inspections. Every year, the Knowledge & Human Development Authority grades schools into four performance categories: Outstanding, Good, Acceptable and Unsatisfactory. The request for fee hike is linked to these grades.

During the same month, the Ministry of Education tightened rules for private schools employing expatriate teachers. The schools have been asked to employ those expatriate teachers whose iqamas (residence permit) states their profession as a teacher. The rules also make it mandatory for schools to pay higher salaries to Saudi teachers—salaries should start from SAR5,000.

Lack of flexibility for owners of private schools is a concern given that operating costs (particularly rentals, utilities, salaries and staff accommodation costs) have been increasing over the years.

CONCLUSION

Public expenditure on education (as a % of government expenditure) in the MENA region stands at 18.6%, higher than the world average of 14.2%. For instance, Saudi Arabia plans to spend USD40 bn on education in 2011. The Kingdom has been increasing its allocations to the sector for many years. Improving the quality of education has become an integral part of governments' plans across the MENA. The countries have realized that they need to invest in educating their future generations to ensure growth.

Many countries in the MENA region suffer from low literacy rates, poor enrollments at the higher level of schooling, ill-qualified teachers, and outdated curriculum. Adult literacy rates in the region average a little more than 80% vis-à-vis the average of 97% in developed countries. Enrollment rates at secondary and tertiary levels in the MENA are significantly lower than the average in developed nations. Availability of quality teachers is also a big concern; those hired to serve as teachers are often ill-qualified. The quality of course curriculum in many parts of the MENA is also considered outdated.

Our findings reveal that private equity firms have invested a total of USD275.1 mn (disclosed value) through 13 deals in the MENA education sector since 2005. Given the seriousness of governments in the region toward development of the sector, we see great potential for private equity players. Favorable demographics, predictable revenues and the recession-proof nature of the business are other advantages of being a part of the education market in the MENA region.

The regional governments are focusing on improving the education system

Given the seriousness of governments in the region toward development of the sector, we see great potential for private equity players

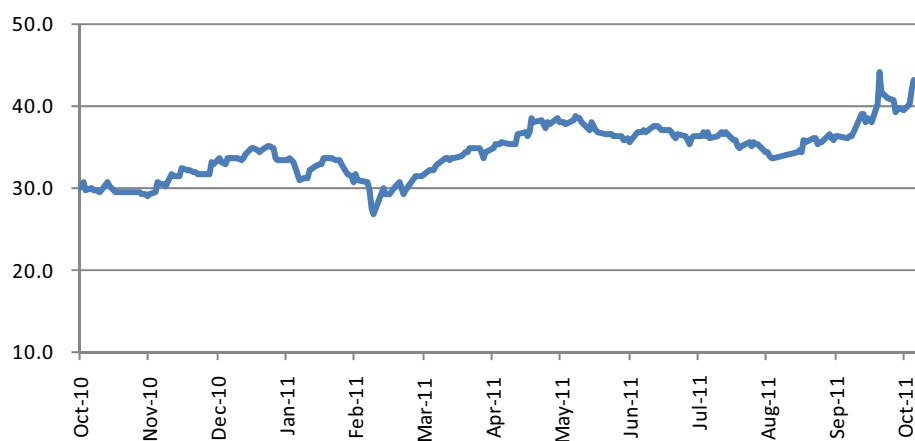
COMPANY PROFILES

1. Al Khaleej Training and Education
2. Nafais Holding Company
3. HumanSoft Holding Company
4. Educational Holding Group
5. Oman Education and Training Investment Company
6. Dhofar University
7. Taaleem
8. Al Rayan Holding Company
9. American University in Dubai
10. American University of Kuwait
11. Eton Institute
12. Global Education Management Systems (GEMS)
13. Innoventures Education Investments
14. Maarif Education and Training Holding Company
15. University of Wollongong in Dubai

AI KHALEEJ TRAINING AND EDUCATION CO.

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	20.00
Country	Saudi Arabia	Abdulaziz R. A. Al Rashed	20.3%
Price – 31 Oct 2011 (SAR)	43.20	Ahmad A. A. Al Shadwi	13.3%
Market Cap (SAR mn)	864.0	Al Waleed A. S. Al Dreian	11.8%
Bloomberg	ALKHLEEJ AB	Abdulaziz H. N. Al Belaihid	10.0%
Reuters	4290.SE	Ahmad M. S. Al Serri	5.5%
No. of Employees	1,800		

Exhibit 28: Share Price Chart – 1 year (in SAR)



Source: Zawya

Business Description

Established in 1992, Al Khaleej Training and Education Co. (Al Khaleej) is engaged in the business of providing training courses in Information Technology, English Language, Administrative Training and others. The company has 82 training centers and 11 franchise product rights in the Kingdom of Saudi Arabia. Al Khaleej is also expanding in Egypt, the UAE and Jordan. The company raised money through an IPO in November 2007.

Segments/Services

Al Khaleej operates through several divisions, including New Horizons Computer Learning Centers, Direct English Centers, Platinum Center, Takniat and others.

Exhibit 29: Divisions

New Horizons (for computer training)	Online Trading Academy (stocks and forex)
Direct English (English language teaching)	M&O (marine training)
Platinum Center (advance IT training)	Pingu's English (English for young children)
Al Khaleej e-Learning (e-learning)	Dhiafa Institute (hospitality and tourism)
Takniat (management training)	Formul'A (hairdressing and make-up)
Crestcom (leadership training)	Kawander (recruitment)

Source: Company

Recent Events

In June 2011, Al Khaleej signed loan agreements with Arab National Bank (SAR70 mn) and Riyadh Bank (SAR30 mn) to finance the construction of a school and administrative offices in Riyadh.

In May 2011, Al Khaleej signed an agreement with Huawei Technologies, a telecom solutions provider, to launch a project called Datacom Certificate System. The project will enable Saudi individuals in data communication & IP field to acquire systematic and pragmatic expertise and skills.

In April 2011, Al Khaleej issues bonus shares worth SAR50 mn, increasing its share capital to SAR200 mn from SAR150 mn.

In Sep 2010, Al Khaleej announced the opening of Rowad Al Khaleej, its first International School in Dammam built at a total cost of SAR60 mn. In July 2010, Al-Khaleej had announced plans to open several world-class international schools with full-fledged American syllabus. The company would be opening its next school in Riyadh in 2012.

Key Financials

Exhibit 30: Income Statement (in SAR mn)

	2006	2007	2008	2009	2010
Total Revenue	241.59	301.35	346.34	350.11	395.37
Cost of Sales	143.11	191.44	221.86	226.77	261.03
Gross Profit	98.48	109.91	124.48	123.34	134.34
Operating Profit	43.63	41.66	49.36	48.68	52.64
Operating profit margin (%)	18.1%	13.8%	14.3%	13.9%	13.3%
Net Profit	37.04	37.50	41.24	42.04	45.44
Net profit margin (%)	15.3%	12.4%	11.9%	12.0%	11.5%

Source: Zawya

Exhibit 31: Balance Sheet (in SAR mn)

	2006	2007	2008	2009	2010
Cash & Cash Equivalents	8.38	26.25	34.04	30.63	33.47
Current Receivables	55.99	82.97	106.48	126.01	170.53
Other Current Assets	11.05	12.95	14.97	22.15	6.86
Total Long Term Assets	160.33	179.40	201.49	246.23	269.74
Total Assets	235.75	301.57	356.99	425.02	480.59
Total Current Liabilities	65.26	80.48	112.31	141.73	151.12
Total Long-term Liabilities	37.57	40.18	20.57	26.50	32.08
Total Provisions	12.95	13.89	18.85	18.83	21.85
Total Shareholders' Equity	114.68	154.05	194.57	227.65	264.37
Total Liabilities & Shareholders' Equity	235.75	301.57	356.99	425.02	480.59

Source: Zawya

SWOT Analysis

Exhibit 32: SWOT Analysis

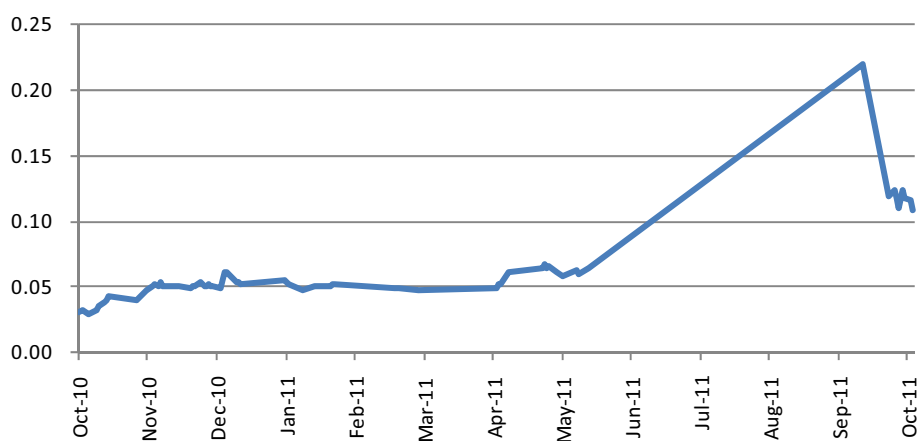
Exhibit 32: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Al Khaleej is the first Saudi joint stock company in the education and training sector. Al Khaleej has an interesting mix of businesses including IT, English language, Hospitality and Administrative Training. 	Weaknesses	<ul style="list-style-type: none"> Al Khaleej has witnessed a steep decline in its profit margins. In 2010, the company earned a gross profit margin of 33.9% compared to 40.7% in 2006. It is also taking on debt to finance the construction of schools.
Opportunities	<ul style="list-style-type: none"> Al Khaleej is looking at establishing several world-class international schools in Saudi Arabia. Rowad Al Khaleej, its first school, was opened in Sep 2010. Al Khaleej is keen to further expand its presence in other countries like Egypt, Jordan. 	Threats	<ul style="list-style-type: none"> Al Khaleej draws a majority of its revenue (~85%) from one country, Saudi Arabia.

Source: Al Masah Capital Research

NAFAIS HOLDING CO

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	421.3
Country	KUWAIT	Aref Investment Group	19.0%
Price – 31 Oct 2011 (KWD)	0.106	Al-Wazzan Holdings Group	15.4%
Market Cap (KWD mn)	44.66	Al-Wazzan Kuwaiti General Trading	9.2%
Bloomberg	NAFAIS KK	Al-Yamamah Holding Group	9.1%
Reuters	NAFA.KW	Salah M. A. Al-Wazzan	7.3%
No. of Employees	60		

Exhibit 33: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Established in 1984, Nafais Holding Co. (Nafais) is a holding company of the Al-Wazzan Group. Nafais is engaged in various businesses, including education, healthcare, real estate, asset management and other investment activities.

The company has schools, colleges and institutes in Kuwait, Egypt and Saudi Arabia. Al-Takamul International School, Gulf English School, Al-Mansour School and Al-Rawad School are some of the schools operated by Nafais in Kuwait. The company also owns New Mowasat Hospital in Kuwait.

Segments/services

Exhibit 34: Subsidiaries/Associates		
Al-Mowasat Healthcare Co.	Kuwait	Medical activities
Al-Tafawoq Educational Services Co.	Kuwait	School operations
Al-Andulas Educational Services Co.	Kuwait	School operations
Al-Mouzoun Real Estate Co.	Kuwait	Real estate activities
Athman Investment Co.	Kuwait	Investing activities
Al-Rawada Educational Services Co.	Egypt	School operations
Kids Garden Co.	Saudi Arabia	School operations

Source: Company

Recent Events

On October 2, 2011, Nafais resumed trading on the Kuwait Stock Exchange (KSE) after a gap of about four months. The stock closed at KWD0.210 per share, up 223% from its last close of KWD0.065 on June 5, 2011.

On September 27, 2011, Nafais announced its interim financial results. According to the filing with the KSE, the company made a net profit of KWD6.22 mn for the six months ended June 30, 2011, compared to a loss over the same period last year.

On June 5, 2011, Nafais declared that it will be undertaking capital reduction. This would result in a 32.4% decline in the company's shares outstanding from 523.4 mn to 421.3 mn.

Key Financials

Exhibit 35: Income Statement (in KWD mn)					
	2006	2007	2008	2009	2010
Total Revenue	6.12	6.47	9.87	21.42	9.19
Cost of Sales	4.03	4.20	6.29	12.93	6.20
Gross Profit	2.09	2.27	3.57	8.49	3.00
Operating Profit	0.86	0.52	0.81	(7.29)	0.64
Operating profit margin (%)	14.0%	8.1%	8.2%	NM	7.0%
Net Income	0.93	0.76	1.22	(26.75)	(7.87)
Net profit margin (%)	15.1%	11.7%	12.4%	NM	NM

Source: Zawya

Exhibit 36: Balance Sheet (in KWD mn)

	2006	2007	2008	2009	2010
Cash & Cash Equivalents	0.49	2.34	5.57	1.64	2.04
Current Receivables	0.34	0.28	4.50	2.37	1.47
Other Current Assets	2.09	0.79	2.79	7.51	41.24
Total Long Term Assets	6.97	40.57	105.17	127.12	62.56
Total Assets	9.98	44.09	118.89	139.48	107.38
Total Current Liabilities	1.10	33.93	29.71	50.90	40.08
Total Long-term Liabilities	2.27	2.93	7.88	30.63	15.50
Total Provisions	0.73	0.80	1.87	2.12	1.20
Total Shareholders' Equity	5.89	6.43	74.21	49.97	44.65
Minority Interest	0.00	0.00	5.22	5.88	5.95
Total Liabilities & Shareholders' Equity	9.98	44.09	118.89	139.48	107.38

Source: Zawya

SWOT Analysis

Exhibit 37: SWOT Analysis

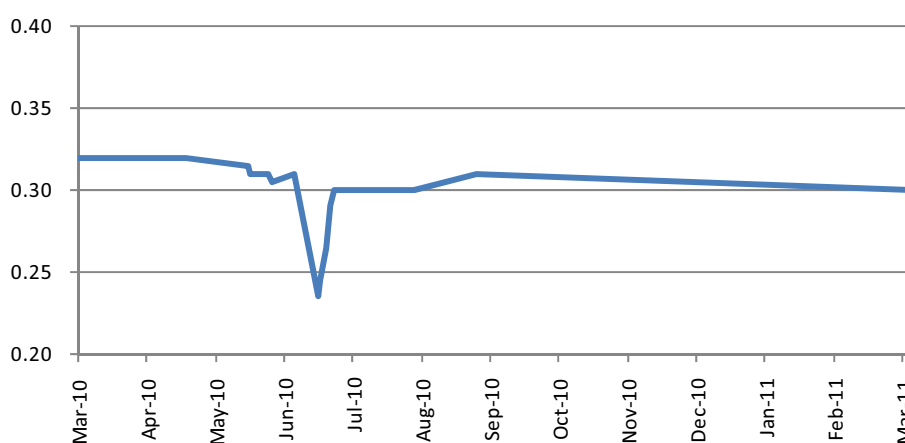
Strengths	<ul style="list-style-type: none"> Nafais is owned by the famous Al-Wazzan Group of Kuwait, which was founded in 1927. The company has turned profitable this year due to the restructuring efforts of promoters. 	Weaknesses	<ul style="list-style-type: none"> The company is a family business concern, and has not hired professional management outside. Hence decisions sometimes could be driven by emotional factors instead of business factors; this may hinder shareholder interest.
Opportunities	<ul style="list-style-type: none"> Nafais has presence in the education and healthcare sectors, which have strong and growing demand in the MENA region. The company, which was traditionally catering to Kuwait's market, has expanded into new geographies such as Egypt and Saudi Arabia. This is a step in the right direction, since staying local has limitation to growth. 	Threats	<ul style="list-style-type: none"> Nafais reported huge losses in 2009. The company's profitability was affected by impairment charges (relating to available for sale investments, investment in associate, and goodwill) of SAR12.8 mn. Going forward, there could be further such charges which could hurt the bottom line of the Company.

Source: Al Masah Capital Research

HUMANSOFT HOLDING CO

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	114.2
Country	Kuwait	Al Othman Commercial Enterprises	47.0%
Price – 10 Mar 2011 (KWD)	0.30	Al Imtiaz Investment Co.	24.4%
Market Cap (KWD mn)	34.27	Fahed Ibrahim Al Othman	12.1%
Bloomberg	HUMANSFT KK	Aminah Qais Salman Al Darbaie	10.4%
Reuters	HUMN.KW		
No. of Employees	NA		

Exhibit 38: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Established in 1997 by Fahed Ibrahim Al Othman, HumanSoft Holding Company (HumanSoft) is engaged in establishing and managing private universities and colleges as well as providing computer education, language training, executive courses, E-commerce and media services.

HumanSoft operates in Kuwait, Qatar, Saudi Arabia and the UAE.

Segments/Services

HumanSoft operates through four segments – Higher Education, Training and Career Development Programs, English Training and Learning Solutions; also, it operates through a number of subsidiaries and associates.

Exhibit 39: Divisions

American University of The Middle East	Tawteen
American College of The Middle East	HumanSoft Management and IT Consulting
HumanSoft Learning Solutions	New Horizons Computer Training
Track Learning Solutions	Expression English Training
HumanSoft Curricula & Learning Concepts	

Source: Company

Recent Events

In October 2010, HumanSoft announced the completion of the second phase of American University of Middle East (AUM) building project. AUM commenced operations in 2008, in affiliation with Purdue University, Indiana.

In April 2008, the company announced it divested its 60% stake in Arab Company for Educational Enterprises, New Horizon for Educational Enterprises and Al Tawteen for Human Investment Company for a consideration of KWD1.75 mn.

In December 2007, HumanSoft announced the completion of the acquisition of Arab Company for Educational Projects for a total value of KWD2.23 mn.

Key Financials

Exhibit 40: Income Statement (in KWD mn)

	2006	2007	2008	2009	2010
Total Revenue	8.57	5.80	5.77	6.24	7.29
Cost of Sales	2.61	1.54	1.35	2.11	2.64
Gross Profit	5.97	4.26	4.42	4.13	4.65
Operating Profit	(0.38)	0.11	(0.92)	0.47	0.42
Operating profit margin (%)	NM	2.0%	NM	7.6%	5.8%
Net Income	(3.00)	4.58	0.34	0.86	0.22
Net profit margin (%)	NM	78.9%	5.9%	13.8%	3.0%

Exhibit 41: Balance Sheet (in KWD mn)

	2006	2007	2008	2009	2010
Cash & Cash Equivalents	2.66	4.21	2.85	1.79	1.07
Current Receivables	2.26	0.72	1.47	2.31	2.45
Other Current Assets	0.96	0.73	0.50	0.58	0.67
Total Long Term Assets	7.03	15.80	18.44	20.84	24.26
Total Assets	12.91	21.47	23.26	25.52	28.45
Total Current Liabilities	1.93	1.99	3.10	2.01	4.40
Total Long-term Liabilities	2.82	2.13	1.54	3.85	4.55
Total Provisions	1.50	0.81	1.20	1.46	1.57
Total Shareholders' Equity	6.60	16.43	17.42	18.21	17.94
Total Liabilities & Shareholders' Equity	12.91	21.47	23.26	25.52	28.45

Source: Zawya

SWOT Analysis

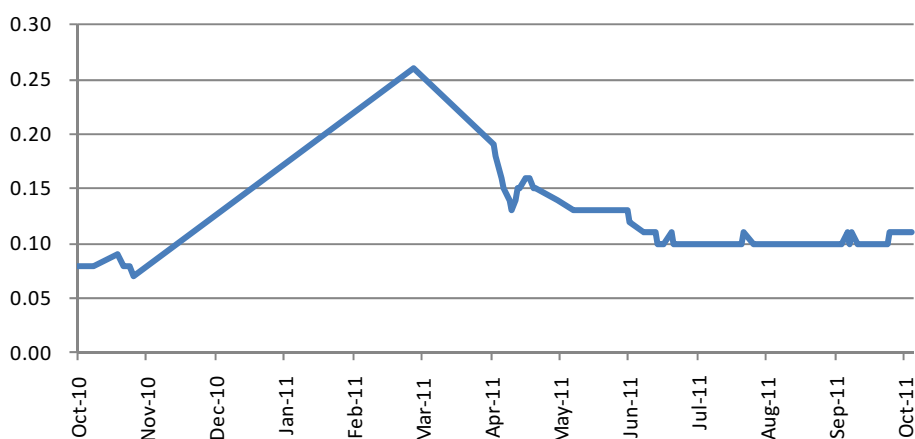
Exhibit 42: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> HumanSoft is engaged in a number of businesses including universities and colleges, computer education, language training, executive courses, E-commerce and media; most of these seek to train a larger youth population in the GCC. 	Weaknesses	<ul style="list-style-type: none"> The company is highly dependent on teachers/trainers/consultants. Considering fewer number of qualified people fall under this category in GCC, the cost of attracting and retaining such people is high.
Opportunities	<ul style="list-style-type: none"> Performance of the Higher Education segment has improved. Revenues from this segment rose 65% in 2010. 	Threats	<ul style="list-style-type: none"> HumanSoft has significant debt on its books. Net debt-to-equity ratio stood at 33.6% in 2010 vis-à-vis 13.8% in 2009.

Source: Al Masah Capital Research

EDUCATIONAL HOLDING GROUP

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	245.30
Country	Kuwait	Nafaes Holding Co.	32.3%
Price – 09 Oct 2011 (KWD)	0.110	Nuhood Development for General Trading & Contracting Co.	17.6%
Market Cap (KWD mn)	26.98	Public Institution for Social Security	13.9%
Bloomberg	EDU KK	Watheeqa Holding Co.	7.6%
Reuters	EDUK.KW	Kuwait Awqaf Public Foundation	6.3%
No. of Employees	700		

Exhibit 43: Share Price Chart – 1 year (in KWD)



Source: Zawya

Business Description

Established in 1982, Educational Holding Group (EHG) was the first private educational investment organization in Kuwait. The company establishes and invests in private educational institutions, training centers, universities and childcare in Kuwait and the Middle East. EHG has expanded manifold with a portfolio that encompasses the entire educational lifecycle – from K-12 and tertiary education to vocational training and development.

Some of the well known companies in which EHG holds a stake include Afaq Educational Company, EYAS For Higher and Technical Education Company, Al Tanmiya Holding, Gulf University (GUST) and Sama Educational Company.

EHG was listed on the Kuwait Stock Exchange in May 1993.

Segments/Services

The company operates in Kuwait, Lebanon, Saudi Arabia and Bahrain through several subsidiaries and associates.

Exhibit 44: Business Segments of EHG

Segment	Subsidiaries and Associates
Special Needs	AFAQ, Conductive Rehabilitation Est, Conductive Rehabilitation School
Edu-Entertainment	AFAQ, Mad Science
K - 12	Al-Qabas, Mashael, Al-Jahra, Um Hani, Sama, American Creativity Academy
Higher Education	EYAS, GUST
Vocational Training	Al Tanmiya, SOS Recruitment, Qualitas for Consulting and Training, Human Dimensions, World-China, Prolific – India
Educational Real Estate	Knowledge Village
Educational Products	Kuwait Lab Company, I Aim High

Source: Company

Recent Events

In April 2011, Abdul Rahman Saleh Al-Muhailan, Chairman, tendered his resignation without assigning any reason.

In 2008, EHG acquired American Creativity Academy along with three educational holding companies in Lebanon.

Key Financials

Exhibit 45: Income Statement (in KWD mn)

	2006	2007	2008	2009	2010
Total Revenue	0.26	0.00	4.71	4.79	4.86
Cost of Sales	0.40	0.60	4.34	4.39	4.17
Gross Profit	(0.14)	(0.60)	0.36	0.40	0.70
Operating Profit	(0.98)	(1.24)	(2.94)	(1.84)	(1.27)
Operating profit margin (%)	NM	NM	NM	NM	NM
Total Investment Income	5.10	6.19	1.52	(14.39)	(2.98)
Net Income	4.96	4.07	6.46	(17.75)	(6.05)
Net profit margin (%)	1928.0%	NM	137.2%	NM	NM

Source: Zawya

Exhibit 46: Balance Sheet (in KWD mn)

	2006	2007	2008	2009	2010
Cash & Cash Equivalents	5.22	5.16	3.27	1.94	2.14
Current Receivables	1.01	1.23	1.67	2.55	2.43
Other Current Assets	22.58	15.83	19.78	4.40	3.23
Total Long Term Assets	23.07	45.47	66.87	62.74	52.64
Total Assets	51.88	67.69	91.59	71.64	60.45
Total Current Liabilities	4.47	21.96	37.81	29.14	25.91
Total Long-term Liabilities	0.00	0.00	0.00	0.00	0.00
Total Provisions	0.42	0.32	0.32	0.76	0.70
Total Shareholders' Equity	46.99	45.41	51.39	34.92	28.31
Total Liabilities & Shareholders' Equity	51.88	67.69	91.59	71.64	60.45

Source: Zawya

SWOT Analysis

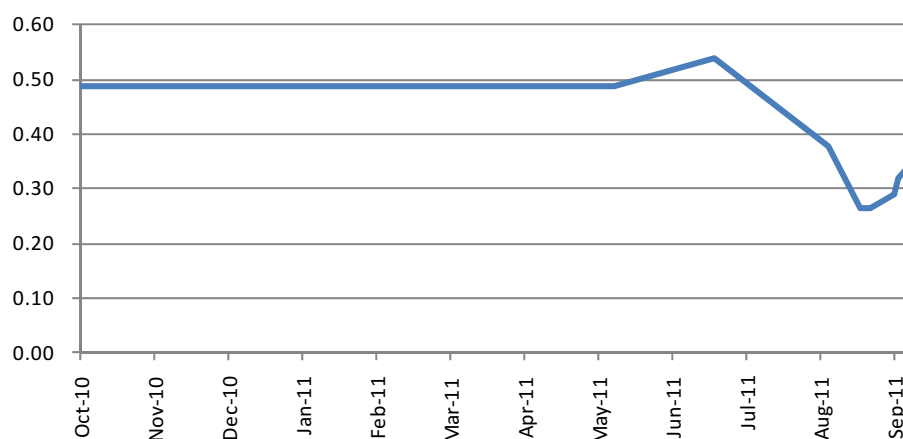
Exhibit 47: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> • EHG has a presence across the educational spectrum at all levels. • Nafais Holding Co (owned by the famous Al-Wazzan Group of Kuwait) holds a significant stake in EHG. 	Weaknesses	<ul style="list-style-type: none"> • EHG has had a reversal of fortunes; it has been incurring losses over the past two years. Few months back, the Chairman of EHG tendered his resignation without assigning any reason
Opportunities	<ul style="list-style-type: none"> • EHG operates in Kuwait, Saudi Arabia and Bahrain, wherein factors such as low literacy rate, high population growth and government focus on improving the availability/quality of education are favorable for growth. 	Threats	<ul style="list-style-type: none"> • EHG carries enormous debt (short-term Islamic) on its books; net debt-to-equity stood at 46% in FY2010. Murabaha payables totaled KWD20.9 mn during the same period.

Source: Al Masah Capital Research

OMAN EDUCATION AND TRAINING INVESTMENT

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	70.0
Country	Oman	Global Financial Investments Co.	37.7%
Price – 15 Sep 2011 (OMR)	0.352	Sulaiman A. S. Al Hoqani	17.6%
Market Cap (OMR mn)	24.64	First National Co.	15.0%
Bloomberg	OETI OM		
Reuters	OETI.OM		
No. of Employees	500		

Exhibit 48: Share Price Chart – 1 year (in OMR)



Source: Zawya

Business Description

Established in 1998, Oman Education & Training Investment (OETI) is a joint stock company that owns and operates the first private university in the country. Sohar University is a non-profit organization that provides education and training for Omani and international students.

Faculties/Courses

Sohar University offers programs in four faculties:

Exhibit 49: Faculties and courses offered at Sohar University	
Faculty of Business	Accounting, Management, Marketing, Management Information Systems, Business and Commercial Law
Faculty of Computing and Information Technology	Computing and Multimedia, Computing and Web Engineering, Networking and Database Administration
Faculty of Engineering	Chemical, Civil, Electrical and Computer, Mechanical and Mechatronics Engineering
Faculty of Humanities and Social Sciences	English, Journalism and Media, Physical Education and Music, among others

Source: Company

Recent Events

In October 2011, OETI announced that it detected financial irregularities totaling OMR32,524 by former financial manager, Mr. Mohamed Abdel Fattah Shtiwi. The company said it is proceeding with necessary legal actions for the same. Mr. Shtiwi joined OETI in 2000.

Key Financials

Exhibit 50: Income Statement (in OMR mn)					
	2006	2007	2008	2009	2010
Total Revenue	2.74	5.70	8.20	9.18	9.57
Cost of Sales	1.57	2.44	3.79	4.88	5.87
Gross Profit	1.17	3.27	4.40	4.30	3.70
Operating Profit	0.19	2.23	2.75	0.81	0.23
Operating profit margin (%)	6.9%	39.0%	33.6%	8.8%	2.4%
Net Income	0.48	2.25	2.88	1.87	1.07
Net profit margin (%)	17.6%	39.4%	35.2%	20.3%	11.1%

Source: Zawya

Exhibit 51: Balance Sheet (in OMR mn)					
	2006	2007	2008	2009	2010
Cash & Cash Equivalents	0.66	5.00	6.51	3.19	0.71
Current Receivables	0.29	0.53	1.28	1.44	1.34
Other Current Assets	0.44	0.44	0.34	0.38	0.38
Total Long Term Assets	5.74	11.50	12.19	15.87	19.15
Total Assets	7.13	17.47	20.31	20.88	21.57
Total Current Liabilities	0.79	3.51	3.98	3.63	2.86
Total Long-term Liabilities	2.95	2.05	1.91	1.64	1.49
Total Provisions	0.93	1.70	1.64	1.77	4.30
Total Shareholders' Equity	2.46	10.21	12.79	13.83	12.92
Total Liabilities & Shareholders' Equity	7.13	17.47	20.31	20.88	21.57

Source: Zawya

SWOT Analysis

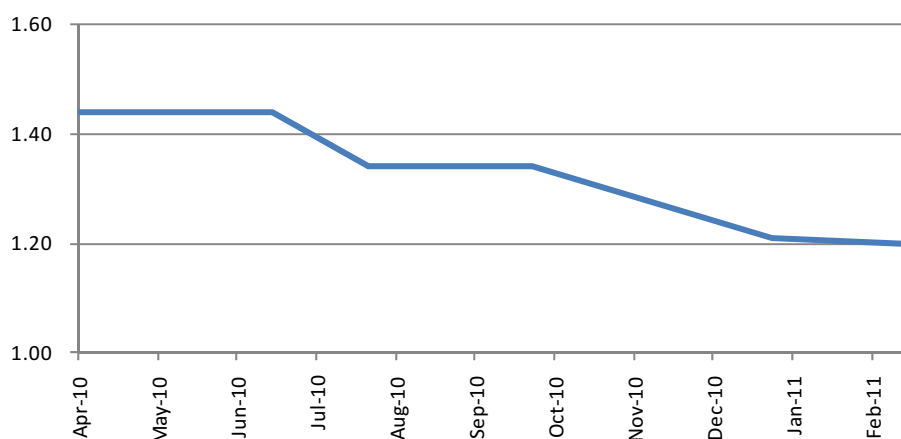
Exhibit 52: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> • Sohar University is recognized by Sultanate of Oman Ministry of Higher Education . • Strong growth in revenue – CAGR of 37% over 2005–10. 	Weaknesses	<ul style="list-style-type: none"> • Sohar University’s high dependence on University of Queensland (UQ), Australia for course curriculum.
Opportunities	<ul style="list-style-type: none"> • Sohar University recently established an IELTS center, the number of candidates taking IELTS test has been rising in GCC. • Sohar University is expanding campus at a cost of more than OMR20 mn. 	Threats	<ul style="list-style-type: none"> • Oman Ministry of Higher Education mandates a decrease in the number of students entering Bachelor of Education programs to 5% of commencing class in 2010–11, which could restrict growth.

Source: Al Masah Capital Research

DHOFAR UNIVERSITY

Key statistics		Shareholding	
Ownership	Public	Shares Outstanding (mn)	14.0
Country	Oman	Mustaheel Bin Ahmad Ali Al Maashani and Sons	20.4%
Price – 06 Mar 2011 (OMR)	1.20	Dhofar International Development & Investment Holding Co.	18.1%
Market Cap (OMR mn)	16.79	Youssef Bin Alawi Bin Abdullah	16.3%
Bloomberg	DHUS OM	Abdulaziz Mohammed Al Rawas	10.8%
Reuters	DHU.OM	Dhofar Insurance Co.	6.6%
No. of Employees	233		

Exhibit 53: Share Price Chart – 1 year (in OMR)



Source: Zawya

Business Description

Established in 2004, Dhofar University is a private institution of higher education in Salalah, Sultanate of Oman. The university was established with academic and technical support from the American University of Beirut (AUB), Lebanon.

Diploma/Degree

Dhofar University comprises three colleges: College of Arts and Applied Sciences (CAAS), College of Commerce and Business Administration (CCBA) and College of Engineering (CE).

Exhibit 54: Three colleges of Dhofar University

CAAS	Offers Diploma in Computer Science, English Language, Mathematics, Social Work as well as Degree in Science, and Arts.
CCBA	Offers Diploma and Bachelor of Arts in Business Administration degree.
CE	Offers Diploma in Civil Engineering, Chemical Engineering, Electrical and Computer Engineering, Mechanical Engineering, Mechatronics Engineering, Interior Architecture, Graphic Design as well as Bachelor's degree in Science

Source: Company

The university offers 19 bachelor degree programs and 15 diploma programs.

Recent Events

On June 26, 2011, Dhofar University announced the resignation of Sheikh Ahmad Bin Abdullah Muqaibil (BOD Chairman) and appointment of Dr. Anwar Bin Mohamed Al Rawas in his place.

On July 13, 2010, the university granted approval for a private placement of eight million shares. Private placement would increase Dhofar University's paid up capital to OMR14.0 mn from OMR6.0 mn.

Key Financials

Exhibit 55: Income Statement (in OMR mn)

	2006	2007	2008	2009	2010
Total Revenue	3.00	3.71	4.53	4.26	4.11
Cost of Sales	2.16	2.44	3.04	3.60	3.68
Gross Profit	0.84	1.27	1.49	0.66	0.43
Operating Profit	0.07	0.35	0.29	(0.67)	(1.18)
Operating profit margin (%)	2%	9%	6%	NM	NM
Net Income	(0.29)	0.07	0.01	(1.07)	(1.11)
Net profit margin (%)	NM	2%	0%	NM	NM

Source: Zawya

Exhibit 56: Balance Sheet (in OMR mn)

	2006	2007	2008	2009	2010
Cash & Cash Equivalents	3.89	6.10	7.91	6.75	15.29
Current Receivables	0.65	0.88	1.04	0.88	0.33
Other Current Assets	0.06	0.06	1.48	1.78	1.38
Total Long Term Assets	3.84	0.91	2.94	7.66	20.67
Total Assets	8.44	7.96	13.36	17.06	37.67
Total Current Liabilities	2.47	1.88	4.63	6.04	9.34
Total Long-term Liabilities	0.00	0.00	0.00	0.00	0.00
Total Provisions	0.15	0.19	2.84	6.20	16.61
Total Shareholders' Equity	5.82	5.89	5.89	4.82	11.71
Minority Interest	0.00	0.00	0.00	0.00	0.00
Total Liabilities & Shareholders' Equity	8.44	7.96	13.36	17.06	37.67

Source: Zawya

SWOT Analysis

Exhibit 57: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Dhofar University enjoys strong academic and administrative support from the American University of Beirut. Strong credentials - all Degrees/ Diplomas awarded by the university are registered with the Ministry of Higher Education. 	Weaknesses	<ul style="list-style-type: none"> Dhofar University's campus is remotely located, which makes it difficult to attract students and staff. Sultan Qaboos University, a national university near the capital Muscat, has nearly three times as many students as Dhofar University.
Opportunities	<ul style="list-style-type: none"> The number of students opting for higher education is growing. According to Dr. Rawya Bint Saud Al Busaidi, Minister of Higher Education in Oman, 57% of successful secondary school students were absorbed by the Higher Education Ministry in 2010 compared to 35% in 2009. 	Threats	<ul style="list-style-type: none"> There is a serious shortage of qualified Omani faculty and senior staff. Therefore, Dhofar University is dependent on foreign teachers; this increases the cost of operations.

Source: Al Masah Capital Research

TAALEEM

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE	National Bonds Corporation	NA
No. of Employees	574	Al Khayyat	NA
		Rasmala Investments	NA
		RHT Partners	NA

Business Description

Established in 2004 by Ziad Azzam, a Lebanese, Taaleem (previously Beacon Education) is a school management company that develops and manages high quality international schools in the UAE.

The company offers different school curriculums, including British, American, International Baccalaureate (IB) and International Primary Curriculum (IPC).

Segments/Services

Taaleem owns and manages nine schools (4,500 students) across the UAE.

Exhibit 58: Schools managed by Taaleem	
Al-Mizhar American Academy for Girls	Mizhar, Dubai
The Children's Garden	Green Community, Dubai
The Children's Garden	Jumeira, Dubai
Dubai British School	Emirates Hills, Dubai
Greenfield Community School	Dubai Investments Park
Jumeira Baccalaureate School	Jumeira, Dubai
My Nursery	Jumeira, Dubai
Raha International School	Al Raha Gardens, Abu Dhabi
Uptown School	Uptown Mirdif, Dubai

Source: Company

Recent Events

In March 2011, Taaleem announced that two of its schools Greenfield Community School and Al Mizhar American Academy for Girls acquired internationally recognized accreditations.

In May 2010, the company announced there would be a delay in opening three schools due to the economic downturn.

In June 2008, Al Khayyat, Rasmala Investments and RHT Partners acquired a 13% stake in Taaleem.

In 2007, Madaares (a company owned by National Bonds Corporation of the Government of Dubai) merged with Beacon Education to form a new company under the name Taaleem, which means education in Arabic. The new name came into effect in May 2008.

In September 2005, Beacon Education opened its first set of schools in the UAE. Al-Mizhar American Academy for Girls, The Children’s Garden, Dubai British School and Uptown School were all opened on the same day.

SWOT Analysis

Exhibit 59: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> • Taaleem has a wide network of schools in Dubai and Abu Dhabi. Approximately 4,500 students are currently enrolled in schools operated by the company. • The Government of Dubai supports Taaleem through National Bonds Corporation. 	Weaknesses	<ul style="list-style-type: none"> • Schools in Dubai have less flexibility regarding tuition fees. All fee hike requests need approval from the Knowledge and Human Development Authority (KHDA) in Dubai.
Opportunities	<ul style="list-style-type: none"> • Taaleem plans to open a school in Bahrain, its first outside the UAE. The move to establish schools outside the Emirate could help the company to reduce its dependency on the UAE. 	Threats	<ul style="list-style-type: none"> • Taaleem offers a wide range of curriculums. However, considering the shortage of good quality teachers in the UAE/GCC, the company could face the problem of retaining or hiring teachers in future.

Source: Al Masah Capital Research

AL RAYAN HOLDING COMPANY

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	Kuwait	Global Private Equity Fund	40.0%
No. of Employees	800	Global Opportunistic Fund I	18.9%
		Global Macro Fund	6.1%

Business Description

Established in 2006, Al Rayan Holding Company (Al Rayan) is one of the largest providers of private education in Kuwait. Al Rayan primarily focuses on acquiring different educational institutions and running them with the highest professional standards. The company has partnered with GEMS Education, a leading provider of management services for various schools in the MENA region. As per the agreement, GEMS Education runs all the schools owned by Al Rayan.

Segments/Services

Al Rayan Holding Company owns five schools (9,500 students) in Kuwait.

Exhibit 60: Schools owned by Al Rayan Holding Company	
Fahaheel Al Wataniya School	Follows the curriculum of the Ministry of Education (MOE), Kuwait
New Pakistan International School	Affiliated with the Federal Board of Intermediate and Secondary Education in Islamabad, Pakistan
Kuwait International English School	Offers British curriculum to students for all levels
Fahaheel Al Watanieh Indian Private School	Affiliated with the Central Board of Secondary Education (CBSE), India
International British School	Follows the National Curriculum for England and Wales

Source: Company

Recent Events

In April 2008, Al Rayan acquired Al Nouri Educational Establishment, which owns the Fahaheel Al Wataniya Private School, the Fahaheel Al Wataniya Indian Private School, and the Canadian School of Kuwait.

Al Rayan purchased the Kuwait International English School (established in 1991) and the New Pakistan International School (1997) in October 2007.

Two private equity funds of Global Investment House acquired a 70% stake in Al Rayan in June 2007.

SWOT Analysis

Exhibit 61: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> One of the largest providers of private education in Kuwait; owns five schools with 9.500 students enrollments 	Weaknesses	<ul style="list-style-type: none"> Does not own any school outside Kuwait; has also not built any school, but has grown through acquisitions
Opportunities	<ul style="list-style-type: none"> Scope to expand further; can seek its future funding requirements through Kuwait-based Global Investment House (GIH), which owns a large stake in Al Rayan 	Threats	<ul style="list-style-type: none"> Highly dependent on GEMS Education for the management of its schools; GEMS own portfolio of educational institutions could result in conflict of interest and loss of business to the company

Source: Al Masah Capital Research

AMERICAN UNIVERSITY IN DUBAI

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE		
No. of Employees	200		

Business Description

The American University in Dubai (AUD) is a private, non-sectarian institution of higher learning. AUD was established in October 1995 as a branch campus of Atlanta, Georgia-based The American College.

AUD is accredited by the Commission on Colleges (COC) of the Southern Association of Colleges and Schools (SACS).

Academic Units

AUD offers both undergraduate and graduate degrees.

Exhibit 62: AUD has the following academic units

School of Arts and Sciences
School of Business Administration
Mohammed Bin Rashid School For Communication
School of Education
School of Engineering
Department of Architecture
Department of Interior Design
Department of Visual Communication

Source: Company

Recent Events

In May 2011, AUD announced the launch of four new programs: Bachelor of Arts in International Studies (B.A.I.S.), Bachelor of Science in Computer Science (B.S.C.S.), Master of Education (M.Ed.) and Master of Science in Construction Management (M.S.C.M.).

In July 2010, AUD signed a Memorandum of Understanding (MoU) with Abu Dhabi Islamic Bank to strengthen recruitment, internships, networking, and exchange of knowledge, opinions, training/ leadership programs and expertise.

In March 2010, AUD signed a MoU with Barclays Bank PLC, UAE to enable recruitment, sponsorship, exchange of knowledge, and training.

SWOT Analysis

Exhibit 63: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> • Student enrolments at AUD have steadily grown from 165 in 1995 to 2,628 in 2010–11. • AUD is located next to Dubai Media City, Dubai Internet City, and the Palm Islands. 	Weaknesses	<ul style="list-style-type: none"> • AUD has attracted very few local students—less than 500 Emiratis (representing 18% of total enrolments) were enrolled in 2010.
Opportunities	<ul style="list-style-type: none"> • AUD recently announced the launch of four new programs. Regular introduction of undergraduate and graduate degrees could help attract more students. 	Threats	<ul style="list-style-type: none"> • Competition is likely to intensify as a number of colleges and universities are being opened across the GCC and it could hurt international student enrollments.

Source: Al Masah Capital Research

AMERICAN UNIVERSITY OF KUWAIT

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	Kuwait	Mishaal Al Ali	NA
No. of Employees	263	Wael Abdul Ghafoor	NA
		United Education Company	NA

Business Description

Established in 2003, the American University of Kuwait (AUK) is an independent, private and co-educational liberal arts institution for higher education. AUK offers quality education based on the American college model. The university is accredited by the Council for Private Universities of the Kuwait Ministry of Higher Education.

Dartmouth College in Hanover, New Hampshire, is AUK's international partner institution.

Degree Programs

AUK currently offers 13 degree programs.

Exhibit 64: Academic degree programs offered at AUK	
Bachelor of Arts (5)	Communication and Media, English, Graphic Design, International Studies, Social and Behavioral Sciences
Bachelor of Business Administration (5)	Accounting, Economics, Finance, Management, Marketing
Bachelor of Science (2)	Computer Science, Information Systems
Bachelor of Engineering (1)	Computer Engineering

Source: Company

Recent Events

AUK stood second at the regional finals of the Microsoft Imagine Cup Gulf 2011 held at the American University in Dubai in May this year. Imagine Cup empowers students to use technology, innovation and creativity to help solve some of the world's most challenging social issues outlined in the United Nations' Millennium Development Goals.

SWOT Analysis

Exhibit 65: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> The AUK Campus is located on the Salem Al-Mubarak street, one of the most vibrant neighborhoods in Kuwait. AUK has over 2,000 students and approximately 130 faculty members. 	Weaknesses	<ul style="list-style-type: none"> AUK provides American styled education through its cooperative affiliation with Dartmouth College (US). It is therefore, highly dependent on the latter for the success of its academic programs.
Opportunities	<ul style="list-style-type: none"> AUK has made a good name as a liberal arts institution; it could now think of developing science/engineering stream to broaden the course offering. 	Threats	<ul style="list-style-type: none"> Opening of a number of colleges and universities across GCC could increase competition and hurt the growth in student enrollments at AUK.

Source: Al Masah Capital Research

ETON INSTITUTE

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE		
No. of Employees	75		

Business Description

Established in 2004, Eton Institute (Eton) is the largest language training and professional development centre in the UAE. The institute offers training in more than 100 languages, teacher training, computer training, business skills training, and customized corporate training solutions. Strategically located at Dubai Knowledge Village, Eton Institute provides in-house and onsite training.

Eton Institute has also started operations in Austria.

Segments/Services

Eton operates through six business segments:

Exhibit 66: Business segments of Eton	
Languages	Business Skills
Business Workshops	Train The Trainer
Computer Courses	Cultural Awareness

Source: Company

Recent Events

Eton Institute celebrated its fifth anniversary in March 2011. The institute offered people free language lessons, course discounts, and dozens of exciting gifts and prizes on the day of the celebration.

In February 2011, Eton Institute launched three new courses – Get Hired, Business English and English Starter Course. Get Hired aims to assist job seekers in finding jobs, marketing themselves to employers, and perfecting the art of interviewing; Business English is for individuals interested in improving their English skills in a business context; and English Starter Course helps prepare individuals with little or no knowledge of English with the absolute basics in the language in an encouraging environment.

SWOT Analysis

Exhibit 67: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> • Largest language training academy in the UAE; offers training in more than 100 languages. • Running successfully for over five years; team of highly qualified and experienced instructors. 	Weaknesses	<ul style="list-style-type: none"> • Language skills offered in new schools across the UAE/GCC are reducing the number of students for Eton; going forward, growth could be restricted due to the introduction of more language skills across schools.
Opportunities	<ul style="list-style-type: none"> • Caters to a huge market – the UAE/GCC citizens seeking to learn foreign language, particularly English, to obtain jobs and grow business; and the expatriates who wish to learn Arabic to improve their job growth prospects. 	Threats	<ul style="list-style-type: none"> • Recently ventured out of the UAE into Austria by opening a training centre at Vienna; may not be successful in Austria given the lack of local identity.

Source: Al Masah Capital Research

GLOBAL EDUCATION MANAGEMENT SYSTEMS (GEMS)

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE	Varkey Group	75.0%
No. of Employees	9,700	Abraaj Capital	NA

Business Description

Established in 1968, Global Education Management Systems (GEMS) is a leading provider of primary and secondary education in the MENA region. It offers a range of internationally-recognized curriculum programs, including International Baccalaureate, National Curriculum for England, American Curriculum and various Indian curriculums.

Some of the well-known schools owned/managed by GEMS are Our Own English High School, Dubai American Academy, Cambridge International School and Our Own Indian School.

Education Portfolio

GEMS runs over 100 schools across four continents. Some of these are listed below.

Exhibit 68: Number of schools owned/operated by GEMS	
United Arab Emirates	35
India	12
United Kingdom	10
Qatar	2
Egypt	2
Libya	2
Saudi Arabia	1
Jordan	1
China	1
United States	1

Source: Company

Recent Events

In September 2011, GEMS acquired 12% stake in India-based Everonn Education Limited (Everonn) for USD28.4 mn. The company also made an open offer to purchase additional 20% interest in Everonn for USD47.3 mn.

In March 2011, GEMS announced plans to build its first school in Africa in partnership with Mena-Link Holdings. The international school would be located in Nairobi (Kenya), the political, economic and financial hub of East Africa.

In October 2010, four banks – Deutsche Bank, Mashreqbank, Citibank and Standard Bank of South Africa – agreed to provide a loan of AED735 mn to GEMS.

In April 2010, GEMS became the world's first K-12 education company to receive ISO27001 certification for IT infrastructure.

In March 2010, GEMS celebrated its golden jubilee. Late K.S. Varkey and Mrs. Mariamma Varkey, parents of current GEMS Chairman Sunny Varkey, had started their private education business in Dubai in 1960.

In June 2007, GEMS sold stake to PE firm Abraaj Capital's Infrastructure and Growth Capital Fund for USD124.3 mn.

SWOT Analysis

Exhibit 69: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> GEMS has over 50 years of experience in education; it is among the largest private K-12 school operators in the world. GEMS offers a variety of curriculums – National Curriculum for England, American Curriculum, International Baccalaureate and Indian Curriculum. 	Weaknesses	<ul style="list-style-type: none"> GEMS has limited offerings in higher education. GEMS' aggressive expansion plans—it aims to cater to five million students by 2024—entailing heavy investment could overburden the balance sheet.
Opportunities	<ul style="list-style-type: none"> GEMS is expanding presence; it would soon open its first school in Kenya. The company has operations in the UAE, Saudi Arabia, Egypt, Qatar, Jordan, Libya, the UK, India and China. 	Threats	<ul style="list-style-type: none"> Schools in Dubai are less flexible about tuition fees. Fee hikes must be approved by Knowledge and Human Development Authority (KHDA). GEMS derives a large portion of its revenues from Dubai.

Source: Al Masah Capital Research

INNOVENTURE EDUCATION SYSTEMS

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE		
No. of Employees	NA		

Business Description

Innoventures Education Investments (Innoventures), established in 2004, is engaged in the business of providing premium education in the UAE. Dubai International Academy, Raffles International Schools, and Nurseries and Collegiate American School are some of the premium schools/nurseries owned by the company.

Segments/Services

Innoventures, which started its first school in 2005, now owns/manages a portfolio of three schools and nine nurseries.

Exhibit 70: Some of the institutions of Innoventures Education	
Dubai International Academy	Over 1,800 students
Raffles International School (Nursery)	Operates nine nurseries in Dubai
Raffles International School, South Campus	Over 600 students
Raffles International School, West Campus	Over 1,000 pupils
Collegiate American School	NA (Just commenced)

Source: Company

Recent Events

In April 2011, Innoventures opened Collegiate American School (CAS) at Umm Suqeim, Dubai. CAS follows a curriculum based on the American Common Core Standards.

In March 2010, Emaar Properties, a well-known real estate developer, announced the transfer of its education portfolio in Dubai (including two schools, six nurseries and a vocational training campus) to Innoventures. As per the terms of the agreement, the transfer would be effective from September 2010.

In September 2005, Dubai International Academy commenced operations by enrolling over 500 students from 55 countries.

SWOT Analysis

Exhibit 71: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> Innoventures has exhibited strong growth over the last five years. The company currently provides education to almost 5,000 pupils (500 in 2005). 	Weaknesses	<ul style="list-style-type: none"> Innoventures has been in the education business for over seven years now. However, despite this, it has not moved beyond the UAE, thereby limiting its growth.
Opportunities	<ul style="list-style-type: none"> Partnership with Emaar Properties is expected to support the company's expansion initiatives. 	Threats	<ul style="list-style-type: none"> Schools in Dubai have less flexibility in terms of tuition fees. All fee hike requests have to be approved by the Knowledge and Human Development Authority (KHDA) in Dubai. Innoventures derives 100% of its revenues from Dubai.

Source: Al Masah Capital Research

MAARIF EDUCATION AND TRAINING HOLDING COMPANY

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	Saudi Arabia	Blehed Family	50%
No. of Employees	2,400	GC Equity Partners Fund II	50%

Business Description

Established in 1972, Maarif Education & Training Company (Maarif) is Saudi Arabia's largest owner and operator of private schools. Maarif owns some of the major and oldest educational institutions in the Kingdom. These include Manarat schools and Faisaliah Islamic School Al Khober that provide kindergarten, elementary, intermediate and secondary (K-12) education to boys and girls; the schools follow international (IB and IGCSE) and local (normal and advanced) curricula.

Approximately 22,000 students are enrolled in the schools run by the company.

Segments/Services

Maarif has 17 educational institutions in Saudi Arabia.

Recent Events

Exhibit 72: A Few Maarif Educational Institutions	
Manarat Riyadh	Manarat Al-Madina
Manarat Aseer	Manarat Makkah
Manarat Eastern Zone	Noor Alislam School
Al-Faisaliah School	Manarat Al Riyadh International School
Manarat Jeddah	Green Hills

Source: Company

In 2007, private equity firm GulfCapital bought a 50% stake in Maarif worth USD93 mn. The stake was bought through the GC Equity Partners Fund II, which is a USD330 mn fund managed by Gulf-Capital.

SWOT Analysis

Exhibit 73: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> • Maarif is the largest private K-12 education provider in Saudi Arabia. • The company is backed by private equity firm GulfCapital; Maarif could use the experience and strong network of GulfCapital's partners to derive benefits. 	Weaknesses	<ul style="list-style-type: none"> • Availability of qualified teachers and up-to-date curricula have been the major weaknesses of the education system in Saudi Arabia. Hence, overcoming these factors and differentiating from others are key to the success of any school. However, Maarif does not seem to be having any differentiating factors.
Opportunities	<ul style="list-style-type: none"> • Maarif has an excellent reputation in the Saudi Arabian market. It can use this as leverage for expansion in other parts of the GCC region. • Improving the availability of education is a top priority for governments in the MENA region. Public expenditure on education in the MENA stands at 18.6% of government spending compared to the world average of 14.2%. 	Threats	<ul style="list-style-type: none"> • Students in the MENA region are turning to schools offering international curricula and better facilities; thus, old schools such as Manarat (owned by Maarif) could find it difficult to continue to record higher enrollments every year.

Source: Al Masah Capital Research

UNIVERSITY OF WOLLONGONG IN DUBAI

Key statistics		Shareholding	
Ownership	Private	Shares Outstanding (mn)	NA
Country	UAE	Illawarra Technology Corporation	NA

Business Description

Established in 1993, the University of Wollongong in Dubai (UOWD) is one of the oldest institutions of higher education in the UAE. The UOWD campus is located at Dubai Knowledge Village, a free trade zone campus that allows training and learning institutions to operate with 100% foreign ownership.

Approximately 3,500 students are currently enrolled at the UOWD.

Diploma/Degree

UOWD currently offers a variety of specialist undergraduate and postgraduate programs in Business & Management, Finance & Accounting, and Computer Science & Engineering. All degree programs are accredited by UAE's Ministry of Higher Education and Scientific Research.

Exhibit 74: Some of the Undergraduate and Postgraduate courses offered at UOWD

Undergraduate	Bachelor of Business Administration; Bachelor of Commerce; Bachelor of Computer Science; Bachelor of Information Technology in Management Information Systems; Bachelor of Internet Science and Technology; Bachelor of Engineering
Postgraduate	Master of Business Administration; Master of International Business; Master of Strategic Marketing; Master of Strategic Human Resource Management; Master of Applied Finance and Banking; Master of Information Technology Management; Doctor of Business Administration; Doctor of Philosophy

Source: Company

Recent Events

On September 11, 2011, David Rome took over as the interim President of UOWD. Earlier, he worked on various consultancies for other universities and the private sector.

On September 8, 2011, UOWD launched a part-time Bachelor of Business Administration (BBA) undergraduate degree program.

On August 10, 2011, UOWD announced that Professor Rob Whelan's three-year contract as President of the university would expire at the end of Ramadan.

On July 26, 2011, UOWD won the approval of the Commission on Academic Accreditation, a body instituted by UAE's Ministry of Higher Education and Scientific Research, to launch a new Master of International Studies program.

SWOT Analysis

Exhibit 75: SWOT Analysis			
Strengths	<ul style="list-style-type: none"> UOWD is a part of the University of Wollongong, which was founded in Australia in 1951. UOWD has been delivering tertiary education for over 18 years in the UAE. UOWD was the first private university in the UAE to launch Doctorate of Business Administration and PhD programs. 	Weaknesses	<ul style="list-style-type: none"> UOWD has not been able to attract many Emirati students. In its 18-year history in Dubai, just about 1,000 Emiratis (out of 5,500) have graduated from UOWD – an average of 56 local students each year.
Opportunities	<ul style="list-style-type: none"> UOWD started a part-time Bachelor of Business Administration (BBA) undergraduate degree program this year. More of such initiatives in the future could increase student enrollments. 	Threats	<ul style="list-style-type: none"> The number of universities in the UAE is rising. With the opening of the new Dubai campus of India's Amity University in June 2011, the total number of universities in the UAE now stands at 53.

Source: Al Masah Capital Research

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