

## Alef Education Holding PLC (ALEFEDT)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.05	AED 1.45	+38%	BUY

### 4Q25 Net Profit in line with our estimate

- Alef Education's revenue declined 5.2% YOY to AED 197 Mn in 4Q25, mainly due to the decline in revenue from Support & Services segment partially offset by increased in revenue from Education Solution Fees segment.
- Revenue from Education Solution Fees segment increased 3.5% YOY to AED 170 Mn in 4Q25, whereas revenue from Support & Services segment declined 38.2% YOY to AED 27 Mn in 4Q25.
- The Company's total expenses declined 25.1% YOY to AED 73 Mn in 4Q25.
- EBITDA increased 11.3% YOY to AED 133 Mn in 4Q25, with EBITDA margin expanding from 57.5% in 4Q24 to 67.5% in 4Q25. In addition, operating profit increased 12.6% YOY to AED 123 Mn in 4Q25 and operating profit margin increased from 52.8% in 4Q24 to 62.7% in 4Q25.
- Interest income rose 64.8% YOY to AED 5 Mn in 4Q25.
- The Company's net profit rose 13.9% YOY to AED 116 Mn in 4Q25, in line with our estimate of AED 118 Mn, with net profit margin improving 992 bps YOY to 59.2% in 4Q25 supported by double digit decline in total expenses.

### Earnings Call Summary

- The Company's Education Solutions Fees segment revenue grew 1.9% YOY to AED 672 Mn in 2025, due to newly signed contracts of AED 64.4 Mn across eight deals which will be recognized progressively over future periods rather than immediately. Alef Education built a healthy order backlog in 2025, which supports future revenue visibility.
- Revenue from the Arabic language measurement is expected to follow a flexible monetization model, structured either as per-test licensing or a flat annual subscription depending on customer preference and usage frequency, with additional upside from ancillary assessments and Arabic language products that enable cross-sell and upsell opportunities across the education ecosystem.
- Alef Education reaffirmed its position as the UAE's largest homegrown K-12 digital learning platform, with its AI-driven, research-backed solutions deployed across 17,000+ schools, serving over 1.8 Mn registered students and 79K+ teachers globally.
- The Company maintains 100% coverage of UAE public schools from grades 5-12, supporting 73,000 students under the core ADEK mandate, which provides revenue visibility through 2033.
- Private Schools penetration reached 36% of the UAE market, with 183 schools onboarded and 122K+ paying students, reflecting strong commercial traction and 30% YOY growth in paid students.
- The Company's B2B and B2G expansion accelerated, with eight contracts signed in 2025 totalling AED 64.4 Mn in TCV, including five UAE government contracts worth AED 23.8 Mn and three international contracts worth AED 40.6 Mn.
- International footprint continues to scale, with 16,000 schools in Indonesia serving 1.1 Mn learners, alongside growing traction in Morocco and other selective markets.
- Alef Education maintains a strong growth pipeline with multiple counterparties across the UAE and international markets, expected to convert into profitable commercial contracts.
- Miqyas Al Dhad, the national Arabic literacy assessment platform completed large-scale validation across 110K+ students in nine countries, with results presented to 13 governments, reinforcing its positioning as a national benchmarking tool.

- The first commercial contract for Miqyas Al Dhad was signed ahead of formal launch, with AED 1.8 Mn TCV, alongside a proof-of-concept MoU covering 30,000 students across 45 schools. Platform nearing completion and launch targeted for 1Q26 following a brief delay due to measurement-scale recalibration.
- The Company highlighted sustainable cost optimization driven by AI adoption, vendor efficiencies, lower content production costs, and organizational restructuring, with AI-linked performance goals embedded for 2026.
- The Company's balance sheet remains debt-free, with cash and cash equivalents rising 56.3% YOY to AED 620 Mn in 4Q25, strengthening financial flexibility.
- The Company committed to a guaranteed 2025 dividend (for free float shareholders) of AED 135 Mn (9.64 fils per share), to be paid in two equal installments. Out of which, AED 67.5 Mn (4.82 fils per share) paid in August 2025, and remaining AED 67.5 Mn (4.82 fils per share) will be paid in April 2026, subject to approvals. Thereafter, the Company will maintain 90% payout ratio, balancing growth investments with high shareholder returns.
- Looking ahead to 2026, the Company guides for 7-9% YOY revenue growth, supported by contracted revenue visibility, pipeline conversion, sustained momentum across B2B, B2G and international markets, and the launch of Miqyas Al Dhad.
- The Company's EBITDA is expected to grow 4-5% YOY in 2026, with margins expected to remain above 68% in 2026, reflecting disciplined cost management alongside revenue growth. Net profit is also expected to increase by 4-5% YOY, with margins sustained above 60% at industry-leading levels, subject to tax, interest, and government depreciation linked to new product rollouts. EPS for 2026 is guided at c. 7.2 fils per share, implying around 5% YOY growth.

#### Alef Education – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Revenue	208	215	197	213	-7.5%	-5.2%	-8.7%
Salaries and other benefits	-40	-29	-28	-39	-27.8%	-30.1%	11.4%
Technology expenses	-32	-26	-19	-32	-40.4%	-39.5%	NM
Software licenses	-8	-6	-8	-8	7.0%	1.0%	-5.9%
Amortization for intangible assets	-7	-8	-8	-12	-31.9%	9.2%	-10.6%
Legal and professional fees	-6	-4	-6	-4	33.1%	2.2%	NM
Depreciation on property and equipment	0	0	0	-2	-76.9%	0.4%	NM
Lease expenses	-1	-1	-1	-1	-23.4%	-10.2%	-4.0%
Marketing expenses	-2	-1	-1	-1	-1.2%	-29.4%	44.7%
Others income/ (expense)	-2	0	-1	12	NM	-13.5%	NM
<b>Total Expenses</b>	<b>-98</b>	<b>-75</b>	<b>-73</b>	<b>-87</b>	<b>-15.9%</b>	<b>-25.1%</b>	<b>41.5%</b>
<b>EBITDA</b>	<b>119</b>	<b>150</b>	<b>133</b>	<b>140</b>	<b>-5.0%</b>	<b>11.3%</b>	<b>11.0%</b>
<b>EBIT</b>	<b>110</b>	<b>141</b>	<b>123</b>	<b>126</b>	<b>-1.7%</b>	<b>12.6%</b>	<b>12.8%</b>
Finance income	3	5	5	4	22.2%	64.8%	28.2%
Finance cost	0	0	0	0	NM	NM	NM
<b>Profit before tax</b>	<b>112</b>	<b>146</b>	<b>128</b>	<b>129</b>	<b>-1.1%</b>	<b>13.9%</b>	<b>13.2%</b>
Tax	-10	-13	-12	-12	-1.3%	13.9%	13.2%
<b>Profit for the period</b>	<b>102</b>	<b>132</b>	<b>116</b>	<b>118</b>	<b>-1.0%</b>	<b>13.9%</b>	<b>13.2%</b>

FABS estimate & Co Data

## Management Guidance for 2026:

	FY 2025 Audited	FY 2026 Guidance	Comments
Revenue	AED 769.5 M	+7% - 9% YoY	<p><b>Revenue</b> FY2026 guidance is underpinned by strong visibility across a robust revenue pipeline spanning the following segments:</p> <ul style="list-style-type: none"> <li>- <b>ADEK:</b> expected to remain broadly stable, conservatively excluding any inflationary or student volume uplift while strongly pursuing further growth in this segment.</li> <li>- <b>B2B/B2G:</b> strong pipeline of growth opportunities across the UAE and international markets, expected to convert into profitable commercial contracts.</li> <li>- <b>Private Schools:</b> momentum continues in capturing share of the UAE private school market, supported by upselling additional products to existing schools and expansion into new grades.</li> <li>- <b>Miqyas Al Dhad:</b> targeted launch is planned for Q1 2026, with several opportunities already in the pipeline expected to convert into commercial contracts.</li> </ul> <p><b>EBITDA and Net Profit</b> are expected to grow in line with revenue growth, supported by new contract wins and continued cost discipline, while maintaining investment in platform enhancements and product features.</p>
EBITDA	AED 550.7 M	+4% - 5% YoY	
EBITDA Margin	72%	68%+	
Net Profit	AED 481.1 M	+4% - 5% YoY	
NP Margin	63%	60%+	
EPS	6.87 Fils	~ 7.20 Fils	

## Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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