FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 4Q25

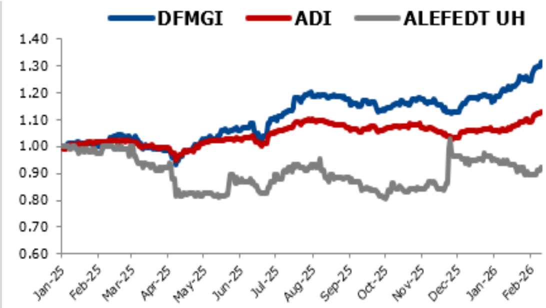
UAE Equity Research | Sector: Technology | Market: ADX

Alef Education Holding PLC (ALEFEDT)

Operating leverage and cost discipline supported earnings growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.06	AED 1.45	+37%	BUY

- Signed its first commercial contract for the Miqyas Al Dhad platform with a total contract value of AED 1.8 Mn, alongside a proof-of-concept MoU covering c. 30,000 students across 45 schools.
- Expanded its presence in Abu Dhabi public schools by onboarding c. 4,000 new students, taking the total student base to around 73,000, with further expansion expected beyond the 80,000-student threshold.
- Serves 183 private schools, with more than 122,000 paying students, capturing c. 36% of the UAE's private school market.
- Board proposed a final cash dividend of AED 67.5 Mn (4.82 fils per share) to the Free-Flot investors, bringing the total dividend for 2025 to AED 135 Mn (9.64 fils per share).



Stock Information	
Market Cap (AED, Mn)	7,420.00
Paid Up Capital (Mn)	70.00
52 Week High	1.18
52 Week Low	0.91
3M Avg. daily value (AED)	2,937,782

4Q25 Result Review (AED, Mn)	
Total Assets	981
Total Liabilities	150
Total Equity	830
EBITDA	133
Net Profit	116

Financial Ratios	
Dividend Yield (12m)	9.18
Dividend Pay-out (%)	70.13
Price-Earnings Ratio(x)	15.43
Price-to-Book Ratio (x)	8.94
Book Value (AED)	0.12
Return-on Equity (%)	60.57

Stock Performance	
5 Days	0.00%
1 Months	-0.93%
3 Months	9.05%
6 Months	2.91%
1 Year	-7.83%
Month to Date (MTD%)	2.91%
Quarter to Date (QTD%)	-3.64%
Year to Date (YTD%)	-3.64%

4Q25 Net Profit in line with our estimate

Alef Education Holding PLC (Alef Education/the Company) recorded 13.9% YOY growth in net profit to AED 116 Mn in 4Q25, in line with our estimate of AED 118 Mn. The increase in net profit is primarily driven by lower overall expenses and higher finance income, partially offset by lower revenue and higher income tax expense.

P&L Highlights

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 revenue from Education Solution Fees segment. Revenue from the Education Solutions segment increased 3.5% YOY to AED 170 Mn in 4Q25, while revenue from the Support & Services segment decreased 38.2% YOY to AED 27 Mn in 4Q25. Alef Education's total expenses decreased 25.1% YOY to AED 73 Mn in 4Q25, primarily due to lower salaries and other benefits, technology, leases and marketing expenses. Salaries and other benefits expenses declined 30.1% YOY to AED 28 Mn in 4Q25, while technology expenses decreased from AED 32 Mn in 4Q24 to AED 19 Mn in 4Q25. Software licenses expenses increased marginally 1.0% YOY to AED 8 Mn in 4Q25, while amortization expenses rose 9.2% YOY to AED 8 Mn during 4Q25. Legal & professional fees increased 2.2% YOY to AED 6 Mn in 4Q25, while lease expenses declined 10.2% YOY to AED 1 Mn in 4Q25. Marketing expenses decreased from AED 2 Mn in 4Q24 to AED 1 Mn in 4Q25, and other expenses also declined from AED 2 Mn in 4Q24 to AED 1 Mn in 4Q25. As a result, Alef Education's EBITDA increased 12.1% YOY to AED 133 Mn in 4Q25, with EBITDA margin expanding from 57.1% in 4Q24 to 67.5% in 4Q25. Operating profit rose 12.6% YOY to AED 123 Mn in

4Q25. Alef Education's finance income increased from AED 3 Mn in 4Q24 to AED 5 Mn in 4Q25, while income tax expense rose 13.9% YOY to AED 12 Mn in 4Q25.

Balance Sheet Highlights

Alef Education's net cash flow from operating activities increased from AED 130 Mn in 4Q24 to AED 138 Mn in 4Q25. Cash & cash equivalents rose significantly to AED 620 Mn in 4Q25, compared to AED 493 Mn in 3Q25. The Company remains debt-free, providing flexibility to self-fund expansion. The current ratio improved to 6.0x in 4Q25 from 4.7x in 3Q25. Similarly, the asset-to-liability ratio stood at 6.5x in 4Q25, up from 5.4x in 3Q25.

Target Price and Rating

We maintain our BUY rating on Alef Education with a target price of AED 1.45. Alef Education's 4Q25 performance was supported by disciplined cost management, improved operating efficiencies, and strong margin expansion, despite a decline in revenue due to lower contribution from the Support & Services segment. The Company reported significant improvement in profitability, with EBITDA and net profit margins expanding to 1,043 bps YOY and 992 bps YOY in 4Q25, reflecting effective cost optimization and operating leverage. Alef Education continues to benefit from strong revenue visibility under its long-term ADEK agreement, which provides contractual coverage through 2033 and supports stable revenue. The Company also expanded its presence in Abu Dhabi public schools through onboarding c. 4,000 new students, increasing the total student base to around 73,000, with a clear pathway to surpass the minimum guaranteed student threshold of 80,000. During 2025, Alef Education strengthened its commercial position by signing eight new B2B and B2G contracts with a total contract value of AED 64.4 Mn, which strengthens its medium-term revenue visibility across both domestic and international markets. Alef Education also continued to expand its international footprint, particularly in Indonesia, while maintaining a healthy pipeline of opportunities across key global markets. The private school segment continued to show strong momentum, with the platform now used across 183 schools, serving more than 122,000 paying students and representing c. 36% of the UAE private school market. Alef Education made significant progress in advancing its Miqyas Al Dhad Arabic literacy and assessment platform, completing large-scale field-testing covering c. 110,000 students across nine countries. The platform's development is nearing completion, with internal validation currently underway ahead of the planned launch in 1Q26. Alef Education also signed its first commercial contract ahead of the launch, with AED 1.8 Mn TCV, alongside a proof-of-concept MoU covering 30,000 students across 45 schools. The Company maintained a strong balance sheet, with cash and cash equivalents of AED 620 Mn in 4Q25, and no debt, providing significant financial flexibility. Looking ahead to 2026, Alef Education expects continued 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 guides for revenue growth of 7-9% YOY, EBITDA growth of 4-5% YOY, and net profit growth of 4-5% YOY, with margins expected to remain above 68% at the EBITDA level and above 60% at the net profit level, while EPS is projected at approximately 7.2 fils. Furthermore, the Board proposed a final cash dividend of AED 67.5 Mn (4.82 fils per share) to the Free-Flot investors, bringing the total dividend for 2025 to AED 135 Mn. The Company has also outlined a post-2025 dividend policy targeting a payout ratio of approximately 90% of net profit. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

Alef Education - Relative valuation[1]

(at CMP)	**2024**	**2025**	**2026F**
PE (x)	12.60	15.42	14.75
PB (x)	9.79	8.94	8.26
EV/EBITDA	13.61	12.35	11.71
BVPS	0.108	0.119	0.128
EPS	0.084	0.069	0.072
DPS[2]	0.096	0.096	0.065[3]
Dividend yield	9.2%	9.2%	6.2%

FABS Estimates & Co Data

[1] Note – Alef Education listed on ADX in June 2024. Thus, the financial multiple for the prior period is unavailable. [2]Note – DPS is for free float shareholders. [3]Note- DPS for 2026 is considering the 90% payout ratio attributed both to the founder and free float shareholders.

Alef Education – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	208	215	197	213	-7.5%	-5.2%	-8.7%	759	769	1.4%
Salaries and other benefits	-40	-29	-28	-39	-27.8%	-30.1%	-1.6%	-122	-112	-8.1%
Technology expenses	-32	-26	-19	-32	-40.4%	-39.5%	-25.0%	-66	-61	-7.9%
Software licenses	-8	-6	-8	-8	7.0%	1.0%	32.9%	-27	-27	0.4%
Amortization for intangible assets	-7	-8	-8	-12	-31.9%	9.2%	-0.1%	-31	-33	5.6%
Legal and professional fees	-6	-4	-6	-4	33.1%	2.2%	NM	-17	-13	-21.8%
Depreciation on P&E	0	0	0	-2	NM	0.4%	-2.2%	-2	-2	NM
Lease expenses	-1	-1	-1	-1	-23.4%	-10.2%	-1.8%	-4	-4	-5.0%
Marketing expenses	-2	-1	-1	-1	-1.2%	-29.4%	NM	-6	-3	NM
Other income/ (expense)	-2	0	-1	12	NM	-13.5%	NM	-5	-2	NM
Total Expenses	**-98**	**-75**	**-73**	**-87**	**-15.9%**	**-25.1%**	**-2.1%**	**-280**	**-258**	**-8.0%**
EBITDA	**118**	**150**	**133**	**140**	**-5.0%**	**12.1%**	**-11.5%**	**516**	**551**	**6.7%**
EBIT	**110**	**141**	**123**	**126**	**-1.7%**	**12.6%**	**-12.2%**	**479**	**512**	**6.9%**
Income from financial assets	0	0	0	0	NM	NM	NM	0	0	NM
Interest inc from a related party	0	0	0	0	NM	NM	NM	0	0	NM
Finance income	3	5	5	4	22.2%	NM	-9.4%	13	17	32.2%
Profit before tax	**112**	**146**	**128**	**129**	**-1.1%**	**13.9%**	**-12.1%**	**492**	**529**	**7.5%**
Income Tax Expense	-10	-13	-12	-12	-1.3%	13.9%	-12.1%	-44	-48	7.5%
Net Profit	**102**	**132**	**116**	**118**	**-1.0%**	**13.9%**	**-12.1%**	**447**	**481**	**7.5%**

FABS estimate & Co Data

Alef Education - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Operating Profit	52.8%	65.2%	62.7%	992	-251	63.1%	66.5%	341
EBITDA	57.1%	69.6%	67.5%	1,043	-213	68.0%	71.6%	357
Net Profit	49.2%	61.5%	59.2%	992	-230	59.0%	62.5%	357

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Dividend Discount Model (DDM) and Relative Valuation (RV) to value Alef Education. We have assigned 70% weight to DCF, 15% weight to DDM and 15% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.59	70.0%	1.11
Dividend Discount Model (DDM)	1.50	15.0%	0.22
Relative Valuation (RV)	0.77	15.0%	0.12
Weighted Average Valuation (AED)			**1.45**
Current market price (AED)			1.06
Upside/Downside (%)			+37%

1) DCF Method:

Alef Education is valued using free cash flow to Equity. We have discounted the cash flow using the weighted average cost of equity of 8.5%. The cost of equity is calculated by using a 10-year government bond yield of 4.8%, a beta of 0.85 and an equity risk premium of 4.5%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	2,289
Terminal value (AED, Mn)	8,836
FV to Common shareholders (AED Mn)	**11,126**
No. of share (Mn)	7,000
Current Market Price (AED)	1.06
Fair Value per share (AED)	**1.59**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	503	544	596	652	750
D&A	45	45	45	45	46
Net Capex	-36	-38	-40	-42	-45
Change in working capital	-14	-20	-24	-25	-37
Free Cash Flow to Equity (FCFE)	**498**	**531**	**577**	**630**	**714**
Discounting Factor	0.92	0.85	0.78	0.72	0.66
Discounted FCFE	**459**	**451**	**451**	**454**	**474**

Source: FAB Securities

2) DDM Method:

Alef Education maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company intends to distribute dividends semi-annually, with the initial payment occurring in the first half of the year and the subsequent payment in the second half. The dividends are expected to be paid in cash. Alef Education intends to distribute 90% of its net profit as dividends. The dividend is forecasted based on the management estimate. All forecasted dividends are discounted to present value using the cost of equity. Details related to the cost of equity calculation are provided above. We have also calculated our terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	2,124
Terminal value (AED, Mn)	8,356
Equity Value (AED, Mn)	**10,480**
No. of shares (Mn)	7,000
Current Market Price (AED)	1.06
Fair Value per share (AED)	**1.50**

DDM Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend paid in -					
H1	226	245	268	293	338
H2	226	245	268	293	338
Free Cash Flow to Equity (FCFE)	**453**	**490**	**536**	**587**	**675**
Discounting Factor	0.92	0.85	0.78	0.72	0.66
Discounted FCFF	**417**	**416**	**420**	**423**	**449**

Source: FAB Securities

3) Relative Valuation:

We have used an average of EV/EBITDA and P/E multiple to value Alef Education. It is valued at a 2026 P/E multiple of 11.8x and an EV/EBITDA multiple of 7.4x, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x) 2026F	EV/EBITDA (x) 2027F	P/E (x) 2026F	P/E (x) 2027F
Blackbaud Inc	2,312	7.8	7.4	9.7	8.6
Stride Inc	3,609	5.7	5.5	10.3	9.5
3P Learning ltd	114	7.1	5.8	10.1	7.6
D2L Inc	431	10.7	9.4	31.3	19.8
ELM	14,152	17.4	14.9	21.2	17.6
Coursera Inc	964	2.8	2.2	13.3	10.9
Average		**8.6x**	**7.5x**	**16.0x**	**12.3x**
Median		**7.4x**	**6.6x**	**11.8x**	**10.2x**
Max		**10.0x**	**8.9x**	**19.2x**	**15.9x**
Min		**6.1x**	**5.5x**	**10.1x**	**8.8x**

Source: FAB Securities

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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