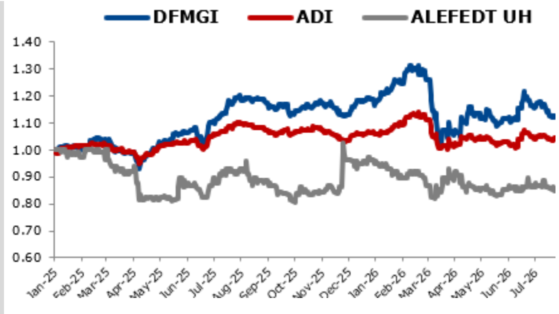
Alef Education Holding PLC

Long-Term Revenue Visibility and AI-Led Expansion Support Growth Outlook

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.98	AED 1.45	+48%	BUY

- Revenue from the core ADEK business reached AED 348.7 Mn in 1H26, driven by complete penetration across Grades 5–12 in Abu Dhabi public schools, with long-term contracts providing revenue visibility through 2033.
- Completed the migration of its platform to Microsoft Azure, supported by AED 27.2 Mn of investment in product development and digital infrastructure during 1H26.
- Private Schools business maintained its growth momentum, serving 188 schools and 223K active students in the UAE.
- Strengthened its AI ecosystem by training 25K UAE teachers in partnership with Microsoft.



Stock Information	
Market Cap (AED, Mn)	6,860.00
Paid Up Capital (Mn)	70.00
52 Week High	1.18
52 Week Low	0.91
3M Avg. daily value (AED)	816,077

2Q26 Result Review (AED, Mn)	
Total Assets	1,111
Total Liabilities	268
Total Equity	843
EBITDA	136
Net Profit	118

Financial Ratios	
Dividend Yield (12m)	9.71
Dividend Pay-out (%)	70.13
Price-Earnings Ratio(x)	14.14
Price-to-Book Ratio (x)	8.14
Book Value (AED)	0.12
Return-on Equity (%)	59.38

Stock Performance	
5 Days	-1.01%
1 Months	-1.11%
3 Months	1.24%
6 Months	-7.55%
1 Year	-2.97%
Month to Date (MTD%)	-0.61%
Quarter to Date (QTD%)	-1.01%
Year to Date (YTD%)	-10.91%

2Q26 Net Profit in line with our estimate

Alef Education Holding PLC (Alef Education/the Company) recorded marginal 1.1% YOY growth in net profit to AED 118 Mn in 2Q26, in line with our estimate of AED 122 Mn. The increase in net profit was primarily driven by higher revenue, lower technology expenses, reduced amortization of intangible assets, lower depreciation on property and equipment, decreased lease expenses, and lower marketing costs, partially offset by higher employee salaries and benefits, higher software license expenses, increased legal and professional fees and decrease in interest income.

P&L Highlights

Alef Education's revenue increased 1.8% YOY to AED 181 Mn in 2Q26, mainly due to the increase in revenue from Education Solution segment and Support & Services segment. Revenue from the Education Solutions segment increased 1.8% YOY to AED 168 Mn in 2Q26, while revenue from the Support & Services segment increased 2.2% YOY to AED 13 Mn in 2Q26. Alef Education's total expenses increased 3.4% YOY to AED 55 Mn in 2Q26, primarily due to higher salaries and other benefits, software licenses and legal and professional fees. Salaries and other benefits expenses increased 9.1% YOY to AED 28 Mn in 2Q26, while technology expenses decreased from AED 8 Mn in 2Q25 to AED 6 Mn in 2Q26. Software licenses expenses increased 5.3% YOY to AED 7 Mn in 2Q26, while amortization expenses declined 6.3% YOY to AED 8 Mn during 2Q26. Legal & professional fees increased 33.7% YOY to AED 2 Mn in 2Q26, while lease expenses declined 32.8% YOY to AED 1 Mn in 2Q26. Marketing expenses decreased 34.5% YOY to AED 0.3 Mn in 2Q26, and company reported other expenses of AED 1 Mn in 2Q26 compared to other income of AED 0.03 Mn in 2Q25.

As a result, Alef Education's EBITDA increased marginally 0.3% YOY to AED 136 Mn in 2Q26, with EBITDA margin of 75.0% in 2Q26. Operating profit rose 1.1% YOY to AED 126 Mn in 2Q26. Alef Education's interest income decreased 1.4% YOY to AED 4 Mn in 2Q26, while income tax expense rose 1.1% YOY to AED 12 Mn in 2Q26.

Balance Sheet Highlights

Alef Education's net cash flow from operating activities decreased from AED 308 Mn in 2Q25 to AED 205 Mn in 2Q26. Cash & cash equivalents increased significantly to AED 645 Mn in 2Q26, compared to AED 497 Mn in 2Q25. The Company remains debt-free, providing flexibility to self-fund expansion. The current ratio improved to 3.7x in 2Q26 from 2.4x in 1Q26. Similarly, the asset-to-liability ratio stood at 4.1x in 2Q26, up from 2.7x in 1Q26.

Target Price and Rating

We maintain our BUY rating on Alef Education with a target price of AED 1.45. Alef Education's 2Q26 performance was driven by the ADEK partnership, B2G and B2B growth, disciplined cost control, and the start of private schools' revenue recognition. The Company reported improvement in profitability, with EBITDA margin of 75.0% and net profit margin of 65.4% in 2Q26, 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. Revenue from the core ADEK business reached AED 348.7 Mn in 1H26, driven by complete penetration across Grades 5–12 in Abu Dhabi public schools, with long-term contracts providing revenue visibility through 2033. Alef Education's AI-powered learning platform continued to expand, reaching c. 2.0 Mn registered students, more than 85K teachers and nearly 20K schools globally, while maintaining strong customer engagement, reflected by a customer satisfaction score (CSAT) of 95% and a Net Promoter Score (NPS) of 74. The Private Schools business maintained its growth momentum, serving 188 schools and 223K active students in the UAE. The segment further supported B2B and B2G expansion by extending the Company's market presence and generating cross-selling, upselling, deeper customer engagement and future pipeline opportunities. Alef Education strengthened its AI ecosystem by training 25K UAE teachers in partnership with Microsoft, signing an MoU with TMRW Edtech, expanding its collaboration with AfricAI, and advancing the planned launch of AI Literacy Programs and Toki for Teachers to support smarter classrooms and personalized learning. The Company continued to strengthen its B2B and B2G presence through six active contracts, supported by a c. AED 36.6 Mn backlog and a robust pipeline across the GCC, Africa, and other international markets, which strengthens its medium-term revenue visibility across both domestic and international markets. Supported by its asset-light business model, the Company remains well positioned to capitalize on education digitalization initiatives across regional and international markets. Miqyas Al Dhad continues to progress toward its targeted 3Q26 launch, supported by the completion of field testing involving 112K students, while final validation and commercial engagements with multiple Ministries of Education and a regional funding partner remain ongoing. The Company completed the migration of its platform to Microsoft Azure, supported by AED 27.2 Mn of investment in product development and digital infrastructure during 1H26, reinforcing its scalable technology platform. The Company maintained a debt-free balance sheet, with cash and cash equivalents increasing to AED 644.9 Mn in 2Q26, providing financial flexibility to support future growth initiatives and shareholder returns. Company maintained its FY2026 guidance, expecting c. 7% YOY revenue growth driven by stable ADEK revenues, expansion across B2B/B2G and Private Schools, and the commercialization of Miqyas Al Dhad. Company also guided for 4.0% YOY growth in both EBITDA and net profit in 2026, with EBITDA margins expected to remain above 68% and net profit margins above 60%, supported by cost discipline and revenue growth, subject to tax, interest, and depreciation impacts from new product launches. The Company also expects FY2026 EPS of c. 7.1 fils per share and DPS of c. 6.4 fils/share. The Company approved an interim dividend of AED 212.8 Mn (3.04 fils per share), representing a 90% payout of 1H26 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)	11.72	14.35	13.72
PB (x)	9.10	8.31	7.69
EV/EBITDA	12.61	11.41	10.86
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	9.8%	9.8%	6.6%

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	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	178	181	181	186	-2.7%	1.8%	0.0%	769	823	7.0%
Salaries and other benefits	-26	-29	-28	-29	-2.4%	9.1%	-2.3%	-112	-116	3.4%
Technology expenses	-8	-7	-6	-8	-16.0%	-17.6%	-9.6%	-61	-68	12.4%
Software licenses	-7	-6	-7	-7	4.2%	5.3%	10.6%	-27	-31	13.3%
Amortization for intangible assets	-9	-9	-8	-9	-8.9%	-6.3%	-6.5%	-33	-42	25.3%
Legal and professional fees	-2	-2	-2	-2	26.0%	33.7%	-3.9%	-13	-16	22.3%
Depreciation on P&E	-1	0	0	-1	-47.7%	-12.7%	0.6%	-2	-3	NM
Lease expenses	-1	-1	-1	-1	-33.7%	-32.8%	-32.7%	-4	-4	2.0%
Marketing expenses	-1	-1	0	-1	-74.5%	-34.5%	-44.1%	-3	-6	NM
Other income/ (expense)	0	-1	-1	-1	3.6%	NM	2.9%	-2	-9	NM
Total Expenses	**-53**	**-57**	**-55**	**-58**	**-6.3%**	**3.4%**	**-3.4%**	**-258**	**-296**	**14.7%**
EBITDA	**135**	**135**	**136**	**138**	**-2.1%**	**0.3%**	**0.8%**	**551**	**573**	**4.0%**
EBIT	**125**	**124**	**126**	**127**	**-1.0%**	**1.1%**	**1.6%**	**512**	**528**	**3.2%**
Income from financial assets	0	0	0	0	NA	NA	NA	0	0	NA
Interest inc from a related party	0	0	0	0	NA	NA	NA	0	0	NA
Interest income	4	6	4	6	-40.3%	-1.4%	-32.2%	17	25	48.6%
Profit before tax	**129**	**130**	**130**	**134**	**-2.9%**	**1.1%**	**0.1%**	**529**	**553**	**4.6%**
Income Tax Expense	-12	-12	-12	-12	-2.9%	1.1%	0.4%	-48	-50	4.7%
Net Profit	**117**	**118**	**118**	**122**	**-2.9%**	**1.1%**	**0.1%**	**481**	**503**	**4.6%**

FABS estimate & Co Data

Alef Education - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Operating Profit	70.2%	68.7%	69.7%	-46	106	66.5%	64.1%	-240
EBITDA	76.1%	74.5%	75.0%	-109	56	71.6%	69.6%	-202
Net Profit	65.9%	65.4%	65.4%	-48	2	62.5%	61.1%	-141

FABS estimate & Co Data

Key Developments:

- **25 February 2026:** Alef Education expanded its Private Schools business by signing agreements with five UAE private school groups, extending its AI-powered learning platform to more than 33,000 students across 28 schools.
- **24 March 2026:** Alef Education signed an MoU with AfricAI to launch the NextGen Learning Nigeria initiative, expanding its AI-driven digital education platform to support foundational education and improve learning outcomes across Africa.
- **22 May 2026:** Alef Education signed an MoU with TMRW Edtech to explore AI-powered education solutions across the GCC and MENA, combining AI-driven learning with advanced school management systems to accelerate digital transformation in education.
- **04 June 2026:** Alef Education completed the migration of its digital learning ecosystem to Microsoft Azure in collaboration with Microsoft and Core42, enhancing the scalability of its AI-powered platform while strengthening its global commercial partnerships and supporting more than 2.0 Mn students, 84K teachers and 19K schools worldwide.
- **09 June 2026:** Alef Education partnered with Zoud to deliver digital financial literacy programmes across UAE schools, providing 72 interactive lessons in English and Arabic to students in Grades 5–12, with the programme reaching 17.8K students across 111 schools since its launch.

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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)	1.53	15.0%	0.23
Relative Valuation (RV)	0.70	15.0%	0.11
Weighted Average Valuation (AED)			**1.45**
Current market price (AED)			0.98
Upside/Downside (%)			+48%

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 8.4%. 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 4.8%. 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)	2,072
Terminal value (AED, Mn)	9,063
FV to Common shareholders (AED Mn)	**11,136**
No. of share (Mn)	7,000
Current Market Price (AED)	0.98
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	546	598	654	753
D&A	45	45	45	45	46
Net Capex	-36	-38	-40	-42	-45
Change in working capital	-14	-21	-24	-25	-37
Free Cash Flow to Equity (FCFE)	**498**	**532**	**579**	**633**	**717**
Discounting Factor	0.92	0.85	0.78	0.72	0.67
Discounted FCFE	**229**	**453**	**454**	**458**	**478**

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)	2,136
Terminal value (AED, Mn)	8,569
Equity Value (AED, Mn)	**10,705**
No. of shares (Mn)	7,000
Current Market Price (AED)	0.98
Fair Value per share (AED)	**1.53**

DDM Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend paid in -					
H1	226	246	269	295	339
H2	226	246	269	295	339
Free Cash Flow to Equity (FCFE)	**453**	**491**	**538**	**589**	**678**
Discounting Factor	0.92	0.85	0.78	0.72	0.67
Discounted FCFF	**418**	**418**	**422**	**426**	**452**

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 11.6x and an EV/EBITDA multiple of 6.0x, in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Blackbaud Inc	2,083	5.3	5.0	8.7	7.7
Stride Inc	3,512	6.0	5.6	11.6	11.1
3P Learning ltd	62	N/A	N/A	N/A	N/A
D2L Inc	182	8.6	6.5	26.5	13.9
ELM	13,420	17.1	14.9	21.0	18.1
Coursera Inc	1,664	2.2	1.5	9.2	7.0
Average		**7.8x**	**6.7x**	**15.4x**	**11.6x**
Median		**6.0x**	**5.6x**	**11.6x**	**11.1x**
Max		**8.6x**	**6.5x**	**21.0x**	**13.9x**
Min		**5.3x**	**5.0x**	**9.2x**	**7.7x**

Source: FAB Securities

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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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