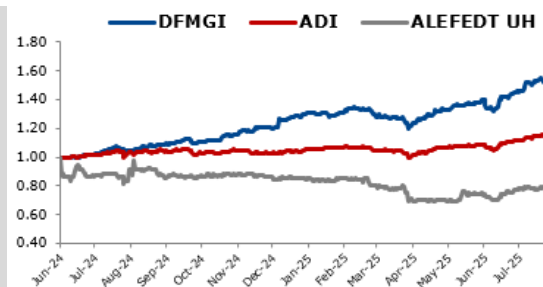


## Alef Education Holding PLC

Steady revenue growth and effective cost management drove bottom-line

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

- The Company's revenue remained flat at AED 178 Mn, while EBITDA grew 3.7% YOY to AED 135 Mn in 2Q25.
- Miqyas Al Dhad reached 87% completion as of 2Q25 and is set to be launched during 4Q25.
- Alef Education is expected to benefit from consistent quarterly education solution fees, with additional growth projected in 2H25 due to the start of the new academic year.
- The Company expects revenue to grow by 3-4%, while EBITDA is expected to increase by 8-9% in 2025.
- The Company also guarantees a minimum annual dividend payout of AED 135 Mn to its free-float investors for 2025.



### Stock Information

Market Cap (AED, Mn)	7,700.00
Paid Up Capital (Mn)	70.00
52 Week High	1.32
52 Week Low	0.91
3M Avg. daily value (AED)	5,297,391

### 2Q25 Net Profit in line with our estimate

Alef Education Holding PLC (Alef Education/the Company) recorded 3.4% YOY growth in net profit to AED 117 Mn in 2Q25, in line with our estimate of AED 117 Mn. The growth in net profit is mainly attributed to lower operating expenses and stable revenue growth, partially offset by higher tax charges.

### P&L Highlights

Alef Education's revenue remained flat at AED 178 Mn in 2Q25 compared to 2Q24, owing to a marginal increase in revenue from the Education Solutions segment and Support & Services segment. Revenue from the Education Solutions segment declined marginally 0.1% YOY to AED 165 Mn, while the revenue from the Support & Services segment rose 2.2% YOY to AED 13 Mn in 2Q25. Alef Education's total expenses declined 6.7% YOY to AED 53 Mn in 2Q25, driven by the Company's cost discipline initiatives. The Company's salaries and other benefits expenses declined 4.0% YOY to AED 26 Mn, and technology expenses declined 6.1% YOY to AED 8 Mn in 2Q25. Moreover, software licenses expenses grew 13.3% YOY to AED 7 Mn in 2Q25. Amortization and depreciation expenses grew 9.1% YOY and 23.9% YOY to AED 9 Mn and AED 1 Mn, respectively during 2Q25. However, legal & professional fees declined 50.2% YOY to AED 2 Mn in 2Q25, as well as lease expenses declined 2.7% YOY to AED 1 Mn in 2Q25. Marketing expenses also declined from AED 2 Mn in 2Q24 to AED 1 Mn in 2Q25. Thus, Alef Education's EBITDA grew 3.7% YOY to AED 135 Mn in 2Q25, whereas, EBITDA margin stood at 76.1% in 2Q25, compared to 73.5% in 2Q24. The Company's operating profit increased 3.3% YOY to AED 125 Mn in 2Q25, with an increase in operating margin from 68.0% in 2Q24 to 70.2% in 2Q25. Alef Education finance income rose 8.1% YOY to AED 4 Mn in 2Q25. Moreover, the Company's profit before tax grew 3.4% YOY to AED 129

### 2Q25 Result Review (AED, Mn)

Total Assets	1,042
Total Liabilities	250
Total Equity	791
EBITDA	135
Net Profit	117

### Financial Ratios

Dividend Yield (12m)	9.20
Dividend Pay-out (%)	90.73
Price-Earnings Ratio(x)	16.37
Price-to-Book Ratio (x)	9.38
Book Value (AED)	0.11
Return-on Equity (%)	59.21

### Stock Performance

5 Days	-0.93%
1 Months	0.95%
3 Months	12.05%
6 Months	-7.83%
1 Year	-5.36%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	2.91%
Year to Date (YTD%)	-7.83%

Mn in 2Q25. The Company's tax charges grew 3.4% YOY to AED 12 Mn in 2Q25.

### Balance Sheet Highlights

Alef Education's net cash flow from operating activities grew from AED 201 Mn in 2Q24 to AED 308 Mn in 2Q25, supported by higher profitability and improved cash generation from working capital. Furthermore, cash & cash equivalents stood at AED 497 Mn in 2Q25, compared to AED 403 Mn in 1Q25. On the liabilities side, the Company has remained debt-free since its establishment. The current ratio stood at 3.7x in 2Q25, compared to 2.4x in 1Q25, and the asset-to-liability ratio stood at 4.2x in 2Q25 compared to 2.7x in 1Q25.

### Target Price and Rating

We maintain our BUY rating on Alef Education with a revised target price of AED 1.45. The Company continued to maintain positive momentum, driven by a stable core UAE portfolio and new B2G and B2B contract wins, both domestically and internationally. Alef Education captured over 33% of UAE private schools, with strong B2B momentum supporting continued growth. The Company is currently in active discussions for five new contracts within the UAE. Internationally, it is engaged in six active discussions, focusing exclusively on highly selective, accretive, and high-margin global opportunities. The Company's Miqyas Al Dhad has reached 87% completion as of 2Q25 and is set to be launched during 4Q25. The product is being created with the partnership of MetaMetrics for Arabic language teaching, learning, and literacy. The product has gained strong regional traction, with seven MoUs signed with education ministries and successful field testing conducted across nine countries. Additionally, Alef Education also secured a three-year extension with ADEK on existing terms, ensuring stable revenue visibility through 2033, with a minimum commitment of 80,000 students at fixed per-student fees. Alef Education is expected to benefit from consistent quarterly education solution fees, with additional growth projected in 2H25 due to the start of the new academic year. Support & Services revenue is also typically higher in 2H25, driven by the cyclical refresh of IT devices. This seasonal uplift across both segments is expected to support stronger topline performance in the 2H25. The Company also expects revenue to grow by 3-4% in 2025, supported by a strong pipeline from organic growth and new contract wins. EBITDA is projected to increase by 8-9%, with margins exceeding 70%, driven by disciplined cost optimization and topline growth. Furthermore, the Company seeks to capitalize on new expansion opportunities through organic growth and strategic partnerships. Alef Education has announced a collaboration with Microsoft and Core42 to develop next-generation AI-powered learning solutions aimed at equipping students with future-ready skills. The Company also hosted a high-level Senegalese delegation at its Abu Dhabi headquarters, strengthening ties and showcasing its key projects and innovative education solutions. The Company also maintains a debt-free balance sheet, offering greater financial flexibility to pursue attractive growth opportunities and support operational expansion. Moreover, the Company also guarantees a minimum annual dividend payout of AED 135 Mn to its free-float investors for 2025. The Company's Board also intends to distribute approximately 90% of annual profits. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

### Alef Education - Relative valuation<sup>1</sup>

(at CMP)	2023	2024	2025F
PE (x)	NA	13.07	16.17
PB (x)	NA	10.15	9.38
EV/EBITDA	NA	14.15	13.08
BVPS	NA	0.108	0.117
EPS	NA	0.084	0.068
DPS <sup>2</sup>	NA	0.9644	0.9644
Dividend yield	NA	9.2%	9.2%

FABS Estimates & Co Data

<sup>1</sup> Note – Alef Education listed on ADX in June 2024. Thus, the financial multiple for the prior period is unavailable. <sup>2</sup>Note – DPS is for free float shareholders

**Alef Education – P&L**

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	178	180	178	184	-3.4%	0.1%	-1.1%	759	786	3.5%
Salaries and other benefits	-27	-30	-26	-30	-15.1%	-4.0%	-13.4%	-122	-123	0.8%
Technology expenses	-8	-8	-8	-9	-13.8%	-6.1%	-1.7%	-66	-66	0.0%
Software licenses	-6	-6	-7	-6	2.8%	13.3%	7.6%	-27	-26	-5.1%
Amortization for intangible assets	-8	-8	-9	-9	0.8%	9.1%	11.5%	-31	-41	30.7%
Legal and professional fees	-4	-2	-2	-2	-26.8%	-50.2%	-24.6%	-17	-15	-10.2%
Depreciation on P&E	0	0	-1	-1	-42.3%	23.9%	10.0%	-2	-3	100.2%
Lease expenses	-1	-1	-1	-1	-8.0%	-2.7%	1.2%	-4	-4	2.0%
Marketing expenses	-2	0	-1	1	NM	NM	NM	-6	-6	-0.8%
Other income/ (expense)	-1	0	0	0	NM	NM	NM	-5	9	NM
<b>Total Expenses</b>	<b>-57</b>	<b>-56</b>	<b>-53</b>	<b>-59</b>	<b>-9.9%</b>	<b>-6.7%</b>	<b>-6.1%</b>	<b>-280</b>	<b>-276</b>	<b>-1.5%</b>
<b>EBITDA</b>	<b>130</b>	<b>133</b>	<b>135</b>	<b>136</b>	<b>-0.6%</b>	<b>3.7%</b>	<b>1.8%</b>	<b>516</b>	<b>558</b>	<b>8.1%</b>
<b>EBIT</b>	<b>121</b>	<b>123</b>	<b>125</b>	<b>125</b>	<b>-0.3%</b>	<b>3.3%</b>	<b>1.1%</b>	<b>479</b>	<b>510</b>	<b>6.5%</b>
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	4	3	4	3	30.0%	8.1%	14.9%	13	13	2.8%
<b>Profit before tax</b>	<b>124</b>	<b>127</b>	<b>129</b>	<b>128</b>	<b>0.4%</b>	<b>3.4%</b>	<b>1.5%</b>	<b>492</b>	<b>523</b>	<b>6.4%</b>
Income Tax Expense	-11	-11	-12	-12	0.4%	3.4%	1.8%	-44	-47	6.5%
<b>Net Profit</b>	<b>113</b>	<b>115</b>	<b>117</b>	<b>117</b>	<b>0.4%</b>	<b>3.4%</b>	<b>1.5%</b>	<b>447</b>	<b>476</b>	<b>6.4%</b>

FABS estimate & Co Data

**Alef Education - Margins**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Operating Profit	68.0%	68.6%	70.2%	217	158	63.1%	64.9%	181
EBITDA	73.5%	73.9%	76.1%	264	220	68.0%	71.0%	299
Net Profit	63.7%	64.2%	65.9%	213	170	59.0%	60.6%	163

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	1.45	70.0%	1.01
Dividend Discount Model (DDM)	1.41	15.0%	0.21
Relative Valuation (RV)	1.53	15.0%	0.23
<b>Weighted Average Valuation (AED)</b>			<b>1.45</b>
Current market price (AED)			1.05
Upside/Downside (%)			+38%

### 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 5.1%, a beta of 0.85 and an equity risk premium of 3.9%. 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)	1,997
Terminal value (AED, Mn)	8,132
<b>FV to Common shareholders (AED Mn)</b>	<b>10,129</b>
No. of share (Mn)	7,000
Current Market Price (AED)	1.05
<b>Fair Value per share (AED)</b>	<b>1.45</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	476	506	548	597	653
D&A	45	48	47	47	48
Net Capex	-73	-40	-42	-44	-47
Change in working capital	-36	-33	-34	-39	-43
<b>Free Cash Flow to Equity (FCFE)</b>	<b>412</b>	<b>481</b>	<b>520</b>	<b>562</b>	<b>612</b>
Discounting Factor	0.96	0.89	0.82	0.75	0.70
<b>Discounted FCFE</b>	<b>297<sup>1</sup></b>	<b>426</b>	<b>425</b>	<b>424</b>	<b>426</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 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 in 2025. 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)	2,033
Terminal value (AED, Mn)	7,813
<b>Equity Value (AED, Mn)</b>	<b>9,846</b>
No. of shares (Mn)	7,000
Current Market Price (AED)	1.05
<b>Fair Value per share (AED)</b>	<b>1.41</b>

## DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend paid in -					
H1	214	228	247	269	294
H2	214	228	247	269	294
<b>Free Cash Flow to Equity (FCFE)</b>	<b>429</b>	<b>455</b>	<b>493</b>	<b>538</b>	<b>588</b>
Discounting Factor	0.96	0.89	0.82	0.75	0.70
<b>Discounted FCFF</b>	<b>412</b>	<b>404</b>	<b>403</b>	<b>405</b>	<b>409</b>

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 2025 P/E multiple of 25.3x and an EV/EBITDA multiple of 15.9x, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Blackbaud Inc	3,415	11.2	10.7	16.3	15.2
Stride Inc	5,543	9.5	8.5	17.6	16.3
3P Learning Ltd	117	12.7	10.3	19.5	13.2
D2L Inc	635	19.1	16.7	59.9	42.7
ELM	18,852	28.0	22.4	35.0	27.8
Coursera Inc	1,930	19.3	15.9	31.1	26.7
<b>Average</b>		<b>16.6x</b>	<b>14.1x</b>	<b>29.9x</b>	<b>23.7x</b>
<b>Median</b>		<b>15.9x</b>	<b>14.8x</b>	<b>25.3x</b>	<b>21.5x</b>
<b>Max</b>		<b>19.2x</b>	<b>15.9x</b>	<b>34.0x</b>	<b>27.5x</b>
<b>Min</b>		<b>11.6x</b>	<b>16.8x</b>	<b>18.1x</b>	<b>15.5x</b>

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%

## FAB Securities Contacts:

### Research Analyst

Ahmad Banihani +971-2-6161629 [ahmad.banihani@Bankfab.com](mailto:ahmad.banihani@Bankfab.com)

### Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

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