Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Technology | Market: ADX

Alef Education Holding PLC (ALEFEDT)

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

2Q26 Net Profit in line with our estimate

- Alef Education Holding 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, whereas 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 partially offset by a decline in technology and marketing expenses, coupled with lower depreciation and amortization charges.
- The Company's EBITDA increased marginally 0.3% YOY to AED 136 Mn in 2Q26. EBITDA margin declined 109 bps and grew 56 bps QOQ to 75.0% in 2Q26.
- The Company's net profit rose 1.1% YOY to AED 118 Mn in 2Q26, in line with our estimate of AED 122 Mn, with net profit margin of 65.4% in 2Q26.
- Alef Education's interest income decreased marginally 1.4% YOY to AED 4 Mn in 2Q26, while income tax expense rose 1.1% YOY to AED 12 Mn in 2Q26.

Earnings Call Summary

- Alef Education emphasized its leadership in AI-powered K–12 digital education, supported by long-term public sector partnerships, a scalable platform and predictable recurring revenues.
- The core ADEK business contributed AED 348.7 Mn of revenue in 1H26, with 100% penetration across Grades 5-12 in Abu Dhabi public schools and strong contracted revenue visibility through 2033.
- Alef Education expanded its AI-driven learning platform to c. 2.0 Mn registered students, 85K+ teachers and nearly 20K schools, while maintaining strong customer engagement with a 95% CSAT and 74% NPS.
- Private Schools continued expanding, with the platform serving 188 schools and 223K active students in the UAE. The segment also supports B2B and B2G growth by expanding the Company's market reach, while driving cross-sell, upsell and future pipeline opportunities.
- The Company's B2B and B2G expansion continued further, supported by six active contracts with a c. AED 36.6 Mn backlog, while maintaining a healthy pipeline across the GCC, Africa and other international markets, which is expected to support future growth.
- Alef Education expanded its AI partnerships by training 25K UAE teachers with Microsoft, signing an MoU with TMRW Edtech and strengthening collaboration with AfricAI.
- Alef Education continues to enhance its AI ecosystem with the planned launch of AI Literacy Programs and Toki for Teachers, supporting smarter classrooms and personalized learning.
- The Company remains focused on international expansion, supported by its asset-light business model and alignment with regional education digitization initiatives.
- Miqyas Al Dhad remains on track for its 3Q26 launch, having completed field testing across 112K students, with final validation and commercial discussions progressing with multiple Ministries of Education and a regional funding partner.
- Alef Education completed the migration of its platform to Microsoft Azure, reinforcing its digital capabilities and supporting ongoing innovation.
- The Company maintained a debt-free balance sheet, with cash and cash equivalents rising to AED 644.9 Mn in 2Q26, supporting future growth initiatives and shareholder returns.

- The Company approved an interim dividend of AED 212.8 Mn (3.04 fils/share) for 1H26, in line with its 90% payout policy, while maintaining investments to support long-term growth.
- Looking ahead to 2026, management maintained its guidance of 7.0% YOY revenue growth, driven by stable ADEK revenues, sustained expansion across the B2B, B2G and Private Schools businesses, and the commercialization of Miqyas Al Dhad.
- The Company's EBITDA is expected to grow by 4.0% 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 4.0% YOY, with net profit margins sustained above 60% at industry-leading levels, subject to tax, interest, and government depreciation linked to new product rollouts.
- For FY2026, the Company expects EPS of approximately 7.1 fils per share and DPS of approximately 6.4 fils per share.

Alef Education – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch
Revenue	178	181	181	186	-2.7%	1.8%	0.0%
Salaries and other benefits	-26	-29	-28	-29	-2.4%	9.1%	-2.3%
Technology expenses	-8	-7	-6	-8	-16.0%	-17.6%	-9.6%
Software licenses	-7	-6	-7	-7	4.2%	5.3%	10.6%
Amortization for intangible assets	-9	-9	-8	-9	-8.9%	-6.3%	-6.5%
Legal and professional fees	-2	-2	-2	-2	26.0%	33.7%	-3.9%
Depreciation on property and equipment	-1	0	0	-1	-47.7%	-12.7%	0.6%
Lease expenses	-1	-1	-1	-1	-33.7%	-32.8%	-32.7%
Marketing expenses	-1	-1	0	-1	-74.5%	-34.5%	-44.1%
Others income/ (expense)	0	-1	-1	-1	3.6%	NM	2.9%
Total Expenses	**-53**	**-57**	**-55**	**-58**	**-6.3%**	**3.4%**	**-3.4%**
EBITDA	**135**	**135**	**136**	**138**	**-2.1%**	**0.3%**	**0.8%**
EBIT	**125**	**124**	**126**	**127**	**-1.0%**	**1.1%**	**1.6%**
Interest income	4	6	4	6	-40.3%	-1.4%	-32.2%
Profit before tax	**129**	**130**	**130**	**134**	**-2.9%**	**1.1%**	**0.1%**
Tax	-12	-12	-12	-12	-2.9%	1.1%	0.4%
Profit for the period	**117**	**118**	**118**	**122**	**-2.9%**	**1.1%**	**0.1%**

FABS estimate & Co Data

Management Guidance 2026:

	FY 2025 Audited	FY 2026 Guidance
Revenue	AED 769.5 M	+7% YoY
EBITDA	AED 550.7 M	+4% YoY
EBITDA Margin	72%	68%+
Net Profit	AED 481.1 M	+4% YoY
NP Margin	63%	60%+
EPS	6.9 Fils	~ 7.1 Fils
DPS	6.2 Fils	~ 6.4 Fils

Comments

The Group's platform-based model demonstrated strong resilience during regional disruption in Q1 2026, with distance learning activation driving higher engagement without any impact on revenue, reinforcing management's confidence in **maintaining FY 2026 guidance unchanged**.

Revenue FY2026 guidance is underpinned by strong visibility across a robust revenue pipeline spanning the following segments:

- **ADEK**: expected to remain broadly stable, conservatively excluding any inflationary or student volume uplift while strongly pursuing further growth in this segment.
- **B2B/B2G:** strong pipeline of growth opportunities across the UAE and international markets, expected to convert into profitable commercial contracts.
- **Private Schools:** momentum continues in capturing share of the UAE private school market, supported by upselling additional products to existing schools and expansion into new grades.
- **Miqyas Al Dhad:** targeted launch is planned for Q3 2026, with several opportunities already in the pipeline expected to convert into commercial contracts.

EBITDA and Net Profit 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.

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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