



GCC Education Industry
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Glossary

K-12: This comprises the pre-primary, primary, lower secondary, and upper secondary education segments.

Pre-primary Education: This is the first stage of formal education that aims to introduce and familiarize young students with the school environment through set-ups such as nurseries and kindergarten. The minimum permissible age of entry into pre-primary institutions is 3 years.

Primary Education: This level of education offers basic formal training in the areas of reading and writing as well as introduces various subjects such as mathematics and science. This stage spans six years, with enrolments beginning at 5 years of age.

Secondary Education: This stage is further classified into lower secondary education and upper secondary education. Lower secondary education covers subject-oriented basic education imparted by specialized teachers. This stage spans for three years, followed by the completion of 6 years of primary education. Mandatory education in the GCC countries ends at this stage. On completion of lower secondary education, students are eligible to pursue upper secondary education that entails a sharper subject specialization. Following the upper secondary education stage, students are expected to have completed nine years of basic education. The entry-level age is usually 15 to 16 years.

Tertiary Education/Higher Education: This level entails post-secondary education, higher education as well as technical and vocational training. The course curriculum is mainly theory-based and is aimed at preparing the students to pursue advanced research programs as well as professional courses such as medicine, engineering, accountancy, and architecture. Although it spans three years generally, it could extend to four or more years in cases where on-job training is part of curriculum.

Vocational Education: Vocational education or technical and vocational training prepares students for a particular trade or occupation in fields such as engineering, accountancy, nursing, and pharmacy, amongst others.

Advanced Research Programs: These three-year full-time courses involve advanced study and original research that award degrees such as PhD.

Gross Enrolment Rate: This is the total enrolment at a particular education level, which is regardless of age and is expressed as a percentage of the eligible official school-age population, corresponding to the same level of education in a given school year.

Utilization Rate: This is the ratio of students to the number of seats at schools.

“The GCC as a whole is attracting the attention of major global investors and operators and is high on many institutions wish lists to gain or consolidate a foothold in the market. The UAE seems to be the centre of this activity and in particular Dubai that will see growth of over 30,000 new school places in the next two years, mainly in British and Indian curriculum schools.

The quality of schools never exceeds the quality of its teachers; therefore the challenge of attracting, developing and retaining talent is always the key to success for any operator. Maintaining competitive packages in markets where school fees are highly regulated can be a challenge. Having said that, many operators are now building branch campuses that are supported by the track record of their initial foray into the market. “British” education is in strong demand but also there is great encouragement from regulators to build “affordable” schools with strong Arabic programmes to serve both the local and Arab expatriate market.

The GCC education sector is poised for tremendous growth with the governments and regulators in the GCC actively encouraging long-term investment in the education sector by launching various initiatives that aim to bring investors, operators and regulators together.”

Rosamund Marshall

Chief Executive Officer

Taaleem

“We have noticed a rapid and significant change in the private education sector, particularly in the UAE where the population demographics are shifting. In terms of the future, we are anticipating a shortage of school places and a demand for more high-end private schools that will cater for the breadth of nationalities, coupled with an awareness of local culture and language.

We see the major challenges being infrastructures keeping up with demand and the complexities in terms of local approvals for schools delaying much needed projects. We believe that growth in the education sector can be aided by greater flexibility being permitted for private providers to offer a new generation of schools that cater for the wide ranging and diverse nature of the local population and its subsequent education needs for example, positive encouragement by central and local government of joint ventures to provide sports academies, centres for the arts, drama schools that also offer a mainstream curriculum, mathematics and science academies and schools and colleges that offer practical vocational training courses and qualifications that are recognised internationally.

We believe that continued and greater investment in technology will enable education to take place in a more diverse range of locations and that not all forms of education require school buildings as we know them today. In the region we need to open our eyes to the innovation interns of educational establishment design and location that is successful elsewhere, fit for purpose and fully supported by the changing demands of companies both established and new to the region. We are pleased to see a very new and growing trend of schools that are designed in every sense to meet the unique demands of young men and women in the region. This is the very essence of a Kings' Education.”

Faris Tayeb Al Baker

Vice Chairman

Kings' Holdings

“Education and Training is a critical sector for any economy and in particular for Oman. Oman’s economy is growing rapidly and so is its population. Demographics clearly confirm that the Job market is big enough – with all the major developmental projects in full swing- for providing employment to the growing population. However, the market is experiencing a huge gap in skilled local manpower. To bridge this skill gap education and training sector will have to play a major role going forward. Training should be viewed as essentially complimentary to Education, both secondary and higher.

There needs to be a focused drive to bring government, industry and training providers to work together towards building this bridge. The youth should be made aware that academic qualifications by themselves are not sufficient to obtain gainful jobs. The government will need to review the current policies, procedures and regulations pertaining to training and align them more towards the needs of the employers and industry.

All these years, the local training providers with the available funding and resources, catered to the Omanisation and training needs of the private sector employers. Most recent trends are that we now have foreign investors eying the local training market as more and more international industry players are entering Oman’s growing economy. Some international players in the training industry have already entered the Omani market and are making an impact. The education and training sector is all set for major shakeup and I expect a huge positive change in the training market; there will be world class facilities providing quality training to meet the diverse requirements of major industry segments.”

Lawrence Alva

CEO

National Training Institute LLC, Oman

“Our outlook on Qatar’s K-12 education sector is positive. The influx of expatriates and the increase in population has put stress on the demand for quality education services, which has far exceeded current capacity. We expect Qatar’s population to continue to grow with the increase in the number of public and private projects being announced and executed. Government support in the allocation of land at reasonable lease rentals, and banks’ support during construction of school premises would be critical. The Supreme Education Council has recently taken an unprecedented step of benchmarking the Fee vs. Facilities proposition of all schools in Qatar to allow for the better alignment of school fees across all value propositions. We welcome this initiative which aims to place all schools on a level playing field. We believe the stage is set for Qatar’s education industry to move to its next stage of growth and we look forward to be a part of it.”

Mr. Hasan A.K. Chougule

President, Executive Committee

Delhi Public School – Modern Indian School

“Education as a sector is critical in shaping a country’s economy and plays a key role in its overall development. Globally, the industry therefore enjoys a fair share of attention and investment from the policymakers. This is mirrored in the GCC with all the governments announcing sizeable budgetary allocations as well as reforms to spur investment in the Education industry. The sector is currently passing through an interesting phase across different segments receiving considerable investor attention both from corporates as well

as financial investors. In the UAE, the K-12 segment is noticing a lot of activity with global players planning a foray into this market and existing groups adding capacities to target the growing expatriate population. Steady revenues coupled with a clear visibility of future revenues positions the K-12 segment favourably amongst the investor community. On the regulatory side the authorities are playing a key role in consistent monitoring and providing overall guidance, which augments well for the parents as well as industry players”

Dr. Navjit Singh Anand

Chairman

Goldline Group

“Al Noor aims to provide a high standard of education in Bahrain and Qatar. Following the Bahraini government’s reforms in the field of education, the country is set to see a major development in its education sector. Further, Qatar has acknowledged the role of private operators in further developing the sector through different programs. Our pledge to provide an educational experience, which encompasses the full range of cultural backgrounds of students from all over the world, has resulted in an increased demand for education at our schools in Bahrain and Qatar. We see education as a powerful tool to develop strong and sound personalities, while equipping the students with the ability to make their society a better place.”

Ali Hasan Kunhalil

Chairman & Managing Director

Ali Venture International Holding Co.W.L.L (Al Noor Schools)

The education sector in the GCC is receiving impetus from intrinsic drivers such as population growth, increasing number of expatriates, the rising importance of high-quality education in the society, and a growing spending propensity. Since the education system in the GCC is still evolving, it presents tremendous opportunities to private investors. Private players, both local and international, are attracted to segments such as the K-12 and higher education, which are the largest within the sector. Further, new and promising industry-specific, niche sectors such as vocational training, finishing schools, child-skill enhancement, and e-learning are also receiving investor attention.

A shortage of skilled teachers and government control on fee hikes combined with the fact that it is a capital intensive industry are the key challenges to a potential investor. However, the GCC governments are acknowledging the importance of private participation in accomplishing their objectives for the education sector and are aiming to provide an investor-friendly environment for this sector. On an average, the GCC region is expected to experience a recurring spend of about US\$150 billion on its education sector in the next couple of years.

Overall we see tremendous potential in the GCC Education sector and our outlook remains positive.

Rohit Walia

Executive Chairman

Alpen Capital

1. Executive Summary

The education sector in the Gulf Co-operation Council (GCC) is receiving thrust from intrinsic drivers such as population growth, increasing number of expatriates, the rising importance of high-quality education in the society, and a growing spending propensity. The sector is gaining additional momentum from governments across the GCC that are acknowledging the need for an education system capable of producing industry-ready graduates. Thus, with increased focus on improving the quality and reach of education in the region, the sector is accounting for a healthy share of the national budgets across the GCC. Consequently, as many as 355 educational projects are currently underway in the GCC region, most of which (92%) are being developed in Saudi Arabia, followed by Qatar, Kuwait, Oman, and the UAE.

The UAE is the most developed education market in the region and is an emerging education hub globally. The Saudi Arabian market is the largest, accounting for more than 75% of the gross enrolment within the GCC. Both the nations account for relatively mature K-12 and tertiary education segments. Following these leaders are the Qatari and the Omani markets, which are growing, with support from planned education reforms. The education markets of Kuwait and Bahrain are growing at a modest pace.

A growth-favoring combination of opportunities and government encouragement has succeeded in luring private investors into the region. Private players, both local and international, are attracted to segments such as the K-12 and higher education, which are the largest within the sector. The new and promising industry-specific, niche sectors such as vocational training, finishing schools, child-skill enhancement, and e-learning are also receiving investor attention. The demand for schools catering to special needs is also picking up and catching investor's attention.

1.1 Scope of the Report

This report is an update on Alpen Capital's GCC Education Industry report dated June 20, 2012. We aimed at presenting the growth prospects of the GCC education sector, based on the current happenings within the sector, key market dynamics, and the existing investment opportunities in the region. The scope of this report encompasses the pre-primary, primary, secondary, tertiary, and vocational training segments across all GCC nations. Further, the report profiles the six GCC countries as well as some noteworthy private educational institutions in the sector.

1.2 Industry Outlook

- We forecast the total number of students in the GCC region to grow at a 3% CAGR between 2013 and 2020 to reach 13.7 million.
- The total number of schools is expected to rise at a 2.4% CAGR from 2013 to 2020, concurrent with the increasing number of students in the GCC.
- Enrolment increase at private schools is expected at a 5.7% CAGR between 2013 and 2020, due to the quality of education and the favorable demographics in the region. The contribution of the pre-primary segment to the total enrolments in the industry is expected to increase from 5.8% in 2013 to 7.4% in 2020. The tertiary segment is likely to see a surge in its share of the total enrolments from 14.8% in 2013 to 16.5% in 2020. The primary and secondary segments are anticipated to drop their share to 76.0% in 2020 from 79.4% in 2013.

1.3 Key Growth Drivers

- The GCC population displayed a 4.8% CAGR to reach 46.4 million in 2011 from 36.7 million in 2006. By end of 2014, the GCC population is expected to reach 50 million. UNESCO estimates indicate an addition of 9.5 million students from 2011 to 2030 across the GCC.
- Based on purchasing power parity (PPP), the GDP per capita across the region is expected to rise at a 3.1% CAGR between 2012 and 2019. With rising GDP

levels, the disposable income of the middle-class across the GCC is expected to surge, presenting the prospect of this segment of the society turning to the expensive, high-quality education of private schools. Already, enrolments at private institutions in the GCC accounted for 36% of the total enrolments in 2012, up from 24% in 2000.

- Governments are focusing on enhancing the quality and reach of education across the GCC. The member nations are acknowledging the importance of private participation in accomplishing their objectives for the education sector. Therefore, an increasing number of private schools and colleges are being set up in the region. On an average, the GCC region is expected to experience a recurring spend of US\$150 billion on education sector in the next couple of years.

1.4 Key Challenges

- The GCC education system is still evolving and needs a qualitative and quantitative upgrade to support its standards and support a large number of students. Education industry experts believe that the courses offered at education institutions need to be better aligned to the industry requirements. Increased attention towards research and innovation at education institutions is required. According to an E&Y study in 2014, only 29% of the employers believe that graduates in the GCC region meet the job market requirements.
- Inflation in the sector is the highest among all other items on the Consumer Price Index, leading to the rising cost of education. Hiring a highly skilled teaching staff, an imperative for offering superior education, adds to the capital expenditure of investors. Moreover, the regulators are keeping tabs on the fee hikes. This makes it challenging for investors to evaluate the investment opportunity in the region.
- International education is increasingly gaining popularity among the student community in the GCC region. In order to further encourage higher international education among locals, the GCC governments are granting several scholarships and free educational loans. While such measures will enhance the education levels among the local residents, they act as barriers for the local investors.
- The GCC faces a shortage of skilled staff, primarily teachers, affecting the quality of education at both private and public institutions.

1.5 Key Trends

- Private schools offering international curriculum are emerging as a preferred choice over public schools, with increasing number of students shifting from the latter to the former. Private institutes across the GCC are also attracting students from the Middle East and North Africa (MENA) region, who seek quality education within a geographically proximate area. This shift in trend can be inferred from the declining enrolment rates in public schools. The UAE continues to dominate the international school market, with the presence of 433 international schools.
- The UAE and Qatar rank high as preferred education destinations by students in the Middle East. Factors such as simple visa procedures and the presence of international education institutes of repute are furthering the appeal of these two nations among students overseas. Students in the region are increasingly turning to Dubai, instead of the UK, to obtain quality international-level education. According to the UNESCO, Dubai has become the third most popular destination, following France and the US, among students from the Middle East.
- With support from the government, universities are undertaking concrete initiatives to build their research capabilities as a robust research and innovation foundation is essential to upgrade the level of higher education.
- Technology-driven education is an emerging trend in the region, topping the priority lists of governments of the member nations.

2. GCC Education Industry

2.1 GCC Education Industry Overview

As the GCC countries aim to reduce their dependency on an oil-based economy and towards this endeavor, governments across the region have acknowledged the need for a robust education system to develop a strong intellectual capital. Only a dynamic education system will help in producing a skilled, efficient, and erudite workforce, which a knowledge-based economy demands. Accordingly, governments of the GCC nations are focusing their attention on the education sector, which is resultantly undergoing an exciting phase of growth. With the governments opening up the sector for private players, the region is already witnessing increased private participation and higher enrolment rates at private educational institutions.

With strong support from governments of the member nations, the GCC education sector is undergoing an exciting phase of growth

The total number of enrolment across the GCC displayed a remarkable growth from 2.7 million in 2003 to 10.7 million in 2012, indicating an impressive CAGR of 16.5% compare to the average growth rate of the GCC population was 4.6% during the same period¹. During 2012, the primary and secondary education segments together accounted for about 80% of the gross enrolment in the GCC. The region is also witnessing a rapid increase in gross enrolment rates in the tertiary education segment, which is now surpassing the global average of 30.1%. With almost 51% gross enrolment in the tertiary segment, Saudi Arabia has emerged as the fastest growing market in this segment (see Exhibit 1).

Exhibit 1: Gross Enrolment Rates

Country	Pre-primary	Primary	Secondary	Tertiary
Bahrain	49.8%	107.3%	95.5%	33.5%
Kuwait	82.2%	105.6%	101.0%	22.9%
Oman	54.6%	109.0%	94.2%	24.7%
Qatar	73.4%	104.6%	111.6%	12.1%
Saudi Arabia	13.2%	102.8%	106.2%	50.9%
UAE	71.1%	108.3%	90.6%	22.5%
GCC	26.2%	114.2%	111.9%	42.3%
World	50.1%	107.1%	70.6%	30.1%

Source: UNESCO, World Bank, Alpen Capital

Note 1: Figures are based on the UNESCO and World Bank data for 2011 in case of Oman and the UAE; 2012 in case of Bahrain, Kuwait, Qatar, the GCC region, and the world; and 2013 in case of Saudi Arabia.

Note 2: The gross enrolment rate can be greater than 100% as a result of grade repetition and entry at ages younger or older than the typical age at that grade level.

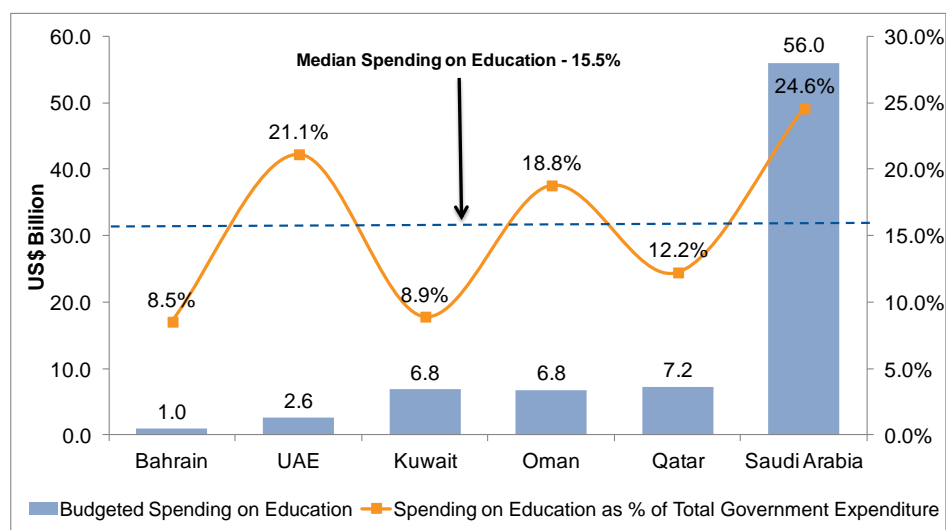
In order to support increasing enrolments at educational institutes, governments across the region are expected to continue allocating a significant portion of their national budgets towards this industry in 2014. Saudi Arabia and the UAE are planning to spend more than 20% of their total expenditure on the education industry in 2014. The median spending on education as a percentage of total spending on public expenditure in the GCC is expected to be 15% in 2014. Similarly, the average spending on the industry in the GCC is expected

¹ Source: The United Nations Educational, Scientific and Cultural Organization (UNESCO) and Ministry of Education of the GCC nations and IMF

to lie at a higher end of 19% in 2014, against the global average spend on the industry at 13.2% in 2012. Although not comparable, the figures present the GCC education industry in a bright light (see Exhibit 2)².

Significant government investments into the region's education industry have resulted in several reforms. Consequently, the education industry in the region is undergoing growth-oriented changes. Led by reforms, there is now a presence of a diverse range of local and international universities in the region offering a wider choice of subjects for higher education. The range of MBA specialties, for example, has broadened from the traditional finance or marketing to areas such as maritime management, energy, or Islamic banking. Further, internationally reputed institutions are setting up their campuses in the region. Qatar's Education City, with a capacity of around 100,000 students, houses some of the world's most prestigious universities. Abu Dhabi has opened its doors to Université Paris-Sorbonne and the New York University, while Dubai Academic City continues to attract international universities, most recently, the Rochester Institute of Technology.

Exhibit 2: Estimated Government Spending on Education as a Percentage of Total Government Expenditure, 2014



Source: Ministry of Finance of the respective countries, Alpen Capital

There is a shortage of skilled staff despite major government reforms and investments in the region

Despite the multi-billion investments and reforms in its education industry, the GCC region faces a shortage of competent and skilled labor. Today, the GCC nationals account for less than 20% of the total private sector workforce. Although the national workforce in the GCC is expected to rise by 30% by 2020³, nationals are likely to prefer government jobs over those in the private sector due to the security and benefits that the public sector offers.

Investment Opportunities in the GCC Education Market

Today, the GCC education industry demands a system that produces industry-ready graduates. Most importantly, the region already presents change catalysts in the form of the aspiration for quality education coupled with favorable demographics.

² Source: The World Bank

³ Source: Booz & Company, September 2011

K-12 and Higher Education – Potential Unlimited

In 2011, an estimated 11 million people in the region fall in the age group of 0-14 years (approximately 28.5% of the total GCC population) and another 6.9 million people are in the age group of 15-25 years (approximately 17.5% of the total GCC population)⁴. Considering the magnitude of young population, the K-12 and higher education markets are the largest in the industry.

Private players offer the desired quality in terms of English language capabilities and their courses meet the job market requirements. Moving away from the longstanding and traditional learning methods⁵, such schools foster independent thinking, innovation, and self-reliance among their students through advanced application-based learning.

The formal education industry presents investment opportunities in the form of:

- ✓ Schools offering international curricula
- ✓ Higher education institutions
- ✓ Information and Communications Technology (ICT) players providing digital content

Thus, as quality and excellence in the education system gain more attention in the region; private educational institutes are slated to benefit from the available opportunities in the GCC education industry. Regulators are also encouraging investors to build affordable schools that offer high quality programs in Arabic to serve both the local and the Arab expatriate market.

New Avenues for Investment

New and promising industry-specific sectors such as vocational training, finishing schools, child-skill enhancement, and e-learning are emerging in the GCC education industry. Investments are required in developing new-generation schools that cater to a wide-ranging diversity of the educational needs of the local population. Examples of such schools include mathematics and science academies as well as sports academies, centers for the arts, and drama schools offering mainstream curriculum.

Demand for vocational training echoes in the findings of the Economist Intelligence Unit (EIU) survey⁶. Respondents were surveyed about the role and impact of the private sector on traditional education. About 48% of the respondents believed that life skills such as negotiation, networking, and working in cultural diversity will be in great demand by the employers, in addition to formal education, in the upcoming decade. Other skills such as problem solving, leadership, critical thinking, ability to collaborate and technological proficiency will also be necessary. According to International House Dubai, an entity offering internationally-accredited leadership training, the demand for such training across the UAE has seen a 15% y-o-y rise in 2014. In view of these facts, the vocational and training institutes also presents investment opportunities for private players focusing on the development of these skills.

Further, in order to benefit from the available opportunity, it is important that the universities offer the right course mix to cater to the job market demands.

4 Source: UNSD

5 Source: G-Mrabet, 2010

6 Source: The EIU conducted an online survey of 211 private sector executives and educational respondents in February 2009 to gauge the attitude of private players towards traditional education. Of the total participants, 12% of were based out of the UAE, Qatar and Bahrain.

Special Needs Education: Ready for Growth

The Gulf has opened to special needs education only since the last decade. The Ministries of Education of the GCC member nations are embracing a broader policy view of “inclusive education”⁷, which seeks to provide learning opportunities to all. Each nation has adopted a different approach towards offering special needs education. However, considering the present state of the special needs education segment in the region, the private sector can play a key role in enhancing the quality and availability of special needs learning.

Currently, children with special needs across the region have minimal access to services. There is a need for increased awareness of the benefits of early intervention. Also, the current care services are targeted only at the child, with little focus on parents and their circumstances. Places of employment also need awareness of the requirements of workers with disabilities. The governments in the region account for a majority of the institutes under this category.

Among the GCC nations, Qatar ranks high in terms of the inclusion of learners with special needs as more than 6,000 students with disabilities attended 84 schools in Qatar in 2011⁸. The country also has the modern Al Noor Institute and the Shafallah Centre, which offer education to pupils with special needs. The country currently follows a two-pronged approach, which includes some students in regular classrooms whereas others attend institutes that are targeted only at meeting special needs. Specialty institutes such as the Shafallah Centre for students with autism spectrum disorder cater to individual disabilities.

The Kuwaiti Ministry of Education caters to its students requiring special needs education through its special schools, each devoted to a specific disability. Special needs education in Saudi Arabia encompasses both gifted students and the disabled students in a common classroom. Under the Inclusion Project⁹, over 233 programs and institutes have been developed to meet the special needs of students.

The percentage of people with disabilities in the UAE was close to the worldwide average of 8-10% of the population in 2010¹⁰. In order to cater to learners with special needs, the UAE requires a strong special needs education segment. Currently, mainstream classes do not include children with Down’s syndrome and low functioning abilities. Severely handicapped students are placed in public rehabilitation centers, which are often earmarked only for citizens and may have long waiting lists¹¹. High tuition fees at private centers limit their service only to certain segments of the society. Special facilities at mainstream schools are already over-subscribed. Inadequate special needs facilities are posing challenges for companies operating in the region, who are unable to bring their personnel to the UAE due to unavailability of suitable school placements.

In light of the above facts, the special needs education segment presents significant untapped opportunities, which extend to the areas of production and provision of diagnostic services to schools and individuals.

7 Note: The GCC policy makers and educators use the terms inclusive education and inclusion in several senses: inclusive education and inclusion mean both education for all (all learners have access to educational institutions, either segregated or integrated) or more narrowly and technically, the mainstreaming of disabled and handicapped students into the regular, traditional classroom.

8 Source: www.wjeis.org

9 Source: Gaad, 2011

10 Source: Bradshaw Research

11 Source: Gaad, 2011

2.2 The UAE Education Market

The UAE education industry is the most developed across the GCC, in wake of continuous government focus coupled with the presence of top-ranked universities. The UAE has emerged as a preferred educational destination for students across the globe, ranking 15th in terms of quality of education from a group of 148 countries, as assessed by the World Economic Forum (WEF) in its Global Competitiveness Report 2013–2014 (see Exhibit 3). According to a Deloitte survey in March 2013, the UAE ranks fourth as education destinations across MENA and Asia.

The UAE education sector is the most developed across the GCC and is emerging as an educational destination for global students

In the 1960s and the 1970s, the government initiated a large-scale school building program, leading to the setting up of several public schools in the country, followed by the establishment of the United Arab Emirates University in 1976.

With an aim to reform the education system across the country and deepen the reach and quality of education, the government established the Dubai Education Council (DEC) and the Abu Dhabi Education Council (ADEC) in 2005. The DEC aims to enhance the quality of education in Dubai by attracting world-class private schools and focusing on availing international accreditation. Similarly, the ADEC aims at engaging the private sector, improving the educational facilities, reducing bureaucracy, updating the curriculum, and increasing the use of information technology in the industry. With the efforts of these government bodies, several high-end international private schools have set up their campuses in the Emirates of Dubai, Abu Dhabi, and Sharjah. The country is also witnessing an increase in the number of private players in the higher education segment, which cater to a growing number of youth.

The industry has benefited from high government spending of approximately one-fifth of the total federal expenditure on education, and improvement in the quality of education at public schools. The UAE education industry is also witnessing increased use of technology, as the government is advocating digital education through its programs.

Exhibit 3: Ranking of the UAE - Quality of Education

Parameters	Rank
Quality of primary education	19
Quality of the educational system	15
Quality of math and science education	19
Quality of management schools	28
Internet access in schools	21
Availability of research and training	19
Extent of staff training	13

Exhibit 4: Ranking of the UAE - Innovation and Research

Parameters	Rank
Capacity for innovation	39
Quality of scientific research institutions	34
Company spending on R&D	24
University-industry collaboration in R&D	24
Government procurement of advanced tech products	3
Availability of scientists and engineers	13
PCT patents and applications per million population	46

Source: The Global Competitiveness Report 2013–2014, Alpen Capital

Note: The ranking is given from a group of 148 countries.

The education industry in the UAE comprises K-12 schooling, higher education, and vocational training. More than half of the UAE's education industry is dominated by the primary and secondary segment, followed by higher education and pre-school learning. In



the last five years, the year 2010 recorded a high enrolment ratio of 101.3% at the primary education level and approximately 90% at the secondary education level in the UAE¹².

Exhibit 5: Number of Students – Private Schools

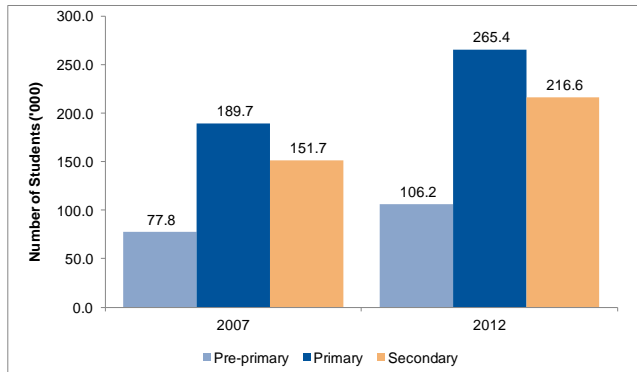
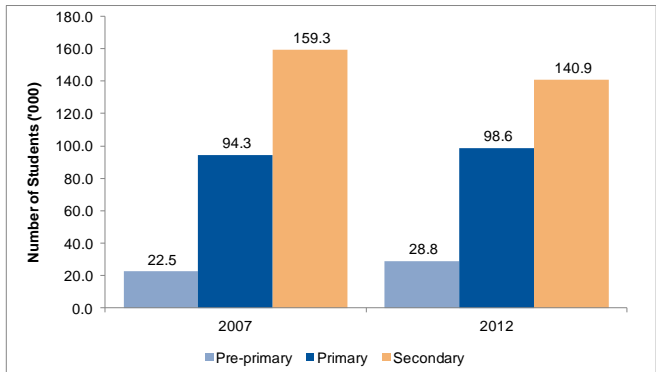


Exhibit 6: Number of Students – Public Schools



Source: UNESCO, Alpen Capital

The enrolments in the pre-primary education segment increased to 71.1% in 2012 from 64% in 1999, beating even the global average of 50.1%

Pre-primary Education

The introduction of the federal law to regulate the nurseries and kindergartens in the UAE in 1983 resulted in the establishment of pre-primary education institutions. Subsequently, the UAE saw the first of its many licensed public nursery schools in Dubai in 1984. Thereafter, private players also entered this segment to support increasing demand from the rising expatriate population, leading to a growing private pre-primary education market in the UAE. Enrolment ratio in this segment, across both public and private entities, increased to 71.1% in 2012 from 64% in 1999, beating even the global average of 50.1%¹³. In 2012, there were 1,062,000 students in private schools compared to 288,000 in public schools, indicating the extent of penetration of the private sector in the pre-primary segment (see Exhibit 5). The growth of public institutions in the pre-primary segment, however, was negligible from 2007 to 2012.

The government of Dubai has established the Children's City, aimed at the holistic development of children between two and fifteen years of age. The City presents exhibitions and programs on applied sciences, nature, space exploration, human body, local and international culture. It conducts daily educational workshops and entertainment programs throughout the year at the purpose-built halls at its campus and galleries Dubai. The City also includes recreational activities, the Children's City Theatre, and a planetarium.

Primary and Secondary Education

The UAE hosts a busy primary and secondary education market, which has grown considerably in the last decade. Driven by strong demand from rising expatriate population, the gross enrolment rates in 2010 reached 101.5% and 95.3% for the primary and secondary education levels, respectively¹⁴.

¹² Source: UNESCO

¹³ Source: UNESCO

¹⁴ Source: UNESCO

Between 2007 and 2012, the number of students at the primary stage in private institutions rose at a 6.9% CAGR from 1,897,000 to 2,654,000. In contrast, the students in public institutions grew at a meager 0.9% during the same period. Private schools accounted for 72.9% of the total primary students for 2012, up from 66.7% in 2007. Private secondary education institutes saw an increase in enrolments from 1,517,000 to 2,166,000 between 2007 and 2012, registering a 7.4% CAGR. On the other hand, enrolments at public institutions dropped at 2.4% for the same period. (see Exhibit 5 and 6).

Tertiary Education

As many as 94,712 students enrolled for tertiary study in 2010 compared to 43,459 students in 2000, indicating an 8.1% CAGR

The UAE enjoys an advanced and diversified higher education system, with the presence of public as well as local and international private operators, some with international accreditation. Nationals are entitled to free education at state-sponsored institutions such as the UAE University, the Zayed University, and Higher Colleges of Technology. As many as 94,712 students enrolled for tertiary study in 2010 compared to 43,459 students in 2000, indicating an 8.1% CAGR¹⁵. As of January 2014, the UAE had more than 100 private education providers in its higher education segment compared to nine public education providers¹⁶. The preferred streams of education remain business and economics, followed by engineering and Sharia & Law. Students from the MENA countries are increasingly attracted to the universities in the UAE due to the superior quality of the education they offer.

Education cities in the UAE

The Dubai Academic City (DAC) and the Dubai International Academic City (DIAC)

The UAE has two education free zones; both located in Dubai, namely, the DAC and the DIAC. The DAC hosts primary, secondary and higher secondary schools. DIAC has been established as a tertiary institute free zone inside DAC.

Spread across 18 million square feet, the DIAC offers modern educational facilities and hosts 21 of the UAE's 37 International Branch Campuses (IBCs) from 11 countries. The DIAC hosts a community of more than 20,000 students across 125 nationalities. Together, these IBCs offer more than 400 higher education programs.

These education cities are home to several international universities including the Manipal University, BITS Pilani, London Business School, and the New York University of Technology. In addition to setting up independent campuses, some international universities also collaborate with the local ones in the UAE. Key among such universities are the Massachusetts Institute of Technology, the Wharton School, and the Rochester Institute of Technology.

Technical and Vocational Training

The UAE government is committed towards the diversification of its economy by concentrating on the growth of sectors such as aviation, hospitality, nursing, creative arts, and public service, among others. Enhancement of the skills of the local workforce in the country is therefore becoming imperative, creating demand for technical and vocational training. Consequently, several state-sponsored training and vocational institutions such as the Abu Dhabi Centre for Technical & Vocational Education and Training, National Institute of Vocational Education in Dubai, Abu Dhabi Vocational Education & Training

¹⁵ Source: UNESCO
¹⁶ Source: DubaiFAQs

Institute, and the National Qualification Authority have been established. Further, apprenticeship or traineeship initiatives for businesses are also encouraged. An example of such partnerships is one between the UAE government, the National Human Resource Development and Employment Authority (Tanmia), and Dolphin Energy.

The potential of this segment has succeeded in attracting private players. Currently, the UAE is a home to more than 70 vocational training institutes, of which, more than 80% are either private or international institutes¹⁷. Among private institutes, the UniAdmission Free Zone Company, Edutech Middle East, and Cambridge Marketing College are emerging players. Even corporates have started offering vocational courses to impart the required skillset to their potential workforce. A key development in the segment has been the intended setting up of the Etihad Flight College by Etihad Airways, following its acquisition of the fixed-wing training division of Horizon International Flight Academy, a wholly-owned subsidiary of Mubadala Development Company.

Dubai Knowledge Village (DKV)

Established in 2003, DKV focuses on training institutes and educational service organizations providing human resource (HR) management, consulting, training and professional services. Key players, of the total 500 entities present here, include SHL Dubai, Palladium Group, Tower Watson, City & Guilds, Hays Hewitt and Innovative HR Solutions, and Monitor Group.

Dubai and Abu Dhabi – Promising Emirates for Private Education

While the UAE, on the whole, offers investment opportunities in education industry, the two Emirates of Dubai and Abu Dhabi stand out as most promising. Due to unrest, families from several Middle East nations are migrating to Dubai and Abu Dhabi, resulting in a significant demand for schools in these cities. By 2020, the number of school students in Dubai and Abu Dhabi, together, is expected to reach 700,000¹⁸.

The Dubai Private School Market

An Overview

Dubai is the most advanced private school market across the GCC, having displayed a market size of US\$1.1 billion in 2012, in terms of annual fee¹⁹. Today, there are as many as 15 different curricula offered at the 153 private schools in Dubai. The most popular of these are the ones that offer the national curriculum from India, the US, the UK, and the UAE. Schools offering these curricula account for 90% of the total private school enrolments. Among these, schools offering the UK curriculum are most in demand, contributing 31.5% towards the total private school enrolments²⁰.

The fee structure varies from one private school to another, in the range of US\$470 to US\$26,190 (AED1,725 to AED96,140) per year. As per the Knowledge and Human Development Authority (KHDA), the average tuition fees at private schools stood at US\$4,957 (AED18,196) during the academic year 2012–2013, recording a 6% year-on-year (y-o-y) growth. Apart from tuition fees, private schools also offer services such as transport, in-house bookstores and sale of uniforms, which add to their revenues.

¹⁷ Source: Zawya

¹⁸ Source: The KHDA and ADEC

¹⁹ Source: The KHDA is the regulatory body that issues licenses, monitors, and inspects private schools in Dubai.

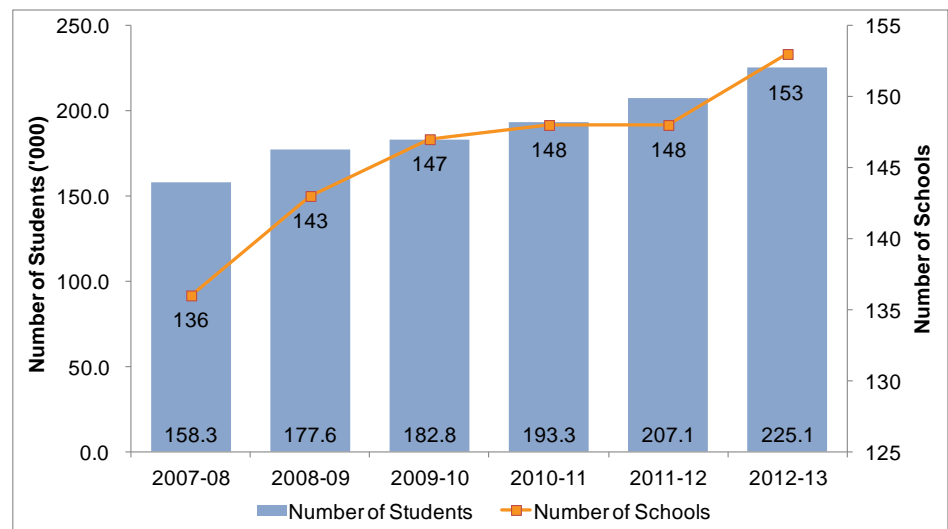
²⁰ Source: KHDA Annual Report 2012-13

The Dubai private school market is the most advanced in the region, with the presence of more than 150 schools offering 15 different curricula

Increasing Demand

The city presents a high demand for private schools from both the local as well as expatriate population, which is further deepened by the existing shortage of private institutes. Exhibit 7 shows that between 2008 and 2013, the number of private schools grew at a CAGR of 2.4%, whereas the number of students increased at a 7.3% CAGR. In addition to offering opportunities, the Dubai private school market is transparent and thereby, business-friendly. With two free zones for the education industry, DIAC and DAC, Dubai is an example of the successful development of an investor-friendly private education landscape.

Exhibit 7: Number of Private Schools and Students in Private Schools in Dubai



Source: KHDA, Alpen Capital

Key Players

The Dubai private school market is fragmented, with the Global Education Management Systems (GEMS), Taaleem, and Innoventures as the key for-profit operators that account for the highest number of schools. GEMS accounts for a quarter of the total private school enrolments through its more than 30 schools in the city. Operating seven schools in Dubai, Taaleem accounts for 1.8% of the total private school going population. About 2.3% of the total private school enrolments are contributed by Innoventures, with its four schools in the city²¹.

The Abu Dhabi Private School Market

An Overview

At US\$1.08 billion in 2012, the private education market of Abu Dhabi is close behind that of Dubai in terms of annual fees²². As per the ADEC annual report 2012-13²³, more than 34,200 school seats have been created in Abu Dhabi over the last three years. High enrolments at private schools are partly due to the government cap on the number of expatriates to 20% of the total enrolments at public schools. Also, the number of expatriate students permitted per class is limited to 25 at the primary level and 30 at the secondary

With market size of US\$1.08 billion, Abu Dhabi is closely following Dubai in the private school space

21 Source: KHDA, Private School Landscape in Dubai, 2012-13

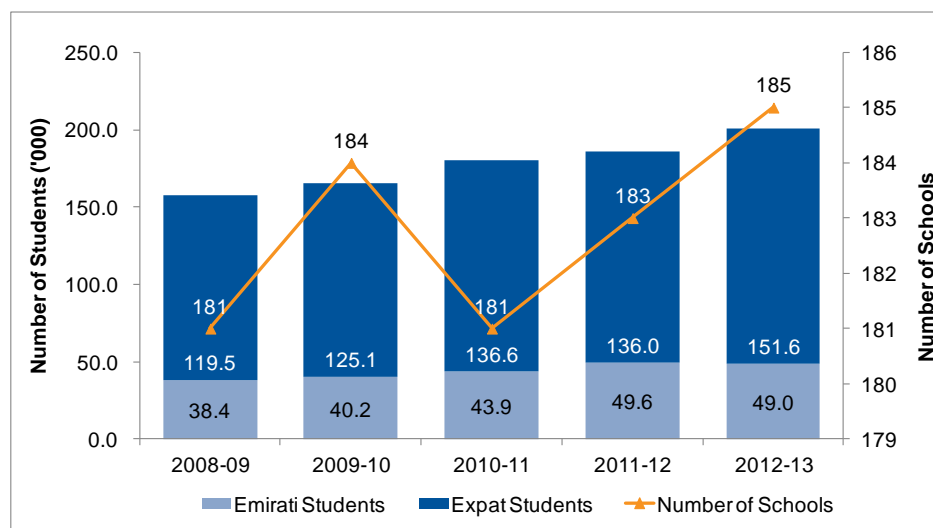
22 Source: ADEC Annual Report, 2012-13

23 Note: The ADEC governs the private education market of Abu Dhabi

level in public schools. Between 2008 and 2013, the number of private schools increased moderately from 181 to 185, whereas the number of students increased at a 6.2% CAGR from 157,828 to 200,638 (see Exhibit 8).

With changing times, private schools are increasingly becoming popular even with the national population, particularly the high-income group that turns to international schools due to the quality of their courses. On an average, private schools in Abu Dhabi charge tuition fees in the range of US\$854 to US\$11,852 (AED3,500 to AED43,500) per year, excluding charges for facilities such as boarding, transport, uniforms, and books. Such facilities are an additional source of revenue for private schools.

Exhibit 8: Number of Private Schools and Students in Private Schools in Abu Dhabi



Source: ADEC, Alpen Capital

Today, private schools in Abu Dhabi provide as many as 13 different curricula, of which, those offering the national curriculum from India, the UK, the US, and the UAE are popular. Almost 85% of the private school going population in Abu Dhabi is enrolled at these schools. Private schools that offer the UK curriculum are further along on the popularity list, accounting for 26.2% of the total private school enrolments in the academic year 2012-13²⁴.

ADEC Council Reforms

In order to develop its education system, ADEC launched a ten-year strategic plan in June 2009. Its aim is to improve the quality of education at its 269 public schools to meet international standards, increase coverage, ensure affordable private education, and preserve national identity as well as the local culture. Deloitte has been involved in a range of projects at ADEC including process re-engineering, customer service transformation, and portfolio management.

At the center of the strategy is the New School Model (NSM), an innovative approach to learning in the Emirates that uses the latest teaching methods and deploys a modern curriculum. Being implemented in three phases, the NSM was introduced for levels between the kindergartens and grade 3 during the academic year 2010-11. This will be

²⁴ Source: ADEC Annual Report, 2012-13

extended to grade 5 in the current academic year, with all school grades coming under the new system by 2015.

Government organizations and state-owned companies have been asked to exclude the housing allowance as part of the compensation for employees whose families do not reside in Abu Dhabi, in line with the Secretariat General of the Executive Council in Abu Dhabi ruling in September 2012. Employees were required to comply with this requirement by 1 September, 2013. Experts view this ruling as a thrust to the growth of the education industry as the ensuing re-location of the families of government employees to Abu Dhabi is estimated to result in a migration of 50,000 people into the country. The school age population is expected to comprise as many as 15,000 to 20,000 of the total migrants. As a result, ADEC forecasts the school-age population to reach about 225,521 by the 2015-2016 academic school year.

Key Players

GEMS, SABIS, and Emirates National School are among the key private operators in Abu Dhabi. The private school market of Abu Dhabi is highly fragmented, with these prominent players operating a meager 8-10% of the total private schools²⁵. Evidently, the Abu Dhabi private education market is under-penetrated, presenting lucrative opportunities to private players. Investors can choose to offer a curriculum based on their area of expertise, market understanding, and business strategy.

K-12 and higher education are the most attractive sectors for investment and their premium offerings such as international curricula have remained an investor focus

Investment Opportunities in the UAE Education Market

The UAE education industry is one of the fastest developing industry worldwide, generating large scale revenues and employment. The Emiratis and the expatriates are increasingly turning towards private education institutions due to the quality they offer. As a result, there is rising demand for private education institutions in the UAE. Already, several private investors are present in the industry and are collaborating among themselves to raise funds for investment at various levels across the industry.

Today, foreign institutions in the UAE education industry are growing more than twice as fast as the market²⁶. Nonetheless, the market remains attractive as the UAE also offers new avenues of investment, driven by major changes in the structure and education technology, in addition to the traditional opportunities.

The following sub-segments are likely to witness high private participation:

- ✓ Early childhood education
- ✓ K-12 education
- ✓ Non-formal education (information and communication technology-driven opportunities such as private coaching classes, test preparation market, vocational training, and online education material)
- ✓ Franchisee market
- ✓ Corporate training market
- ✓ E-learning and mobile-learning market

Among all, K-12 and higher education are the most attractive industries for investment and, premium offerings of these sub-segments such as international curricula have

25 Source: Booz & Allen Report, 2011
26 Source: khaleejtimes.com

remained the focus of investors. A recent KHDA study identified that both expatriate and Emirati parents valued the quality of education over other parameters such as price in choosing an educational institute. Meeting the educational needs of the middle and low income families, however, is also being seen as a high-growth industry, supported by the expansion of an emerging middle class in the UAE expatriate population. Overall, considering the UAE's development, both KHDA and ADEC are estimating a requirement of another 100 schools, each, in Dubai and Abu Dhabi by 2020.

Investment Challenges in the UAE Education Market

The cost of setting up a school in the region is as high as US\$14 million to US\$28 million, according to GEMS. Further, the tenure of investment funds is generally between five and seven years, making it challenging to earn timely returns from investments in the education industry. To counter this challenge, fund managers have started offering education funds with a ten-year term and a five-year extension option to allow time for returns. Exit options are also curtailed, with an initial public offering (IPO) becoming less realistic.

The education industry is also faced with the possibility of government regulations directing the course (especially concerning the teaching of Arabic and Islamic studies) as well as the fee structure, the building requirements, and the class size. Today, the fee structure at private schools is closely monitored by KHDA and ADEC. Schools need approvals for fee hikes, subject to evaluation of their performance by these authorities. ADEC approved fee hikes at 39 schools for the academic year 2014-2015 compared to fee hike rejections at 43 schools. Fee hike approvals in Dubai and Abu Dhabi stand at 35% of the total approval applications received over the last three years.

The education sector in Saudi Arabia thrives on the government support it receives through the launch of new programs and schools

2.3 The Saudi Arabian Education Market

Saudi Arabia is the largest education market in the GCC, accounting for 75% of the total gross enrolment in the K-12 segment in 2012²⁷. The education industry in the country thrives on the government support it receives through the launch of new programs and schools. State-sponsored education in Saudi Arabia dates back to the 1930s, with the setting up of government schools across the country. In 1969, the Council of Ministers issued the Education Policy Document to build and govern the industry. Launched in 1970, the First Development Program paved the way for improving the quality of education system across the region.

The education industry further benefited from the ten-year strategy (2000-2010) to develop the economy and enhance the quality of its human capital. Some of the objectives of this strategy were:

- ✓ Making basic education compulsory
- ✓ Developing programs to gauge the preparedness of a child for enrolment at the pre-school stage
- ✓ Increasing the number of teachers at an annual rate of 3.5%
- ✓ Enhancing female education and vocational training by accommodating students at an annual rate of 30% at girls' technical education institutes

27 Source: "Saudi Arabia Education Forecast to 2017" report by Research & Markets.

- ✓ Bringing down the failure rate to 5% at the elementary stage, 7% at the intermediate stage, and 8% at the secondary stage
- ✓ Reducing the drop-out rates to a general 1% across all stages
- ✓ Improving the teacher to student ratio to 1:20 across educational fields.

Exhibit 9: Saudi Arabia Ranking - Quality of Education

Parameters	Rank
Quality of primary education	59
Quality of the educational system	39
Quality of math and science education	64
Quality of management schools	64
Internet access in schools	49
Availability of research and training	55
Extent of staff training	57

Exhibit 10: Saudi Arabia Ranking - Innovation and Research

Parameters	Rank
Capacity for innovation	43
Quality of scientific research institutions	39
Company spending on R&D	27
University-industry collaboration in R&D	31
Government procurement of advanced tech products	6
Availability of scientists and engineers	31
PCT patents and applications per million population	48

Source: *The Global Competitiveness Report 2013–2014, Alpen Capital*

Note: The ranking is given from a group of 148 countries.

Reforms and solid government initiatives have resulted in achieving several milestones in the education industry. With an enrolment ratio of approximately 106% at the K-12 education level, and approximately 50% at the higher education level, Saudi Arabia has a high literacy rate, with only 5.6% of the citizens above 15 years of age being illiterate in 2013²⁸. As per the Research and Innovation Performance of the G20²⁹ report, Saudi Arabia achieved the highest percentage of growth in producing science research papers among the G20 members, up from 1,474 in 2003 to 6,978 in 2012. This is seen from Saudi Arabia's ranking of 27 in terms of country spending on R&D, across the 148 countries evaluated by WEF (see Exhibit 10). Most of this growth has been recent, specifically since 2009. Moreover, more than 65 courses provided in Saudi Arabia have received international accreditation.

Pre-primary Education

While nursery education is not a pre-requisite for enrolment at primary schools, gross enrolment rates in the pre-primary segment were 13.2% in 2012, up from 9.9% in 2005

In Saudi Arabia, nursery education is not a pre-requisite for enrolment at primary schools. Statistics show that only one in ten children in the country between the ages of 3 to 6 years undergo any formal pre-primary education. Unlike other GCC nations, state-sponsored pre-primary education institutions are popular in Saudi Arabia with high enrolments of 1,435,000 compared to 98,400 enrolments in private institutions in 2012 (see Exhibit 11 and 12).

The government has undertaken steps to boost the growth of this segment by offering technical and financial assistance to private players. In recent times, the pre-primary education industry has been benefiting from rising disposable income and increasing awareness about the importance of elementary education among locals as well as

28 Source: Ministry of Education, Saudi Arabia and UNESCO Database

29 Source: A report that mines scientific research and patent information across the G20 for insights into the global strategies of the world's leading economies by Thomson Reuters.

expatriates. Gross enrolment rates in the Saudi Arabian pre-primary segment were 13.2% in 2012, up from 9.9% in 2005³⁰. Thus, the pre-primary education segment in the country is seeing growth, albeit heavily concentrated in the urban areas.

Exhibit 11: Number of Students – Private Schools

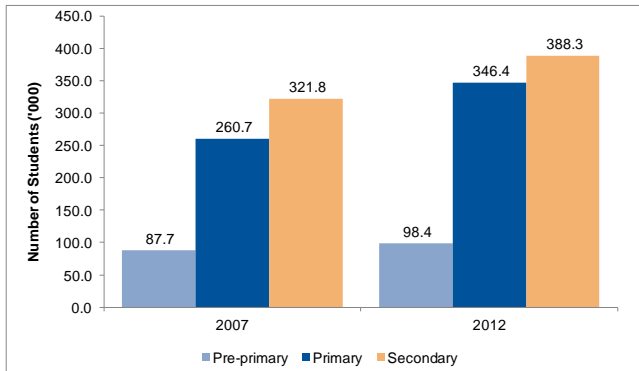
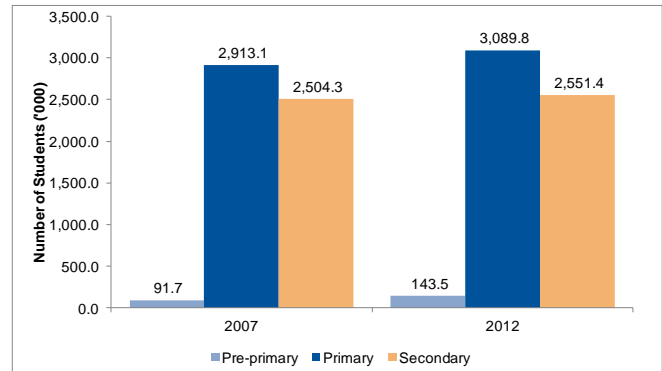


Exhibit 12: Number of Students – Public Schools



Source: UNESCO, Alpen Capital

Primary and Secondary Education

The total primary and secondary enrolment in 2012 stood at around 6.4 million. Although enrolment levels at private schools are increasing rapidly, public schools still account for more than 90% of the gross enrolment, mainly due to a relatively lower expatriate population in the country. Overall, government efforts resulted in high gross enrolment rates at the primary and secondary education levels in 2012, at 102.8% and 106.5%, respectively. Between 2007 and 2012, the number of students in the primary and secondary education segment rose at a modest 1.2% CAGR.

Tertiary Education

The year 1957 marked the setting up of the country's first tertiary education institution King Saud University. The Saudi Arabian government has laid high emphasis on the growth of this segment of its education industry. Reforms include detailed rules and regulations concerning the quality of education offered as well as the setting up of new educational institutes. The introduction of new programs and the establishment of several universities as well as technical colleges in the past decade indicate a flourishing tertiary segment.

In 2013, Saudi Arabia was home to 25 public universities running more than 500 colleges and 30 private universities, with a student population of more than 1.2 million compared with only eight public universities in 2003, educating only 200,000 students. The commencement of the construction of three new universities in Jeddah, Bisha, and Hafr Al-Baten in late 2013 is expected to add another 43 colleges. With this addition, the total number of public universities will reach 28.

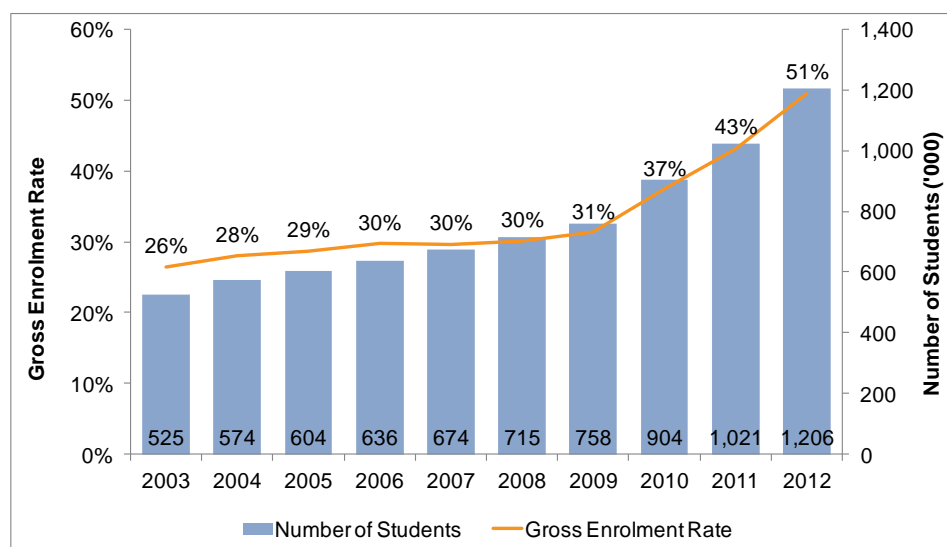
Total enrolments at tertiary institutions rose at a 12.3% CAGR between 2007 and 2012. Also, gross tertiary enrolment rate increased from 29.7% in 2007 to 50.9% in 2012 (see Exhibit 13). Further, in 2012, more than 50% of the enrolment was in the disciplines of engineering and medicine³¹.

With a total of 55 universities (public and private), Saudi Arabia saw an increase in number of students enrolled in the tertiary segment to 50.9% in 2012 from 20.7% in 2007

³⁰ Source: UNESCO

³¹ Source: Ministry of Education, Saudi Arabia

Exhibit 13: Number of Students in Tertiary Segment



Source: UNESCO, Alpen Capital

The universities in Saudi Arabia have realized the importance of scientific research, which is an upcoming trend in the higher education segment of the Kingdom. Saudi Arabia's tertiary enrolment ratios, however, are much lower than expected of a G20 nation. In response, Saudi Arabia has developed new strategic plans, which involve becoming "a first-class research university". This constitutes increasing international collaboration, more visiting scholars, and growing numbers of PhD students.

Education city in Saudi Arabia

The government in Saudi Arabia is taking several key educational initiatives including developing the King Abdullah City for Science and Technology (KACST), the education section of King Abdullah Economic City, as well as institutions in the Prince Abdul Aziz bin Musa'ed Economic City and Knowledge Economic City. The planned Educational Zone is expected to consist of a multi-university campus, with two Research & Development parks. This zone has been designed to accommodate 18,000 students, 7,500 teachers and other staff members.

Going forward, Saudi Arabia plans to add a total of 18 higher education cities and academies across the Kingdom including the regions of Jazan, Baha, Najran, northern borders, Tabuk, Jof, Hail, Shaqra, Majmaah, Taibah, Qassim, Taif, and Kharij. Drawn to the opportunity, the private sector has become actively involved in this segment. International operators are expected to ink management contracts with the local education providers to participate in the opportunities in the country.

Technical and Vocational Training

The Saudi Arabian government is investing substantially in its vocational and technical training segment. In the five-year plan from 2010 to 2014, the government's demarcation towards human resource development increased by a significant 52% to about US\$195 billion (SAR731.5 billion). For the same period, government allocation towards technical and vocational training rose by 41.6% to US\$6.1 billion (SAR23 billion).

The government has set up the Technical & Vocational Training Corporation (TVTC) to concentrate on the development of vocational training in the region, which is both the regulator and an operator. The key responsibility of the TVTC is to create skilled labor force through collaborations with industries. The TVTC provides several technical courses such as commercial education, agriculture training, and industrial education, among others. Further, state-owned enterprises are also establishing their own training institutes.

By 2013, Saudi Arabia had 37 technical colleges providing advanced technical training across sectors for the benefit of its youth. Colleges of Excellence (CoE)³² collaborated with 12 global partners for setting up another 27 such technical colleges, which will be managed by various international applied technical and educational institutions from the US, Canada, the UK, Germany, the Netherlands, Spain, Australia, and New Zealand. Scheduled to become operational by September 2014, the new colleges will cater to about 500 students per college in the first year, eventually rising to 2,000 per college in the next five years. The Saudi Arabian government aims to create 100 technical colleges by 2020 under its reform program³³.

Investment Opportunities in the Saudi Arabian Education Market

The Saudi Arabian government has set a target for the private sector to achieve a 30% share of the total enrolments by 2018

Saudi Arabia is one of the largest spenders on education across the world, allocating approximately 25% of its total fiscal spending and 7.6% of its GDP towards the education sector³⁴. The Saudi Arabian education industry meets the learning needs of as many as 8.5 million students at all education levels³⁵. In FY2013, the Saudi Arabian government allocated US\$56 billion (SAR210 billion) towards education and training purposes, a 3% increase on a y-o-y basis. This fund will be used to finance work on 465 new schools and 1,544 existing school construction projects as well as the refurbishment of 1,500 schools. The allocation also includes eight new colleges and the upgrade of female colleges in a number of universities³⁶.

While public spending is huge, private investors are seeking opportunities in the Saudi Arabian market, with a special focus on higher education and vocational training. The private education industry accounted for approximately 12% of the total enrolments across all education segments in 2012³⁷. The Saudi Arabian government has set a target for the private industry to achieve a 30% share of the total enrolments by 2018.

The number of private schools in Saudi Arabia has risen in recent times. Although still low compared to the other GCC nations, the country is witnessing a rise in its expatriate population that is compelled to turn to private schools as regulations restrict them from registering at public schools. Secondly, the quality of education offered at private schools is successfully luring the local population towards them. The government's decision to permit the local population to enroll at international schools is further fueling the private education market in Saudi Arabia. In 2010, the Saudi Arabian private school market stood at US\$2.2 billion. Also, the number of school chains offering international curriculum surged to 36 in 2011 from 12 in 2007. Enrolments at international schools rose at a 12% CAGR between 2008 and 2011³⁸. Within the country, the cities of Riyadh, Jeddah, and Dammam account for about 75% of the total enrolments at private schools. Witnessing an

32 Note: Colleges of Excellence is the leading authority for Applied Training in Saudi Arabia.

33 Source: Ministry of Education, Saudi Arabia

34 Source: The World Bank

35 Source: UNESCO and Ministry of Education, Saudi Arabia

36 Source: Budget 2014, Ministry of Finance, Saudi Arabia

37 Source: UNESCO and Ministry of Education, Saudi Arabia

38 Source: Booz & Allen Report, 2011

enrolment growth at 45%, medical courses account for 50% of all the private higher education revenue³⁹.

Increasing enrolments are a consequence of the following factors:

Growing importance of employability: Saudi Arabians are increasingly turning to courses that enhance their employment prospects. As a result, courses such as management and commerce as well as medicine, IT, and engineering at private universities and colleges account for more than 80% of enrolments.

Demand for high-quality English education: In Saudi Arabia, the quality of education at English-medium private universities surpasses that at similar public institutions. This is primarily because the number of expatriate teachers (37% of the total) with excellent English language capabilities is higher at private institutions than that at public universities (5%)⁴⁰. As a result, private universities are gaining popularity in the country.

The Saudi Arabian education industry is presenting many opportunities, with a preference for private education institutions. Private players are expected to bring in professional education institutions to operate schools and universities, in addition to their international experience and best practices. Increasing competition will also present an opportunity to enhance the quality of education offered in the country by raising curriculum standards and enhancing student experience. It will also fuel innovation and research in the industry, presenting new teaching methods. With extensive and pertinent training, teachers will be able to demand better compensation. The industry will thus be able to lure high-quality teaching professionals.

*The Saudi Arabia
education market is not as
liberal as the Dubai
education market*

Investment Challenges in the Saudi Arabia Education Market

Although the Saudi Arabian industry has been receiving government attention, it is facing several inherent challenges to emerge at par with international standards. The regulation and government policies are non-transparent. The Saudi Arabia education market is not as liberal as the Dubai education market, posing challenges for investment. Unlike Dubai, the process of receiving government approvals to set up private education institutions in Saudi Arabia is elaborate. Also, measures such as the provision of land at affordable leasing rates are yet to be introduced.

Following are the key challenges investors face in the Saudi Arabian market:

Limiting regulations

- In 2013, the government introduced the minimum wages law, under which, the minimum salary levels surged by three times. Concurrent with this wage rate increase, the government also plans to offer subsidies to schools until 2018. Beyond this year, operators are expected to bear the wage hike. The combination of a long-term wage change with a short-term subsidy poses a challenge for investors.
- The Saudization policy makes it mandatory for the operators to hire Saudi nationals only.
- Like other GCC countries, the Saudi Arabian government regulates tuition fees, with a subsidy of US\$26.6 (SAR100) per student to private operators. With little or no subsidy in any other aspect of setting up a private institution in the

39 Source: Booz & Allen Report, 2011

40 Source: Research by The Parthenon Group

Kingdom, generating positive returns on investments for the initial five to seven years could become a challenge.

- Saudi Arabia is yet to see the setting up of a complaint cell to address the concerns of private operators.

Limited exit opportunities through IPOs

In Saudi Arabia, education is considered as a not-for-profit business. As a result, adopting an exit strategy as an IPO is difficult. Education companies find it challenging to receive approvals from the Capital Market Authority (CMA), because that fact that many operators in the industry lease their assets (namely buildings and land) as appears as a risk to their ability to continue as a going concern⁴¹.

2.4 The Qatari Education Market

Strategic reforms since 1990 have considerably transformed the Qatari education industry in the country. As a result, Qatar retained its fourth position in 2014, among 148 countries around the world, in terms of the quality of its education system (see Exhibit 14). In 2001, in consultation with the RAND Corporation-Qatar Policy Institute, the government formed the Supreme Education Council (SEC) to govern the school education system in Qatar. One of the key aspect of the reform was the establishment of the independent school model⁴². With this move, the government recognized that the development of its education industry is the key to diversifying the economy and meeting the long-term objectives of its strategy, Qatar National Vision 2030.

Exhibit 14: Qatar Ranking - Quality of Education

Parameters	Rank
Quality of primary education	11
Quality of the educational system	4
Quality of math and science education	6
Quality of management schools	8
Internet access in schools	15
Availability of research and training	17
Extent of staff training	5

Exhibit 15: Qatar Ranking - Innovation and Research

Parameters	Rank
Capacity for innovation	8
Quality of scientific research institutions	6
Company spending on R&D	9
University-industry collaboration in R&D	5
Government procurement of advanced tech products	6
Availability of scientists and engineers	6
PCT patents and applications per million population	6

Source: *The Global Competitiveness Report 2013–2014, Alpen Capital*

Note: The ranking is given from a group of 148 countries.

41 Note: This type of business functions without the threat of liquidation for at least 12 months, regardless of the type of leases it has.

42 Note: Reforms based on recommendations of the Rand Corporation have lead to the creation of independent schools, which follow a charter school model. These schools operate on four key principles including autonomy, accountability, variety, and choice. (Source: rand.org)

Committed towards developing its education industry, the Qatari government has budgeted US\$7.2 billion for the education industry for the current fiscal, with a 100% increase in this allocation for the next five years⁴³. Schools remain the chief beneficiaries of such funding. Going forward, the industry is expected to gain even more government attention, having already received a 15% surge in the stipulated allocation for the current year.

Pre-primary Education

The Qatari pre-primary education market features among the more developed pre-primary segments across the GCC. Government thrust resulted in higher total gross enrolment rates in 2012 to the tune of 73.4%, up from 54.5% in 2011⁴⁴. The number of students in private institutions grew at a CAGR of 18.1% and those in public institutions grew at 24.2% from 2007 to 2012 as the National Development Strategy (2011-2016) has introduced mandatory kindergarten attendance from three years of age. Pre-primary private schools accounted for more than 85% of total enrolments in 2012.

Exhibit 16: Number of Students – Private Schools

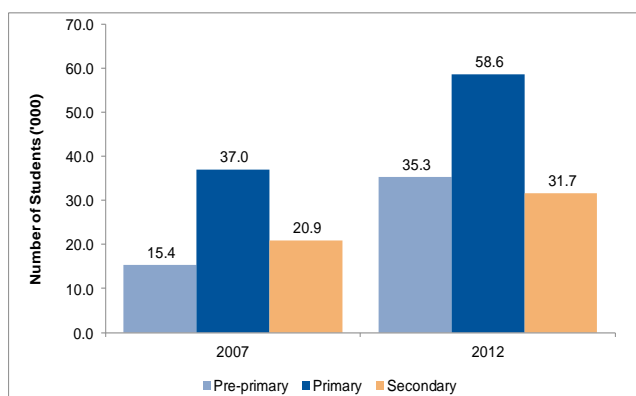
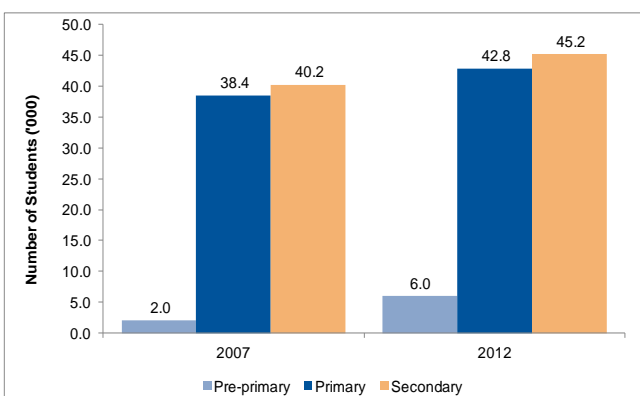


Exhibit 17: Number of Students – Independent Schools



Source: UNESCO, Alpen Capital

Primary and Secondary Education

Government focus on education has translated into a growing primary and secondary education segment. In 2011, primary schools registered impressive enrolments at 104.6%, with secondary school enrolments close at 111.6%. The presence of expatriates and the higher quality of education are driving enrolments at private schools. Between 2007 and 2012, enrolments in the primary segment at private schools surged at a 9.6% CAGR to reach 58,600 students in 2012. Similarly, enrolments in the secondary segment at private schools increased at a 8.7% CAGR from 20,900 in 2007 to 31,700 in 2012.

Qatar is home to 178 state-funded independent schools (as in 2013) who have the liberty to recruit teachers and staff and adopt own teaching methods. These schools provide free education to more than 100,000 local students. Independent schools account for 24.7% of the total schools in Qatar whereas the semi-independent schools constitute 21.1%⁴⁵.

⁴³ Source: Ministry of Finance and Ministry of Business and Trade Investment Promotion Department

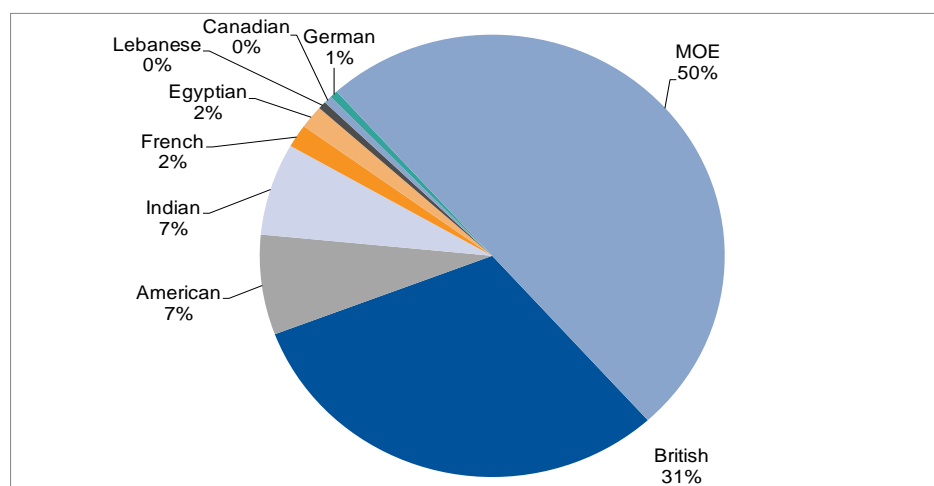
⁴⁴ Source: UNESCO

⁴⁵ Source: Ministry of Education (MoE), Qatar

Qataris prefer independent schools over the private ones⁴⁶. The popularity of independent schools in Qatar reflects the success of the government's key initiatives towards the development of the industry. The Ideation Centre survey⁴⁷ shows that independent schools score over private institutions in terms of student preference, translating into higher enrolments.

The country also has three types of private schools including the Arabic private schools offering the Qatari curriculum; international schools offering foreign curriculum; and the embassy-sponsored community private schools targeted at expatriates. Among the private schools, 50% of them offer the Qatari curriculum; followed by 31% schools offering the British curriculum (see Exhibit 18).

Exhibit 18: Private School Bifurcation – Curriculum-wise



Source: Gulf Times, Alpen Capital

Note: MoE refers to Ministry of Education

Of the nine universities in the region, Qatar University is the foremost and the rest are joint ventures between foreign universities and the Qatar Foundation

Of late, government reforms have changed the medium of instruction from English to Arabic in certain schools in order to facilitate students to score better in subjects such as mathematics and science. According to Qatar's online education publication Al Fanar Media, an unimpressive performance by students in these subjects was partly due to their inefficient English language capabilities, which was the medium of instruction⁴⁸. The change was brought about on short notice, following an SEC decision in 2012. However, students from Arabic-medium schools find it challenging to get accepted into international higher education institutions in the region where the medium of instruction is English⁴⁹. Students are now raising concerns about whether moving away from English during their preliminary education is affecting their employability.

Tertiary Education

Despite an established primary and secondary education segment, tertiary education in Qatar is relatively less popular. Founded in 1973, the University of Qatar was one of the early features of the Qatar tertiary education segment. Today, there are nine universities in

⁴⁶ Source: Gulf Times News

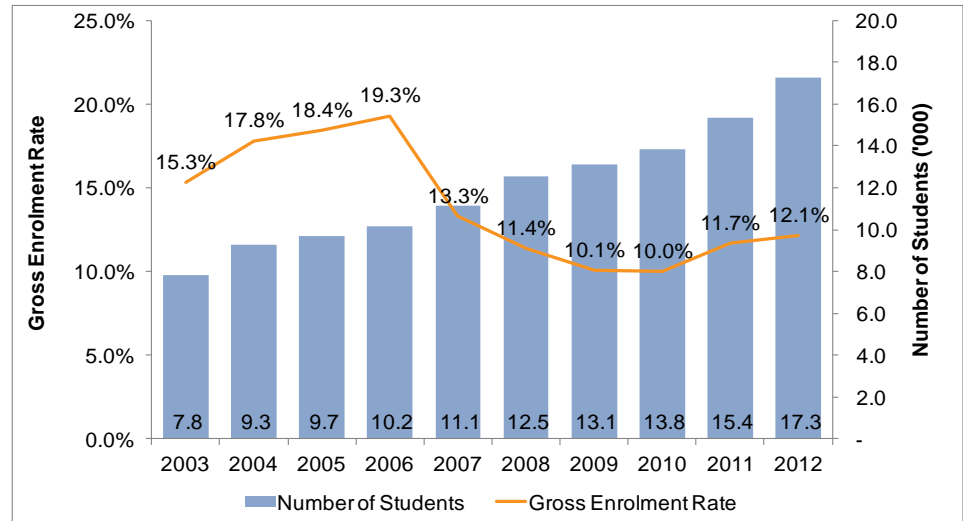
⁴⁷ Source: Research by Oxford Business Group

⁴⁸ Source: Doha News – News article "Qatar's education system grapples with language challenges".

⁴⁹ Note: The expat population in Qatar accounts for roughly 80%; hence, the preferred medium of instruction is English. Due to this, the popularity of private schools is increasing rapidly.

the country, most of which are based in Doha. The main university is the Qatar University. Most others are joint ventures between overseas institutes and the Qatar Foundation.

Exhibit 19: Number of Students in Tertiary Segment



Source: UNESCO, Alpen Capital

As a result of government focus towards the industry, the tertiary enrolment rates rose to 12.1% in 2012 from 4.5% in 1976. The gross enrolment rate in Qatar fluctuates as it is subject to the arrival of expatriates. The gross enrolment rate was as high as 15.3% in 2003 compared to 12.1% in 2012 (see Exhibit 19). In 2012, 40% of the students opted for higher education in the disciplines of art and science⁵⁰. Sensing the need, the government has already introduced several pertinent reforms to boost higher education enrolments such as establishment of the Education City nearby Doha.

The Education City, Doha

The Qatar Foundation's flagship project is the Education City, an 8 million square meter cluster of learning and research facilities. Located in Doha, the Education City is an offshoot of government investments towards the tertiary education industry. The City hosts the Qatari branches of several reputed international universities. The Education City complex has evolved and expanded since 1998, when Virginia Commonwealth University became the first American school to open a branch campus in the country. The international campuses at the Education City cater to more than 4,000 students from Qatar and other countries, with over half of them females, pursuing various degrees.

The Education City currently houses the following eight world-renowned universities:

- ✓ Virginia Commonwealth University (fashion, graphic, and interior design)
- ✓ Weill Cornell Medical College
- ✓ Texas A&M University (chemical, electrical, mechanical, and petroleum engineering)
- ✓ Carnegie Mellon University (computer science and business administration)
- ✓ Northwestern University (communication and journalism)
- ✓ Georgetown University School of Foreign Service
- ✓ University College London (museum studies)

⁵⁰ Source: MoE, Qatar

- ✓ The French Business School, HEC Paris

The Hamad bin Khalifa University and the Qatar Faculty of Islamic Studies are the two local schools inside the Education City.

Technical and Vocational Training

While the Department of Training and Vocational Development was set up in 1962 to meet the country's demand for skilled and semi-skilled labor, it falls short of a national-level structure to promote and regulate vocational education. The aim of this department is to qualify and train Qatari workers and technicians. In addition to the several training centers, a regional training center was established in 1970, with the help of the United Nations Development Programme.

The National Vision 2030 strategy has laid down plans to boost the presence of its nationals in the labor market by allocating funds towards the training and vocational segment, among others. As a follow on to this strategy, the UK's City and Guilds entered into a deal with the Qatar Chamber of Commerce & Industry (QCCI) to develop a vocational center in Doha. Further, the National Development Strategy 2011-16 aims to strengthen the Technical and Vocational Education and Training (TVET) segment in Qatar. The objectives of this program are:

- ✓ To establish a supervisory body to oversee accreditation and licensing, while ensuring quality
- ✓ To develop differentiated TVET programs that meet the labor market needs
- ✓ To set up a Public Private Partnership model for enhancing TVET offerings
- ✓ To popularize vocational institutes as a centerpiece for professional careers and consequently, increase Qatari enrolments at such institutes

Investment Opportunities in the Qatari Education Market

Qatar has acknowledged the role of private operators in further developing the industry through different teaching methods and programs. The private school market in the country stood at US\$433 million in 2010, in terms of annual tuition fee⁵¹. Its fragmented nature is attributed to the presence of several independent institutions and few institutional players.

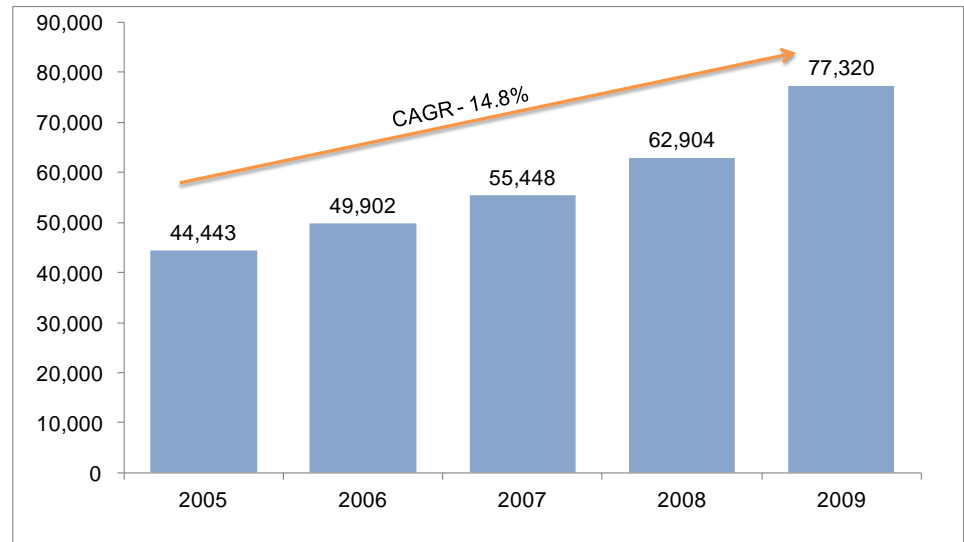
The Qatari government is encouraging several private as well as foreign players into the industry. Accordingly, the Qatar Development Bank (QDB) and the SEC are planning to offer a 15-year education loan to private investors for setting up educational institutes in the pre-primary, primary, and secondary segments. At a subsidized interest rate of 3-4% p.a., this loan will allow investors to finance up to 70% of their overall project cost. The SEC will conduct the feasibility study for the education projects.

Further, in order to attract foreign direct investment (FDI) into the educational industry, the government has formulated favorable FDI policies that result in tax benefits as well as the protection of foreign capital investment. With these benefits, number of students enrolment in foreign schools in Qatar is on a rise as can be seen by the increase in enrollment in these schools (see Exhibit 20).

The National Development Strategy 2011-16 aims to strengthen the TVET segment in Qatar

⁵¹ Source: Booz & Allen Report, 2011

Exhibit 20: Enrolment at Foreign Schools, 2005 – 2009



Source: Ministry of Business & Trade Investment Promotion Dept, Qatar, Alpen Capital

Along with the formal K-12 education, demand for English language courses in Qatar is increasing, presenting opportunities in this niche segment of the country's education industry. UK-based English language courses are more in demand. Additionally, there is demand for entities offering specific training programs for corporates, including tertiary education institutes.

UK-based English language courses and customized training programs, along with tertiary education institutes, are in demand

There are also opportunities for the growth of several ancillary industries. In addition to the establishment of private and international schools, the areas of teachers' training programs; curriculum design and standards; innovative teaching/learning methodologies; pedagogy and equipment; and school furniture are also attracting investor attention. Concerned bodies such as the SEC, the Higher Education Institute, the Evaluation Institute, and the Outstanding Schools Oversight Committee dispense the required approvals and licenses for setting up establishments to capitalize on these emerging opportunities.

Investment Challenges in the Qatari Education Market

Although Qatar presents opportunities, the inflow of private investments in the country is yet to gather pace. Investors are adopting a risk-averse approach towards the education industry in Qatar. The year 2012 recorded no venture capital investments in the industry⁵². This is partly because of the high cost of setting up a business in the country. A survey in 2013 conducted by Ooredoo showed that the youth in Qatar ranked high in terms of entrepreneurial ambitions among their GCC peers. A tough regulatory environment is however posing challenges in the industry.

Regulations demand a minimum bank balance of QAR200,000 (US\$54,921) to register a company in Qatar, in addition to possessing a lease for Civil Defense-approved office space for at least a year that can cost over QAR100,000 (US\$27,460). Expatriates also need to enter into a partnership with locals, who hold the majority of the shares in the joint venture. In addition, investors face challenges such as an elaborate process of securing a

⁵² Source: Doha news – 100m investment fund aims to kick start entrepreneurship in Qatar

residence permit. A recent panel discussion on government and entrepreneurship in Qatar recognized the need for promoting programs that help entrepreneurs navigate the system and obtain the necessary licenses to start a business.

According to GrowthGate Private Equity player, investors face several inherent and regulatory challenges in terms of leverage. Buyers need to pledge physical collateral and personal guarantees to qualify for commercial loans from Qatari banks, which do not extend leverage at multiples of EBITDA. The market for mezzanine financing is in a nascent stage, with limited regional mergers and acquisitions activity. The issuance of bonds to raise funds for acquisitions is yet to become popular in the financial markets of MENA. The relatively low taxation, especially in the GCC region is offset by the highly leveraged financial structures.

2.5 The Bahraini Education Market

Bahrain is home to the oldest education system across the GCC, with enhanced quality and reach over time. Having set up the first elementary boys' school in 1919, the Bahraini government laid the foundation of a noteworthy education system in the country. While public schools are a longstanding characteristic of the Bahraini education system, the country received its first private school in 1952 in the form of Manama School. The 20th century saw the launch of separate girls' schools and various universities in Bahrain. The 2008 School Improvement Program was launched with the intention of furthering the quality of education in the country.

The Bahrain Economic Vision 2030 is slated to introduce reforms in one of the oldest education systems in the GCC region

Bahrain Economic Vision 2030 has laid down the roadmap for the further development of the education system in the country. The national development plan highlighted in the document is based on government, economy, and people. Education finds a key mention under the scope of social development. In 2008, the government launched an independent body named Quality Assurance Authority for Education and Training (QAAET) to supervise the progress of the education industry. QAAET operates through its four units, namely, the Schools Review Unit, the Vocational Review Unit, the Higher Education Review Unit (HERU), and the National Examinations Unit. Following these reforms, state spending on the industry accounted for approximately 11% of the total fiscal budget.

Exhibit 21: Bahrain Ranking - Quality of Education

Parameters	Rank
Quality of primary education	64
Quality of the educational system	48
Quality of math and science education	77
Quality of management schools	85
Internet access in schools	45
Availability of research and training	52
Extent of staff training	41

Exhibit 22: Bahrain Ranking - Innovation and Research

Parameters	Rank
Capacity for innovation	82
Quality of scientific research institutions	114
Company spending on R&D	99
University-industry collaboration in R&D	121
Government procurement of advanced tech products	24
Availability of scientists and engineers	69
PCT patents and applications per million population	56

Source: The Global Competitiveness Report 2013–2014, Alpen Capital

Note: The ranking is given from a group of 148 countries.

Although the industry has benefited from free and compulsory basic education at public schools, students are now opting for private schools that offer international curricula. The non-Bahraini population has surpassed the local population in the country, further increasing the demand for high-quality education of international standards. The Bahraini Ministry of Education approves the curriculum at the national private schools such as the Ibn Khuldoon National School and the Al Falah Private Schools which are run by domestic private investors. Foreign nationals operate the international private schools such as the Al Hekma International School, Al Naseem International School, and Riffa Views International School.

Government effort towards nurturing its education system has translated into an impressive 94.6% literacy rate in 2010, with an enrolment ratio of approximately 103% at the K–12 education level and approximately 26% at the higher education level⁵³. Bahrain caters to approximately 19% of its population across various levels of education and about 80% of Bahrain's education industry is dominated by the general K–12 education, followed by preschool education and higher education⁵⁴.

Pre-primary Education

The importance of pre-primary education in Bahrain has increased over time, with the rising number of expatriates in the country. Pre-primary education institutions enroll students under three years of age and fall under the purview of the Ministry of Social Development. By 2013, Bahrain had more than 25 private nurseries and preschools focusing on early age education⁵⁵. The year 2012 registered approximately 49.8% gross pre-primary enrolments across Bahrain, mostly in private institutions⁵⁶.

Exhibit 23: Number of Students – Private Schools

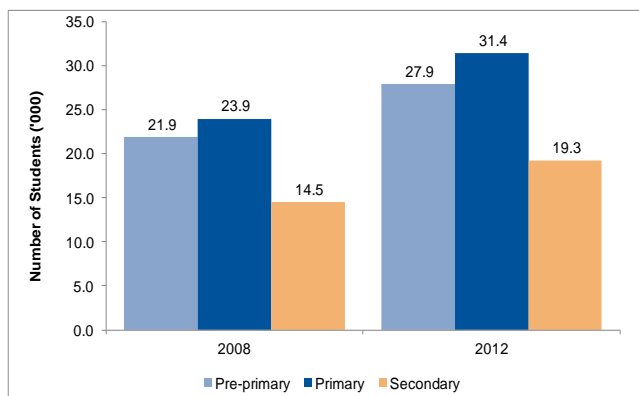
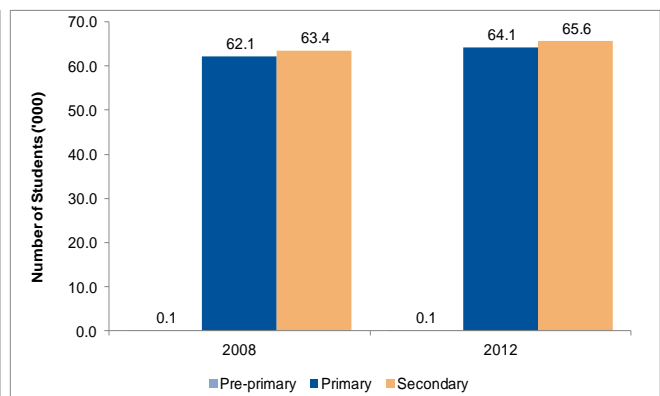


Exhibit 24: Number of Students – Public Schools



Source: UNESCO, Alpen Capital

Primary and Secondary Education

The primary and secondary education institutions hold a key place in a country that has traditionally laid high emphasis on education. In addition to the public education system, there are nearly fifty private and religious schools, including the US-operated and accredited Bahrain School, which offers classes from primary to secondary levels. Other

53 Source: UNESCO
54 Source: UNESCO
55 Source: Ministry of Education, Bahrain
56 Source: UNESCO

notable schools include the Al Noor International School, the British School of Bahrain, the Indian School, and the Sacred Heart School.

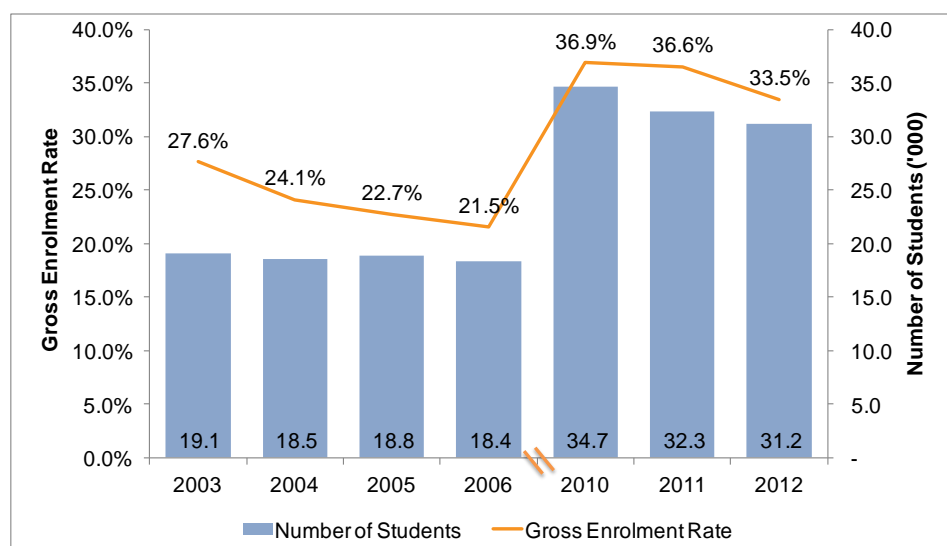
Between 2008 and 2012, enrolments in the primary segment at private schools surged at a 7.0% CAGR to reach 31,400 students in 2012. Similarly, enrolments in the secondary segment at private schools increased at a 7.4% CAGR from 14,500 in 2008 to 19,300 in 2012. Comparatively, public institutions registered a CAGR of 0.8% and 0.9% for primary and secondary segment, respectively (see Exhibit 23 and 24).

Tertiary Education

Following reforms in 2000, Bahrain saw 12 private universities catering to a million students

A strong focus on the primary and secondary education has led to a flourishing tertiary education segment in the country. Among the prominent tertiary education institutions are the College of Health Sciences, established in 1976; the Arabian Gulf University, founded in 1980; the University of Bahrain, established in 1986; and the Gulf College of Hospitality and Tourism. In the 1990s, there were three public universities that served as centers of higher education. Following reforms in 2000, the Bahraini education industry saw the opening of 12 private universities catering to about a million students. Overall, the higher education industry in Bahrain consists of 19 universities and colleges mostly situated in Manama and the central business district. The rise in the number of institutes coincides with increase in the gross enrolment in the tertiary segment from 27.6% in 2003 to 33.5% in 2012 (see Exhibit 25).

Exhibit 25: Number of Students in the Tertiary Segment



Source: UNESCO, Alpen Capital

The leading universities are the University of Bahrain, the Gulf University, and the Ahlia University. The programs offered at these universities are similar and are approved by the High Education Council. Some of these universities have ties with British and American universities. The Ahlia University has ties with the UK-based Brunel University on its PhD program without residence, which has produced a considerable number of graduates and currently has more than fifty students enrolled. In addition, there are 67 adult education centers in Bahrain, as part of the government's scheme to reduce the country's illiteracy rate.

HCVT and the National Institute for Industrial Training offer vocational training courses in Bahrain

Technical and Vocational Training

In order to enhance the employability of its locals, the Bahraini government has directed its focus towards imparting adequate vocational training to its populace. The Ministry of Labor and High Council for Vocational Training (HCVT) is the regulatory body governing this segment of education in the country for both public and private sectors.

The HCVT has introduced several policies and has accomplished projects in the area of vocational training in Bahrain. Since its formation in 1975, the HCVT has been aimed at enhancing the skillset of the local job seekers to enable them to benefit from the job opportunities in the country. Recent government initiatives include the introduction of teachers' training programs, the establishment of a polytechnic college, the improvement of upper-secondary vocational programs, and a quality assurance initiative to raise the accreditation standards.

Another public entity, the National Institute for Industrial Training offers several customized courses in the vocational training space for economic and investment sectors in Bahrain such as automotive, oil and gas, construction, telecommunications, retail, marine services, and maintenance. The various courses include the Tamkeen Engineering Multi-Skill Program, the MOL Engineering Multi-Skill Program, the AUTO Technician Apprenticeship Program, the Asry Apprenticeship Program, the MTQ Apprenticeship Program, and the Tatweer Apprenticeship Program. In 2013, the institute trained 200 students in 20 courses across industries such as oil and gas, automotive, and retail⁵⁷.

Other public vocational training institutes include the Bahrain Training Institute, the Bahrain Institute of Banking and Finance, the Bahrain Institute of Technology, the Bahrain Institute of Hospitality and Retail Training, and the Bahrain Polytechnic. In 2006, the state-sponsored Labor Fund (later re-named to Tamkeen) was established. In addition to setting up institutions, the fund is also directed towards luring private players into the industry by offering grants. Among its various dealings, the fund has in place a tie-up with the international fashion and lifestyle company Azadea Group to train 60 locals on a one-time basis.

Investment Opportunities in the Bahraini Education Market

Following the Bahraini government's reforms and restructuring exercise, the country is set to see a major development in its education industry. The number of people in the age bracket of 15-24 years enrolled at educational institutes grew from approximately 15,000 in 2004- 2005 to more than 30,000 in 2009-2010⁵⁸. The role of private players in the higher education industry has been growing at a rapid pace over the last decade and needs to further expand at an accelerated rate in order to achieve the targeted gross enrolment rate. The Bahraini education industry thus presents investment opportunities for private local and international players looking to provide quality education and services in this industry.

The existing investors in the Bahraini education industry include the DePaul University (US), the Gulf University, the New York Institute of Technology, the Royal College of Surgeons in Ireland, and the University of Strathclyde.

⁵⁷ Source: Gulf News - Key NIIT training boost for Bahraini youngsters

⁵⁸ Source: UNESCO

Investment Challenges in the Bahraini Education Market

In general, doing business in Bahrain can become challenging in the face of certain inherent issues. Firstly, the country presents unclear boundaries between the public and the private sectors, leaving room for conflict of interests. Further, the country has a history of civil unrest as recent as February 2011, presenting the threat of unexpected disruptions in business operations.

Inadequate government support to the private education institutions in the areas of subsidy and land acquisition is also affecting the growth of the industry. With the resultant increase in competition in the industry, private institutions are adopting a business-like approach towards imparting education.

2.6 The Omani Education Market

Relatively less developed historically, the Omani education system has come a long way since its early days between 1969 and 1970 when the country had only three schools. Government initiatives in the 1980s were directed towards uplifting the industry and enhancing the quality as well as reach of education in the country. Early measures resulted in the setting up of as many as 389 schools in the country between 1980 and 1981, catering to 106,032 students⁵⁹.

Exhibit 26: Oman Ranking - Quality of Education

Parameters	Rank
Quality of primary education	57
Quality of the educational system	53
Quality of math and science education	87
Quality of management schools	88
Internet access in schools	47
Availability of research and training	73
Extent of staff training	33

Exhibit 27: Oman Ranking - Innovation and Research

Parameters	Rank
Capacity for innovation	61
Quality of scientific research institutions	71
Company spending on R&D	47
University-industry collaboration in R&D	45
Government procurement of advanced tech products	12
Availability of scientists and engineers	72
PCT patents and applications per million population	65

Source: *The Global Competitiveness Report 2013–2014*, Alpen Capital

Note: The ranking is given from a group of 148 countries.

Public expenditure on both K-12 education and higher education has witnessed a considerable increase in recent years. Education and training were awarded US\$3.38 billion, or 10% of all projected state spending in Oman's 2013 budget, which was announced in January 2014, up 25% in real terms over the last year⁶⁰. This increase in the public expenditure on higher education is likely to play a crucial role in expanding and improving the country's higher education segment. In its latest Vision 2020 document, Oman has reiterated its commitment towards the further development of the education industry, preparing students for industry as well as higher education. Concrete steps

⁵⁹ Source: 'Education as a motor for development', International Bureau of Education Report, 2004

⁶⁰ Source: Research by Oxford Business Group

Relatively less developed historically, the Omani education system is accelerating the reforms under its latest Vision 2020 document.

towards this goal include the curriculum revision, trained teachers, and focus on entrepreneurial education, to name a few. It is noted that the government's decision to increase its focus on education comes at a time when Oman's private sector is struggling to fill vacancies, despite high unemployment in many regions.

There was an increase in the number of teachers in public schools from 30,000 in 2002 to 59,000 in 2012, resulting in higher ratio of teachers to students from 1:19 in 2002 to 1:10 in 2012⁶¹. According to the Ministry of Education, the number of general education schools in Oman rose from 1,019 in 2002 to 1,043 in 2012, with an additional three special education schools.

Pre-primary Education

Oman is opening up to the concept of pre-primary education in the form of nurseries and kindergarten. Pre-primary education is gradually gaining ground in the country due to the various development programs introduced by the authorities. In 2012, the pre-primary enrolment rates stood at an impressive 54.6%, up from a meager 6.5% in 2000. Private players are deeply present in this segment of the Omani education industry to take benefit of a less penetrated market.

Exhibit 28: Number of Students – Private Schools

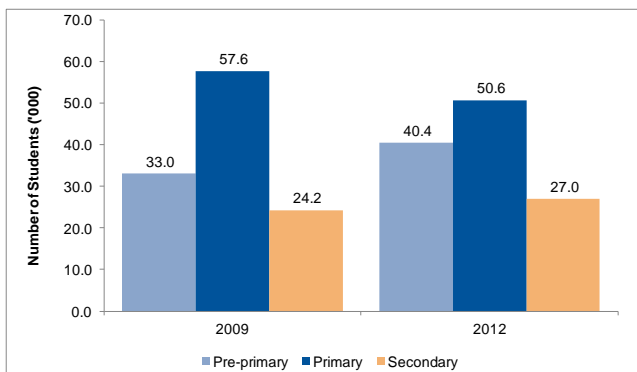
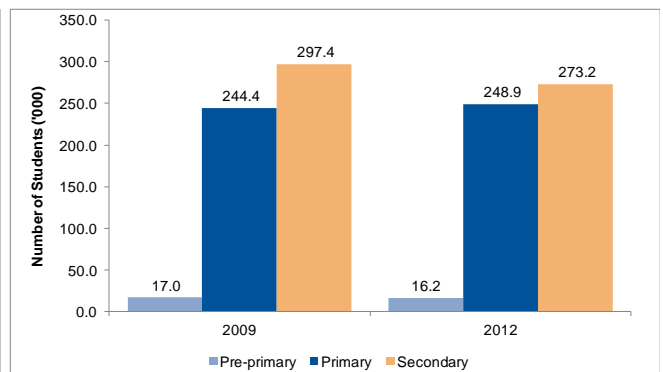


Exhibit 29: Number of Students – Public Schools



Source: UNESCO, Alpen Capital

Primary and Secondary Education

The government of Oman has identified education as the foundation for building the country's intellectual capital. There were 890 basic education schools, operated by the Ministry of Education in 2012, which accommodated 538,313 students. Between 2009 and 2012, enrolments in the primary segment at private schools dropped at a 4.2% CAGR to reach 50,600 students in 2012. Similarly, enrolments in the secondary segment at private schools increased at a 3.6% CAGR from 24,200 in 2009 to 27,000 in 2012. Comparatively, public institutions registered a CAGR of 0.6% and -2.8% for primary and secondary segment, respectively (see Exhibit 28 and 29).

As a result of its effort towards the industry, gross primary enrolment rates in the country were 109% in 2012 compared to 94.7% in 2000. Gross secondary enrolment rates were at 94.2% in 2012 compared to 79.6% in 2000⁶².

⁶¹ Source: The National Centre for Statistics and Information. The study was made during the 10-year period from 2002 to 2012.

⁶² Source: UNESCO

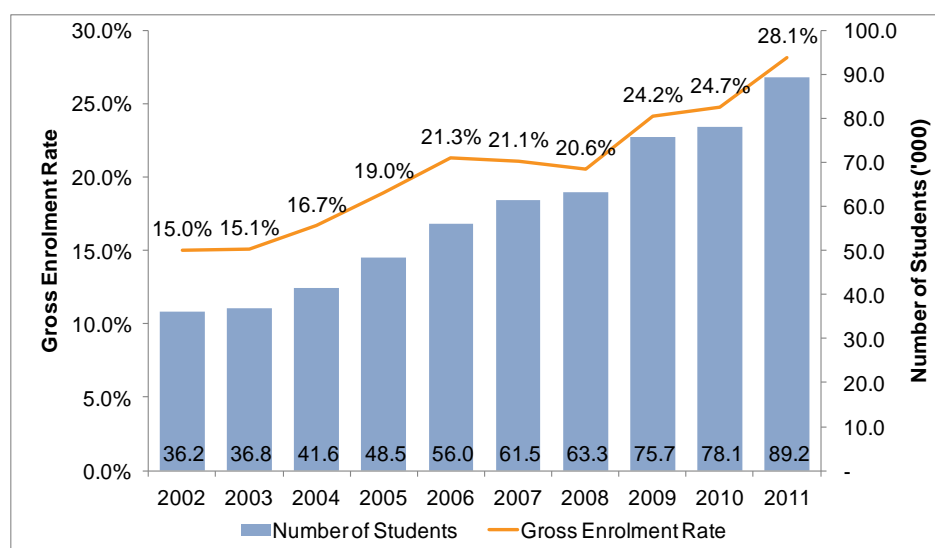
The tertiary education segment in the country is riding high on the growing importance of the primary and secondary education

Tertiary Education

The tertiary education segment in Oman has been receiving impetus from the government. The year 1986 gave the country its first public university in the form of the Sultan Qaboos University. Today, the tertiary education segment in the country is benefitting from the growing importance of the primary and secondary education. The government has sought private sector participation in this segment. It has therefore directed several incentives such as offering grants and land for the setting up of private tertiary education institutes across the country. Affiliations with international universities are also on a rise to improve the quality of tertiary education in Oman.

Institutes of higher learning in Oman are co-operating more closely with local businesses, as the Sultanate looks to boost employment opportunities for nationals in the private and public sectors. A number of committees and advisory bodies have been set up to facilitate exchange between the academia and the commercial world, including representatives of both sides. A joint committee is working to define the role of universities in supplying the industry with the required workforce and technical skills in the short to medium term.

Exhibit 30: Number of Students in Tertiary Segment



Source: UNESCO, Alpen Capital

The Omani government has formed the Research Council with the mandate to develop and promote research policies and strategies within the country to further bolster the research capabilities of higher education institutions. The Council offers guidance and support towards research on various aspects of the education system development, while assisting institutions in offering pertinent research services. Disciplines of particular interest to the council include culture and social sciences; energy and industry; environment and vital resources; education and human resources; health and community service; telecommunications; and information. The Sultan Qaboos University is another institution lending support to research in the field of education through its centers such as the Gas and Oil Research Center, the Earthquake Monitoring Center, the Remote Sensing and GIS, the Omani Studies Center, the Water Research Center, Communication & Information Research, and the Biotechnology Center.

The gross tertiary enrolment rate increased to 28.1% in 2011 from 15.0% in 2002 (see Exhibit 30). Higher education institutions have been successful in attracting students, resulting in a rapid rise in enrolment rates in this category. According to the Shura Council,

73% of general diploma graduates were enrolled at the state-sponsored undergraduate scholarship program during the academic year 2012-2013, up from 31.4% enrolled at the same program in the 2009-2010 academic year. Oman is home to 27 private universities that catered to as many as 35,000 students, as on October 2013⁶³.

The government offers internal as well as external scholarships as part of its undergraduate scholarship program. Internal scholarships are financial aid towards higher education. During the academic year 2012-2013, as many as 9,738 internal scholarships were issued. The government sponsored the overseas graduate-level education of 1,395 students during the academic year 2012-2013. In line with the rising number of Omanis seeking post-graduate education abroad, the government introduced a new external scholarship program under which, it disbursed 1,000 post-graduate scholarships over five years. This new scholarship program has proved successful in enhancing the employability of the 248 students who received it, with 73% of them gaining employment in with the public sector; and 11% in the private sector⁶⁴.

Technical and Vocational Training

To address the shortage of skilled labor in the country, the Omani Ministry of Manpower has established vocational training centers in the areas of Al Seeb, Saham, Sur, Ibri, and Shinas. These centers offer vocational, technical, and commercial programs. Additionally, the government has also undertaken measures to lure the private sector into the technical and vocational education segment. As a result, in 2011, Oman LNG inked a deal with the Oman Society for Petroleum Services to sponsor industry-related training to 160 nationals. This trend is catching on, as in 2012, Taiwanese engineering companies offered to train Omanis in the field of engineering. Apart from these measures, the government is also luring expatriates to fill the dearth of skilled workers in the country.

Entrepreneurship Training Gaining Importance

In order to nurture the growth of the Small and Medium Enterprise (SME) sector and bring about economic diversification, the Omani government has laid special emphasis on entrepreneurial training in the country. The Royal Directives of His Majesty Sultan Qaboos at the SMEs Development Symposium in January 2013, highlighted government commitment towards entrepreneurial training.

The Ministry of Education and the Ministry of Higher Education have introduced entrepreneurship training as part of the course curriculum of several higher education programs. Also, several colleges have collaborated with the National Company for Projects and Management (NCPM) that is overlooking the state-sponsored SME development fund to establish an entrepreneurial campus within colleges. The launch of several entrepreneurial clubs at college campuses is expected to encourage students to engage in entrepreneurial activities while pursuing their courses. The Entrepreneur Club at the Middle East College of Oman is based on this rationale.

Additionally, students desirous of starting their ventures within the campus are entitled to receive funds from the NCPM. Private companies could supply the necessary resources to incubate such campus start-ups across the country. A formal training and entrepreneurial education is expected to prepare students to succeed as entrepreneurs, with their ability to identify the right opportunities, bring about innovation, manage risks, make the right

The government is undertaking several initiatives in improving the vocational training space, such as offering entrepreneurship training as well as training in English and other foreign languages

⁶³ Source: Ministry of Education, Oman

⁶⁴ Ministry of Higher Education, 2012, Oman

decisions, and launch viable business ventures. Such training also encompasses the areas of business planning, capital development, marketing, and cash flow analysis.

The Oman Cement Company, in collaboration with the National Centre for Career Guidance, launched its youth entrepreneurship program called Ghaytuh in 2012. In its first year, about 70 students were trained in Muscat for an entire month. In its subsequent year, the program was launched in the cities of Nizwa and Sohar, which witnessed participation from 200 candidates, including those with special needs.

Enhancing English Language Capabilities

The Sultan Qaboos University registers many cases of students who have been unable to complete their education in the stipulated time frame due to inadequate English language skills. Some students have turned to additional language training to be able to cope with higher studies. In its two-year research probing this issue, the University revealed that merely 14% of the students in 2011 have scored a passing percentage in the English language test, with a significant number performing poorly in the foundation program placement tests. Conducted in collaboration with Otherine Neisler, a research consultant with the College of Education at the University, this research was aimed at identifying gaps in meeting student needs and is expected to be shared with other educational institutions towards attaining the greater objective of enhancing the quality of education.

Also, the importance of superior English language skills cannot be undermined in establishing a firm standing in the global job market. Going forward, with focused government effort, the education industry is expected to attract international operators enhancing the quality and standards of its education system. Further, the government is bolstering the preliminary education levels by improving the standard of its teaching staff. This is a measure towards preparing students to cope with higher studies well in advance.

Improving Foreign Language Competency

The Omani government has acknowledged the importance of foreign language capability by including foreign language courses at the school-level. For the academic year 2012-2013, the government introduced German language education, as a pilot, at five schools in Muscat and Batinah South. Similarly, the government is planning to introduce French language courses at two schools in Muscat and two in Batinah North for grades 11 and 12.

Investment Opportunities in the Omani Education Industry

The Omani government is recognizing the importance of education in developing its economy and readying its workforce to participate in the opportunities of tomorrow. Increased state investment into the industry is in line with the government focus.

The Omani government is luring private investors towards the industry to lend momentum to its further development. As a result, in 2009-2010, there were 342 private schools in Oman, up from 174 private schools in 2007-2008. Moreover, the recent data released by the National Center for Statistics and Information (NCSI) shows that enrolments at private schools are growing in contrast to decline in the number of student registrations at public schools. The total number of students at public schools decreased by an average rate of 0.8% from 522,520 students in 2010 to 514,667 in 2012. For the same period, the total number of students at private schools increased by an average rate of 10.2% from 65,389 students in 2010 to 79,382 in 2012.

The government has prepared a stage for the growth of private higher education institutions in the country. Accordingly, it offers incentives such as land grants, customs

The Omani government offers incentives such as land grants, customs exemptions, and a maximum grant of US\$7.82 million to private universities that account for a 50% capital contribution towards setting up higher educational institutes in the country

exemptions, and a maximum grant of US\$7.82 million to private universities that account for a 50% capital contribution towards setting up higher education institutes in the country. The Omani Ministry of Education has set up the Directorate General of Private Schools to govern the operations of the international schools in the country. In light of these facts, the Omani education industry is already enticing private investors, both local and international to cater to its growing education needs.

Investment Challenges in the Omani Education Industry

In addition to state funding, the industry has also received private investments, evident from the increasing number of private educational institutes in the country. The quality of the education industry is yet unchanged due to challenges such as shortage of skilled teaching staff. The industry is yet awaiting meaningful government measures in bringing in high-skilled teachers.

The country also faces a shortage of the requisite vocational training facilities demanded by the job market. As a result, sectors such as healthcare, hospitality and construction as well as allied industries are primarily served by the expatriate population. Further, the government should also offer counseling and career guidance to train and prepare the youth for the job market.

2.7 The Kuwaiti Education Market

Having identified education as a key to achieving economic development and social progress, the Kuwaiti government has been undertaking pertinent measures in developing the industry. The Kuwaiti education industry has therefore come a long way since its early days in 1939, when it first caught government attention. In 1965, as a step towards raising the literacy levels in the country, schooling was made mandatory between the ages of 6 to 14 years. In 1967, the Kuwaiti government aimed to attract private investors into the industry by offering meaningful subsidies.

Education expenditure in the country has increased from US\$3.6 billion in 2010 to US\$5 billion in 2011 (16% y-o-y growth) and is expected to reach US\$8.3 billion by 2016⁶⁵. The Kuwait Development Plan includes several education focused projects such as the Sabah Al-Salem University City, which will accommodate the new campus of the Kuwait University. Today, the Ministry of Education plans to promote the effective use of information and communications technology in classrooms and also introduce school inspections in the near future with an aim to improve the quality of education in the country.

The performance of Kuwait's education system has been mixed. While the country's Global Competitiveness Index ranking on the quality of its primary education is 89 of 144 countries, the quality of its higher education and training is 104. Yet, according to the Human Development Index, an estimated 61.2% of respondents reported in 2011 that they were satisfied with the education quality, compared to an average of 50% of respondents across all Arab countries.

⁶⁵ Source: Kuwait Foreign Investment Bureau (KFIB)



Exhibit 31: Kuwait Ranking - Quality of Education

Parameters	Rank
Quality of primary education	93
Quality of the educational system	106
Quality of math and science education	99
Quality of management schools	92
Internet access in schools	66
Availability of research and training	98
Extent of staff training	94

Exhibit 32: Kuwait Ranking - Innovation and Research

Parameters	Rank
Capacity for innovation	136
Quality of scientific research institutions	110
Company spending on R&D	126
University-industry collaboration in R&D	120
Government procurement of advanced tech products	120
Availability of scientists and engineers	79
PCT patents and applications per million population	86

Source: *The Global Competitiveness Report 2013–2014, Alpen Capital*

Note: The ranking is given from a group of 148 countries.

The Kuwaiti education system ranges from pre-school, starting at the age of four to primary, intermediate, and secondary schooling as well as tertiary education. All levels of education in public institutions, including the tertiary level, are fully financed by the state and free for all citizens. Even the many private institutions in Kuwait are often heavily subsidized by the government.

Pre-primary Education

Pre-primary education is free at public schools across Kuwait for the local population between four to six years of age, although not mandatory. Kuwait is the only GCC country which records high gross enrolment at public schools. The number of students enrolled in public institutions stands at 44,700 in 2012 compare to 37,500 students in private institutions (see Exhibit 33 and 34). Rising expatriate population in the country is now leading to the setting up of several private pre-primary institutions.

Exhibit 33: Number of Students – Private Schools

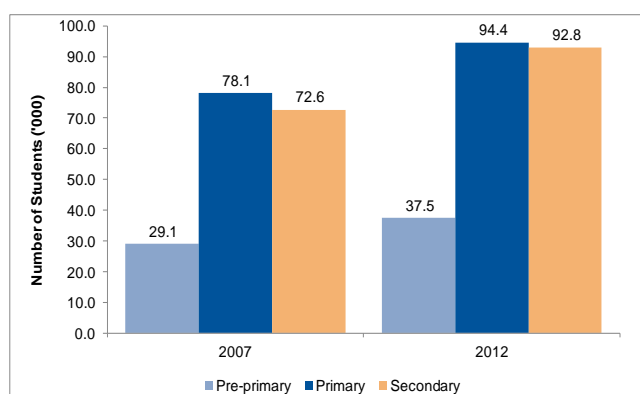
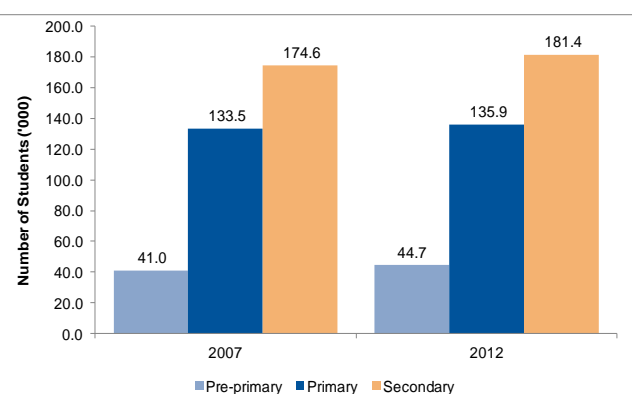


Exhibit 34: Number of Students – Public Schools



Source: UNESCO, Alpen Capital

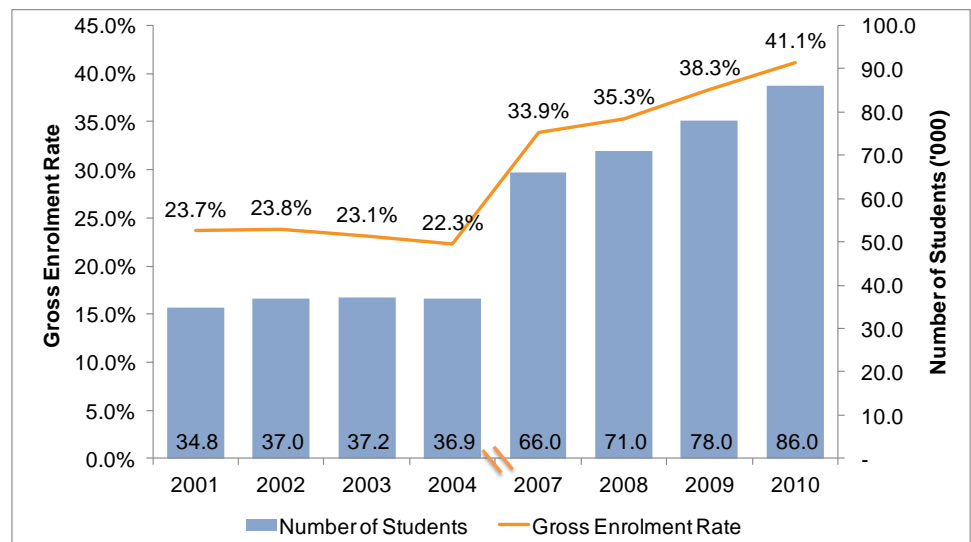
Primary and Secondary Education

Boosted by government emphasis, the primary and secondary education segment in the country has been witnessing steady growth. The total number of students in this segment rose at a 1.9% CAGR from 2007 to 2012⁶⁶. The number of students at private schools recorded a higher 4.4% CAGR for the same period. The year 2008 registered a remarkably high gross enrolment rate in the primary and secondary education segment at 105.6% and 101.0%, respectively.

Tertiary Education

Kuwait has a diversified system of higher education with approximately 86,000 students enrolled at both public and private universities in 2010⁶⁷. Tertiary education in Kuwait has a number of local universities, offering select courses to students. Increasing income levels are leading students to opt for higher education at private universities. Kuwait has seen a rise in the number of its private universities providing tertiary education due to the high quality of courses they offer. Prominent private universities and colleges across the country include the Gulf University for Sciences and Technology, the Australian College of Kuwait, the American University of Kuwait, the Gulf American College, the Kuwait-Maastricht Business School, and the Box-Hill College for Girls. The Ministry of Higher Education has set up the Private Universities' Council to oversee the establishment and working of private higher education institutions in the country.

Exhibit 35: Number of Students in Tertiary Segment



Source: UNESCO, Ministry of Education – Kuwait, Alpen Capital

Kuwaitis currently pursuing higher education choose to study the fields of business administration, finance, and arts. There is a dearth of students pursuing careers in engineering, medical or other technical or scientific disciplines, resulting in a shortage of professional skills that the country currently needs. The industry presents opportunities to foreign universities to set up branches in the country and provide niche offerings in higher

66 Source: UNESCO
67 Source: KFIB

education, as Kuwait attempts to reach global enrolment levels in its tertiary education segment.

Technical and Vocational Training

Vocational training opportunities are available across age groups, through offerings by the State Public Authority for Applied Education and Training

Reflecting the trend across the GCC, Kuwait has undertaken measures to enhance the level of technical and vocational education in the country. The government has set up several training institutions such as the Center for Training of Foreman and Construction Supervisors established in 1966; the Institute of Applied Engineering set up in 1968; and Institute of Aeronautics launched in 1969. In order to focus on the sector and expedite its development, the government set up the Public Authority for Applied Education and Training (PAAET) in 1982.

Vocational training opportunities are available across age groups, through offerings by the PAAET. With these measures, the government is aiming at inculcating a culture where its citizens benefit from the vocational training opportunities, not only to meet the demands for a skilled work force, but also for their personal development.

The segment has attracted several private players such as the Australian College of Kuwait and the British Institute of Vocational Training. Also, several large companies such as Siemens ESS have turned to offering technical and vocational courses to create an industry-ready workforce that they can employ.

Investment Opportunities in the Kuwaiti Education Market

Over time, the country has emerged into an attractive private school market, recording a size of US\$1.1 billion in 2010, in terms of annual tuition fee⁶⁸. The promising private education market has attracted several operators, local as well as international, resulting in high competition. The key institutional investors in Kuwait's education industry are NBK Capital, the Institute for Private Education, Al Rayan Holding Company, and AREF Investment Group.

Sensing the opportunity, local investors in Kuwait are seeking partnerships with international brands to set up higher education institutions in the country

The higher education segment in Kuwait is a key beneficiary of the increasing importance of education in enhancing the employability of individuals. Enrolments at the public and private universities increased y-o-y by an estimated 10% and 9% from 2007 to 2011, respectively. By 2017, the number of students at higher education institutions is expected to rise from 131,000 in 2011 to 147,000⁶⁹. Surpassing US\$5 billion in 2011, the total education expenditure in Kuwait is expected to reach US\$8.3 billion by 2016⁷⁰.

Sensing the opportunity, local investors in Kuwait are seeking partnerships with international brands to set up higher education institutions in the country. The government is also playing its part in developing an environment for international universities to set up their campuses in the country, especially in the area of business management. There have been recorded instances of students turning to private higher education institutions overseas to gain specialization. Accordingly, international campuses within the country are slated to leverage their already-existing popularity among the student community. Further, the decision to allow 100% FDI⁷¹ has opened the training and education industry to both local as well as international players, along with reputed vocational training institutes.

68 Source: Booz & Allen Report, 2011

69 Source: Ministry of Education, Kuwait

70 Source: Investing in Kuwait: A guide for Investment Opportunities in Kuwait by Kuwait Foreign Investment Bureau

71 Source: KFIB

Investment Challenges in the Kuwaiti Education Market

At 93.9%, Kuwait harbors the highest literacy rate across the GCC⁷², but comparatively lower employment levels. Reasons such as the implementation of the “Kuwaitization” policy, which has not panned out as expected, in addition to the privatization process that is yet to pick up pace have contributed towards lower employment levels. This policy was also opposed by the Kuwaiti businessmen and the job seekers, who prefers jobs in public industry instead private sector. While the government has established an academic city called University City in the hopes of emulating the success of other such academic cities in the GCC, it is yet to show results in Kuwait. The construction of the University City is likely to complete by 2016.

Unemployment has surfaced as a cause of concern in Kuwait. While on one hand, a large number of Kuwaiti nationals remain unemployed, expatriates are increasingly finding employment.

The government has also laid down certain regulations that deny the freehold ownership of land by non-Kuwaitis. This has resulted in limited foreign ownership by international schools. Further, the Kuwaiti Commercial Code allows foreign investors to engage in businesses in the country only in partnership with locals. A minimum of 51% Kuwaiti holding is required in such partnerships. Despite these challenges, the market is witnessing international entrants owing to rising demand from the increasing expatriate population.

⁷² Source: The World Bank

3. GCC Education Industry Outlook

The GCC education industry is set to present exciting business opportunities in times to come. Increasing awareness about quality education among nationals and the growing spending propensity of the population due to rise in income levels is expected to boost the growth of the industry. Its appeal lies in its investor-friendly characteristics such as a potential long-term revenue flow, favorable demand-supply dynamics, its insulation from economic downturns, and negative working capital as tuition fees are paid in advance, resulting in almost negligible revenue loss.

3.1 Forecasting Methodology

We have followed the forecasting methodology used in Alpen Capital's earlier publication on the education industry in June 2012.

We have forecasted the total number of students and schools in the GCC education industry based on statistical data sourced from UNESCO, World Bank, International Monetary Fund (IMF), and the respective ministries of education. Following is a brief of the methodology adopted.

- We have forecasted the total number of students in the pre-primary, primary and secondary, and tertiary segments. Projections are arrived at based on the student population and gross enrolment rates in each of these segments. While historical population falling under each educational segment has been sourced from UNESCO, projected population has been arrived at using the overall population growth expectations of the IMF. Historical gross enrolment rates have also been taken from UNESCO. We have projected the number of students enrolled by forecasting gross enrolment rates for each segment, considering their growth potential.
- We have calculated the average number of students per school (catering to the pre-primary, primary, and secondary segments only) for historical years as per the data provided by the education ministries of the respective countries or other government websites. Subsequently, our forecast on the total number of schools is based on the expected growth in the total number of students, assuming the average number of students per school to be constant.

Note: In April 2014, UNESCO and World Bank figures showing the school age population and segment-wise enrolments at private as well as public institutions, since 2000, were revised. Consequently, our forecast assumptions have changed compared to previous report.

3.2 Industry Outlook

The GCC education industry is looking at steady growth ahead, supported by a continued inflow of investments by private players and increased government attention that is bringing in progressive reforms. We expect growth across segments of the GCC education industry such as the pre-primary, primary, secondary, and tertiary in the forthcoming years.

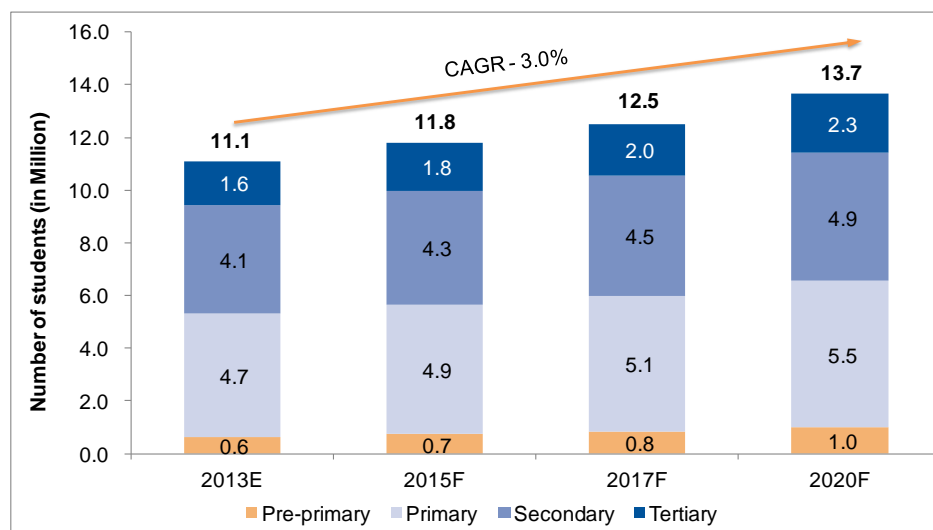
Gross Enrolment: An Overview

We expect the total number of students (the gross enrolment) in the GCC region to grow from an estimated 11.1 million in 2013 to 13.7 million in 2020, registering a 3.0% CAGR (see Exhibit 36). A rise in the number of students is primarily attributed to the increasing population in the region and higher enrolments at the pre-primary and tertiary education levels. With increasing awareness, the pre-primary education segment is expected to display a noteworthy growth rate of 6.7% during the forecasted period, during which, the number of students will increase from 0.6 million in 2013 to 1 million by 2020.

Similarly, the tertiary education segment is expected to grow mainly as a result of government initiatives, which are focused on the awareness about the importance of employing GCC nationals in the technical fields. Massive investments are being made towards building universities and colleges by the GCC governments. The tertiary segment is likely to witness the CAGR of 4.7% and number of students in the segment will rise from 1.6 million in 2013 to 2.3 million in 2020.

As the K-12 level of education is mandatory in most GCC nations, we expect the total enrolments across the school population (primary and secondary segments) to grow at a moderate rate of 3.0% CAGR between 2013 and 2020. The total number of primary and secondary students in the GCC region will grow from 8.8 million in 2013 to 10.4 million in 2020.

Exhibit 36: Total Number of Students in the GCC (2013E to 2020F)



Source: Alpen Capital

Note: E denotes estimates and F denotes forecasts

Gross Enrolment: Private vs. Public Institutes

Due to a favorable investment climate backed by government policies, growth in the establishment of private institutes is likely to surpass that of the public institutes. Even nationals enrolled at public schools are expected to turn to private schools to avail the higher quality they offer. In light of the above facts, we expect the gross enrolment in private schools to grow at a CAGR of 5.7% between 2003 and 2020 compared to the gross enrolment in public school which will grow at 1.7% during the same period.

Exhibit 37: Gross Enrolment in Private Institutes

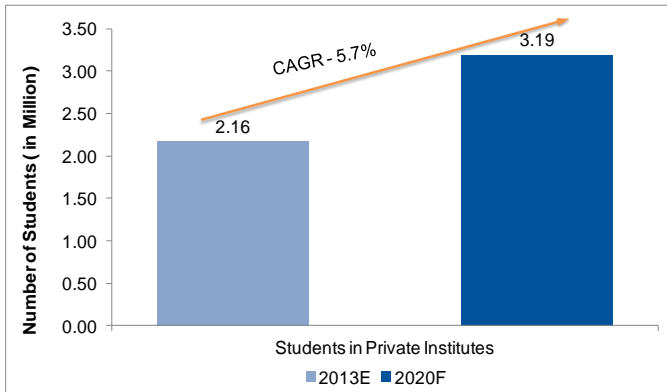
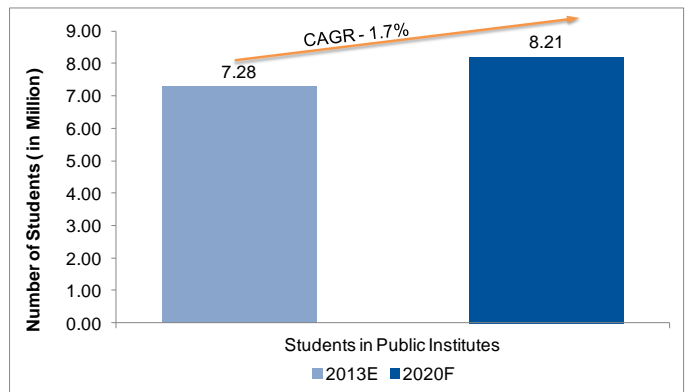


Exhibit 38: Gross Enrolment in Public Institutes



Source: Alpen Capital

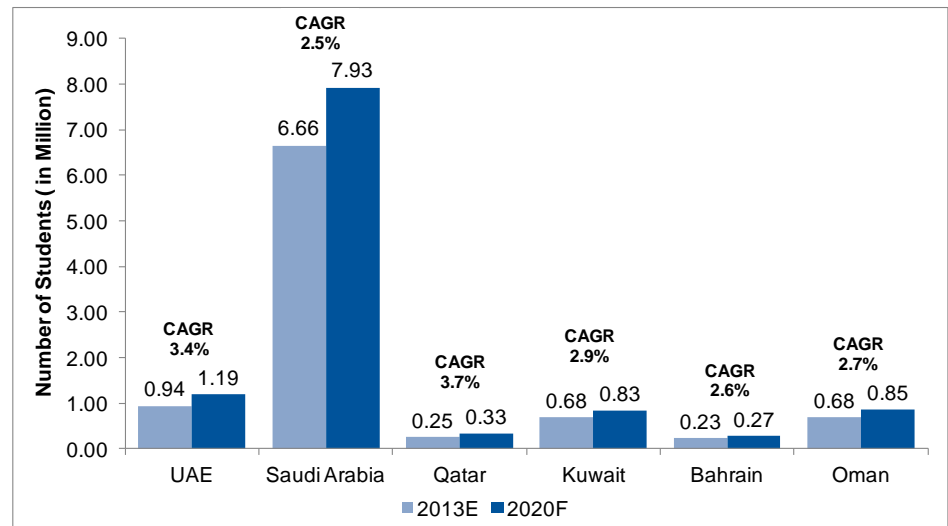
Note 1: E denotes estimates and F denotes forecasts

Note 2: Gross enrolment includes pre-primary, primary, and secondary segments only

Gross Enrolment: Country-Wise

The UAE and Saudi Arabia are the prominent markets in the region. In terms of the number of students enrolled, Qatar will enjoy the highest CAGR of 3.7% from 2013 to 2020; followed by the UAE and Oman at a growth rate of 3.4% and 3.2%, respectively.

Exhibit 39: Total Number of Students in the GCC: Country-wise (2013E to 2020F)



Source: Alpen Capital

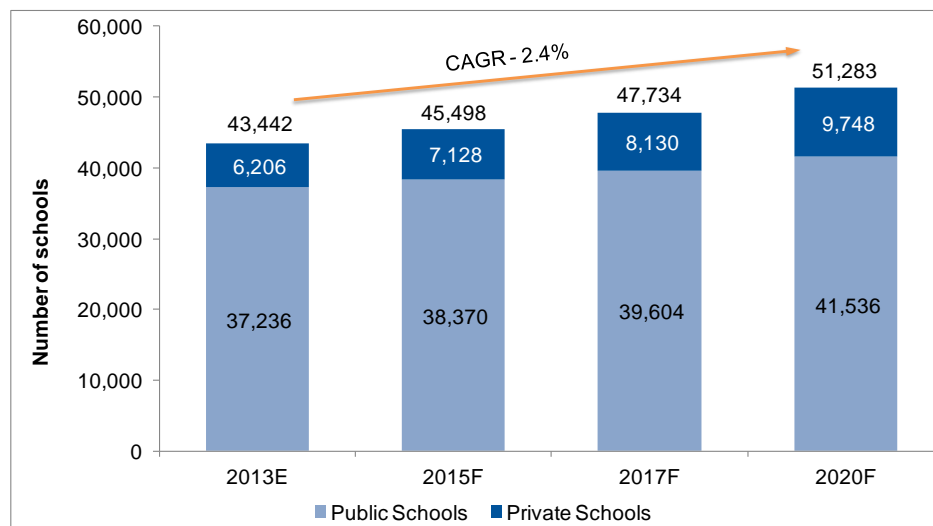
Note: E denotes estimates and F denotes forecasts

Number of Schools: An Overview

Higher demand for education will lead to growth in the number of schools in the region. The total number of schools is expected to grow at a CAGR of 2.4% between 2013 and 2020. By 2020, the region is likely to have a total of 51,283 schools, out of which, about 20% will be private schools (see Exhibit 40).



Exhibit 40: Total Number of Schools in the GCC (2013E to 2020F)

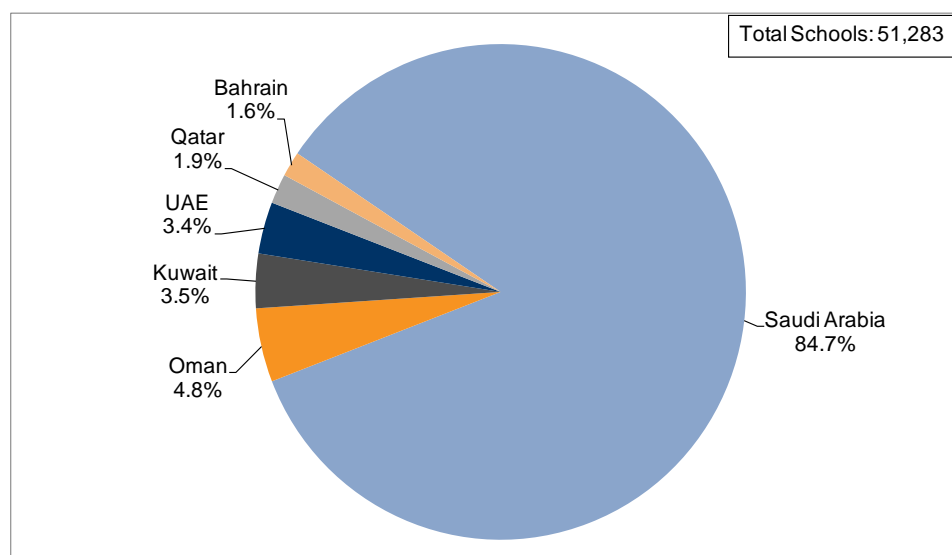


Source: Alpen Capital

Saudi Arabia continues to remain the biggest operator of schools in 2020 as it is home to the largest population base across the GCC region.

The total number of students at schools in Dubai is expected to rise from 225,000 in 2012 to 360,000 by 2020

Exhibit 41: Country-wise Schools in 2020F



Source: Alpen Capital

UAE

With the UAE education industry gaining momentum, Dubai and Abu Dhabi are projected to continue as prominent markets in the country. Although Abu Dhabi and Dubai will see the biggest growth in demand regionally, we expect all Emirates to display a rise in demand. A number of Sharjah-based schools have catchment areas, which cover Dubai too. The total number of students at public and private schools in Dubai is expected to rise from 225,000 to 360,000 by 2020. The KHDA predicts that the total student enrolment in

Dubai will grow by 7% per annum for the next five years, at the least. As many as 60 school developments (both new schools and expansions) are planned, of which, eight schools will start accepting students as early as in September 2014⁷³. Among these eight schools are five British curricula schools – the GEMS Metropole School, the GEMS FirstPoint School, the Kings Nad Al Barsha, the Kings Nad Al Sheba and the Nord Anglia International School; two are Indian curricula schools – Bilva Indian School and Credence High School; and one offers the Canadian curriculum – the Ontario International Canadian School. These eight schools will cater to 20,700 students.

ADEC forecasts enrolments at private schools to grow by 5% annually for the next seven years to reach 280,000 students by 2020-2021. Given the high expatriate population, enrolments at private schools in the UAE are particularly high. ADEC is planning to set up 11 new private schools, within the next two years, offering an additional 14,553 seats.

Saudi Arabia

The Saudi Arabian education market is expected to record considerable growth in the long run, with active support from its government. According to the Ministry of Education, Saudi Arabia requires at least 10 more universities over the next five years to meet the demands of its growing population. Besides high government spending, factors driving the growth of Saudi Arabia's education industry are increase in population and income levels. Government's efforts towards bringing down unemployment are resulting in increased awareness of the benefits of education, translating into the growth of the industry.

Qatar

Rising overall student enrolments have led to reforms in both primary and secondary schools in Qatar. According to a recent study by Qatar's Permanent Population Committee (PPC), the total number of students in the country is growing at 4.0% annually.

The First Investor, a PE firm, forecasts a 30% to 40% rise in enrolments at private schools in Qatar over the next three to five years, creating a dearth of capacity to meet this demand of quality education. GEMS has entered into a deal with the First Investor, the Qatar Insurance Company, and Tanween in June 2013, to set up two private schools in Al Wakrah, Qatar - one offering British curriculum and the other, Indian.

In addition, to meet the rising education needs of a growing population, the Qatari government has announced in April 2014 the setting up of 85 new schools in the country over the next 18 months.

Kuwait

Like other GCC countries, Kuwait is reforming its education system. In recent times, the government has been investing significantly into the country's higher education segment. The upcoming Kuwait University is a noteworthy project in the country that presents the potential to accommodate more than 50,000 students. It will be completed in phases, starting 2015 to 2020.

Bahrain & Oman

The education industries in Bahrain and Oman are expected to grow, due to higher enrolment and investment from the respective governments. Growth will be driven by various factors such as increased government and private spending on education; an increase in population and employment; and rising demand from expatriates.

⁷³ Source: The KHDA

According to a recent study by Qatar's PPC, the total number of students in the country is growing at 4.0% annually

4. Growth Drivers

An increasing population base coupled with an expanding expatriate population is expected to drive demand for education across the region

Favorable Demographics

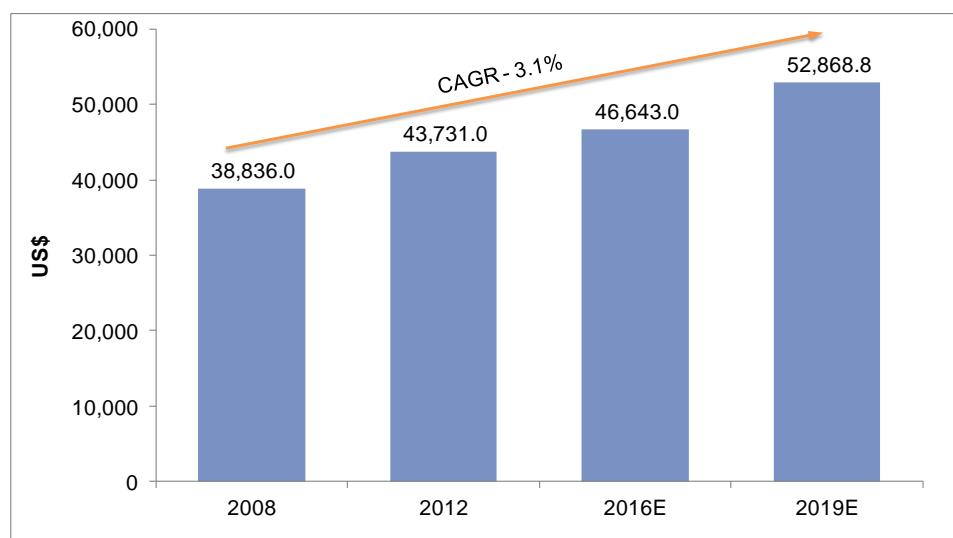
The population of the GCC region displayed a 4.8% CAGR to reach 46.4 million in 2011 from 36.7 million in 2006, which is high vis-à-vis the global annual population growth of about 1.3% between 2006 and 2011⁷⁴. By the end of 2014, the GCC population is expected to reach 50 million. With a 2.3% long-term average growth rate, a population of 10 million will be added in the region by 2025⁷⁵. UNESCO estimates indicate an addition of 9.5 million students from 2011 to 2030⁷⁶ across the GCC region.

The GCC region thus harbors a favorable combination of a rising population base and increasing number of expatriates in the region that is expected to result in an increase in the demand for education.

Rising Income Levels

An increase in oil prices through the last decade has translated into higher income levels in the region. The GCC's average GDP per capita based on PPP rose at a 3.0% CAGR from US\$38,836 in 2008 to US\$43,731 in 2012. This PPP is further expected to register a 1.6% CAGR to reach US\$46,643 in 2016 (see Exhibit 42). Over a ten-year period, the PPP for the GCC is likely to show a 3.1% CAGR, in line with the growth rate of the advanced economies⁷⁷. Individual wealth across the GCC is higher compared to that in the several developed economies and the emerging nations of China, Brazil, and India.

Exhibit 42: Average GDP Per Capita (PPP) of the GCC (2008-2019E)



Source: IMF, World Economic Outlook Database, April 2014

⁷⁴ Source: IMF

⁷⁵ Source: IMF

⁷⁶ Source: UNESCO and UIS Fact Sheet, October 2013

⁷⁷ Note: Advanced economies include 36 countries as defined by the IMF.



Private schools are in demand as they offer a better quality of education, improved English language instruction, convenient locations, enhanced school leadership, and a wider range of extra-curricular activities

Private Sector Participation

The number of private institutions across the GCC region is on a rise due to government focus and rising demand for quality education from the local as well as expatriate population. Private players have enjoyed state support in the form of free land, subsidies, and grants in most GCC countries. Governments have extended such benefits to private operators to expedite the reach of quality education across the GCC member countries.

A KHDA report suggests parents prefer private schools over public ones as they offer a better quality of education, improved English language instruction, convenient locations, and a wider range of extra-curricular activities. Enrolments at private institutions in the UAE accounted for 69% of the total enrolments in 2012, up from 39% in 2000. In Qatar, the same figures rose from 33% to 51% for the period under consideration (see Exhibit 43). Higher enrolments at private institutions through the last decade indicate their rising popularity.

In conclusion, despite its fragmented state, the GCC education market presents opportunities for new private players and consolidation opportunities for the existing ones.

Exhibit 43: Private Enrolment Rates

Countries/Region	2000	2012
Bahrain	16%	29%
Kuwait	29%	37%
Oman	3%	15%
Saudi Arabia	NA	13%
UAE	39%	69%
Qatar	33%	51%
GCC	24%	36%
MENA	24%	31%
World	8%	13%

Source: UNESCO, Alpen Capital

The GCC region is expected to experience a recurring spend of about US\$150 billion towards education over the next couple of years

Government Reforms

The governments of the countries across the GCC have laid emphasis on increasing the reach and quality of their respective education industries. On an average, the GCC region is expected to experience a recurring spend of about US\$150 billion towards education over the next couple of years. Saudi Arabia is expected to account for a majority of the total spend on the industry, as it continues to invest towards building infrastructure across the Kingdom for the education industry. Governments are funding the education industry in a substantial manner across the GCC, with contribution from the private sector being miniscule. Oman and Qatar are also prioritizing their education reforms and correspondingly, have a high budgetary allocation towards the industry.

Overall, several government initiatives and growth-driven reforms across all segments of the education industry in the GCC are underway. Among the key initiatives are the ones in the technical and vocational segment. Considering the mismatch in the labor market

demands and the courses offered at education institutions, most of the regional authorities are stepping up efforts in providing vocational training programs. Multiple government initiatives are actively promoting skill build up, with some of the noteworthy schemes being the King Abdullah Scholarship Program for Technical Trainers in Saudi Arabia aimed at promoting vocational and technical education. Such is the Saudi government's emphasis on enhancing the vocational skills of its population that it is also sponsoring overseas vocational education for the locals.

Oman's Eighth Five-Year Development Plan (2011–2015) lays emphasis on the development of the higher education segment, while the Qatar National Vision 2030 has plans to develop an advanced education system, including the technical and vocational segment.

5. Challenges

Education System is still evolving

The GCC education system is enhancing its quality and reach across the region. With the primary and secondary enrolment rates rising due to growing awareness about education, the system needs a qualitative and quantitative upgrade to raise its standards and support a large number of students. Education in fields such as English language, mathematics, and science needs improvement. Public school students are currently required to undertake six-week to two-year foundation courses before pursuing higher education at universities.

Only 29% of the employers believe that the GCC education system produces industry-ready graduates

Education industry experts believe that the courses offered at education institutions need to be better aligned to the industry requirements. Increased attention towards research and innovation at education institutions is required. According to an E&Y study 'Perspectives on GCC youth employment' presented at the Jeddah Economic Forum (JEF) 2014, only 29% of the employers believe that graduates in the GCC region meet the job market requirements. World Bank research shows that the education industry needs to address the demands of skill-intensive fields such as engineering, in particular. The Qudrat TM Research 2012 study⁷⁸ also highlights the need to further shape the attitude of the youth in the region for success in the workplace.

Moreover, at a higher education level, the student preference across the GCC is towards subjects such as social sciences and the arts. The disciplines of science and technology account for 24.6% and 14.8% of the total enrolments in the UAE and Saudi Arabia, respectively⁷⁹. Upper secondary enrolments in vocational or technical subjects are below 30% of the total secondary enrolments across the GCC, except Bahrain⁸⁰. Programs that offer work experience are still evolving in the GCC.

As a result, youth in the GCC account for roughly 30% of work placements, with the UAE at the higher end at 42% and Saudi Arabia at the lower end at 7%⁸¹. Research shows that 43% of individuals with tertiary education in Saudi Arabia are unemployed, with 14% unemployed in the UAE. Despite the high enrolment rate of 51% in tertiary segment; Saudi Arabia faces challenges in providing employment opportunities to its youth (see Exhibit 1).

A Capital-Intensive Industry

The global financial crisis has led the markets in the region to exhibit a cautious attitude towards lending

The setting up of a private school in the region is capital intensive, due to rising real estate prices, electricity expenses, licensing costs, salaries, and visa expenses. Such costs are further compounded by international factors such as currency variations and international labor market conditions. The establishment of an international school requires funds to the tune of US\$50 million to US\$100 million. Private operators generally turn to external investors to secure high initial investments. The global financial crisis has led the markets in the region to exhibit a cautious attitude towards lending. Further, the option of mortgage financing is unavailable as the operators do not own the land on which their institutions are built. In order to combat the increasing cost of acquiring land or renting it, operators usually depend on state-sponsored land grants and charities. Also, educational projects involve a long gestation period.

78 Note: The 2012 GCC study was based on a sample of 15,800 employees from more than 100 organizations and included candidates from the Egyptian market.

79 Source: Alkhabeer Capital study 'Arab Youth Unemployment', published in 2013

80 Source: Alkhabeer Capital study 'Arab Youth Unemployment', published in 2013

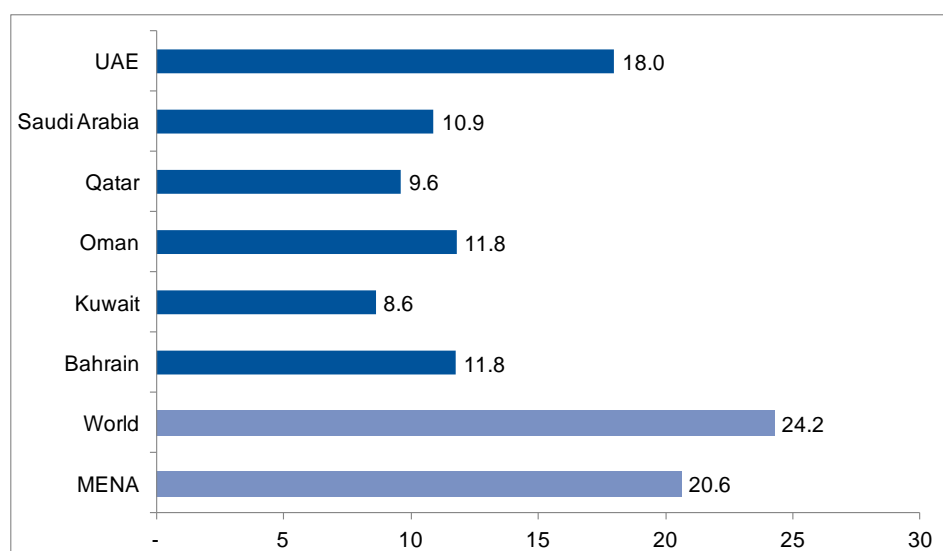
81 Source: The EY study 'Perspectives on GCC youth employment', published in 2014

Shortage of Skilled Teachers

Despite the lowest pupil to teacher ratio globally (see Exhibit 44), the GCC education system presents room for improvement. There is a need for an increase in the skilled teaching faculty across schools in the region, particularly the private ones. As schools are part of the service industry, their performance depends upon the quality of their teachers. As a result, it is important that schools hire, train, and retain skilled teachers. However, a regulated fees environment poses challenges in meeting the competitive compensation levels expected by quality teachers.

On an average, teachers in the GCC serve a tenure of three years⁸². Operators also face the challenge of frequent teacher absenteeism. Rising recruitment costs in the wake of attrition add to the challenges in the industry.

Exhibit 44: Pupil-Teacher Ratio (Primary)



Source: World Bank, Alpen Capital

Note: Data for World and MENA pertains to 2011, while that for Bahrain, Kuwait, Qatar, Saudi Arabia, and the UAE pertains to 2012. Data for Oman pertains to 2009.

The UK and Indian curriculum schools face a higher shortage, where the utilization rate stood at 94% in 2012 in Dubai. Saudi Arabia also demands skilled staff to enhance its teaching and research capability. The Kingdom particularly needs to increase female teaching faculty at education institutions for women. The ratio of female faculty to female students stood at 1:26 in 2010, unlike that for men which was 1:12 during the same year. The SEC in Qatar is planning to hire more than 900 teachers from different scientific and literary disciplines at independent schools and the upcoming institutions in the country in 2014 and 2015. Going forward, the industry will continue to witness a shortage of quality teachers, due to growth in the school-age population, higher enrolments in the pre-primary and tertiary segments, and other qualitative factors.

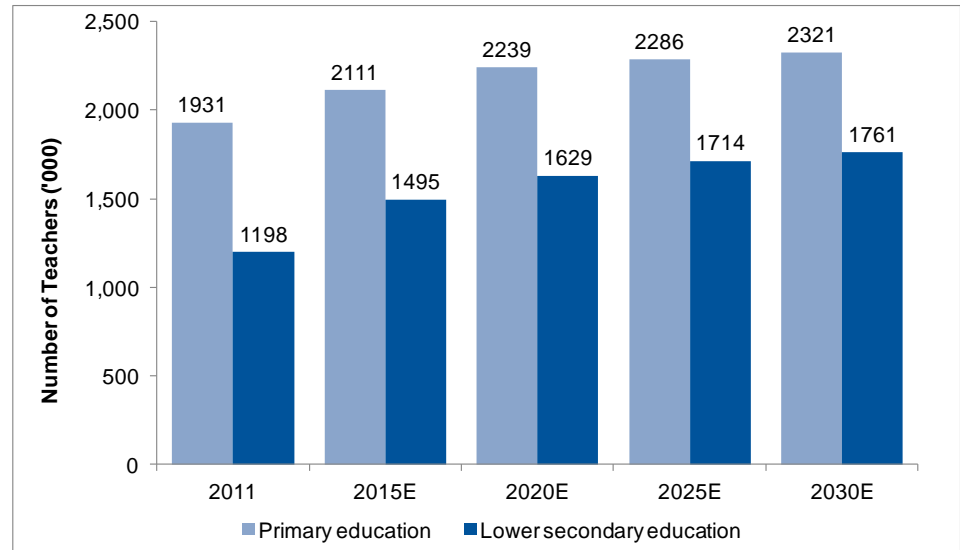
Similarly, the MENA region too faces a dearth of skilled teaching staff. According to UNESCO, shortage of teachers in the MENA region is triggered by growth in school-age population and low literacy ratio⁸³. At a 2.1% CAGR, demand for lower secondary teachers in the MENA region is likely to outpace the demand for primary teachers, which is growing

⁸² Source: Booz & Allen Report, 2011

⁸³ Note: The forecast for the GCC region is not available.

at a 1.0% CAGR (see Exhibit 45). While these numbers are for the MENA region, we expect a similar trend in the GCC region.

Exhibit 45: Forecast for Teachers, MENA Region



Source: UNESCO, Alpen Capital

Private schools in the region are under strict government vigilance concerning matters such as fee hikes

Rising Cost of Education and Government Control on Fee Hikes

Inflation in the industry is the highest among all other items on the Consumer Price Index, leading to the rising cost of education. Even in Oman, the contribution of education services to overall inflation rose from 3% in 2011 to 17.4% in 2012 and further to 45.4% by September 2013⁸⁴. Hiring a highly skilled teaching staff, an imperative for offering superior education, adds to the capital expenditure of investors. Teacher wages represent the highest expenditure for school operators. In order to maintain their quality and reputation, some international schools prefer recruiting skilled teaching staff from overseas locations, adding to their wage costs.

The respective regulatory entities in the member nations conduct audits at private schools against parameters such as the quality of infrastructure, the skill-levels of teachers, modern facilities, and the safety standards followed, demanding a year on year improvement in these. Operators find it challenging to finance the quality enhancement at their schools without the corresponding increase in fees.

Regulators have put a cap on fee hikes and even disapproved them in some cases, considering the inability of the majority to afford high education expenses. Governments of the GCC countries have chalked out detailed criteria for fee hike approvals, as they increasingly seek to protect the interests of the consumers, following the global financial crisis. In 2010, the government of Dubai made it mandatory to seek approval prior to any hike in fees at its private schools. In April 2014, the KHDA allowed private schools in Dubai to hike fees within the range of 5% to 7% for the academic year 2014-2015⁸⁵.

Further, the Saudi Arabian Ministry of Education is in charge of approving fee hikes, following a detailed review and has notified private institutions against unapproved fee

⁸⁴ Source: Central Bank of Oman report

⁸⁵ Source: Gulf News

hikes. For the academic year 2013-2014, only 1,537 private schools out of the 4,499 across the Kingdom were allowed to increase fees on the condition of adhering to the criteria laid down, including the need to raise the percentage of local students at these schools. As of April 2014, the ministry received fee hike requests from 593 private schools (35% of the total 4,400 private schools in Saudi Arabia) for the academic year 2014-2015⁸⁶. Qatar's SEC approved a fee hike in the range of 5% to 15% for 28 private schools for academic year 2013-2014, in view of the increased facilities such as new premises, advanced facilities, safety standards, and IT laboratory with modern equipment. The SEC however disapproved fee hikes at 51 other schools.

Having said that, such inflation-triggered increases however often fail to transform into improved quality. The education quality at about 70% of the private institutions at the UAE was termed "less than satisfactory" by the regulators in 2012-2013.

Rising Popularity of Overseas Education

International education is increasingly gaining popularity among the student community in the GCC region, with the US, the UK, Australia, China, and Germany as the preferred destinations. In order to further encourage higher international education among locals, the GCC governments are granting several scholarships and free educational loans. While such measures will enhance the education levels among the local residents, they act as barriers for the local education providers.

In 2010, more than 15,000 Omani students were enrolled in different streams at various universities and institutions abroad⁸⁷. These students included those who received either full or partial scholarship from the Ministry of Higher Education, a grant from an organization in the private sector and privately-funded students. The Omani government encourages students to pursue higher education overseas. Each year, the government gives out nearly 1,500 scholarships to students looking to further their education abroad⁸⁸.

The Saudi Arabian government also encourages its local students to pursue education at the top-ranked universities in the world. Universities in the US are preferred by the government, despite the high cost of living there. In 2012, more than 71,000 Saudi Arabian citizens are studying in the US; increased by 98% between 2005 and 2012⁸⁹. The number of Saudi Arabian students in the US was 44,566 in 2012, a nearly 30% increase from 2011. In 2012, the government allocated US\$3 billion (SAR10 billion) to send students to the US⁹⁰. Local students can study abroad by availing scholarships under the King Abdullah Foreign Scholarship Program that provides entry into the world's best universities to pursue degrees such as bachelor's, master's, and doctorate as well as medical fellowships.

Kuwait's Ministry of Higher Education has announced plans to offer scholarships for higher education overseas to 4,500 Kuwaiti students in 2013-2014. These grants can be used at the top universities in 13 countries⁹¹. Such measures are driving up the number of students pursuing studies abroad. In 2011, more than 2,000 Kuwaitis were enrolled at UK universities, up considerably from the mid-2000s. As many as 3,722 Kuwaitis attended US institutions in 2012, up from 2,998 in 2011.

86 Source: AMEinfo

87 Source: Oman Organisation – News – "291-more-omanis-opting-to-study-overseas"

88 Source: Ministry of Higher Education, Oman

89 Source: Articles – Latimes – la-me-saudi-student-20131125

90 Source: <http://www.arabnews.com/number-saudi-students-america-6-percent>

91 Source: Thepienews - kuwait-backs-4500-to-study-abroad

6. Trends

Rising Demand for International Schools

Rising income of locals and expatriates in the region is driving families to enroll their children at private schools to benefit from the better quality of education they offer. Private schools offering international curriculum, especially the British curriculum, are on a rise in the region. Several high-end international private schools have come up in the Emirates of Dubai, Abu Dhabi, and Sharjah. International education operator brands, investment banks, and private equity companies are looking at investing in this industry that presents many opportunities. Leveraging their experience and reputation in serving the education market, international operators are setting up their branch campuses in the region. In order to build economies of scale, players are consolidating their local and regional operations. The quality of education, infrastructure, and the facilities offered by the international schools offset their high fee structure. The added benefit of English as the language of instruction further encourages expatriate parents to enroll their children at these schools.

Globally, the UAE continues to dominate the international school market, with the presence of 433 international schools. Also, there are currently 233 international schools in Dubai alone. Saudi Arabia houses 195 international schools and Qatar, 130

Globally, the UAE continues to dominate the international school market, with the presence of 433 international schools. Also, there are currently 233 international schools in Dubai alone⁹². Student enrolments at Dubai's international schools have risen by 40% since 2009. Dubai's private schools are currently at 90% capacity and its premium international schools are operating at, or near, full capacity, with waiting lists. The International School Consultancy Group predicts that Dubai will see continued strong growth for several years to come. Among other GCC nations, Saudi Arabia is host to 195 international schools while Qatar houses 130.

In recent years, a desire for better quality education is inducing locals to turn towards private education institutions. In 2012-2013, locals accounted for 56% of the attendees in Dubai-based private schools, up from 34%, a decade ago⁹³. This shift in trend can be inferred from the declining enrolment rates in public schools. For instance, the gross enrolment rate at public schools across Qatar declined from 65.1% in 2000 to 49.3% in 2012; while in Kuwait, it declined from 71.4% to 62.8%, during the same period⁹⁴.

Along with the international schools, the presence of international universities in the GCC is rising. The UAE has led the way by hosting the largest number of private universities in the region. Most of these universities are affiliated to or established in collaboration with international universities or institutes. The chief objective of such collaborations is to promote a globalized mindset among students and prepare them adequately for the international job market. Students unable to study abroad can avail international quality education in their country at the local campuses of foreign universities. Such international universities also improve the standard and the quality of higher education within the region.

Overall, the region is witnessing an increasing number of international schools and universities, especially those with an honorable track record overseas. However, regional dynamics differ across the border, presenting distinct educational requirements. Therefore, international educational providers successful in their home countries may or may not be equally successful in the GCC region. This is reiterated by the fact that few international educational establishments in the GCC achieve good ratings from regulatory bodies.

⁹² Source: The International School Consultancy Group (ISC Market Intelligence)

⁹³ Source: The KHDA

⁹⁴ Source: UNESCO

An Emerging Education Hub in the Middle East

The GCC education system is emerging as an education hub in the region, ranking high in quality compared to MENA as well as some Asian nations. Egypt, Saudi Arabia, and the UAE hosted 4% of the global share of mobile students by the end of 2013⁹⁵ due to their effort towards attracting international students. For the Middle East, the share of mobile students increased from 12% to 26% between 1999 and 2012⁹⁶. As the third most popular destination (following France and the US) for students from the region, Dubai now outpaces the UK in attracting students from the Middle East.

Dubai now outpaces the UK in attracting students from the Middle East and has become the third most popular destination (followed by France and the US) for students from the region

The UAE and Qatar are particularly favored by overseas students due to their easy-to-obtain visas, the presence of several colleges affiliated with reputed foreign institutes, and their quality faculty. Accordingly, the GCC higher education segment is seeing a steady rise in foreign student enrolments. As per the UNESCO, the number of foreign students in Qatar has increased gradually from 3,393 in 2008 to 5,387 in 2010, of which 3,791 coming from neighboring Arab states. In 2010, 58% of total foreign students were women.

The UAE hosts several private universities which collaborate with foreign institutes to offer quality western education in a multi-cultural environment. These universities offer better job opportunities upon completion of education, which is encouraging an inflow of students. Lower travel costs and cultural familiarity are part of the appeal. The UAE-based campuses of Indian institutes are popular among Indian students. According to the Consulate General of India, there are 20+ offshore campuses of Indian higher education institutions in Dubai and the northern emirates, hosting more than 5,000 Indian students. Students from India increasingly prefer the UAE branches of reputed Indian institutes due to several factors ranging from global exposure, proximity to their native country, a high level of safety to a relaxed admission criteria and award of degrees by the parent institutions. As a result, Indian institutes in Dubai host a high proportion of students from India. As many as 40% of the students at the BITS Pilani Dubai campus are from India. Also, students from India account for more than 55% of the 400 students at the S.P. Jain Centre of Management in Dubai. Of the total 1,600 students at the Manipal Academy of Higher Education (MAHE) Dubai, 95% are Indian, 5% of which are from India⁹⁷.

A Research-driven Higher Education Segment in the Making

With support from the government, universities are undertaking concrete initiatives to build their research capabilities. The establishment of the University Leadership Council (ULC) in the UAE is a step in this direction. Several top universities of the UAE have joined hands to set up the ULC, under the aegis of its executive committee which comprises the heads of the American University of Sharjah, the Khalifa University, the Masdar Institute, the UAE University, and the Zayed University. One of the key roles of the ULC is that of a bridge between the industry and the government to clearly delineate and understand the objectives of the research-based universities. In addition, such collaboration is also aimed at achieving common goals such as encouraging R&D; further building the educational objectives of the universities in the country; and drawing up relevant policies to meet the needs of the industry as well as the economy. Similarly, the Qatar Foundation also invests in the country's education, scientific research, and community development through joint ventures and partnerships.

⁹⁵ Source: UNESCO

⁹⁶ Source: UNESCO

⁹⁷ Source: Gulf News – Offshore dreams: Indian students in Dubai.

A robust research and innovation foundation is essential to upgrade the level of higher education. However, there is a genuine shortage of researchers as well as faculty across the doctorate and post-doctorate research levels in the GCC region. As a step towards addressing these challenges, governments could make it mandatory for the higher education institutions to comply with their short and long-term research agenda to qualify for state funding as well as gain and continue with their national or international accreditation.

Demand for Technology-driven Education

The GCC countries are increasingly focusing on technology to build their research, development, and innovation capacity and create national innovation systems. In a bid to transition to knowledge societies, most countries have initiated national experiments to pilot technology and teaching at schools. In order to enhance the global competitiveness of their education systems, governments across the region are focused on encouraging the use of Information Communication and Technology (ICT) in education. The incorporation of ICT into teachers' professional development and their resultant use for classroom instruction is gaining importance both in the GCC. In particular, the development of high-achieving "smart" schools, based on the Singaporean and Malaysian models, is a rapidly growing phenomenon in the GCC countries.

The Arab Bureau for Education in the Gulf States (ABEGS) and the International Society of Technology in Education (ISTE) jointly announced a new program in March 2014 which is aimed at preparing educator-mentors in the Arabian Gulf states. The program is designed to provide sustainable support and training to teachers on the effective use of technology and digital resources for teaching.

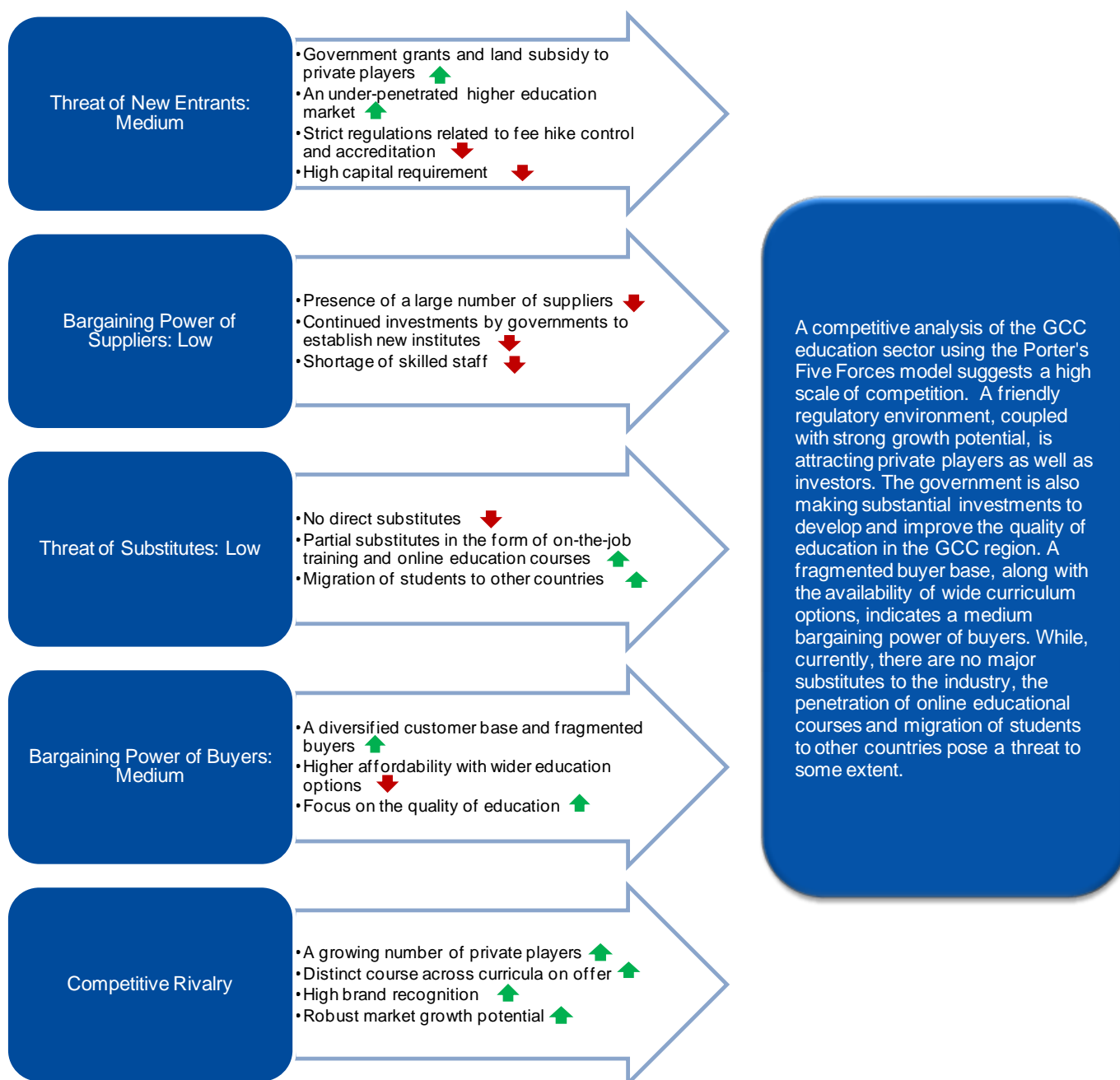
In January 2014⁹⁸, the UAE Ministry of Education announced the opening of its first technology center which will connect students across emirates. The hub is equipped with huge touch screens that serve as demonstration units for technology solutions and smart education tools. The center is aimed at becoming a hub for smart education and experiential educational tools that are located at the UAE Ministry of Education offices in Dubai and across the country. With its high-tech equipment, the center is in line with the government's objective of introducing digital schools and smart learning.

⁹⁸ Source: Khaleej Times - More technology for public schools in UAE

7. Porter's Five Forces Model

Using the Porter's Five Forces Model, we have aimed at evaluating the competitiveness of the GCC education industry from the educational operators' point of view (see Exhibit 46). A supportive and friendly regulatory environment along with the growth potential of the industry is attracting private players into it. Moreover, low threat of substitutes and medium bargaining power of buyers are favoring the development of educational institutes within the region.

Exhibit 46: Competitiveness of the GCC Education Industry



Source: Alpen Capital

Note: ▲ Indicates that the factor is increasing the intensity of a particular force

▼ Indicates that the factor is decreasing the intensity of a particular force

8. Key Education Projects in the Region

The GCC region is making substantial investments towards the development and expansion of its education industry. As per Zawya, the GCC region is witnessing the execution of 355 educational projects, most of which (92%) are being developed in Saudi Arabia, followed by Qatar, Kuwait, Oman, and the UAE. Saudi Arabia has committed about US\$3.6 billion towards the construction of 325 educational projects, whereas Qatar has directed investments to the tune of US\$2.4 billion towards the construction of 15 projects. Some of the biggest projects include the Kuwait University City's construction of the College of Business and College of Women, with an investment of US\$900 million, and the College of Engineering and Petroleum, with an investment of US\$548 million.

Exhibit 47: Key Educational Projects across the GCC Region

Project Name	Country	Project Value (US\$ millions)	Expected Completion
Kuwait University City - College of Business and College of Women	Kuwait	900.0	2016
Kuwait University City - College of Engineering and Petroleum	Kuwait	548.0	2014
Kuwait University City - Faculty of Arts and Education	Kuwait	428.0	2015
Kuwait University City - College of Science and Faculty Club	Kuwait	140.0	2014
Qatar Foundation Central Library	Qatar	274.0	2014
Ashghal - Ten New Schools Around Doha and Villages	Qatar	250.0	2014
Ashghal - 10 Kindergartens around Doha and Villages - Package 6	Qatar	72.0	2014
Ashghal - Doha and Suburbs Schools - Package 3	Qatar	70.3	2014
Ashghal - Madinat Khalifa South & North, and Oneiza Schools	Qatar	65.0	2014
Ashghal - Rawdat Al Hamama and Al Thameed Schools	Qatar	60.0	2014
Ashghal - Umm Salal Ali and Umm Salal Mohammad Schools	Qatar	47.0	2014
Saudi Arabia MoHE - King Khaled University - Phase III	Saudi Arabia	187.0	2015
Saudi Arabia MoHE - Qassim University - Medical Colleges	Saudi Arabia	141.0	2014
Saudi Arabia MoHE - Al Dammam University Administration Building & Multipurpose Hall	Saudi Arabia	91.9	2017
Saudi Arabia MoHE - Al Imam Muhammad Bin Saud University - College of Engineering and Preparatory Year College	Saudi Arabia	80.0	2015
Saudi Arabia MoHE - Umm Al Qura University - Faculty of Social Sciences and Faculty of Dua'a for Women	Saudi Arabia	64.0	2015
Saudi Arabia MOHE - King Saud University - Medical Research Center	Saudi Arabia	NA	2014
Saudi Arabia MOHE - Tabouk University - Deanship and Administration Building	Saudi Arabia	69.3	2014
Saudi Arabia MOHE - Umm Al Qura University - Faculty of Social Sciences and Faculty of Dua'a for Women	Saudi Arabia	64.0	2015
Saudi Arabia TVTC - Saudi Institute for Water Technologies in Jeddah	Saudi Arabia	56.8	2016
Saudi Arabia MOE - Ibn El Jawzi Elementary, Intermediate and Secondary Schools	Saudi Arabia	55.0	2015
Oman MoHE - Sohar Laboratory Building	Oman	8.5	2015
Oman MoE - 54 Classrooms Girls Basic Education School	Oman	4.1	2015
Sultan Qaboos University - Annex Building For College of Education	Oman	2.0	2014
TDIC - Saadiyat Island Development - Cranleigh School	UAE	-	2015
EKI - Foremarke School Dubai	UAE	-	2014

Source: Zawya, Alpen Capital

Note 1: MoE refers to the Ministry of Education and MoHE refers to the Ministry of Higher Education

Note 2: Educational project details for Bahrain are unavailable.

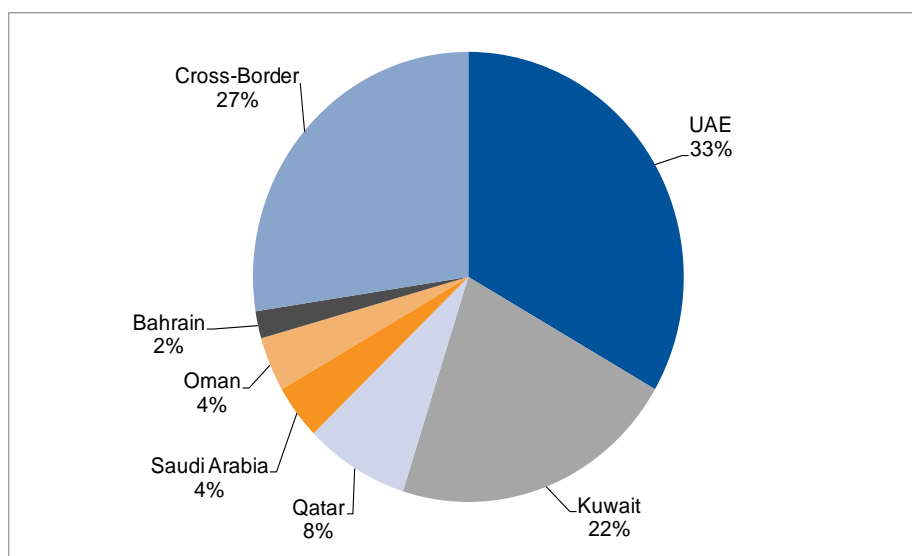
9. M&A Activities

The GCC education industry is witnessing an interesting phase backed by financial institutions and investment houses. It is receiving an intrinsic thrust due to the growing awareness of education among its population. As a result, M&A activity in this exciting industry has picked up pace in recent times.

The GCC region saw 23 deals between 2011 and 2013, of the total 51 during the last decade (2004 to 2013). The UAE and Kuwait attracted the majority of the strategic buyers and private equity players, with 17 and 11 deals, respectively. The industry has also seen several cross-border deals during the last ten years. Dubai-based GEMS, one of the largest private educational institutions in the region, has made strategic acquisitions in the UK and India. One of the largest deals in recent years, by value, was the US\$76.3 million acquisition of the GL Education Group in the UK by Investcorp Bank, an alternative investments firm in Bahrain. With this deal, the investor aimed at capitalizing on GL Education Group's robust standing in the education assessment services market.

Private equity companies have keenly invested in growth-oriented and promising private school operators. The education players are adopting sale-and-leaseback deals to raise the funds. In late 2013, GEMS had entered into two deals with Emirates REIT and PineBridge Investments for an undisclosed amount⁹⁹. In these transactions, the PE investors will continue to hold the ownership of the schools and GEMS will continue to be the school operator. These transactions have facilitated additional funding for GEMS without impacting any major core assets. Further, Varkey Group, the parent company of GEMS, acquired a majority stake in AHC GCC Investment LLC in June 2014, to enter into the higher education segment in the UAE.

Exhibit 48: Deals Classification by Geography (2004 to 2013)



Source: UNESCO, Alpen Capital

Note: Cross-border deals include the acquisition of business in countries such as the UK, India, Pakistan, Jordan, and Algeria.

Sensing the potential, large private equity funds and regional investment companies are increasingly scouting opportunities in the GCC education industry. Among the active investors during 2013 were Al Najah Education (ANE) backed by Al Masah Capital,

⁹⁹ Source: The National

Securities Group Company KSC, and PineBridge Investments Middle East. ANE came into existence in early 2012 to make the most of the region's opportunity-rich education industry. Accordingly, ANE entered into a series of acquisitions including Star International School Umm Sheif (2013), Cooper Nursery (2013), and Horizon English School (2012). Private equity firm NBK Capital also made its presence felt, with investments in Newton Schools (2011) and Eikon International Holding (2012). In sync with the inflow of private equity funds, the industry saw profitable exits by funds such as Kuwait Investment Opportunities Fund (2013), Amwal AlKhaleej (2012), and the Global Opportunistic Fund (2013).

A rapidly changing education market is expected to continue presenting opportunities for M&A activities across all segments. Players active in the high-demand areas such as end-to-end K-12 education, vocational training, English language capabilities, and early age education are expected to find many suitors.

Exhibit 49: Major M&A Deals in the GCC Education Industry – 1/2

Acquirer	Acquirer's Country	Target Company	Target's Country	Target's Business Description	% Acquired	Year of Announcement	Deal Value (US\$ million)
GFH Capital	Bahrain	Undisclosed private school	UAE	Offers private k-12 education with American curricula in Dubai and Northern Emirates	NA	2014	34
Al Najah Education	UAE	Cooper Nursery - Horizon Kids	UAE	Education solutions provider for children aged three months to four years	100	2013	N/A
Al Salam Bank	Bahrain	Education Experts Company	Saudi Arabia	An education and training solutions company catering to individuals and institutions	N/A	2013	N/A
Emirates REIT	UAE	GEMS World Academy	UAE	A provider of educational services	N/A	2013	N/A
PineBridge Investments ME	Bahrain	Dubai School Property (GEMS)	UAE	A provider of educational services	100	2013	N/A
Al-Salam Bank - Bahrain B.S.C.	Bahrain	Education Experts Company for Education & Training	Saudi Arabia	A provider of English education and training in preparatory-year programs, seminars, as well as customized programs for universities and institutes	100	2013	N/A
Al Najah Education	UAE	Star International School Umm Sheif	UAE	Offers academic programs at the primary and secondary school level	100	2013	N/A
Securities Group Company K.S.C.	Kuwait	Al Mansour Educational Services Company WLL	Kuwait	A provider of educational services	100	2013	14.2
United Education Company	Kuwait	Al Rayan Holding Company	Kuwait	A K-12 education company operating six schools with more than 10,500 students	82	2012	N/A
United Education Company	Kuwait	Al Rayan Holding Company	Kuwait	Owns and operates educational institutions in Kuwait	82	2012	N/A

Source: Zawya, Alpen Capital

Note 1: MoE refers to the Ministry of Education and MoHE refers to the Ministry of Higher Education

Note 2: Educational project details for Bahrain are unavailable.

Exhibit 50: Major M&A Deals in the GCC Education Industry – 2/2

Acquirer	Acquirer's Country	Target Company	Target's Country	Target's Business Description	% Acquired	Year of Announcement	Deal Value (US\$ million)
Varkey Group Limited	UAE	Global Education Management Systems	UAE	Offers private K-12 education services through a network of private schools across the world	25	2012	N/A
Investcorp Bank B.S.C.	Bahrain	GL Education Group	UK	A provider of non-regulated school assessment solutions for schools	100	2012	76.3
Eastgate Capital Group Ltd	UAE	Certain undisclosed schools	UAE	NA	N/A	2011	N/A
Al Khaleej Training & Education	Saudi Arabia	LG & DE Ltd	UK	A provider of global language training services	N/A	2011	N/A
CedarBridge Partners	UAE	Kids First Group	UAE	A nurseries operator in the UAE	35%	2011	N/A
QInvest LLC, Investment Arm	Qatar	FIITJEE Limited	India	A provider of entrance exam training services	N/A	2011	N/A
GEMS	UAE	Everonn Education Limited	India	A provider of education and training services as well as learning equipment	20.6	2011	46.2
Varkey Group Limited	UAE	Everonn Education Ltd	India	A provider of education and training services as well as learning equipment	12	2011	26.3
twofour54 FZ LLC	UAE	SAE Dubai Business of Navitas Ltd	UAE	Offers creative media education, includes courses in audio, film, and media	100	2011	7
NBK Capital Equity Partners	Qatar	Establishment for Educational Development LLC (Newton Schools)	Qatar	Offers foundation stage, primary, and secondary education under the National Curriculum for England & Wales	N/A	2010	N/A
Educational Holding Group KSC	Kuwait	Knowledge Village Co KSC	Kuwait	A provider of integrated services for general buildings as well as educational and training establishments	10%	2010	0.4
Douglas OHI LLC	Oman	Occupational Training International	Oman	A provider of training services focusing on health and safety, emergency response, business continuity, and defensive driving, among others	N/A	2010	1.3
Al-Khaleej Training and Education	Saudi Arabia	Linguaphone Group	UK	A global language training services provider	11	2008	1.3

Source: Zawya, Alpen Capital

Note 1: MoE refers to the Ministry of Education and MoHE refers to the Ministry of Higher Education

Note 2: Educational project details for Bahrain are unavailable.

10. Annexure – Fee Structure in the GCC

A key characteristic of the GCC education structure is that the tuition fee charged by various private schools in the GCC varies widely, based on the curriculum they offer. International schools offering International Baccalaureate (IB) curriculum and American curriculum are expensive, followed by the schools offering British curriculum. Private schools offering American curriculum charge an annual tuition fee in the range of US\$7,000 to US\$28,000 (see Exhibits 51 and 52)¹⁰⁰. The fee charged by private schools offering Indian and Arabic curriculum is relatively less compared to the American or British curriculum-based schools.

Exhibit 51: Fee Structure – Schools

		Pre-primary	Primary & Secondary
School	Curriculum	Annual Fee Range (US\$)	Annual Fee Range (US\$)
UAE			
Dubai American Academy	American	5,266-13,829	17,769
Repton School	British	12,961	12,115-23,140
GEMS Wellington International School	English/IB	9,597-12,088	11,401-19,692
GEMS World Academy	IB	15,476-19,358	18,862-26,173
GEMS - Our Own Indian School	Indian	1,328	1,481-2,638
Dubai Modern High School	Indian	7,292-7,991	8,742-11,448
Saudi Arabia			
American International School	American	8,633-19,109	17,135-19,429
Rowad Al Khaleej International School	American	NA	7,092-8,105
British International School	British	8,925-12,510	11,135-17,967
Jeddah Knowledge International School	IB	7,205-7,586	9,532-13,344
Daratassalam International Delhi Public School	Indian	2,399	2,000-3,679
Qatar			
American School of Doha	American	8,510-14,191	14,170-18,427
Qatar International School	British	3,634-7,692	6,134-9,591
Al Jazeera Academy	IB	6,081	6,309-10,094
Birla Public School	Indian	2,413	1,642-2,851

Source: Respective websites of schools, Alpen Capital

Note: Fees are pertaining to the academic year 2014-2015 or as per the latest available data on the school website.

100 Note: We have used the following conversion rates to represent the fees of the respective schools and colleges in dollars (US): BHD-US\$: 2.6525; OMR-US\$: 2.5975; KWD-US\$: 3.55587; QAR-US\$: 0.2747; SAR-US\$: 0.26662; and AED-US\$: 0.27224.

Exhibit 52: Fee Structure – Schools

		Pre-primary	Primary & Secondary
School	Curriculum	Annual Fee Range (US\$)	Annual Fee Range (US\$)
Oman			
The American International School of Muscat	American	11,832-18,624	16,867-21,275
The British School-Muscat	British	8,182-9,935	9,766-18,225
Sultan's School	IB	5676	6,665-9,997
The Indian School Muscat	Indian	NA	982-1,228
Kuwait			
The Universal American School	American	6,701-8,840	11,161-12,515
New English School	British	5,641-8,719	8,479-13,982
Al-Ru'ya Bilingual School	English/Arabic	7,039	8,386-9,419
American International School	IB	7,722-9,630	12,240-14,342
The Indian Community School Kuwait	Indian	947	1,079-1,300
Bahrain			
Riffa Views International School	American	7,294-16,339	18,044-22,684
St Christopher's School	British	7,217	8,329-17,601
The British School of Bahrain	British	6,899-8,769	7,749-15,671
Bahrain Bayan School	IB	5,502-7,369	6,754-8,442
New Millennium School, DPS	Indian	4,115	2,127-3,673

Source: Respective websites of schools, Alpen Capital

Note: Fees are pertaining to the academic year 2014-2015 or as per the latest available data on the school website.

Exhibit 53: Fee Structure – Colleges

College/University	Fee Range (US\$) - 2012	Fee Range (US\$) - 2014
The AMA International University	129 per credit per unit subject	133 per credit per unit subject
Majan College	3,204 per semester (4 module)	3,247 per semester (4 module)
American University of Kuwait	625 per credit hour	747 per credit hour
Qatar University	137 per credit hour	165 per credit hour
Al Yamamah University	5,322-6,666 per semester	5,399-6,665 per semester
Al Ghurair University	313 per credit hour	313 per credit hour
University of Wollongong	1,388 per subject	1,593 per subject
American University in Dubai	844 per credit hour	885 per credit hour

Source: Respective websites of schools, Alpen Capital

Country Profiles

UAE

Key Growth Drivers

- **Population:** The UAE's population is estimated to reach 9.9 million by 2016, with its expatriate penetration exceeding 88%. A growing base of expatriates and nationals is translating into a rise in the enrolment.
- **Increasing income levels:** The GDP per capita based on PPP is estimated to grow at a 2.9% CAGR between 2013 and 2016. The market intelligence firm Euromonitor has forecasted a 7% annual increase in the UAE consumer expenditure, which will reach AED766 billion in 2014. Rising consumer spending is likely to benefit the education sector.
- **Increasing private sector participation:** According to Education 2020 Conference, the UAE private education sector is valued at AED7 billion in 2014. Local and foreign institutions are increasingly entering the UAE education sector to tap the growing demand from the rising expat population.
- **Growing overseas students:** Quality education, along with a friendly visa policy, will continue to attract students to the UAE from the MENA regions.

Recent Industry Developments

- In May 2014, the government of UAE introduced a new KG admission policy, effective from the September admissions for the academic year 2014-2015. Accordingly, for admission to schools starting in September and April, the cut-off dates have been changed to December 31 and July 31, respectively.
- In 2014, 39 schools in Abu Dhabi received official approvals to hike fees for the academic year 2014-2015. The average hike across these schools is expected to be about 6%.
- Under the smart learning program launched in 2012, all the 440 public schools in the UAE are expected to have classrooms equipped with smart technology by 2020. Already, grade 7 students from 123 schools have been integrated into the program, with grade 8 expected to follow suit by 2015. This program is expected to cost AED253 million.
- The KHDA has initiated a practice of contracts between parents and schools, stating the roles and responsibility of each party. Already introduced in six schools, these contracts are expected to cover 24 private schools in Dubai for academic year 2014-2015.

Macro-economic Indicators

Indicators	Unit	2013E	2016E	2019E
GDP growth at current prices	%	3.2	3.3	6.5
GDP per capita at current prices	AED	161,134	165,588	178,588
GDP per capita based on PPP	US\$	30,122	32,835	36,016
Population	mn	9.0	9.9	10.7
Inflation	%	1.1	2.8	3.9

Source: IMF, Alpen Capital

Number of Students

Segment	2013E	2016E	2019E
Pre-primary	157,719	177,012	195,333
Primary and Secondary	785,229	867,619	956,246
Tertiary	115,510	133,521	153,237

Source: Alpen Capital

Gross Enrolment Rates

Segment	2013E	2016E	2019E
Pre-primary	74.0%	76.1%	77.0%
Primary and Secondary	97.4%	98.7%	100.1%
Tertiary	25.0%	26.5%	28.0%

Source: Alpen Capital

Key Players

Company	Type
Fortes Education	Owns and operates schools
GEMS	Operator of a chain of schools
Innoventures Education	Owns and operates schools
Kings' Dubai	School
Skyline University College	College
Taaleem	Owns and operates schools

Saudi Arabia

Key Growth Drivers

- **Population:** The IMF estimates Saudi Arabia's population to grow at a CAGR of 2% between 2013 and 2016. Moreover, the expatriate population, which accounts for around 30% of the total population, is also expected to increase significantly in the next few years. Population growth is expected to result in higher enrolments at education institutes.
- **Increasing income levels:** The GDP per capita based on PPP is estimated to grow at a 3.9% CAGR between 2013 and 2016 to reach US\$35,005. Rising income levels and expatriates penetration is likely to lift spending on education.
- **Government support:** In its 2014 budget, the Saudi Arabian government increased its allocation to the education sector by 3% to SAR210 billion, which includes the setting up of 465 schools. Higher government spending on the education sector is expected to drive growth.
- **Increasing importance of education among women:** Saudi Arabia's several initiatives towards education for women have resulted in a rise in females pursuing higher education. Although females accounted for 60% of Saudi graduates, only 17% could pursue jobs. The country will focus on opening more female universities to help enter the job market.

Recent Industry Developments

- In May 2014, King Abdullah approved funding to the tune of SAR80 billion for the five-year plan to develop the education sector. The plan includes the setting up of 1,500 nurseries, the training of 25,000 teachers, and the establishment of education centers, among other related projects.
- In 2014, the Ministry of Education cautioned private and international schools against fee hikes without a prior written approval. About 1,537 private schools were allowed to hike fees for the academic year 2013-2014, based on criteria such as rise in the local student enrolments.
- In May 2014, Saudi Arabia has signed collaborative agreement on seeking expert advice from Singapore on the development of primary education and vocational training to meet the industry needs by honing its education system.

Macro-economic Indicators

Indicators	Unit	2013E	2016E	2019E
GDP growth at current prices	%	1.5	3.2	4.9
GDP per capita at current prices	AED	93,177	96,035	103,391
GDP per capita based on PPP	US\$	31,245	35,005	39,673
Population	mn	30.0	31.9	33.8
Inflation	%	3.5	3.5	3.5

Source: IMF, Alpen Capital

Number of Students

Segment	2013E	2016E	2019E
Pre-primary	264,803	368,582	483,793
Primary and Secondary	6,391,644	6,811,095	7,250,894
Tertiary	1,258,268	1,452,285	1,663,953

Source: Alpen Capital

Gross Enrolment Rates

Segment	2013E	2016E	2019E
Pre-primary	14.5%	19.0%	23.5%
Primary and Secondary	104.2%	104.5%	104.8%
Tertiary	52.0%	56.5%	61.0%

Source: Alpen Capital

Key Players

Company	Type
Ma'arif For Education and Training	Owns and operates schools
Al-Hussan Education and Training Group	Owns and operates schools

Qatar

Key Growth Drivers

- **Population:** Qatar's population is projected to grow at a CAGR of 9.1% between 2013 and 2016, led by the rise in the number of expatriates. Expanding expatriate population is likely to result in an increase in the school-age population in the future.
- **Rising income levels:** The GDP per capita based on PPP is expected to increase to US\$100,107 in 2016. Increased spending propensity is likely to benefit the private education sector development, in addition to the overall sector growth.
- **Increasing private participation:** In addition to a growing expatriate population, government incentives such as tax benefits, protection of foreign capital investment, and favorable FDI policies are encouraging private participation in the sector. Last year, four large private players partnered to open two schools in the country and support the future development of the sector.
- **Government investments:** The education sector is one of the key pillars of the Qatar National Vision 2030. The government plans to build 85 schools during 2014 and 2015 to develop and provide high quality education in the country.

Recent Industry Developments

- In May 2014, the SEC approved up to 4% hike in fees at several private schools for the forthcoming academic year. The SEC also approved the setting up of 90 new private schools, 64 of which have already received their license.
- In March 2014, the Qatari government announced its decision to build 85 new schools under its 2014-2015 financial plan to cater to the increasing demand for education in the country.
- In January 2014, the Ministry of Interior signed a deal with an international consulting company to build a police college at a cost of QAR1.5 billion.
- With the vision of evenly distribution of schools across geography, the SEC has announced opening, closing, relocating of number of schools as well as allocating new building for Kindergartens. Overall, the SEC plans to open ten new schools and six Kindergartens from next academic year.

Macro-economic Indicators

Indicators	Unit	2013E	2016E	2019E
GDP growth at current prices	%	5.3	6.1	7.8
GDP per capita at current prices	QAR	364,948	340,330	389,427
GDP per capita based on PPP	US\$	98,814	100,107	118,809
Population	mn	2.0	2.6	2.8
Inflation	%	3.1	3.6	3.4

Source: IMF, Alpen Capital

Number of Students

Segment	2013E	2016E	2019E
Pre-primary	43,519	49,734	56,838
Primary and Secondary	210,457	228,544	257,477
Tertiary	19,214	24,110	29,938

Source: Alpen Capital

Gross Enrolment Rates

Segment	2013E	2016E	2019E
Pre-primary	75.8%	77.0%	78.2%
Primary and Secondary	100.3%	96.9%	97.0%
Tertiary	13.0%	14.5%	16.0%

Source: Alpen Capital

Key Players

Company	Type
Al Jazeera Academy	School
English Modern School (Al Muftah)	School
Noor Al Khaleej International School	School
Taleb Group	Owns and operates schools

Kuwait

Key Growth Drivers

- **Population:** Kuwait's aggregate population is estimated to grow at a 2.8% CAGR between 2013 and 2016. A growing population base will remain the main driver of the education enrolments.
- **Rising income levels:** Kuwait is home to one of the wealthiest populations in the world, with its GDP per capita based on PPP at US\$39,706 in 2013. This GDP per capita is expected to increase at a 1.8% CAGR between 2013 and 2016. Higher spending power is likely to draw more private participation in the sector. Today, the private sector accounts for about 40% of the total students in the country.
- **Government support:** As part of its education reforms, the government of Kuwait plans to pass regulations that encourage private players, introduce a new national curriculum, and outsource certain school functions. Such plans to provide high quality education and vocational training bode well for the sector growth.

Recent Industry Developments

- In May 2014, the Kuwait University signed a MoU with the Tehran University of Medical Sciences in Iran, to promote the exchange of educational expertise between the two.
- In December 2013, the Kuwaiti government announced plans to transform its Ministry of Education into an independent authority, headed by a Secretary General. The Council of Ministers will directly control the authority.
- In October 2013, the Private Education department of the ministry announced fee hikes by 3% at foreign schools for two years, starting from the academic year 2013-2014.
- In July 2013, the Ministry of Higher Education announced its intention to disburse overseas study scholarships to 4,500 Kuwaiti students in the academic year 2013-2014. Students can use these grants at top universities in 13 countries.

Macro-economic Indicators

Indicators	Unit	2013E	2016E	2019E
GDP growth at current prices	%	0.4	1.3	4.8
GDP per capita at current prices	KWD	13,240	12,419	12,935
GDP per capita based on PPP	US\$	39,706	41,870	45,865
Population	mn	3.9	4.2	4.6
Inflation	%	2.7	4.0	4.0

Source: IMF, Alpen Capital

Number of Students

Segment	2013E	2016E	2019E
Pre-primary	89,494	98,308	107,957
Primary and Secondary	592,912	646,407	702,199
Tertiary	97,627	109,734	123,223

Source: Alpen Capital

Gross Enrolment Rates

Segment	2013E	2016E	2019E
Pre-primary	79.0%	79.9%	80.8%
Primary and Secondary	102.5%	102.9%	102.9%
Tertiary	43.0%	44.5%	46.0%

Source: Alpen Capital

Key Players

Company	Type
Al Rayan Holding Company	Owns and operates schools

Oman

Key Growth Drivers

- **Population:** The population of Oman is projected to grow at a 3.1% CAGR between 2013 and 2016 to reach 3.5 million by 2016. In 2013, expatriates represented 44% of the total population. Growing Omani and expat population is likely to fuel demand for education in the country.
- **Government funding:** The government of Oman will continue to provide more funding to develop its education sector. For 2014, the government has budgeted OMR2.6 billion for the education sector, constituting around 18.6% of the total public expenditure. Under its 2011-2015 five year plan, the government has directed OMR5.9 billion towards investments in the education sector, with focus on technical and vocational training.
- **Rise in private participation:** The end of October 2013 marked the presence of 27 private universities in Oman, catering to about 35,000 students. The government is encouraging private sector participation by offering incentives such as land grants, customs exemptions, and a maximum grant of OMR3 million to private universities that account for a 50% capital contribution.

Recent Industry Developments

- In May 2014, the Ministry of Education announced plans to launch a teaching license program, making it mandatory for teachers to appear and pass an exam every five years. This is aimed at the professional development of teachers.
- The Muscat University, Oman's first and the only Oxford University accredited institute, is expected to start enrolling students under three major disciplines in 2016.
- In April 2014, the Omani Ministry of Education and the Ministry of Education of Singapore signed a MoU on cooperation in the field of education, especially in the areas of exchange of visits, teacher training and educational assessment.
- In March 2014, Al Masah Capital of UAE through its education platform A Najah Education, announced plans to partner with the Muscat Overseas Group to open a British curriculum school in Muscat.
- In March 2014, Iran and Oman entered into a MoU on labor, employment, and promotion of technical and vocational education in both the countries.

Macro-economic Indicators

Indicators	Unit	2013E	2016E	2019E
GDP growth at current prices	%	2.9	2.8	4.6
GDP per capita at current prices	OMR	9,723	9,430	9,761
GDP per capita based on PPP	US\$	29,813	31,737	34,362
Population	mn	3.2	3.5	3.8
Inflation	%	1.3	3.5	3.4

Source: IMF, Alpen Capital

Number of Students

Segment	2013E	2016E	2019E
Pre-primary	61,916	69,774	78,307
Primary and Secondary	620,576	682,093	746,187
Tertiary	113,014	130,093	148,568

Source: Alpen Capital

Gross Enrolment Rates

Segment	2013E	2016E	2019E
Pre-primary	55.0%	56.5%	58.0%
Primary and Secondary	102.6%	103.0%	103.4%
Tertiary	29.5%	31.0%	32.5%

Source: Alpen Capital

Key Players

Company	Type
Dhofar University	Private University
National Training Institute LLC	Vocational training provider in the computer technology domain
Sohar University	Private University
Technical and Administrative Training Institute	Vocational training provider in the health, safety & environment domain

Bahrain

Key Growth Drivers

- **Population:** Bahrain's population is expected to grow at a 2.0% CAGR between 2013 and 2016. Growth in population will be primarily driven by the expatriates, who already account for more than half the country's population.
- **Increasing income levels:** The GDP per capita based on PPP is estimated to increase at a 3.5% CAGR between 2013 and 2016, led by growing economic activity in the country. Rising income levels and an increasing number of expatriates are likely to boost the spending on education.
- **Government initiatives:** The government of Bahrain had budgeted BHD831 million for the education sector in its 2013-2014 plan towards the improvement of the education quality. The government is committed to the education sector through the National Project to Develop Education and Training and will focus on e-learning.

Recent Industry Developments

- In May 2014, the Minister of Education entered into discussions with UNESCO for cooperation towards the development of technical and vocational education and in-house training in the country.
- In November 2013, the Higher Education Council signed a MoU with the British Accreditation Council, which will enable the higher education institutions in Bahrain to obtain international recognition.
- In January 2014, Bahrain entered into an agreement with the Higher Education Academy, the UK's national organization for learning and teaching in higher education, to enhance its teaching standards by offering career development guidance to teachers.
- Medpoint Design and Events Management have organized a national initiative called the Bahrain Exhibition for Training and Education pre-Employment 2014. This exhibition is expected to provide training, education, and employment opportunities.
- In May 2013, TVET UK signed a MoU with Tamkeen, a human capital development organization in Bahrain, wherein it will provide expertise to enhance the training services in Bahrain.

Macro-economic Indicators

Indicators	Unit	2013E	2016E	2019E
GDP growth at current prices	%	6.1	3.0	2.9
GDP per capita at current prices	BHD	10,318	10,692	11,194
GDP per capita based on PPP	US\$	34,584	38,306	42,487
Population	mn	1.2	1.2	1.3
Inflation	%	3.3	2.5	2.6

Source: IMF, Alpen Capital

Number of Students

Segment	2013E	2016E	2019E
Pre-primary	29,142	32,888	36,831
Primary and Secondary	199,966	220,188	232,502
Tertiary	32,318	35,815	39,573

Source: Alpen Capital

Gross Enrolment Rates

Segment	2013E	2016E	2019E
Pre-primary	50.8%	54.0%	57.0%
Primary and Secondary	99.7%	103.4%	103.0%
Tertiary	34.0%	35.5%	37.0%

Source: Alpen Capital

Key Players

Company	Type
Bahrain Institute of Banking and Finance	Vocational training provider in finance domain

Company Profiles

Al Jazeera Academy (Privately Owned)

Qatar

Company Description

The Al Jazeera Academy was founded in September 2002 by Ghanim Bin Saad & Sons Group Holdings (GSSG). The academy comprises three schools that offer education from nursery to year 12, along with co-curricular activities such as physical education and sports. Totally, the Al Jazeera Academy has 73 primary and secondary classrooms built on international standards.

Business Segments/Product Portfolio

- The Al Jazeera Academy offers pre-school, primary, and secondary (for boys and girls, separately) education based on the English International Curriculum. Students at the end of year 11 have the option to take the International General Certificate of Secondary Education (IGCSE) examinations for some subjects. Education for students in year 12 is based on the Advanced Subsidiary (AS) examination program. Also, the academy offers intervention programs to help students prepare for SAT and TOFEL tests.
- Total school tuition fees range from QAR22,138 (kindergarten) to QAR46,552 (year 12).

Key Strengths

- The academy is backed by the diversified GSSG group.
- It provides high quality education based on the English International Curriculum, with guidance from experienced and skilled teachers.

Recent Developments/Future Plans

- N/A

Al-Hussan Education Group (Privately Owned)

Saudi Arabia

Company Description

Launched as the Arab Cultural Institute for adult education in 1957, today, the Al-Hussan Education Group operates 19 schools and other educational institutes across the eastern province of Saudi Arabia, offering national and international education. More than 7,500 students are enrolled at the schools under the Group. The Group's Al Hussan International School brand offers the British curriculum as well as the IB Diploma program. The Group also operates training centers in Dammam, offering various training programs. Schools under the group are affiliated with the Council of International Schools, the Cambridge International Examination Board, the International Arab Baccalaureate, the Mawhiba and Western Association of Schools and Colleges, and are also accredited by AdvancED Accreditation Commission – a non-profit, non-governmental organization based in the US.

Business Segments/Product Portfolio

The Al-Hussan Education Group owns and operates national and international schools, along with training centers.

- **National Schools:** The Group operates girls' and boys' national schools at Dammam and Jubail as well as a boys' school at Khobar, under its Al Hussan National School brand.
- **International Schools:** The Al-Hussan Education Group operates international schools under its Al Hussan International School brand, which mainly follows the Cambridge curriculum. At these schools, the pre-kindergarten (KG) and KG1 levels follow the Foundation Stage of the Ministry of Education of England and Wales. Education between KG2 to grade 5 is based on the Cambridge Primary Programme, while grades 6 to 8 follow the Cambridge Secondary 1 Programme. Grades 9 and 10 offer the IGCSE syllabus, whereas grades 11 and 12 are based on the Cambridge International Examination Board. The school also conducts American College Board examinations such as SAT1, SAT2, and TOEFL. The IB diploma program is also offered as an option to grade 11 students. The international schools are located in Khobar, Jubail, and Riyadh.
- **Training Centers:** The centers offer computer programs, business programs, ELS language programs, and professional training programs. They have also collaborated with the University of Portsmouth to offer degree programs such as Bachelor's of Science in Computing; Bachelor's of Technology Management and Computing; and Master of Business Administration, among others.

Key Strengths

- Seasoned operator with close to six decades of experience in the education sector

Recent Developments/Future Plans

- N/A

Al Rayan Holding Company (Privately Owned)

Kuwait

Company Description

The Al Rayan Holding Company was established in 2006 to provide K-12 education in Kuwait. Started with a paid-up capital of KD16.3 million, the company has grown over the years through the inorganic route. Today, it operates five schools, with an aggregate capacity of more than 11,000 students. Curricula covered at its schools include the National Curriculum for England and Wales, the Indian Central Board for Secondary Education (CBSE), the Pakistan Federal Board of Intermediate and Secondary Education (FBISE), and the Arabic national curriculum, among others. The company's major shareholders include the United Education Company (82.2%), the Abdulrahman Al Bashir and Al Kazmi Company (11.0%), and Global Investment House (6.12%), as per Zawya.

Business Segments/Product Portfolio

The Al Rayan Holding Company owns the following schools and education-allied services:

- **Kuwait International English School (KIES):** Established in 1991, the KIES primarily offers K-12 education based on the British curriculum to nearly 600 students. The school provides IGCSE education grade 10 onwards, and AS-level education at grade 12.
- **New Pakistan International School (NPIS):** Founded in 1997 in collaboration with the Kuwait Establishment for Education Services, the NPIS offers K-12 education to 2,345 students from 39 countries. The annual fees at this school range between KWD344 and KWD1,400, varying as per education levels. The school is recognized by the Ministry of Private Education and is affiliated with the Pakistan FBISE.
- **International British School (IBS):** The IBS offers K-12 education based on the British National Curriculum.
- **Fahaheel Al Watanieh Indian Private School (FAIPS):** Founded in 1995, the FAIPS offers K-12, IGCSE, and AS-level education to more than 3,900 students. The K-12 education is based on the CBSE curriculum. The annual fee, as per grades, ranges from KWD464 to KWD1,500.
- **Fahaheel Al Watanieh School (FAS):** Established in 1968, FAS is an Arabic community school with three branches, School Fahaheel National Primary, the Benin National School Fahaheel, and the Fahaheel National School Girls. These schools provide education from the kindergarten to the secondary levels.

Key Strengths

- The company is supported by strong capital back-up that helps it fund school acquisitions.

Recent Developments/Future Plans

- In July 2012, the United Education Company acquired an 82% stake in Al Rayan Holding from Global Capital Management, the alternative asset management group of Global Investment House.

Bahrain Institute of Banking and Finance (Privately Owned)

Bahrain

Company Description

Established in 1981 as the Bahrain Bankers Training Centre, the Bahrain Institute of Banking and Finance (BIBF) provides education and training solutions to the finance sector. Through its more than 300 academic and executive development programs, the institute serves several areas of banking, accounting and IT, insurance, Islamic banking as well as leadership and management. The institute has partnered with several popular universities such as the DePaul University, USA (for MBA and Master's in Science programs in Public Administration and Human Resource Management); the Institute of Bankers, Saudi Arabia (for the Darden Leadership Development Program), and the University of Cambridge International (for Diploma in Management).

Business Segments/Product Portfolio

The centers within the BIBF, offering several programs, include:

- **Centre for Academic & Executive Education:** It offers programs such as Leadership Development, the Bangor University Validated Diploma, and the University of DePaul.
- **Centre for Accounting & IT:** It provides professional courses including Certified Public Accountant, Certified Management Accountant, Certified Internal Auditor, Diploma in International Financial Reporting, and Association of Chartered Certified Accountants, among others.
- **Centre for Banking:** Programs offered by this center include the Corporate Governance program, the Certificate for Introduction to Securities and Investment; Foundations of Banking Risk Preparatory program; and courses in Cybercrime and Security.
- **Centre for Insurance:** The center offers four programs including the Professional Insurance Certificate and diploma courses.
- **Centre for Islamic Finance:** Courses offered include Advanced Diploma in Islamic Finance; Islamic Finance Sharia Standards; as well as Conventional and Islamic Project Finance, among others.
- **Centre for Assessment and Development:** It provides programs such as Advanced International Diploma in Business English; Effective Conversational English Program; and the Hay Group program on Job Analysis and Compensation & Benefits.
- **Centre for Leadership & Management:** This offers various courses related to the leadership development and managerial skills.
- **Centre for Research:** The center conducts a workshop on the Foreign Account Tax Compliance Act.
- **Central Bank of Bahrain Endorsed Programs:** They include two-level financial advisor programs and a five-day regulatory program for capital market supervisors.

Key Strengths

- BIBF has been consistently recognized as the Best Global Training Provider for Islamic Finance over the last four years.
- BIBF was ranked 'Outstanding' by the National Authority of Qualifications and Quality Assurance of Education and Training.
- The institute was named the Best Educational Institute in Banking and Insurance by the World Education Congress Asia.
- BIBF is supported by a globally-competent faculty, with a rich market experience as well as internationally-recognized professional and academic qualifications.

Recent Developments/Future Plans

- In February 2014, BIBF entered into strategic partnerships with Association of Certified Anti Money Laundering Specialists, US, the Bahrain Bourse (BHB), and the Bahrain Quality Society (BQS) to boost the research and development of innovative training programs, workshops, and seminars.

Dhofar University (Publicly Owned)

Oman

Company Description

Founded in September 2004, the Salalah-based Dhofar University (DU) is an institution for higher education in Oman. Starting its operations from the premises of the National College for Science and Technology, the institute was incorporated as a university. With the introduction of a new curriculum known as the Dhofar University Program, the institution delineated its courses as different from those offered by Jordan's Yarmouk University's Program (YUP). Through its three colleges, DU offers 46 academic programs in various specializations, including 20 diploma programs, 26 bachelor's degree programs, and 4 master's degree programs. In 2013, DU catered to as many as 4,222 students.

Business Segments/Product Portfolio

- **College of Arts and Applied Sciences:** It offers 20 academic undergraduate programs, two graduate programs, and two minor programs. It operates five departments, namely, Computer Science, Education, Languages and Translation, Mathematics and Sciences, and Social Sciences.
- **College of Commerce and Business Administration:** It offers diploma and Bachelor of Arts degree in business administration. The specializations offered include accounting, management, finance, insurance, management of information systems and marketing. The college also offers the Masters of Art in Management program.
- **College of Engineering:** It offers diploma and bachelor's degree programs in various engineering fields such as chemical, mechanical, and electrical. It also offers minors in mechatronics, IT, and petroleum engineering. The college has five departments, which are, Chemical Engineering, Electrical and Computer Engineering, Graphic Design and Interior Architecture, and Mechanical Engineering.

Key Strengths

- The DU is the first private university in Oman replicating the higher education system in the US.

Recent Developments/Future Plans

- In April 2014, the DU Library launched new electronic services such as self book borrowing and returning, as well as self printing and photocopying, using the smart card.
- In February 2014, the DU announced plans to launch new post graduate programs and a medical college. Further, the university is setting up a workshop for the College of Engineering, which is likely to be completed in mid-2015.

Current Price (OMR) 1.40

Price as on June 30, 2014

Stock Details

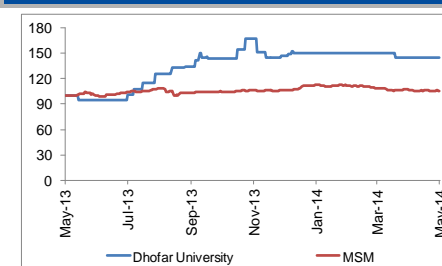
Bloomberg ticker	DHUS OM
52 week high/ low	1.50/0.85
Market Cap (US\$ mn)	50.92
Enterprise value (US\$ mn)	34.35
Shares outstanding (mn)	14.0

Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US\$
3M	1,112.5	2,915.5
6M	16,960.4	44,046.6

Share Price Chart



Valuation Multiples

	2013	Current	2014E
P/E (x)	8.0	7.9	N/A
P/B (x)	1.1	1.2	N/A
EV/S (x)	1.4	1.3	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure

Mustaheel Bin Ahmad Ali Al Maashani and Sons	20.35%
Dhofar Intl. Development & Investment Holding Co.	18.07%
Youssef Bin Alawi Bin Abdullah	16.32%
Abdulaziz Mohammed Al Rawas	10.79%
Others	34.47%
Total	100.00%

Source: Zawya

Financial Performance				<ul style="list-style-type: none"> Revenue of the company grew by 29.2% due to increase in tuition fee by 30.2%. The total number of students was 3,692 during 2012-2013, compared to 2,876 in 2011-2012. Operating profit margin increased from 11.2% in 2012 to 22.5% in 2013 mainly due to lower proportionate increase in expenses compared to revenue growth. Consequently, the company's net income more than doubled to US\$5.1 million, backed by robust growth in tuition fees.
US\$ Million	2012	2013	Change (%)	
Revenue	17.1	22.1	29.2%	
Operating Expenses	15.2	17.1	12.7%	
Operating Income	1.9	5.0	159.1%	
Operating Margin (%)	11.2	22.5		
Net Income	2.1	5.1	146.7%	
Net Income Margin (%)	12.1	23.2		
Return on Equity (%)	6.8	14.3		
Return on Assets (%)	1.7	4.1		

Source: Zawya, Company filings

English Modern School (Privately Owned)

Qatar

Company Description

Established in 1991 as an international school, the English Modern School (EMS) is a part of the diversified Almuftah Group. The school provides kindergarten as well as primary and secondary education to more than 3,000 students from over 40 countries. The EMS is licensed by the SEC and is a member of the Council of International Schools (CIS). It is an official candidate for accreditation with the Qatar National School Accreditation (QNSA) and the New England Association of Schools and Colleges (NEASC). Currently, the EMS has three branches, which are at Al Wakra, Al Khor, and Doha.

Business Segments/Product Portfolio

The EMS offers the following programs:

- Early childhood education (KG 1 and KG 2), based on the Early Year Foundation Stage (EYFS).
- The Cambridge International Primary Programme (CIPP) at its primary school (year 1 to 6).
- The Cambridge International Lower Secondary School curriculum at the lower secondary levels (years 7 to 9).
- The IGCSE and Advanced Supplementary (AS) curricula at the higher secondary levels (years 10 to 12).

The schools' annual fee for the academic year 2014-2015 ranges between QAR21,340 and QAR33,833.

Key Strengths

- The EMS harbors a vast experience in the education sector and is backed by the diversified Almuftah Group.

Recent Developments/Future Plans

- In April 2014, the EMS announced the initiation of the accreditation process for the NEASC. In the next academic year, the school will conduct a rigorous self-study to determine its strengths and areas for improvement.
- In January 2014, the new EMS school at Al Khor started accepting year 10 students for the academic year 2014-2015.

Fortes Education (Privately Owned)

UAE

Company Description

Set up in 1993, Fortes Education develops and manages schools offering nursery and K-12 education in Dubai. The institution is a part of the Fortis Group, a diversified business group founded in 1975 with presence across various sectors such as real estate, construction, and education. Currently, Fortes Education operates four schools, namely, Regent International School, Jumeirah International Nursery School (Al Wasl branch), Jumeirah International Nursery (Al Safa branch), and Jumeirah International Nursery School (Southridge branch). Its schools are based on different models, fee structures, and curricula (including the National Curriculum of England, the American curriculum, the IB Program, and the Central Board of Secondary Education (CBSE) curriculum).

Business Segments/Product Portfolio

Fortes Education operates one school and three pre-schools:

- **Regent International School (RIS):** The school offers international primary and secondary education based on the national curriculum of the UK for both boys and girls. The school provides the IGCSE from the University of Cambridge at the secondary level. RIS is a member of British Schools in the Middle East and is accredited and authorized by the University of Cambridge (International Examinations) as well as the Dubai government's Knowledge and Human Development Authority.
- **Jumeirah International Nursery School (JINS):** JINS is one of the leading foundation education provider and pre-school brand in the UAE. The school offers learning and development programs to children between six weeks and four years of age. JINS has three branches located at Al Wasl, Al Safa, and Southridge.

Key Strengths

- N/A

Recent Developments/Future Plans

- In September 2013, JINS opened a new branch in Southridge.

Global Education Management Systems (Privately Owned)

UAE

Company Description

Established in 1968 in Dubai, Global Education Management Systems (GEMS) is one of the world's leading private organizations providing educational solutions, including K-12 education as well as consulting and charitable services. Privately held by the Varkey Group, the institution caters to more than 142,000 students from over 151 countries. GEMS offers several curricula through nearly 100 schools in the UAE, Qatar, Saudi Arabia, China, France, Jordan, Kenya, Singapore, the UK, the US, India, Egypt, Switzerland, and Uganda.

Business Segments/Product Portfolio

- **American Curriculum:** GEMS operates four schools under this K-12 curriculum based on American standards, with several extra-curricular activities. Covering levels from kindergarten to grade 12, GEMS schools under this category offer the certification of the American High School Diploma upon the successful completion of the final grade. Some of the company's schools offering this curriculum are the Al Khaleej National School (Dubai) and the Sheikh Zayed Private Academy (Abu Dhabi).
- **National Curriculum for England:** GEMS operates 16 schools that offer the British curriculum based on a comprehensive framework. Schools in the UAE include the Cambridge International School (Dubai), the Winchester School (Jebel Ali), and the GEMS Jumeirah Primary School (Dubai).
- **IB program:** GEMS operates three schools under the IB curriculum, offering the Primary Years Program (PYP, 3-12 years students), the Middle Years Program (MYP, 11-16 years), and the Diploma Program (DP, final two years). Some of the company's IB schools in Dubai include the GEMS World Academy, the GEMS Wellington International School, and the Dubai American Academy.
- **Indian Curriculum:** The company offers the Indian curriculum through its 11 schools based on the CBSE and the Council for the Indian School Certificate Examinations (CISCE) programs. Some of such schools include the Dubai Modern High School (Dubai), Our Own English High School (Abu Dhabi) and the GEMS Millennium School (Sharjah).
- **Early Year Foundation Stage (EYFS):** GEMS operates three pre-school institutes catering to the age group of one to four years. The company's Dubai-based schools include Little GEMS International and Little Learners Nursery.
- **Dual Curricula:** The company operates five schools offering a combination of the above curricula. Some such schools include the Dubai American Academy, the GEMS Wellington Academy (Dubai Silicon Oasis), and the GEMS Modern Academy (Dubai).

The institution also operates a Music Academy, a Sports Academy, and GEMS Education Solutions that offers management, planning, consultation, and program implementation services to public as well as private operators in the sector.

Key Strengths

- GEMS schools have consistently featured in the KHDA's list of outstanding schools and good schools.
- GEMS is a large international group with a rich expertise in the education sector complemented by its high caliber teaching staff.

Recent Developments/Future plans

- In 2H 2013, GEMS issued a US\$500 million debut bond sale to fund plans to build 21 schools globally over the next three years and to expand capacity at another 10 existing institutions. In May 2014, GEMS announced the development of 40 schools in Malaysia over the next ten years. The institution is focusing on opening four schools by September 2015.
- In May 2014, private equity players, Investcorp Bank and Fajr Capital, held talks to purchase a 20% to 30% stake in GEMS, which is valued at US\$1.5-2 billion. Through this move, Varkey Group plans to divest up to 25% stake to raise US\$500 million.

Innoventures Education (Privately Owned)

UAE

Company Description

Established in 2004, Innoventures Education owns and operates ten nurseries and seven schools in Dubai, catering to more than 7,300 students from over 100 countries. In 2010, Innoventures Education obtained the management control of Raffles Schools and Nurseries in Dubai through a partnership with Emaar Properties. In 2011, it added Collegiate American School to its portfolio. Innoventures Education also manages Burj Daycare Nursery, which opened in 2012 in the Burj Kalifa.

List of Schools and Nurseries Operated by Innoventures in Dubai

School Name	Level	Curriculum	Program	School Fees (AED) 2013-14
Arabian Ranches Nursery	Nursery	UK	Early Years Program (EYP)	36,000
Burj Daycare Nursery	Nursery	UK	EYFS	36,000-42,000
Collegiate American School	Primary	US	Common Core Standards	36,000-65,000
Dubai International Academy	K-12	UK/US	IB - DP, MYP, PYP	33,618-59,565
Dubai Marina Nursery	Nursery	UK	EYP	36,000
Emirates Hills Nursery	Nursery	International	Montessori	36,000
Lakes Garden Nursery	Nursery	UK	EYP	36,000
Lakes Nursery Dubai	Nursery	UK	EYP	36,000
Old Town Nursery Dubai	Nursery	UK	EYP	36,000
Raffles International School	K-12	UK, US	IB, A-level	26,125-73,150
Raffles International School North Campus	K-10	UK	IGCSE	25,000-75,000
Raffles International School South Campus	K-10	US	A-Level	26,125-61,446
Raffles International School West Campus	K-12	UK, US	IB, IGCSE	25,000-75,000
Raffles Umm Suqeim Nursery	Nursery	International	Montessori	36,000
Raffles World Academy	K-12	UK, US	IB, IGCSE	26,125-73,150
Springs Nursery Dubai	Nursery	International	Montessori	36,000
Springs Town Center Nursery	Nursery	UK	EYP	36,000

Key Strengths

- It offers a complete range of K-12 education under the IB, American, and Cambridge International curricula.
- Conferred with the prestigious Green Flag award by the Eco-Schools, UAE

Recent Developments/Future Plans

- N/A

Kings Dubai (Privately Owned)

UAE

Company Description

Launched in 2004 by the for-profit institution Kings' Holdings LLC, Kings' School Dubai is a primary school offering the National Curriculum for England. Located in Umm Suqeim 3 in Dubai, the school catered to 940 students in the academic year 2012-2013, up from 450 students in the academic year 2011-12, from 54 countries. During the academic year 2012-2013, the school's staff comprised 30 learning assistants and 61 teachers. All the newly-employed teachers at the school are trained in their respective fields in the UK or hold prior experience in the English National Curriculum. The founding company plans to expand by adding two new schools in Dubai, which will offer secondary education by 2016.

Business Segments/Product Portfolio

The Kings' School Dubai provides education based on the National Curriculum for England, supported by several co-curricular activities. The EYFS curriculum forms the basis of the pre-primary education at the school and is divided into two stages; one catering to students aged one and two years and the other meeting the needs of the three to six year-olds. The foundation stage, starting from the age of three, grooms the child in all aspects of personal development including academic, social, emotional, artistic, and physical. At the foundation stage, the school charges a tuition fee of AED33,441, which rose to AED50,892 by year 6.

Key Strengths

- During the academic year 2013-2014, the regulatory authorities rated the school as outstanding for the sixth consecutive year.

Recent Developments/Future Plans

- Based on the success of Kings' School Dubai, Kings' Holdings LLC will open two new schools within the city in September 2014, namely, Kings' School Nad Al Sheba and Kings' School Al Barsha.
- The Kings' School Nad Al Sheba will offer courses from the foundation stage one to year six, followed by expansion plans to offer secondary education in 2016. On the other hand, the Kings' School Al Barsha will provide education from foundation stage to year 9 and plans to expand services to year 12 by 2016.

Ma'arif For Education and Training (Privately Owned)

Saudi Arabia

Company Description

Established in 1970, Ma'arif For Education and Training (Ma'arif) is the leading operator of private schools in Saudi Arabia. The organization owns more than 100 schools in the country, offering Arabic and international curricula to more than 23,000 students. In order to aid learning and result in a student's holistic development, the company has also devised relevant, unique academic programs and extra-curricular activities at its schools. Ma'arif deploys the latest technology for teaching under its Smart Education initiative, which includes the provision of Classmate PC to young students; an online learning gateway to parents and students as well as the use of interactive boards. Apart from traditional education, the company also offers training programs targeted at students, teachers, and the top management of Ma'arif.

Business Segments/Product Portfolio

- **Schools:** Ma'arif's schools offer K-12 education across national and international curricula. As a learning aid to its students, the schools offer an additional high-level program, which focuses on the development of English language skills as well as subjects such as mathematics and science with the medium of instruction as English. Ma'arif also offers the IGCSE certification as part of the British curriculum as well as prepares students for the SAT, SAT2, and AP examinations, upon completion of certain higher grades at its schools. AlFaisaliah Islamic schools for girls, Green Hills International, Manarat Asir Schools, Noor Al Islam School, Manarat Riyadh Schools, Manarat Jeddah Schools, Manarat Madinah Schools, and Manarat Mekka Schools are some of the schools owned and operated by Ma'arif.
- **Unique Academic Programs:** The company's schools offers unique academic programs ranging from enhancing basic life skills to career planning. Ma'arif has established a Life Skills Center in collaboration with the American organization "Paxton and Patterson" at its schools. The center offers programs to improve students' life skills. Ma'arif has also established a Life Development Center that offers training programs in interior design, clothes production and marketing, as well as banking services, among others.
- **Training Projects:** The organization offers a range of training programs such as academic training aimed at teachers and coaches; specialized training focusing on subjects such as English, computer science, and mathematics; leadership development programs for the top management personnel; special skills programs such as time-management, meetings management, conversation, body language, and presentation; financial and administrative training; and self-development programs aimed at developing social and cognitive skills.

Key Strengths

- Ma'arif has over 40 years of experience in operating schools.

Recent Developments/Future Plans

- In June 2013, Manarat Al-Riyadh International Schools obtained full accreditation from AdvancED, a non-profit, non-governmental organization which provides accreditation to primary and secondary schools. During the year, the company's Al Faisaliah Islamic Schools were also accredited by AdvancED.

National Training Institute LLC (Privately Owned)

Oman

Company Description

Oman-based National Training Institute LLC (NTI), established in 1985, is the leading provider of vocational training for employment solutions, and one of the key training organizations in the areas of health, safety and environment (HSE), information technology (IT), and executive and management development. The company is ISO 9001:2008 certified, with a quality management system in place. Recently, NTI became a part of Babcock International Group, which is one of the largest private sector vocational training providers and leading engineering support services organization in the UK. NTI has an extensive project management experience in various training fields.

Business Segments/Product Portfolio

- **HSE Training:** The company offers driving and first-aid courses to industrial players across the GCC. NTI's several health and safety courses are accredited by the Institution of Occupational Safety and Health (IOSH), while its driving courses are accredited by the National Safety Council, US. Its training courses include Defensive Driving, IOSH Working/Managing Safely, Safe Journey Management, Electrical Safety, Welding Safety, and Work at Heights, amongst others.
- **Technical Training:** NTI offers a wide range of technical courses to working professionals, fresh graduates, and diploma holders to cater to skill-set requirements in various industries. Some of the company's training courses are internationally certified. In addition to the long duration courses, NTI provides industry-specific short courses. NTI's technical trainings include Fundamentals of Reservoir Engineering, Logistics and Inventory Management, Mechanical Maintenance, and Certificate in Scaffolding.
- **IT Courses:** The company offers IT training through its 284 international franchise training centers called New Horizons Computer Learning Centers. NTI's computer training center in Oman has partnerships with global IT majors such as Microsoft, Oracle, and CompTIA. These centers are also equipped with testing facility from MOS Testing Centers and Prometric. The company offers both classroom trainings as well as e-learning modules.
- **Commercial Training Division:** NTI provides various management development programs such as conflict handling and team building, strategic management, interviewing skills, employee motivation, self and stress management, and basic sales course. The company's training development programs include Train the Trainer, Assessor Training, and Content Development, among others. NTI also offers language-related training in the areas of English language, business writing skills, as well as spoken and written Arabic.

Key Strengths

- NTI is a market leader in providing training for employment solutions.
- It is now a part of one of the largest private sector vocational training providers in the UK.
- It has entered into partnerships with globally-recognized companies and organizations.

Recent Developments/Future Plans

- On December 31, 2013, the Babcock International Group acquired NTI from Renaissance Services SAOG. Through this deal, NTI has provided Babcock with a strong platform to boost its initiative in supporting the Omanization program, thereby improving its presence in the country.

Noor Al Khaleej International School (Privately Owned)

Qatar

Company Description

Established in 2002, Noor Al Khaleej International School (NAKIS), located in Doha, is a part of the Noor Group and a sister concern school of the Al Noor International School in Bahrain. At 1:20, the school's teacher to student ratio is in line with the global average. In order to facilitate learning and holistic development, the school also takes students on periodic field and educational trips depending upon the requirement of curriculum.

Business Segments/Product Portfolio

NAKIS offers K-12 education with the following levels.

- **Kindergarten:** NAKIS offers a two-year kindergarten program which covers learning in the areas of numeracy and literacy. At this stage, activities are well-integrated with each concept, making learning easy. Methods of learning are therefore paired with activities such as music and games, which leads to the all round development of students. Extra-curricular activities lend further support to learning.
- **Primary and Secondary Education:** NAKIS follows British curriculum which leads to IGCSE (International General Certificate of Secondary Education) and AS Level (Advanced Subsidiary Level). The school offers subjects such as English, Arabic, French, Islamiyat, mathematics, science, computers, social studies, business studies, accounts, economics, music, art, and physical education. Further, upon clearing grades 9 and 10, students earn IGCSE as well as the AS-level certification, depending upon their curriculum option.

Key Strengths

- NAKIS provides modern educational methodology such as smart boards and interactive methods of instructions.
- The school is a recognized and approved center for University of Cambridge Local Examination Syndicate for conducting these international exams.

Recent Developments/Future Plans

- N/A

Skyline University College (Privately Owned)

UAE

Company Description

Founded in 1990, the Skyline University College (SUC) offers bachelor's and master's programs in its campus spread over 40 acres in the University City of Sharjah. The university has associations with various educational institutes across the UK, the US, Australia, New Zealand, Pakistan, Ireland, and India, among others, facilitating its students to pursue further studies at overseas locations. The SUC also has professional relationships with IATA-UFTAA, Association to Advance Collegiate Schools of Business, Confederation of Tourism and Hospitality, Association of Chartered Certified Accountant, and the World Tourism Organization. The SUC's programs are approved and accredited by the Ministry of Higher Education and Scientific Research, UAE.

Business Segments/Product Portfolio

The SUC offers:

- The Bachelor of Business Administration (BBA) program, with majors in travel and tourism management, information systems, marketing, international business, and finance.
- The Master of Business Administration (MBA) program, with specializations in marketing, finance, human resource management as well as strategic management and leadership.

The college has started weekend batches for the BBA and MBA programs since September 2011. The SUC also has an English language center to help students hone their English language skills.

Key Strengths

- The SUC has relationships and affiliations with international colleges as well as universities.

Recent Developments/Future Plans

- In May 2014, the SUC entered into a MoU agreement with Sharjah Municipality, under which, it will provide counseling services, workshops, free training sessions, and periodical management development programs to the government employees. With this development, the SUC will benefit from its exposure as the government's educational partner.

Sohar University (Privately Owned)

Oman

Company Description

The Sohar University (SU) is the first private university in Oman and is owned by the Oman Education & Training Investment Company. Starting as the Sohar College for Applied Sciences in 1998, the institute partnered with the University of Lincolnshire and Humberside based in the UK. Since 2001, SU has been affiliated with the University of Queensland in Australia, which is a member of Universitas 21, an international universities network. SU offers undergraduate and postgraduate programs in various fields. In addition to faculty programs in English, SU offers few courses in Arabic language. SU also offers Foundation Program to high school graduates, helping them acquire skills required for entry into faculty programs. SU operates five faculties, namely, Arts and Law, Business, Computing & IT, Engineering, and English Studies.

Business Segments/Product Portfolio

- **Faculty of Arts and Law (FAL):** Established in 2012, FAL offers a bachelor's degree in physical education, music, law, and Arabic literature. SU's Bachelor of Law is the first program in Oman, available in both English and Arabic languages. This faculty also offers a master's program in educational administration as well as in curriculum and teaching methods. FAL also offers diploma programs in various fields. The faculty has also established the Arabic language center (SULC) for non-native students. FAL plans to expand its course offerings in the next few years.
- **Faculty of Business (FB):** The faculty offers undergraduate programs in various fields such as accounting, management, marketing, business and commercial law, and management information system. FB also offers a two-year Executive Master of Business Administration program.
- **Faculty of Computing and IT (FCIT):** Through this faculty, the SU provides undergraduate courses in computer and multimedia, computer and web engineering, networking and database, and business IT. The faculty offers internationally-recognized certification from renowned organizations such as Adobe, Oracle, and Cisco. FCIT has also launched its Master's in Computer Science program.
- **Faculty of Engineering (FE):** Established in 2001, FE offers diploma, advanced diploma, and bachelor's degrees in civil engineering, chemical engineering, electrical and computer engineering, as well as mechanical and mechatronics engineering.
- **Faculty of English Studies (FES):** This faculty provides advanced education in English language studies as well as English language and translation. FES also offers an undergraduate program in journalism and media.

Key Strengths

- SU is one of the leading universities in Oman.
- It is affiliated with the University of Queensland, Australia, one of the leading international universities.

Recent Developments/Future Plans

- In March 2014, the SU awarded a contract for the construction of its main campus at a cost about OMR9.5 million.
- In July 2013, the SU entered into a co-operation agreement in scientific research with a British company.
- In January 2013, the SU signed a contract with an Italian firm for the construction of phase two of the university with a capacity of about 10,000 students. The construction was expected to commence in H1 2013, with its completion scheduled within 18 months.

Taaleem (Privately Owned)

UAE

Company Description

Established as Beacon Education in 2004, the company was renamed as Taaleem in 2007 by entering into collaboration with Maadares, a joint venture between the UAE National Bonds Corporation and the Government of Dubai. The company develops and manages ten schools to offer nursery to secondary education in Dubai. Taaleem's education solutions include international curricula as well as customized multi-lingual early childhood programs.

Business Segments/Product Portfolio

Taaleem owns and operates the following institutions:

- **Pre-schools/Kindergarten:** The company operates three schools in Dubai offering the International Curriculum for Languages and Creative Arts. Launched in 2005 as The Children's Garden, the schools provide customized multi-lingual as well as music and movement programs. These schools are located in the Dubai Investments Park, Jumeirah, and Al Barsha areas of Dubai.
- **Al-Mizhar American Academy:** The school offers K-12 education to girls and only kindergarten education to boys based on the American Curriculum. The school is accredited by the Council of International Schools and New England Association of Schools and Colleges.
- **School under the National Curriculum for England**
 - **Dubai British School:** Accredited by the Council of International Schools, this school offers education from the foundation stage until year 13, along with co-curricular activities.
- **Schools offering the IB program**
 - **Greenfield Community School:** Established in 2007 and located in Dubai Investments Park, the school offers K-12 educational services under the three IB programs, along with extra-curricular activities.
 - **Raha International School:** Based in Abu Dhabi, this K-12 school is accredited by the European Council of International Schools.
 - The company's other K-12 schools in Dubai include **Jumeirah Baccalaureate School** and **Uptown School**.

Key Strengths

- The company is affiliated with international bodies.

Recent Developments/Future Plans

- The company is planning to open two new schools in September 2014 and September 2015 in the Jumeirah Islands and Jumeirah Park, respectively, under the name of Dubai British Foundation. The first school will provide early year's childhood education for the three to five year-olds, whereas the second school will offer courses for the age of one to 13 years.

Taleb Group (Privately Owned)

Qatar

Company Description

Incorporated in 1955, the Taleb Group is a diversified business entity with presence in various sectors such as education, construction, service, manufacturing, and hospitality. Currently, the Group operates three schools, namely, the Cambridge School Doha, the Cambridge International School for Girls, and the Doha Modern Indian School. At these schools, the Taleb Group provides kindergarten, primary, and secondary education to more than 4,000 students.

Business Segments/Product Portfolio

- **The Cambridge School (TCS):** TCS offers kindergarten, primary, and secondary education, based on the National Curriculum for England. The school prepares its students for the IGCSE as well as the advanced and AS-level examinations following the Cambridge International Examinations Board.
- **Cambridge International School for Girls (CISG):** The CISG provides kindergarten, primary, and secondary education following the National Curriculum for England to girls. Students are prepared for the IGCSE level examination, which is based on the Cambridge International Examinations Board syllabus. The CISG is accredited as a Cambridge International Examination Centre. The school is accredited by the QNSA.
- **Doha Modern Indian School (DMIS):** Established in 2005, the DMIS offers kindergarten, primary, middle school (grade 6 to 8), and secondary education based on the CBSE, Indian curriculum. The DMIS prepares its students for the All India Senior School Certificate Examinations (grade 12). The school follows the day boarding system for grade 3 and above. The DMIS falls under the supervision of the SEC, Qatar. It is the first Indian school to obtain the QNSA.

Key Strengths

- The DMIS is the only day boarding school in the region and the only Indian school with the QNSA recognition.

Recent Developments/Future Plans

- In December 2013, the DMIS was accredited with the QNSA for a period of five years by the SEC. The school was also rated as one of the best schools in its category.

Technical and Administrative Training Institute (Privately Owned)

Oman

Company Description

Established in 1993, the Technical and Administrative Training Institute (TATI) is one of the biggest private training organizations in Oman. Having started its operations as a small training center in Madinat Al Sultan Qaboos, TATI has now expanded across the country. The institute offers more than 200 programs, mainly focused on workforce training and development for both the public and the private sectors. TATI also provides management consultancy and manpower recruitment services. The institute offers courses in the fields of health, safety and environment as well as defensive driving. The institute also provides professional development programs for the workforce in the country.

Business Segments/Product Portfolio

- **Defensive Driving (DD) Training Services:** TATI is the only DD training provider, which is contracted by Petroleum Development Oman (PDO). The DD training courses include classroom-based theory modules, in addition to on-road assessment of current practices and preparing students for the final assessment by SDI-SHEIDA, PDO's standards body. TATI DD trainers are accredited by the UK-based, Royal Society for the Prevention of Accidents (RoSPA). The institute also provides Safe Journey Management training.
- **Manpower Services:** TATI offers manpower services to the Ministry of Manpower as well as the colleges of technology under the ministry. The institute also offers job opportunities in its own training centers.
- **Vocational Training Programs:** TATI provides long duration technical training in the fields of air conditioning repair, fabrication, carpentry, rigging, and welding, as well as short courses in electronics and electrical wiring. The institute provides Heavy Goods Vehicle and Plant Equipment trainings, which include trailers, mobile cranes, bulldozers, as well as forklifts and are required in the civil engineering and heavy goods transportation areas. TATI offers commercial training programs for both the public and the private sector organizations, with courses in retail, sales and distribution, customer service, IT, administration, and accountancy, among others.
- **HSE Training Programs:** TATI's HSE courses enable the employees recognize and efficiently deal with work place hazards. The institute offers PDO-approved as well as customized HSE training programs.

Key Strengths

- TATI is one of the leading employee training and development institutes in Oman.
- It offers a wide spectrum of training programs.
- It is the only DD training provider contracted by PDO.

Recent Developments/Future Plans

- In May 2014, TATI signed two contracts worth OMR135,000 with Shell Development Oman, under which, it will provide onsite trainings in the field of non-destructive testing and welding.
- In May 2013, TATI was re-accredited by RoSPA to become the second driver-training institute in the world with RoSPA's Accreditation Plus certification.

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