



# GCC Education Industry

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## TABLE OF CONTENTS

<b>1</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
1.1	Scope of the report .....	4
1.2	Investment rationale .....	4
1.3	Investment risk.....	5
1.4	Conclusion.....	5
<b>2</b>	<b>GCC EDUCATION INDUSTRY OUTLOOK.....</b>	<b>6</b>
2.1	Methodology summary .....	6
2.2	Outlook snapshot.....	7
<b>3</b>	<b>FINANCIALS AND VALUATION.....</b>	<b>9</b>
<b>4</b>	<b>THE GLOBAL EDUCATION INDUSTRY .....</b>	<b>11</b>
<b>5</b>	<b>THE GCC EDUCATION INDUSTRY .....</b>	<b>13</b>
5.1	Overview .....	13
5.2	Industry structure .....	13
5.3	Public vs. private sector participation .....	14
5.4	Reforms in the Education Sector .....	15
5.5	Private equity presence in education sector.....	16
5.6	Growth drivers.....	17
5.7	Industry trends .....	20
5.8	Challenges .....	23
5.9	Way forward.....	25
	<b>COUNTRY PROFILES.....</b>	<b>1</b>
	<b>COMPANY PROFILES .....</b>	<b>1</b>
	<b>APPENDIX: EDUCATION PROJECTS IN THE REGION .....</b>	<b>52</b>

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# 1 Executive Summary

## 1.1 Scope of the report

This report caters to investors looking for opportunities in the GCC education sector. The focus of the report is on GCC education segment and factors that drive revenue and earnings for the industry, as well as opportunities and challenges.

Our aim has been to cover all – primary, secondary and tertiary – education segments comprehensively. Our education sector model estimates total students in all education segments as well as teacher requirement till 2020.

## 1.2 Investment rationale

The GCC education sector is on a growth trajectory. The industry is poised for unparalleled and consistent growth propelled by increased private sector participation, rising education needs in the region as well as government initiatives to improve the education system. The governments in the region display political will and strong intent to create infrastructure and promote innovation. The governments have initiated various policies and regulations to attract higher private sector participation. Moreover, many foreign schools and universities have set-up their campuses in the region. The growing need for quality education and commitment by the governments throws up a number of investment opportunities within this sector.

The total students in the region are expected to grow from 9.5 million in 2010 to 11.3 million in 2020 at a CAGR of 1.8%. The number of tertiary students is expected to witness the highest growth during this period, as education awareness grows and participation in private sector jobs also rises.

Moreover, at primary and secondary education level, enrolment in private education sector is also estimated to experience an increase. Alpen Capital expects it to grow from 1.3 million students in 2010 to 1.9 million students in 2020, at a CAGR of 3.3% during the period.

As the total students in the region increase, we expect requirement of around 163,200 more teachers in 2020, compared to 2010 level. This also includes requirements due to attrition and retirement of teachers at 6.5% per year.

Compared to student-teacher ratio of 15:1 of developed nations, GCC nations have an improved student-teacher ratio hovering around 11:1. However, this can represent a misleading picture about education quality in the region because many teachers lack required skill-sets. Therefore, besides requirement in terms of number, significant requirement of skilled teachers also exists. Moreover, as private sector participation rises in the sector, the ratio would normalise to reach level of developed nations.

Increasing number of students and teachers will lead to an increase in the demand for additional schools and colleges. Total schools requirement is estimated to grow from ~ 49,500 in 2010 to ~55,700 in 2020, with share of private sector schools expected to rise from 11% to 14% during the same period. This provides investment opportunities for the private sector to take advantage of the need for quality education.

The GCC region governments are undertaking various reforms to improve education quality in the region. They have set-up various regulatory agencies such as Dubai School Councils to monitor the education quality of schools and colleges in the region, as well as, train teachers in tandem with global education standards. They are also promoting education of children with special needs.

Besides these trends, Information and Communication Technology (ICT) implementation in the education sector is also rising. Apart from introducing ICT as a new academic subject, courses are being developed to include computer programming and computer engineering. For instance, the UAE government has introduced several computer-training initiatives such as International Computer Driving License (ICDL) and IT Education Project (ITEP).

### **1.3 Investment risk**

The plethora of opportunities is punctuated by a few challenges that the industry is currently facing. Currently, the private sector participation is low in education sector. The quality of education still lags behind developed economies, resulting in many students opting to go overseas for higher education. Also, education sector is one of the capital intensive industries with high turnaround time, which acts as a barrier for many investors looking for a quick turnaround. Moreover while new government policies are implemented to accelerate the private sector participation and help keep pace with increasing demand in the region, these might take time to implement and hence there exists an execution risk.

### **1.4 Conclusion**

The GCC education sector is poised for a strong growth along with fundamental and structural changes. However, efficient regulatory and monitoring agencies are required to raise the education standard in the sector. Governments should promote technical and vocational education to make the workforce skilled for private sector as well. The governments in the region are taking necessary steps to implement key changes required to raise the standards of education in the region. However since these gaps lead to additional requirement in number of schools, significant opportunities for private sector exist. Alpen Capital believes that the GCC education service sector will witness a major transition in the quality of services provided and in competitiveness on the global basis. This report outlines Alpen Capital's viewpoint on the GCC education sector and potential investment opportunities.

## 2 GCC Education Industry Outlook

### 2.1 Methodology summary

We have forecast the total students in GCC education industry until 2020 based on educational statistics data from the United Nations Educational, Scientific and Cultural Organisation (UNESCO), World Bank and the Ministries of Education (MoE) of the respective GCC countries. Following is a brief of the methodology adopted.

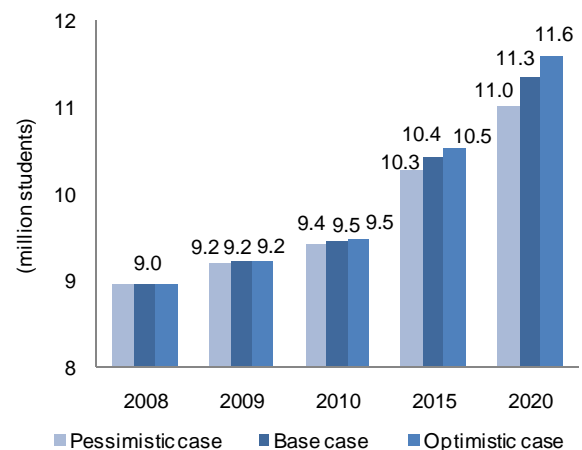
Number of students is calculated as:

**Number of students** =  $\text{School age population} * \text{Gross Enrolment Rate} / 100$

Projection for each of the above-mentioned components is premised on historical values, forward estimates provided by global bodies such as the WHO, the IMF, the World Bank and our analysis of the GCC education sector.

- **Population estimates:** Historical figures are from IMF sources, whereas the growth projection is as per estimates provided by the World Bank.
- **School age population:** for primary/ secondary/ tertiary education, comprise all children in primary/ secondary/ tertiary school age in the GCC nations. Historical figures are from UNESCO and projected taking demographics growth estimates from World Bank.
- **Gross Enrolment Rate (GER):** is the total enrolment in a specific level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education in a given school year. GER sometimes exceeds 100% due to adult education.
- **Optimistic case:** In this scenario, we assume tertiary education GER to grow at a rate higher than its historical trend. This is premised on the rationale that government policies and reforms along with private sector participation leading to improved quality of education would enhance tertiary education in the region. Again, the rate of increase of GER varies across the GCC countries.
- **Base case:** Tertiary education GER growth rate in each GCC country is kept equivalent to the average historical rate.
- **Pessimistic case:** In this scenario, we assume tertiary education GER to grow at a rate lower than its historical trend. The underlying rationale is that implementation of government policies as well as private sector participation reach is low, leading to low tertiary education participation and student mobility overseas for higher quality tertiary education.

**Chart 1: GCC total students: 2008 to 2020**



Source: Alpen Capital

Considering already high GER for primary and secondary education for GCC nations, we have assumed GER for these segments to reach 100%. We expect growth impetus to influence tertiary enrolments and therefore, have **modelled three tertiary education GER growth-rate scenarios** in our analysis to provide a range-based number of students and related metrics.

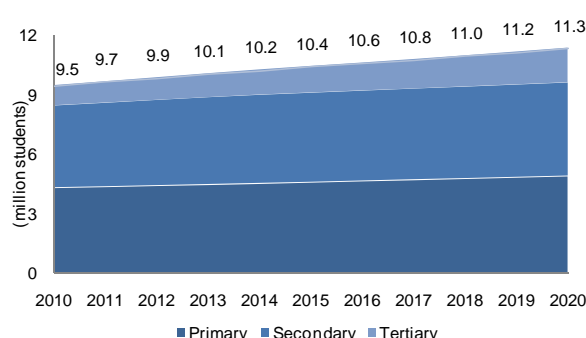
Based on the above-mentioned three GER growth rate scenarios, we expect the total students in GCC region to be in the range of 11.0 million in 2020 in a pessimistic scenario and 11.6 in an optimistic scenario (see Chart 1). Similarly, additional teachers' requirement will be in the range of 141,800–179,500 during this period.

## 2.2 Outlook snapshot<sup>1</sup>

### Total students in GCC region expected to rise from 9.5 million in 2010 to 11.3 million in 2020

Alpen Capital expects the total students in GCC region to grow at a CAGR of 1.8% during 2010 to 2020 to reach 11.3 million in 2020 from 9.5 million in 2010. Number of tertiary students is expected to grow at a highest CAGR of 5.5%.

Chart 2: GCC total students distribution: 2010 to 2020



Source: Alpen Capital

The share of tertiary education students is expected to rise from 11% in 2010 to 15% in 2020, while primary education share would decline from 46% to 43% during the same period (see Chart 2).

### Private enrolment share to rise from 16% in 2010 to 19% in 2020 in primary and secondary education segment

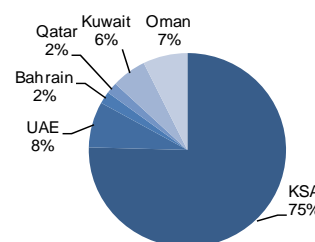
Enrolment in private education sector is estimated to grow from 1.3 million students in 2010 to 1.9 million students in 2020, at a CAGR of 3.3% during the period. This growth would result from two scenarios – increment in private schools in the region and rise in average number of students in private schools. This would be primarily because private schools are perceived to offer better education than public schools.

Moreover, current low private sector participation in the GCC Education sector provides ample opportunities to the investors looking to harness the latent potential in the sector and invest in sector's developing stage.

### Saudi Arabia has the highest share

Considering Saudi Arabia's huge population base, it has the highest share of 75% in terms of total students in the GCC education sector. Saudi Arabia is followed by UAE in the region (see Chart 3).

Chart 3: Regional distribution of students: 2010



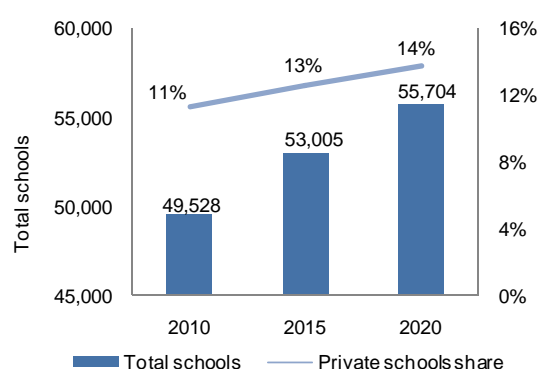
Source: Alpen Capital

Going forward, in 2020, Saudi Arabia is expected to command 74% share, followed by 8% share of UAE and Oman each, 6% share of Kuwait and 2% share of Bahrain and Qatar each.

### ~6,200 additional schools required by 2020 to meet growing demand

Increase in student population is expected to drive demand for more schools in the region. Total schools are expected to grow at a CAGR of 1.2% during 2010 to 2020<sup>2</sup> (see Chart 4). Due to its huge student population, over 80% of total schools are estimated to be located in Saudi Arabia.

Chart 4: GCC total schools: 2010 to 2020



Source: Alpen Capital

Private schools growth rate is expected to outpace that of public schools. The number of private schools in the region is estimated to increase at a CAGR of 3.2% during 2010 to

<sup>1</sup> All projections in this section are based on Base case scenario

<sup>2</sup>For calculation purposes, we assume average students in each school to remain constant during 2010 to 2020

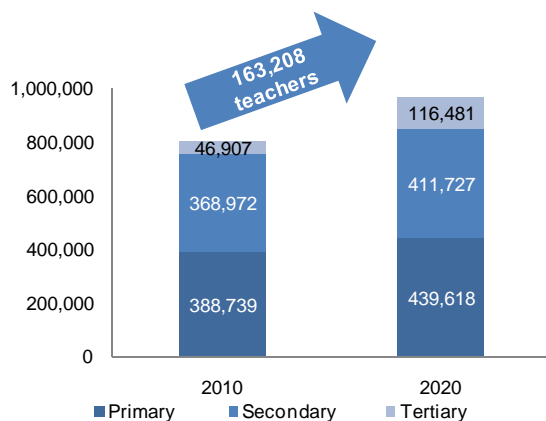


2020, while public schools are projected to grow at a significantly lower rate of 0.9% during the same period.

### Additional requirement of around 163,200 teachers during 2010 to 2020

We expect the requirement of around 163,200 teachers in 2020, compared to the 2010 level (see Chart 5). As the education awareness increases in the region, we expect the tertiary education participation to increase from 6% in 2010 to 12% in 2020. While 74% demand is expected to be generated from Saudi Arabia, UAE and Oman each account for 11% during the period.

**Chart 5: Additional teachers' requirement: 2010 to 2020**



Source: Alpen Capital

This additional teachers' requirement in the GCC region is premised on two scenarios – additional requirement generated due to increasing school age population; and requirement generated due to attrition and retirement of teachers every year. We assume a teachers' attrition rate of 6.5% p.a.

Besides requirement in terms of quantity, requirement in terms of skilled teachers also exists, as currently there is a dearth of teachers for English, science and maths subjects. Going forward, skilled teachers for teaching English, maths, science as well as specialised teachers for serving students with special needs would be needed in the region.

### Student-teacher ratio to normalise

The student-teacher ratio (all primary, secondary and tertiary) in GCC region stood at 11.8:1 in 2010, which is better compared to student-teacher ratio of 15:1 of developed nations such as US, UK and other European countries (see Chart 6).

However, this can present a misleading picture regarding education quality of the GCC region, as many teachers lack required skill sets. Also, private participation is low in the region, compared to developed nations. Going forward, as the private sector involvement rises, and more schools are added, student-teacher ratio would increase and would eventually reach that of developed nations.

**Chart 6: Student-teacher ratio (2010 and 2020)**

Countries	2010				2020			
	Overall	Primary	Secondary	Tertiary	Overall	Primary	Secondary	Tertiary
Bahrain	12.9	13.0	11.2	24.9	12.9	13.0	11.0	20.0
Kuwait	9.7	9.5	9.1	18.9	11.4	10.0	12.0	15.0
Oman	13.5	11.9	14.4	17.2	12.8	11.0	15.0	15.0
Qatar	11.0	12.5	9.7	11.3	11.4	12.0	11.0	11.0
Saudi Arabia	11.6	10.8	11.0	22.0	11.5	11.0	11.0	15.0
UAE	14.8	17.2	12.9	16.4	14.0	15.0	13.0	15.0

Source: UNESCO, World Bank and Alpen Capital analysis



### 3 Financials and Valuation

#### Defining the peer group

In this chapter, we assess the financial performance of nine publicly listed educational companies in the GCC region.

#### Revenue growth

With the exception of Oman Education and Training Investment Company and National Hospitality Institute (NHI) Oman, educational companies reported healthy top- and bottom-line growth in 1Q 2010 (see Chart 7).

NHI posted a negative revenue growth in Q1 2010 primarily due to continued effect of economic crisis leading to allocation of trainees for government-sponsored courses and the continual delay in payment of government debt for work successfully completed.

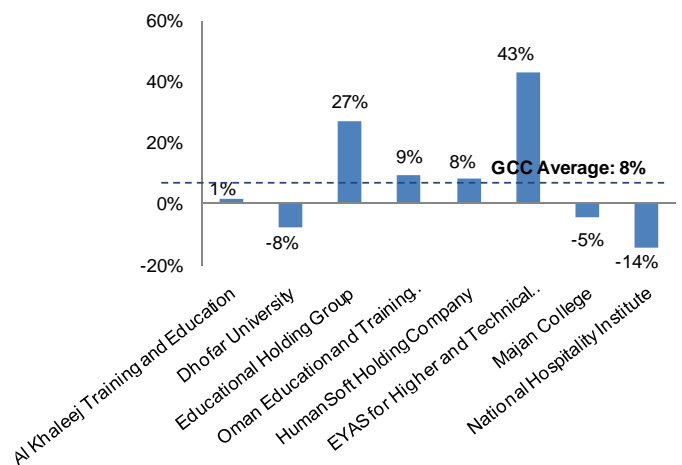
Chart 7: Revenue performance: 1Q 2010

Company	1Q 2009	4Q 2009	1Q 2010	YoY growth	QoQ growth
Al Khaleej Training and Education	88.42	112.34	93.26	5.5%	-17.0%
Educational Holding Group	0.18	0.16	0.37	111.6%	139.0%
Oman Education and Training Investment Company	2.58	2.53	2.53	-2.1%	-0.04%
HumanSoft Holding Company	1.43	1.63	1.57	10.0%	-3.7%
EYAS for Higher and Technical Education Company	2.95	4.44	4.46	51.2%	0.5%
Majan College	0.72	0.71	0.72	-0.7%	0.2%
National Hospitality Institute	0.26	0.16	0.14	-44.1%	-11.3%

Source: Bloomberg; Numbers in local currency mn, 1Q 2010 is calendar quarter, excluding Dhofar University and Nafais Holding Company as 1Q 2010 results are not yet posted

The GCC education players reported average Y-o-Y revenue growth of 7.7% in 2009 (see Chart 8). While EYAS and Nafais Holding Company reported highest revenue growth of 43% and 52% respectively, NHI reported revenue decline of 14% during 2009.

Chart 8: Revenue growth (y-o-y) :2009

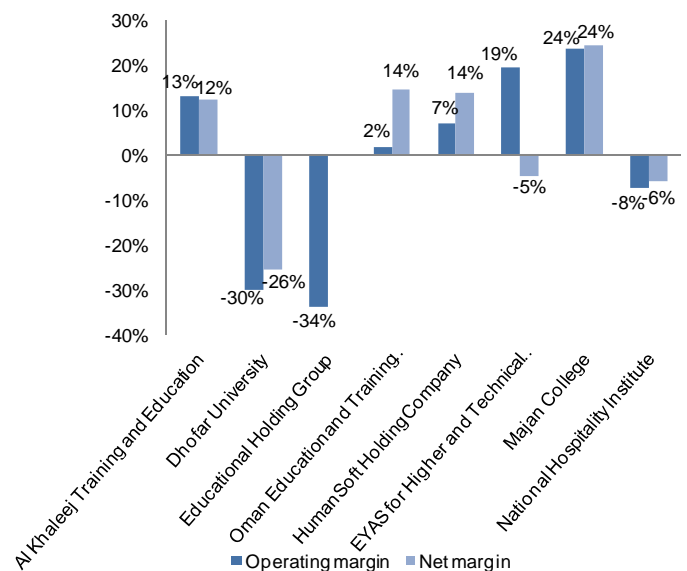


Source: Bloomberg

#### Operating margin and net profit margin

Most of the companies reported positive operating margin and net profit margin in 2009 (see Chart 9). However, average operating margin of GCC companies was -0.9% and average net profit margin was 4.1% in 2009.

Chart 9: Operating margin and revenue growth (2009)



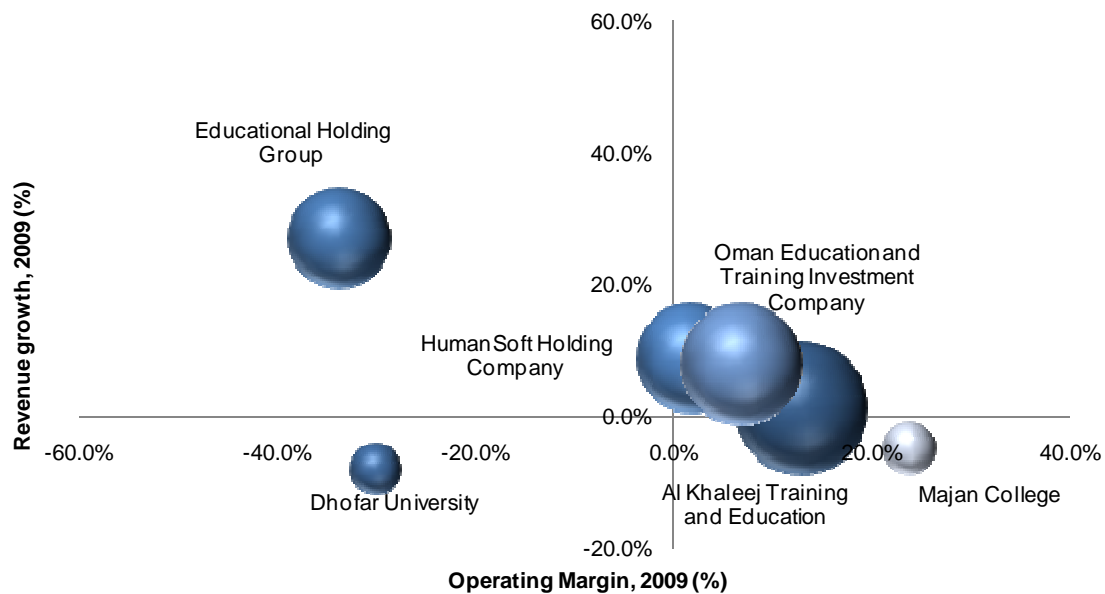
Source: Bloomberg; excluding exceptions

## Operating margin and Revenue growth

Training companies such as EYAS and Oman Education and Training Investment Company outperformed their competitors in 2009 recording high revenue growth as well as high operating margin. Going forward, a positive outlook

is expected for educational companies and colleges as with increased private sector jobs and increased participation in higher education, training and vocational companies and colleges are set to perform well.

**Chart 10: Operating margin and revenue growth (2009)**



Source: Bloomberg; Size of the bubble indicates the market cap of the company (in USD); excluding EYAS and Nafais Holding Company

## 4 The Global Education Industry

The future growth and stability of any economy depends on the ability of its education system to prepare people with the required knowledge and to successfully integrate them into the workforce and contribute towards the nation's economy. To this effect, education has always been seen as a fundamental component of human well being and national productivity.

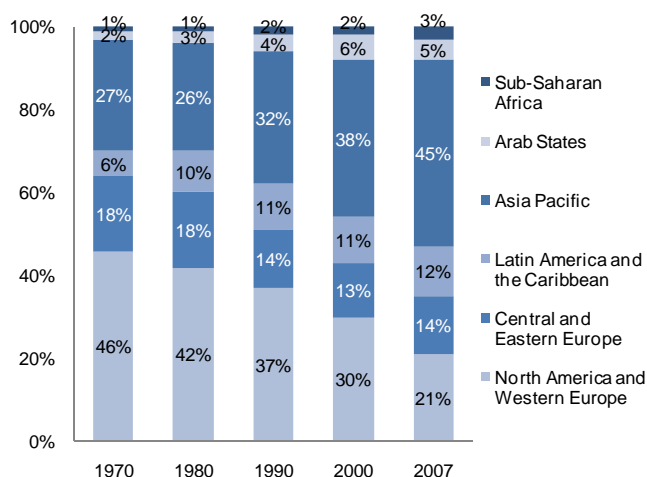
The Global education industry is the second-largest industry after healthcare. It had a market size of ~US\$ 2.5 trillion in 2005. In terms of geography, the US has the largest share in the global education market.

Some of the significant trends in the global education industry include:

### Number of tertiary students increasing

The students in tertiary education grew five-fold from 28.6 million in 1970 to 152.5 million in 2007<sup>3</sup>. The number of students has almost doubled every 15 years.

**Chart 11: Global tertiary enrolment by region (1970 to 2007)**



Source: UNESCO Institute for Statistics

The share of students studying in North America and Western Europe declined from almost 50% in 1970 to 20% in 2007 (see Chart 11). This indicates the growing popularity of tertiary education in other regions such as

Asia and Central and Eastern Europe. The Asia Pacific has surpassed North America and Western Europe in tertiary enrolments primarily due to China, where number of students grew almost 19% each year since 2000.

The growth in tertiary education is also driven by steady expansion in post-primary education programmes. Globally, Gross Enrolment Ratio (GER) in upper secondary education represented 54% of the relevant school age population in 2007. In North America and Western Europe, participation ratios in tertiary education have been the highest while students in Central and Eastern Europe tend to have higher secondary education participation compared to tertiary education.

### Participation by women increasing

The rapid expansion in tertiary education is also due to the increase in the number of women pursuing tertiary education. Enrolment numbers of women pursuing tertiary education grew almost twice as fast compared with men. The number of male students increased from 17.7 million to 75.1 million between 1970 and 2007, whereas the number of female students increased almost six fold from 10.8 million to 77.4 million. Tertiary enrolment of men and women attained parity by 2003 and since then, enrolment of women exceeded that of men.

In 1970, the Gender Parity Index (GPI) showed that male participation was 1.6 times higher than female participation. However, it reversed in 2007 and female participation was 1.08 times as high as that of men.

### Student mobility rising

In 2007, more than 2.8 million students enrolled in educational institutions outside their home origin, indicating a 4.6% increase of 123,400 students over 2006.

The global number of mobile students has increased 53% since 1999. China sends the maximum number of students abroad for global education and the number was ~421,100 in 2007 and the United States hosts the maximum number of students globally, at ~595,900 in 2007.

<sup>3</sup>UNESCO GED Report, 2009

## Demand-supply gap for teachers in primary education widening

It has been estimated by UNESCO Institute of Statistics (UIS) that 96 countries would need at least 1.9 million more primary education teachers in the classrooms by 2015 in comparison to 2007 (see Chart 12). Sub Saharan Africa has the greatest need for teachers. Three out of the four countries (27 out of 45 countries) in the region are estimated to face a teacher gap. The Arab states as well as the South and West Asia face primary teacher gaps. The Arab states are estimated to require 282,000 additional primary teachers in classrooms, while countries in South and West Asia would require 240,000.

## E-education emerging as high potential area for growth

E-education market is at nascent stage and there is potential for growth in the industry. In 2007-08, US constituted 60% of the global market and Europe accounted for 15% market. E-education can help fill in gaps where there is a dearth of teachers. Further, E-education companies have an opportunity by targeting the learning and/or otherwise disabled individuals who might find it difficult to attend regular classroom training, and e-education would be a more suitable option for them.

**Chart 12: Current (2007) and projected (2015) demand-supply gap for primary education teachers**

Region	All countries		Countries that need to expand				
	Teacher stock in 2007 ('000)	Number of countries	Teacher stock in 2007 ('000)	Projected teacher stock by 2015	Difference in teacher stocks ('000)	Countries with moderate or minor teacher gap	Countries with severe teacher gap
Arab States	1,959	20	1,503	1,785	282	11	4
Central and Eastern Europe	1,214	20	399	403	4	7	0
Central Asia	318	9	206	219	13	4	0
East Asia and Pacific	9,961	29	1,032	1,122	90	10	4
Latin America and Caribbean	2,905	39	435	450	14	11	0
North America and Western Europe	3,718	24	2,132	2,257	125	7	0
South and West Asia	4,949	9	925	1,165	240	1	2
Sub-Saharan Africa	2,822	45	2,573	3,732	1,159	8	27
World	27,847	195	9,205	11,133	1,928	59	37

Source: UNESCO Institute of Statistics

## 5 The GCC Education Industry

### 5.1 Overview

Education sector is one of the focus areas for the GCC governments. A growing share of government spending is being channelled to build new schools, colleges and universities. Education is widely considered a key attribute for successful modernization and growth. Sustained investment is required in the sector to ensure adequate access to education and maintain adequate quality standards.

### 5.2 Industry structure

Education structure in the region can be categorized as primary, secondary, and tertiary.

Primary education is considered essential for every child in the region. Gross primary and secondary education enrolment ratios are above 90% for almost all GCC countries. The transition rate from primary to secondary is almost 100% in these countries as secondary education is mandatory in some countries and education is free for all nationals.

Participation ratio in tertiary education, however, is low in the region. It increased in recent past and is expected to continue rise in the future as well. Although English is the preferred medium for higher education, Arabic continues to be the preferred medium of teaching in the public educational institutions.

Apart from basic tertiary education, GCC countries also offer various vocational and special education programs to encourage higher education among their nationals.

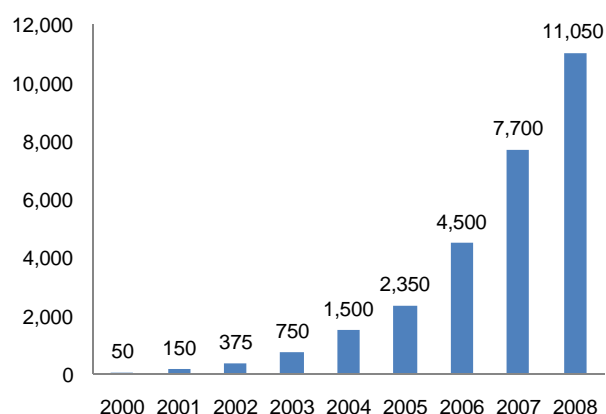
#### Special needs education

Over the years, there have been inadequate services and programs to address the needs of students with special education needs. However it is encouraging to note that GCC nations are now becoming more aware of these concerns and drafting programs that would benefit students who require special education. Currently, many

non-government agencies are spreading awareness on this issue.

In 1978-79, classes for the students with special needs were opened in Muscat and the Oman Ministry of Education started a pilot project in 2000 to provide support for students with special needs. Since then the number of students benefiting from the program has increased from just 50 in 2000 to over 11,000 in 2008 (see Chart 13). The Oman Ministry has also included wheelchair accessibility in all the new schools for children with physical disabilities. Moreover, the Ministry offers assistance such as free uniforms and one free meal per day per student to help meet the needs of students who are from socially disabled backgrounds.

**Chart 13: Number of students benefiting from special education programs in Oman**



Source: Department of Statistics, Ministry of Education, Sultanate of Oman (2008)

Similarly, the Ministry of Education in Qatar offers educational programs for students with special needs including curriculum development, teaching programs, supervision for learning and otherwise disabled and hearing impaired students<sup>4</sup>. A special education institute for boys was inaugurated in 1981, while, that for girls was established in 1982 in the country.

Saudi Arabia has inaugurated more than 362 programs for special needs students and has opened more than 50

<sup>4</sup><http://www.ibe.unesco.org>

programs for learning and otherwise disabled students as well as autism students. There has also been an inauguration of 38 advanced programs for the hearing impaired. The Ministry of Education in Saudi Arabia has provided the institutions for visually disabled in the country with computer laboratories to enable students to have computer education as a part of their curriculum<sup>5</sup>. Training for special education teachers is offered at King Saud University in the College of Education and at the College of Applied Medicine for the speech and hearing impaired.

Apart from developing infrastructure for special education, countries are also focusing on training teachers and staff to cater to requirements of such schools. For instance, Bahrain Ministry organized training programs for teachers to provide them with skills for teaching maths to special needs students<sup>6</sup>.

In UAE, the government introduced Federal Law 29 in 2006 to address discrimination against children with special needs. According to Federal Law 29, public as well as private schools in the country cannot refuse entrance to children with special needs.

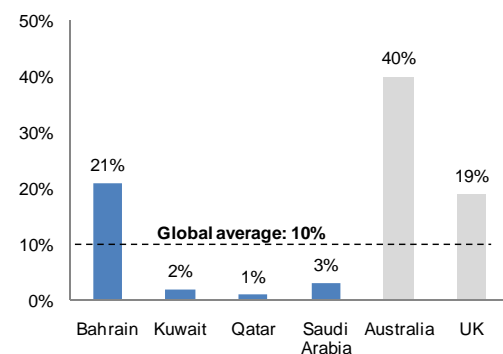
### Vocational training

The focus of vocational programs has been to bridge the gap between secondary and tertiary education. Vocational training in the GCC nations supports the youth in the labour market with an aim to enrich their skills by making it easy for them to adapt to a rapidly growing and competitive industry.

However, the enrolment in technical and vocational courses at secondary level in the GCC region are significantly low compared to developed nations such as UK and Australia (see Chart 14).

Qatar offers a bridge program for its students where curriculum focuses on English, mathematics, physics, computers and lab sciences. Similarly, Bahrain has been offering vocational education in applied and technical streams that are also preceded by a one-year foundation course.

**Chart 14: Enrolment in technical and vocational programs (2007)**



Source: UNESCO

In Saudi Arabia, King Faisal Foundation University offers a Preparation Program. A Technical and Vocational Training Corporation was set up in the Kingdom to impart technical and vocational education. While technical education is in various fields such as industry, agriculture and commerce, vocational training focuses on training for youth, preparatory training and on-the-job training. Vocational training includes fields such as car mechanics, welding, carpentry, audio visual electronics, office machines repair, computer, photography and architectural works<sup>7</sup>.

UAE established Sharjah Institute of Technology as the first vocational institute to meet the market needs of a wide range of industries. It is run under the supervision of Sharjah Electricity and Water Authority and students who have completed their ninth grade are eligible for admission.

There exists an opportunity for investment into vocational and technical institutes to provide more options to students and help boost enrolment ratios in such institutes.

### 5.3 Public vs. private sector participation

Traditionally, the education sector has heavily depended on public sector funding; however, private sector participation is increasing in recent times.

In Saudi Arabia, more than 90% students are educated in public schools, while only the wealthiest Saudi and expatriate children attend private schools in the Kingdom.

<sup>5</sup><http://www.ibe.unesco.org>

<sup>6</sup><http://www.ibe.unesco.org>

<sup>7</sup><http://www.tvtc.gov.sa>; <http://www.abp.edu.qa/>

Total private schools stood at around 840 in the Kingdom in 2009<sup>8</sup>.

In other GCC countries as well, except UAE and Qatar, private sector participation stands low – below 50% at both primary and secondary education levels (see Chart 15). Alpen Capital believes a substantial opportunity exists for the private sector to participate more fully at the primary and secondary levels in the GCC education system.

**Chart 15: Private sector participation in primary and secondary enrolments (2008)**

Countries	Primary (%)	Secondary (%)
UAE*	66.8	48.8
Qatar	50.3	37.8
Kuwait	37.6	29.5
Bahrain	27.8	18.6
Saudi Arabia	8.1	12.6
Oman	7.5	1.6

Source: UNESCO ; \* data for 2007

## 5.4 Reforms in the Education Sector

Education reforms have always been in the forefront of government policy for the GCC countries. Apart from high public expenditure, new initiatives have also been undertaken in the region to improve quality and expand the scope of the education sector. GCC governments invited recognized foreign universities to assist in setting up new facilities in the region to bring in international standards in education.

In Saudi Arabia, the Ministry of Education initiated a 10-year reform of primary and intermediate education in 2004, stressing on areas of improvement of educational environment, infrastructure development, promoting extracurricular activities along with curriculum development and teacher training.

Qatar, in order to revamp its existing education system, set up the Centre for British Teachers (CfBT) Education Trust in 2005 to design a new curriculum at par with international standards. Various government-funded independent schools have also been granted autonomy in the country – their participation increased from 18 to 73 during 2004-07.

Similarly, Oman replaced its 12-year General Education System by a new 10-year student-centred Basic Education System in 1998-99. To promote Information and Communication Technology (ICT) in education, teachers have also been provided with extensive learning tools and are encouraged to use computers in the classroom.

Bahrain, like other GCC economies, is expanding the size of its education sector through investments in new schools (including international ones), universities and vocational training.

UAE set up the Abu Dhabi and Dubai Education Councils in 2005 to raise primary and secondary education standards. Public-private partnership model has also been implemented in the country to establish uniform curriculum standards and boost educational attainment.

Apart from infrastructure development and curriculum revamp, GCC countries are also focusing on teachers' training. The Saudi Ministry of Education plans to organise training programs for more than 400,000 teachers focusing on their individual specializations, school management, educational supervision and computer skills. Similarly, Qatar is focusing to raise the accountability of teachers and of schools. Schools in Abu Dhabi plan to boost teaching standard through collaboration with teacher training institutes in Singapore, widely recognized as a world leader in this area.

GCC countries are also emphasising on providing equal educational opportunities to children with special needs as well as children with disabilities.

The awareness displayed by the GCC governments towards the importance of education as demonstrated by the recent reforms, policies and budget allocations, encourages investment into the growing GCC education sector.

<sup>8</sup>www.nds.coi.gov.uk



## 5.5 Private equity presence in education sector

The GCC education presents a ripe investment opportunity as the sector prepares for unparalleled demand growth driven by a rising young population with increasing number of expatriates demanding world-class education, growing awareness about education across the region, and favourable government policies. However, investors have limited options to participate in the booming GCC

education sector through the capital market as there are very few listed education stocks. Therefore, private equity becomes a more suitable investment vehicle to participate in the growing GCC education market.

One of the significant investments in the education sector in the recent years includes an investment in 2007 by Dubai's Abraaj Capital, a large private equity house, in GEMS – GCC's largest school chain. In 2009, NBK Capital invested US\$ 7.0 million in UAE-based Al Maaref Private School (see Chart 16).

Chart 16: Private equity deals in education sector

Date	Target Company	Investor	Country	Stake acquired (%)	Size (US\$ million)
2009	Al Maaref Private School	First Education Holding	UAE	100%	NA
2009	Al Maaref Private School	NBK Capital- GSC Mezzanine Fund I	UAE	NA	7.0
2009	Al Raeda for Education Development	Eastgate MENA Direct Equity L.P.	Saudi Arabia	NA	NA
2008	Madaares PJSC	Private Equity Fund	Kuwait	NA	11.43
2008	Al Zuhour Private School	First Education Holding	UAE	100%	NA
2007	Global Educational Management Systems	Infrastructure and Growth Capital Fund	UAE	25%	124.0
2007	Maarif Education and Training Holding Company	Gulf Capital	Saudi Arabia	50%	93.0
2006	Al Rayan Holding co	Private Equity Fund	Kuwait	40%	20.75
2006	Rayan Holding Co. KSC	Global Opportunistic Fund I	Kuwait	18.9%	15.58

Source: Zawya

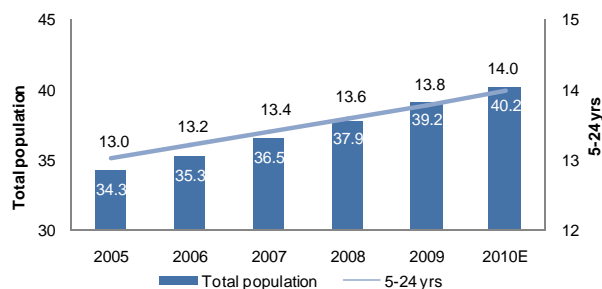
## 5.6 Growth drivers

### Growing population with increasing expatriates

A rising population, coupled with growing expatriates, is expected to drive education demand in GCC region. The GCC population growth has averaged 3% per annum during 2004-09, while world population has risen 1% during the same period.

Saudi Arabia has the largest population of 26.1 million in the region in 2010, followed by the UAE with 5.1 million<sup>9</sup>. According to Euromonitor International, expatriates are projected to constitute 84.5% of the UAE population in 2030, compared with 79.7% in 2010. The Gulf's real estate, construction sector boom, and tax-free status have attracted expatriate workers to the region. The rising expatriates will lead to a rise in demand for education at par with their home countries. The rising number of expatriates is expected to boost demand for private education in the region.

**Chart 17: Rising GCC population along with increase in youth population (in millions)**



Source: IMF And World Bank

The rapid growth and a higher proportion of young population is a key growth driver for the education sector. The GCC has one of the youngest populations in the world and the future development of the region ultimately depends on the success of efforts to educate and employ these young people (See Chart 17).

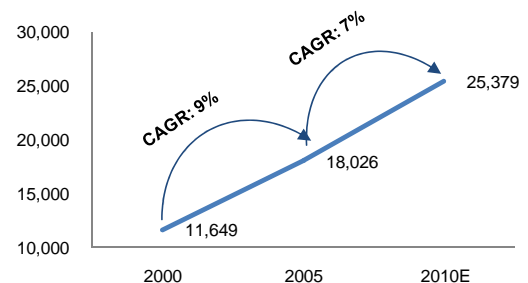
### Growing awareness about education

The economic growth of the GCC countries has created immense opportunities for the people of these countries. With one of the highest per capita income, this region still lags in education compared with other developed economies.

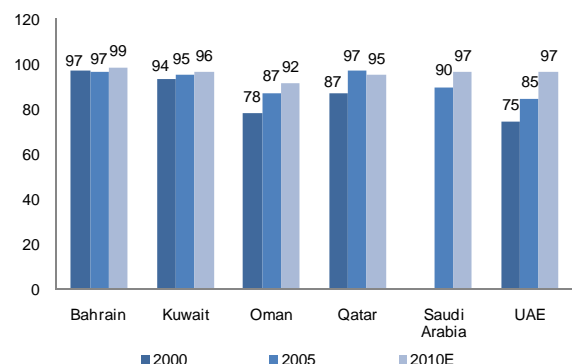
Increasing urbanisation and rise in income levels have raised the standard of living in the GCC countries. This has also influenced the attitude of people towards education, leading to improvement in gross enrolment ratios across primary and secondary level in the member countries (See Chart 18). For instance, in UAE, gross enrolment rate for primary education improved from 88.9% to 107.9% during 2000-07, while primary education completion rate improved from 104.7% to 105.0% during the same period. Moreover, the primary education completion rate rose from 95.6% to 98.2% in Kuwait and 81.5% to 85.6% in Oman during the same period.

**Chart 18: Education awareness increasing**

*Increase in GDP per capita (US\$)....*



*... translating into increasing secondary education enrolment rate in the region*



Source: IMF

<sup>9</sup>IMF

## Conducive government policies

To boost the education sector in the region, GCC states offer free and compulsory education to their nationals, encouraging more students to enrol at schools and colleges. The GCC governments are also making efforts to develop and implement comprehensive education reform programs. In 2004, the Saudi Education Ministry devised a 10-year program to raise the country's standards of education by eradicating illiteracy and reducing repetition rate to 5% in elementary schools and 8% in secondary schools.

To meet the demand for skilled people and to compete with the international education system, the GCC countries have taken steps to focus on modern education. The GCC education system has transitioned from being religion and language-based to technical oriented with English as a medium of instruction.

GCC governments have increased public funds for training and education over the past few years. Saudi Arabia allocated 25% of its annual budget of 2010 for educational activities, a 13% increase over 2009 allocation (see Chart 19). Developed economies such as the US spent 16% of their 2010 annual budget on the sector.

**Chart 19: Budget allocation on education (2010)**

Countries	% of allocation of budget
Saudi Arabia	25.0%
UAE	22.5%
Kuwait	12.9%*
Qatar	20.5%
Bahrain	11.7%**
Oman	12.3%

Source: MEED report ; \* data for 2006; \*\* data for 2008

Besides allocating funds for the education sector, governments have formed several authorities and entities to assess and regulate the education system. All GCC countries revised regulations to allow for easier and greater private sector participation, including participation by foreign institutions. For instance, Oman is offering free land and electricity, tax exemption, and monetary grants to investors interested in the education sector. GCC

governments have also encouraged adult and special needs education.

## Collaboration with various foreign universities

To improve higher education, the GCC countries are collaborating with foreign universities and institutes. For example, Qatar's Education City is one of the largest educational zones in the GCC region, which has attracted some of the largest universities of the United States.

Governments are encouraging foreign institutes and universities to open their branches in the GCC region. While it helps governments to integrate global practices into the education system, it also creates opportunities for students who want to pursue higher education but are unable to go overseas. The emphasis is on international universities that can produce more globalized students.

Some foreign universities established in GCC region are:

- Paris-Sorbonne University opened in Abu Dhabi in 2007
- New York University Abu Dhabi due to open in 2010
- UK's Imperial College London to open campus in Qatar or Abu Dhabi
- Qatar Education City has satellite campuses of Texas A&M University, Carnegie Mellon University, Georgetown University's School of Foreign Service and Northwestern University
- The UAE has some of the best global institutes offering MBA programmes such as London Business School and INSEAD

## Rising private sector participation

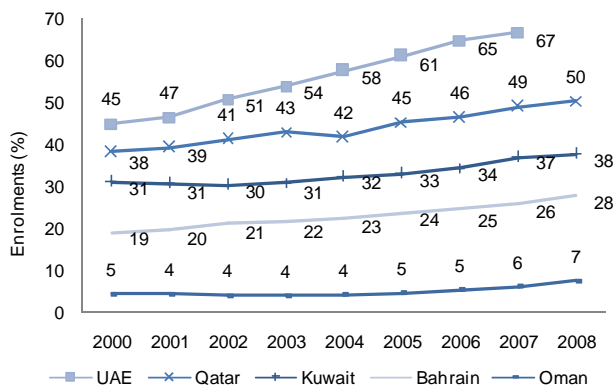
Private sector participation in education industry has grown significantly over the past several years in the GCC region (see Chart 20). For instance, in secondary education sector, private enrolment share rose from 38% in 2000 to 49% in 2007 in Qatar and from 45% to 67% in the UAE during the same period.

Private management of the region's education sector has also undergone reform. Private education providers have

been encouraged to increase their presence in the region and offer an alternative to the state-run system. These institutions primarily use English as the teaching language, enabling students to access a wider range of materials, receive training from qualified instructors, and be better prepared to join a global workforce.

For example, GEMS Education based in Dubai is one of the most well represented private providers of education in the region. It runs more than 25 schools in the UAE and has a global presence.

**Chart 20: Private participation in primary enrolment share**



Source: UNESCO

## 5.7 Industry trends

### Improvement in quality of education

Having realised the importance and role of education, the GCC countries have come forward to establish an education system with high quality. They have invested in infrastructure to develop and encourage the growth of educational institutions. Earlier, basic education was part of traditional and regional education. However, governments are now making fundamental changes in curricula to provide students with strong fundamental knowledge to prepare them for the requirements of higher education and thereafter the job market.

#### Exhibit – reforms in GCC education industry

- Governments have come forward with science subjects at school level and technical and vocational courses at higher education level to help students develop competitive skills required for workforce
  - UAE government pioneered the creation of Institute of Applied Technology (IAT) schools with branches in different cities of UAE
- Governments of GCC region have introduced several training programs and entities to improve the quality of teachers

Moreover, emergence of the private sector has led to various reforms in the educational system such as improved teaching methods, effective educational research as well as implementation of global best practices.

The quality of teacher training programs has improved, leading to efficient standards for evaluation of students and increased use of educational technology. The student teacher ratio has also improved in the region.

Higher education institutions are offering an increasing range of scientific, technical and business courses. Focus on vocational and job training is likely to increase.

### Setting up of school inspection authorities

As a measure to monitor the quality of education in the region, GCC countries have set up various monitoring agencies such as Council of Higher Education in Saudi Arabia, and Abu Dhabi and Dubai Education Councils in the UAE. These agencies regularly check the education practices in the schools and monitor their curricula to ensure it is in line with international standards.

Moreover, the Dubai Schools Inspection Bureau (DSIB), within the Knowledge and Human Development Authority (KHDA), performs annual comprehensive survey on the standard of education in Dubai schools, to improve planning at school and policy level. Bahrain government also introduced a new independent body, the Quality Assurance Authority to assure quality standards at schools, universities and vocational institutes.

### Private institutions perceived to impart high quality education

Private institutions have played a pivotal role in the growth of GCC education sector. Most of the GCC states provide free education to their nationals. However, many public institutions use Arabic as medium of instruction which can be a detriment to non-Arabic speaking students.

Private institutions mostly use English as a medium of instruction and maintain quality of education by hiring skilled and trained teachers. Private schools emphasize mathematics, science and English in their curricula and prepare students for the requirements of higher education. Due to a more globalized society, there exists a demand for schools and colleges providing a more global education which in turn leads to investment opportunities for the private sector.

### Private sector players fee trends

Tuition fee charged by private players in the GCC region varies across a wide range. For example, while Indian schools charge Year 1 annual tuition fee to the tune of US\$ 500-1500 per student, American and British schools charge a minimal annual fee of US\$ 5,000 per student for Year 1 (see Chart 21). The high fee charged by these

private players is primarily to meet their expenses of providing international-standard school infrastructure, hiring skilled teachers, offering global education and ensuring high quality of offered education.

**Chart 21: Annual tuition fee (in US\$) charged by private schools**

School (Curriculum)	Fee Range*
<b>Bahrain</b>	
Bahrain School (American)	22,000-25,000
St Christopher's School (British)	7,000-16,000
Hawar International School (English/ Arabic)	3,000-5,000
New Millennium School, DPS (Indian)	2,200-4,000
<b>Oman</b>	
American British Academy (American)	8,000-15,000
The British School-Muscat (UK)	8,000-16,000
Sultan's School (English National)	5,000-7,000
Indian School Muscat (Indian)	750-1,100
<b>Kuwait</b>	
American School of Kuwait (American)	12,000-15,000
Gulf British Academy (British)	5,000-6,600
Al-Ru'ya Bilingual School (English/ Arabic)	6,600-9,100
Indian Central School (Indian)	3,000-4,000
<b>Qatar</b>	
American School of Doha (American)	12,900-16,800
Park House English School (British)	6,500-11,500
The Gulf English School (English National)	7,000-11,000
Ideal Indian School (Indian)	800-1,500
<b>Saudi Arabia</b>	
American International School (American)	14,000-17,000
British International School (British)	9,500-15,000
Dar Jana International School (English/ Arabic)	3,000-5,000
Delhi Public School (Indian)	1,800-4,000
<b>UAE</b>	
American International School (American)	10,000-13,200
Dubai British School (British)	9,000-15,000
Liwa International School (American/ British)	4,000-7,000
GEMS - Our Own Indian School (Indian)	1,200-2,200

Source: Various school websites

\* Per student annual tuition fee charged during Year 1-12

## Technology in education

Although the GCC countries invested substantial capital in improvement of education, these countries lagged other countries in implementation of Information and Communication Technology (ICT). However, in recent years, GCC countries have taken several initiatives to implement ICT in education and transition from traditional to modern education standards. ICT is necessary to empower students with skills required by technical colleges and the labour market. Apart from introducing ICT as a new academic subject, courses are being developed to include computer programming and computer engineering.

**Chart 22: GCC ICT rankings and improvement**

Countries	Network readiness index rank 2008	Network readiness index rank 2010
UAE	29	23
Bahrain	45	29
Qatar	32	30
Saudi Arabia	48	38
Oman	53	50
Kuwait	52	76

Source: Global IT Report – WE Forum <http://www.weforum.org>

ICT in education was one of the fastest growing of all categories of educational spending in 2009. In Oman, teachers are provided extensive learning tools and are encouraged to use computers in the classrooms. The Ministry of Education of the UAE has set up an interactive, bilingual website for school students to help them access information on a wide range of topics such as science, sports and student welfare. The UAE government has introduced several computer-training initiatives such as International Computer Driving License (ICDL) and IT Education Project (ITEP). ICDL is the global computer literacy program aimed at raising IT awareness and increasing the level of competence in using personal computers and related applications<sup>10</sup>. ITEP provides online IT training through specialised e-learning solutions developed in-house and learner-centred curriculums to secondary schools in the UAE.

<sup>10</sup> <http://www.icdlgcc.com>

## **Collaboration with foreign universities and foreign schools/ curricula**

To impart education on par with international standards, schools in the GCC countries have collaborated with International Baccalaureate and other international boards of education. In the higher education sector, governments of GCC states are encouraging foreign universities to set up their branches in the region. For instance, in 2009, the Saudi government issued 19 licenses for international schools and it approved establishing 36 new colleges. In Qatar Education City, six US universities established their satellite campuses.

GCC governments have revised regulations to allow foreign institutions in the region, as with the advent of foreign universities, students need not go overseas for higher studies and this would eventually help governments to retain their skilled students. Collaboration with well-established foreign universities would transfer knowledge and skills to the GCC nations and create important networks of information and human and financial capital.

## **Changing requirement of labour force**

As an attempt to diversify the economy from being oil-based and boost employability levels, GCC governments are striving to reduce dependence on government jobs. Fewer than 300,000 public sector jobs were created for Saudi nationals during 1996-2006, boosting private sector growth by 26%. The government sector employs over 75% of the national workforce.

As the region plans to increase nationals' share in private sector workforce, quality of education offered has to improve. Moreover, vocational and technical training has to be increased. As the education level increases in the region, nationals' involvement in private sector is expected to rise too. Hence, there exists a significant opportunity for private sector to invest into the education sector due to rising demand for a more global education from both nationals and expatriate populations within the GCC countries.



## 5.8 Challenges

Despite initiatives taken by the governments in the GCC, there exist significant challenges in the sector. The prime challenge is to capitalise on high investments and translate them into required outputs. The GCC countries still lag in absorbing high-skilled labour, thus dis-incentivizing the education attainment levels.

### Quality of higher education – students going abroad

Quality of higher education in keeping with international standards and the requirements of the job sector is still a key issue for the GCC governments. Majority of the higher education institutes in the region have traditionally focused on humanities, compared to science and maths.

To cope with this situation and compete with the needs of job sector, students are moving overseas, reflecting on the inability of local education to meet international standards. This has prompted GCC governments to encourage foreign universities to open their branches in the region in an attempt to discourage students from going abroad for seeking higher education.

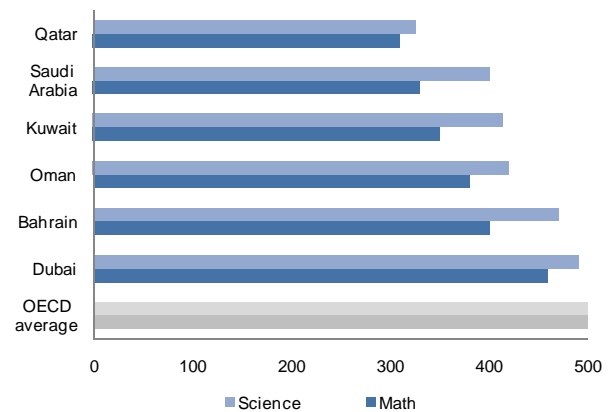
For instance, only 15% of the 374 graduates that enrolled at King Abdullah University of Science & Technology were Saudi nationals. Similarly, in academic year 2007-08, only 51% of Qatar Education City's student population comprised Qatari nationals as opposed to 70-75% target of the Qatari Foundation. Thus, the Gulf universities face the challenge of brain drain and need to create a workforce that will contribute to the domestic economy.

### Low math and science exposure

Math and science do not constitute a sufficient share of the curricula in the GCC region. International Trends in International Mathematics and Science Study<sup>11</sup> (TIMSS) test on 8<sup>th</sup> grade math and science in 2007 indicated that GCC states fared poorly than Organisation for Economic

Co-operation and Development (OECD) nations, with their scores below OECD average<sup>12</sup> (see Chart 23).

**Chart 23: Grade 8 TIMSS score (2007)**



Source: World Bank report

Most GCC countries do not have national standards for achievement in learning, and those that do, do not use the tests to promote accountability.

### Males not as interested in higher education as females

All GCC countries have taken commendable steps to improve the education system and meet the required demand of skilled people. However, participation of the male population in higher education is significantly lower than that of females in the GCC region.

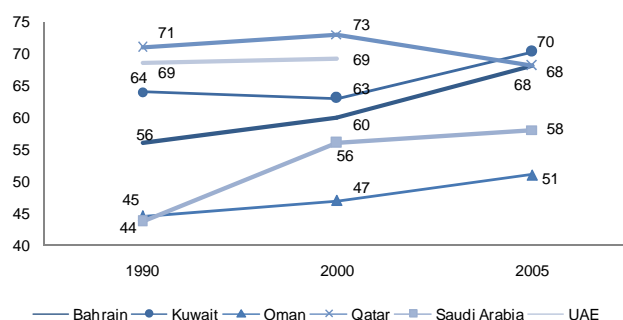
According to the World Bank, enrolment ratio in universities for the GCC female population is higher than the male population. This is primarily because the governments provide employment to the nationals with minimum qualification and offer good salaries to them, tempting youths to choose government jobs over higher education or private jobs. For instance, 87% of Kuwaiti males are employed in the government sector. Moreover in more conservative GCC countries like Saudi Arabia, employment opportunities in the government and other sectors are primarily for men; thus women tend to continue with their education and attain higher education degrees. On an average, in the 25-59 age groups, 23% Kuwaiti women have university degrees or higher education compared with 16% for men.

<sup>11</sup>It is an international comparative study conducted by the International Association for the Evaluation of Educational Achievement (IEA)

<sup>12</sup>World bank report

In Saudi Arabia, 59% of university graduates are female (see Chart 24). According to the Dubai Knowledge and Human Development Authority (DKHA), 75% of those enrolled into public universities are women while only 25% are men.

**Chart 24: tertiary enrolment rate (% females)**



Source: MEED report

### Financial crisis and the unemployment generated

In 2009, unemployment rate for the GCC region was one of the highest in the world, at 8.8% compared with a global average of 5.9%. Post economic crisis in the region, it is further expected to increase to 10.5% in 2010. Moreover, the second annual Arab Youth Survey, carried out in October 2009, revealed that 46% of young Arabs preferred the government sector job over private sector, while in the UAE, 61% preferred government sector and only 31% showed interest for private sector. This rising unemployment coupled with preference for government sector job is a challenge for GCC education sector.

According to a Gallup survey, conducted in June 2009, of the 15-29 age group, 27% Bahrainis and 28% Saudis

neither attended schools nor worked. In UAE, 12% neither attended schools nor worked, while 8% and 11% Kuwaitis and Qataris respectively fell in this category. This was primarily due to inadequate training, lack of motivation, and unrealistic salary expectations of the GCC nationals.

### High fee charged by private schools

High fee charged by private players is a prime concern for the education sector of GCC nations. Private schools are the main source of education for children of expatriates. Sensing their growing demand, many private schools in the region have increased fees substantially.

As most of the GCC states do not provide free education facility for expatriates, paying high fees is difficult for most expatriates. According to a Dubai Chamber of Commerce and Industry report, in 2008 secondary schools fees jumped 25.2% and primary schools fees increased 18.7%.

### High capital expenditure required for schools/ colleges

Education sector is a capital-intensive sector, with significant investment required for construction of the schools/ colleges. The average number of students per school is also low in the GCC region, compared to developed nations such as US and UK, which further increments the cost per student borne by school and reduces the revenue per student. Moreover, the industry has a high turnaround time, which acts as a setback for the entry of investors looking for a quick turnaround.

## 5.9 Way forward

### Developing education strategies based on industry requirement

For employment levels of nationals to grow in tandem with growing labour industry skills requirement, the education system of GCC region has to focus on vocational and technical training, along with focus on IT and management skills necessary for the modern work environment. Stress on engineering and research, besides religious and humanities courses would help create globalized citizens.

### Enhancing performance by raising education standard

To shift from the traditional pedagogical model and introduce technology in the education curricula, the GCC countries need to provide adequate technology training support to their teachers. The governments should focus on technology as well as on teachers training programs to update teachers with the latest know-how in the international education system, simultaneously raising the standard of education in the region.

### Promoting scientific research

Tertiary education in GCC region is below international standards. To promote higher education, the governments can establish a centre of excellence for universities, operating autonomously and offering research facilities as well. King Abdullah University of Science and technology in Saudi Arabia is one such centre. These centres would help raise overall education standards in the long term in the region. Abu Dhabi plans to invest US\$1.3 billion for research and development activities by 2018 to promote higher education. It aims to raise the share of engineering-related graduates from 9% in 2010 to 28% in 2018.

### Promoting scholarships

Currently, the GCC countries offer various scholarship schemes to boost access to education outside their domestic institutions. They encourage students to pursue higher education by providing scholarships and opportunities to study in foreign countries.

However, now scholarships are not limited to foreign education alone; governments are providing scholarships and awards to students who perform well at any level of education. For example, the Rashid Award is the highest significant recognition of academic excellence in the UAE to honour students who achieve outstanding results at their respective levels.

#### Exhibit – scholarships offered by GCC states

- Saudi Aramco has sponsored students to study at more than 500 universities across the world in the past 50 years
- King Abdullah scholarships by the Saudi government fully fund selected Saudi students wishing to study for a master's degree or a doctorate at foreign universities
- Government of Oman grants up to 70% of the cost of studying in private technical and vocational institutions
- Qatar government also offers scholarship to its students to pursue their higher studies in the region or abroad

Thus, the government can raise the standard of local education by providing more scholarships to students and encouraging them to perform well in academics.

### Public private partnership model

To cope with evolving industry standards, the education sector must focus on skills that are appropriate for global standards. GCC governments should set clear objectives and coordinate the contributions of public, private, local, and non-governmental players to meet the expected objectives. Some of the tools for this type of coordination include quality control and public-private partnerships.

Public-private partnership in terms of contribution from private players in capacity building, flexibility, investment and knowledge transfer have created an opportunity to improve quality. With the arrival of this concept, competition has increased and is helping reduce

government expenditure on education. For instance, Kuwait Ministry of Education plans to privatise its 30 public schools to activate the role of the private sector in developing the sector in the country. Moreover, the numbers of partnerships and university branch campuses established in recent years have improved the standard of higher education.

Currently many private schools and colleges impart modern and standard education to students of GCC region. In Saudi Arabia, the number of private universities has increased from none to three during 2000-10, while number of private colleges has more than tripled to 17.

# Country Profiles

## Kingdom of Saudi Arabia

### Snapshot (2009)

Primary students	3,271,789
Secondary students	2,950,962
Tertiary students	725,848
Private school students	651,035
Government schools	37,145
Private schools	3,255

### Major private players

Player	Education type
British International School	Primary and secondary education
Jubail International School	Primary and secondary education
Al Waha International School	Primary and secondary education
Batterjee Medical College	Higher education
King Abdulaziz University	Higher education

Source: UNESCO and Alpen Capital analysis

### Overview

Education is one of the key priorities of the Saudi government. The government's growing thrust on the importance of quality workforce to ensure social and economic development has improved the education scenario in the country. The government has made significant investments to reform primary and intermediate education and has set up new institutions for higher education. Moreover, it has established various regulatory bodies to monitor education standards in the country.

Participation of private players is limited in Saudi Arabia and international private schools have restricted access. Controlled system for setting up and operating private schools has led to lower private sector participation in the country. Saudi citizens only are entitled to obtain a license to open private schools. Moreover, private schools are expected to replicate the Islamic orientation of government schools and sometimes schools offering foreign curricula have to modify their curricula to match the demands of Saudi authorities.

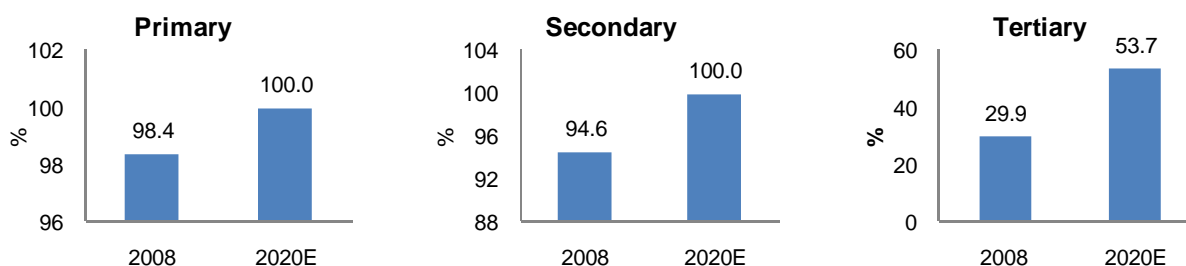
### Socio-economic indicators

### Education status vs. regional average

Indicator	Year	Value	Indicator	Year	Saudi Arabia	GCC (Avg)
Population (million)	2009	25.5	Literacy Rate	2008	85.5	72.4
Inflation rate (CPI average)	2009	5.1%	Students to teacher ratio	2008	11.5	11.7
GDP (SAR billion)	2009	1,384	Education expenditure as % of GDP	2008	5.7	NA

Source: World Bank, IMF and UIS Statistics

### Gross Enrolment Ratio (%)



- Saudi Arabia has a high GER in all education segments – primary, secondary and tertiary, in the GCC region.
- We expect the primary and secondary GER to improve to 100% by 2020, whereby all children in school age population are attending primary and secondary schools.
- We further expect the tertiary education GER to increase at 5% growth rate to reach 53.7% in 2020 from 29.9% in 2008.

## Sector qualitative assessment

### Initiatives

- Saudi government has been allocating significant part of its budget to education.
  - It allocated 25% of its budget in 2010.
- It made significant investments to develop infrastructure for higher, vocational and technical training institutes.
  - It has invested US\$ 19 billion in building universities.
- Government is opening up to co-education in universities and colleges. It set up King Abdullah University of Science and Technology as the first co-educational university in the Kingdom.
- It has established adult education programs to increase literacy and promote education at higher levels.
- It is developing teacher-training programs as an integral part of the education system in the country.
- Rising school age population creates opportunities for opening of private schools in Saudi Arabia.
- Saudi Arabia has various schools for special needs education and for those children who need physical therapy and training.

### Challenges

- Quality of basic school education is a prime concern.
- Requirement of skilled teachers is major issue.
- Students are weak in English and maths. Students have fared badly in science and maths subjects.
- While expenditure on education is high, Saudi government spends less than 1% of its GDP on research & development.
- Lack of uniformity in curricula, insufficient study material for different subjects, lack of critical thinking, and less flexibility among courses are some major challenges for Saudi students to compete globally.

## Key features and trends

### *Initiatives by government to reform educational system*

Saudi government has taken various initiatives to reform the basic and higher education system. Besides allocating significant funds for infrastructure development, the government also invited several private and international educational entities to establish a presence in the Kingdom. For instance, the 2010 budget provides funding for construction of 1,200 new schools (in addition to 3,112 schools under construction) and for rehabilitation of 2,000 existing school buildings. The government also issued more than 19 licenses for international schools and approved establishment of about 36 new colleges in 2009. Moreover, government is concentrating more on providing job-oriented and quality education.



## United Arab Emirates

### Snapshot (2009)

Primary students	305,288
Secondary students	324,113
Tertiary students	74,280
Private school students	376,612
Government schools	722
Private schools	1,076

### Major private players

Player	Education type
Global Education Management Systems	Primary and secondary education
American University in Dubai	Higher education
Birla Institute of Technology & Science, Pilani	Higher education
Dubai University College	Higher education
British university in Dubai	Higher education

Source: UNESCO and Alpen Capital analysis

### Overview

The private sector participation is highest in the UAE. It is home to a large numbers of private English medium schools. Extensive private sector participation has helped the UAE's education system. The government has taken several initiatives such as establishing vocational training institutes, encouraging foreign institutes to open their branches, opening training institutes to ensure quality of teachers, and introducing job-oriented courses.

UAE provides umpteen opportunities for private players of education sector. The curriculum at private schools is approved by the Ministry of Education and Youth or an authorized accreditation organization. The curriculum includes Arabic language, Islamic studies and civic studies taught in accordance with Ministry guidelines.

### Socio-economic indicators

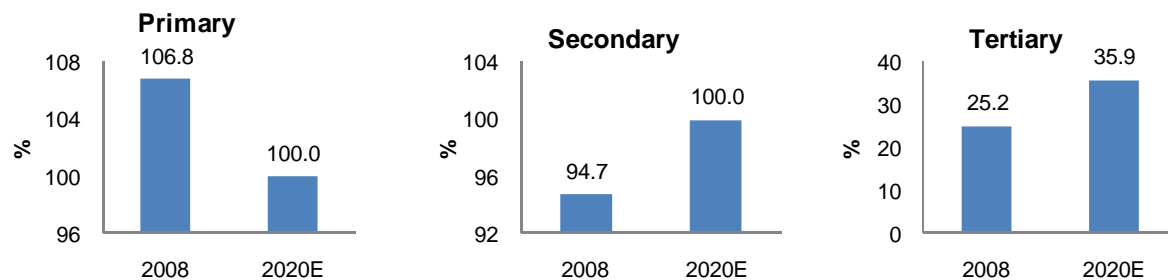
Indicator	Year	Value
Population (million)	2009	4.9
Inflation rate (CPI average)	2009	1.0%
GDP (AED billion)	2009	844.6

### Education status vs. regional average

Indicator	Year	UAE	GCC (Avg)
Literacy Rate	2008	90.0*	72.4
Students to teacher ratio	2008	14.8	11.7
Education expenditure as % of GDP	2008	0.9	NA

Source: World Bank, IMF and UIS Statistics \*for 2007

### Gross Enrolment Ratio (%)



- UAE has a high GER in all education segments – primary, secondary and tertiary, in the GCC region.
- It has over 100% GER in the primary education (due to adult education enrolments). We expect the primary education GER to normalise and reach 100% by 2020.
- Secondary education GER is expected to improve to 100% by 2020, whereby all children in 12-17 age group are attending secondary schools.
- We further expect the tertiary education GER to increase at 3% growth rate to reach 53.7% in 2020 from 29.9% in 2008.

## Sector qualitative assessment

### Initiatives

- The UAE government allocated 22.5% of its 2010 budget to the education sector.
- Private sector's active participation has helped the higher education system tremendously. The government is encouraging public-private partnership to enhance the standard of basic education.
- Ministry of Education set up a bilingual website for school students to promote self-education.
- Government also introduced several computer-training initiatives such as International Computer Driving License (ICDL) and IT Education Project.
- National Research Foundation was established for Research & Development in education.
- Government provides scholarships to students pursuing higher studies in foreign countries.
- Government introduced Federal Law 29 to improve the scenario of special needs education, whereby, private schools could not refuse to admit children with learning difficulties and special needs in mainstream schooling.

### Challenges

- Requirement of skilled teachers at different education levels is the biggest challenge for the UAE government.
- Low participation of local students has discouraged private universities.
- A wide skills gap exists between private sector requirements and the curricula in local colleges.

## Key features and trends

### *High private sector participation driving the education sector*

To raise education standards, the UAE government is promoting private sector participation in the sector along with various public-private partnership models. Many new private schools have opened in the UAE in the recent past. The government is also attracting more foreign universities and institutes to impart standard education and design job-oriented courses for its students.

# Kuwait

## Snapshot (2009)

Primary students	220,629
Secondary students	265,268
Tertiary students	42,398
Private school students	163,336
Government schools	1,613
Private schools	653

## Major private players

Player	Education type
Kuwait American School	Primary and secondary education
Universal American School	Primary and secondary education
Australian college of Kuwait	Higher education
American university of Kuwait	Higher education
EYAS for Higher and Technical Education Company	Higher education

Source: UNESCO and Alpen Capital analysis

## Overview

Kuwait is one of the wealthiest countries in the GCC region. Education is free at all levels for Kuwaitis including higher education and it is compulsory for students aged 6-14. Kuwait is directing its attention towards inclusive education that provides opportunity to all children, with the Ministry of Education implementing several government-approved projects for the development of infrastructure for education sector.

Various co-educational private schools operate in Kuwait. Arabic private schools receive government subsidies; however, other international private schools are not eligible for government support. The Ministry of Education supervises these private schools and sets fee levels for them.

## Socio-economic indicators

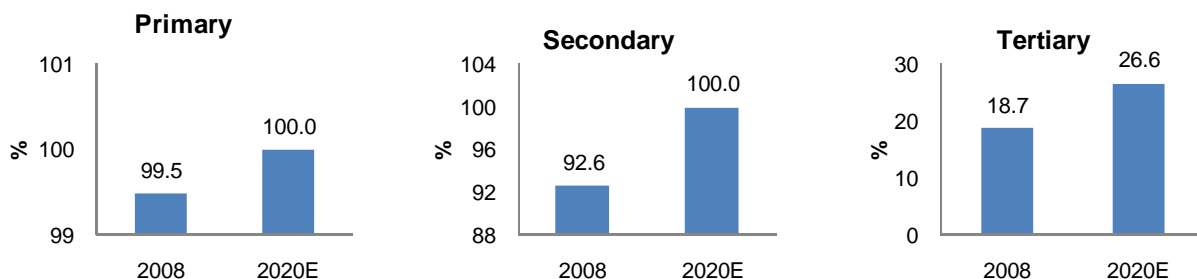
Indicator	Year	Value
Population (million)	2009	3.5
Inflation rate (CPI average)	2009	4.7%
GDP (KWD billion)	2009	31.9

## Education status vs. regional average

Indicator	Year	Kuwait	GCC (Avg)
Literacy Rate	2008	94.5*	72.4
Students to teacher ratio	2008	9.7	11.7
Education expenditure as % of GDP	2006	3.8	NA

Source: World Bank, IMF and UIS Statistics \*2007

## Gross Enrolment Ratio (%)



- Kuwait has a high primary and secondary GER, however, its tertiary GER is low compared to other nations in the GCC region.
- We expect the primary and secondary GER to improve to 100% by 2020, whereby all children in school age population are attending primary and secondary schools.
- We further expect the tertiary education GER to increase at 3% growth rate to reach 26.6% in 2020 from 18.7% in 2008.

## Sector qualitative assessment

### Initiatives

- 12.9 % of all government expenditure was allocated towards education in 2006.
- Initiatives have been taken by government to promote women education and participation of women workforce in job sector.
- To impart quality basic education government is providing proper training to teachers.
- On a concurrent basis, curricula and teaching methods are reviewed and updated by authorities of Kuwait's education system.
- Government is adopting a national strategy for the use of Information & Communication Technology (ICT) in the educational process.
- Ministry of Education in Kuwait has established various special needs institutes to provide equal educational opportunities.

### Challenges

- Teaching time for teachers in public schools remains low, which hampers the quality and standard of public education.
- Lower participation of local male population in higher education reduces job opportunities for them in private sector.
- Dependence on highly centralized decision-making system reduces speed to execution and becomes reason for lack of transparency.

## Key features and trends

### *Impressive measures for robust education system*

Kuwait is trying to improve its education system by promoting international schools and training to teachers. A number of private universities and colleges have opened to improve the scenario of higher education. To cope with demand of skilled people and quality of education, English and science subjects have been introduced in most of the schools to help students to be focused on their career and to get job-oriented higher education.

## Qatar

### Snapshot (2009)

Primary students	85,062
Secondary students	73,544
Tertiary students	14,532
Private school students	44,657
Government schools	570
Private schools	179

### Major private players

Player	Education type
International School of London	Primary and secondary education
Qatar International School	Primary and secondary education
Texas A&M University	Higher education
Carnegie Mellon University	Higher education
Weill Cornell Medical College	Higher education

Source: UNESCO and Alpen Capital analysis

### Overview

The first government primary school in Qatar opened in 1952. Since then, the government has taken various initiatives to reform the education system, such as establishing the Supreme Education Council and Qatar Education Society (QES). The QES has attracted some renowned universities from the US and Canada to provide international education to students in Qatar. With government looking to reduce the role of the public sector in driving the economy, private sector involvement and education reforms are playing an important role in the country. Focus on quality education makes Qatar an ideal investment option.

The Supreme Education Council is taking initiatives to improve private schools share in the country. It has implemented several guidelines such as all international schools must provide evidence that they apply an accredited international curriculum, commit to teaching Arabic, Islamic studies and Qatari history.

### Socio-economic indicators

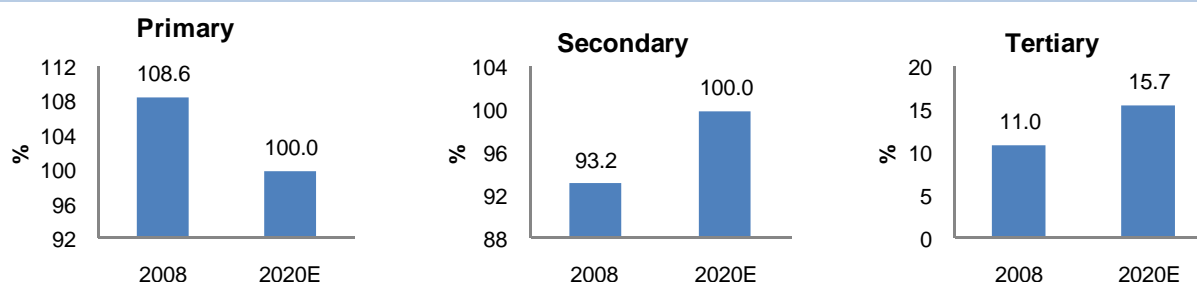
Indicator	Year	Value
Population (million)	2009	1.2
Inflation rate (CPI average)	2009	-4.9%
GDP (QR billion)	2009	305.4

### Education status vs. regional average

Indicator	Year	Qatar	GCC (Avg)
Literacy Rate	2008	93.1*	72.4
Students to teacher ratio	2008	11.1	11.7
Education expenditure as % of GDP	2005	3.3	NA

Source: World Bank, IMF and UIS Statistics, \*2007

### Gross Enrolment Ratio (%)



- Qatar has a high primary and secondary GER, however, its tertiary GER is significantly low compared to other nations in the GCC region.
- We expect the primary and secondary GER to normalise to 100% by 2020, whereby all children in school age population are attending primary and secondary schools.
- We further expect the tertiary education GER to increase at 3% growth rate to reach 15.7% in 2020 from 1.0% in 2008.

## Sector qualitative assessment

### Initiatives

- Government earmarked ~20% of its expenditure for education in both 2009 and 2010.
- By adopting 12-year public school system, schools provide religious education along with teaching of important subjects such as science, mathematics and English. Moreover, English has become the medium of education to help students compete with modern corporate world.
- A separate Higher Education Institute takes care of higher education and provides scholarships to students who want to pursue overseas study.
- An academic bridge program is being conducted which equips students with skills for education in universities easily.
- Besides introducing schools and other centres for special needs education in the country, the government also established the special needs section in Qatar University.

### Challenges

- Like other GCC countries, investment in research & development activities in education sector is low in Qatar.
- Requirement of qualified and skilled teachers is a big concern for the sector.

## Key features and trends

### *Various reforms undergoing in education sector*

In the past two decades, Qatar's education system has developed significantly and initiatives taken by government have provided a more stable and modern education system. Low standard of education was a key concern, which the Qatari Government has been addressing through the reforms process. The Supreme Education Council was introduced to oversee the reform process. The government also introduced the Academic Bridge Program in 2001, to improve standards in English for public school students in Qatar.

# Bahrain

## Snapshot (2009)

Primary students	86,342
Secondary students	79,093
Tertiary students	22,419
Private school students	39,421
Government schools	210
Private schools	66

## Major private players

Player	Education type
St Christopher's School	Primary and secondary education
Birla Institute of Technology International Centre	Higher education
Royal University for Women	Higher education
Gulf University	Higher education
AMA International University	Higher education

Source: UNESCO, Alpen Capital analysis and Ministry of Education

## Overview

Bahrain was the first country in the GCC region to introduce a public education system in the year 1919. As the economy of Bahrain is growing, demand for skilled labour is set to rise. To cater to this need, Bahrain requires a job-oriented and modern education system. Therefore, Bahrain government is striving to make it a liberal and unique education system in GCC region. As the education market of Bahrain is growing, huge investment from government as well as private sector is expected in the form of opening of new colleges, technical and vocational institutions.

The private schools are regulated by the Directorate of Private Education, which supervises the teaching of Islamic studies and Arabic in these schools. Private schools in Bahrain may be national private schools or foreign private schools. National private schools are run either by Bahraini citizens or with participation of non-Bahrainis. These schools offer national curricula or that approved by the Ministry. They primarily cater to Bahraini students. Foreign private schools are established, run and financed by foreigners or foreign establishments in Bahrain. They offer foreign curricula and are supervised by Ministry of Education.

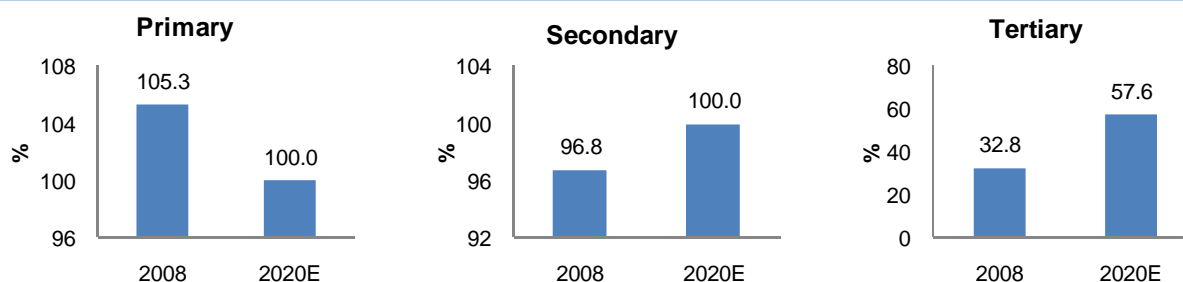
## Socio-economic indicators

## Education status vs. regional average

Indicator	Year	Value	Indicator	Year	Bahrain	GCC (Avg)
Population (million)	2009	1.0	Literacy Rate	2008	90.8	72.4
Inflation rate (CPI average)	2009	2.8%	Students to teacher ratio	2008	12.8	11.7
GDP (BHD billion)	2009	7.6	Education expenditure as % of GDP	2008	2.9	NA

Source: World Bank, IMF and UIS Statistics

## Gross Enrolment Ratio (%)



- Bahrain has over 100% GER in the primary education. We expect the primary education GER to normalise and reach 100% by 2010.
- Secondary education GER is expected to improve to 100% by 2020, whereby all children in 12-17 age group are attending secondary schools.
- Bahrain has the highest tertiary education GER among the GCC countries. We further expect its GER to increase at 5% growth rate to reach 57.6% in 2020 from 32.8% in 2008.



## Sector qualitative assessment

### Initiatives

- Bahrain has taken measures to meet demand for skilled labour by collaborating with foreign technical institutions and promoting job-oriented and vocational training courses in finance, medicine and IT.
- The Quality Assurance Authority for Education and Training was launched in 2009 for continuous reviewing and assessing of schools, institutes and universities.
- Investment is happening to promote Bahrain as a world leader in the development and implementation of applied research, assurance, and training etc.
- The Directorate of Special Education in Bahrain identifies disabled students and students with special needs in public schools as well as special institutions abroad. Various specialized institutions such as such as the Saudi-Bahraini Institute for the Blind, Al-Amal Institute and Social Rehabilitation Centre are present in Bahrain.

### Challenges

- A requirement of skilled teachers is a major hindrance in ensuring quality and standard of education.
- Private education is costly.
- Low interest evinced by men in higher education weakens government's initiatives to develop a strong higher education system.

## Key features and trends

### *Government policy towards employment*

Bahrain achieved commendable success in providing equal opportunities to female population, which makes it different from other GCC countries. The government has collaborated with foreign institutes and promoted vocational courses. However, currently, there are more expatriates than nationals enrolled in the universities. This is primarily because of government policy of providing the locals with employment with minimum qualification and good salary, which encourages young people to choose government jobs rather than higher education or private jobs.

However, to impart various technical skills to students, Bahrain established a new polytechnic, offering a two-year diploma program for vocational skills directly applicable to the job market, and a four-year program leading to a bachelor's degree.

# Oman

Snapshot (2009)		Major private players	
Primary students	280,761		
Secondary students	316,548		
Tertiary students	77,921		
Private school students	26,589		
Government schools	2,854		
Private schools	133		

Player	Education type
American British Academy	Primary and secondary education
The British School	Primary and secondary education
Dhofar University	Higher education
Majan College	Higher education
Sohar University	Higher education

Source: UNESCO and Alpen Capital analysis

## Overview

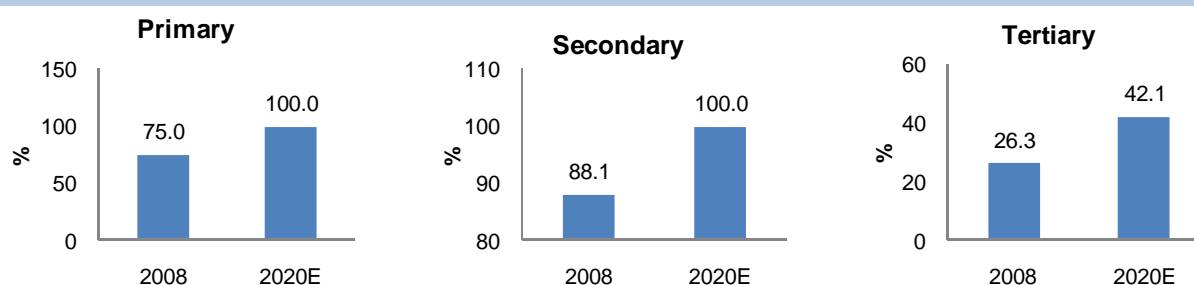
Education system of Oman is not very old compared with other GCC countries. In 1998-99, Oman replaced its 12-year general education system with a new 10-year education system to reduce the probability of students leaving the school system at an early age.

There are a limited number of private schools in Oman offering primary education. These schools follow the same curriculum as their government counterparts. With increase in demand for standard and modern education, further investment from Omani government and private sector is expected. Department of private schools monitors the private schools in the country. At the school level, teachers are encouraged to use extensive learning tools and technologies and at higher levels, new courses such as computer engineering, communications, photography and fashion studies have been introduced. The current economic and development boom in Oman, combined with an increasing flow of graduates each year from post-basic education, is a strong driver for the continued expansion of higher education.

Socio-economic indicators			Education status vs. regional average			
Indicator	Year	Value	Indicator	Year	Oman	GCC (Avg)
Population (million)	2009	2.9	Literacy Rate	2008	86.7	72.4
Inflation rate (CPI average)	2009	3.5%	Students to teacher ratio	2008	11.1	11.7
GDP (OMR billion)	2009	20.5	Education expenditure as % of GDP	2006	4.0	NA

Source: World Bank, IMF and UIS Statistics

## Gross Enrolment Ratio (%)



- Oman has a low penetration of primary and secondary education, as compared to other countries in the GCC region.
- We expect the primary and secondary GER to improve to 100% by 2020, whereby all children in school age population are attending primary and secondary schools.
- Based on its tertiary education GER growth rate in past, we expect the GER to increase at 2% growth rate to reach 42.1% in 2020 from 26.3% in 2008.

## Sector qualitative assessment

### Initiatives

- Government of Oman allocated 12.3% of its 2010-budgeted expenditure to the education sector.
- Measures have been taken to improve teaching methods and education practice by implementing English at basic level and focusing more on science subjects.
- A number of scholarships are offered for students to study at recognized universities abroad.
- Government provides grants up to 70% of the cost of studying in private technical and vocational institutions.
- First colleges for females in Oman, the Mazoon College for Management and Applied Sciences and Al Zahra College for Girls were established in 1999.
- To bridge the gap between the education system and the labour market, primarily in vocational training, a Ministry of Manpower – operating four vocational training centres and five technical colleges – was established in 2002.
- To promote education for children with special needs, government initiated a pilot project in 2000 and introduced new schools for these children. It also provides other facilities such as free day meal to attract more students.
- The Ministry of Education in association with UNICEF and the private sector began a one-year national campaign in November 2008 to spread awareness about the importance of early childhood care and education (ECCE) and increase enrolment in nurseries and kindergartens and improve the quality of ECCE programmes.

### Challenges

- Low IT awareness hinders speedy growth of the education sector.
- Inability to adopt standard and liberal education policy at basic level education affects higher education standards.
- Small number of private schools provides limited options.

## Key features and trends

### *Higher education has grown at a significant rate in the country*

Oman's higher education system has grown significantly over the past two decades. By introducing new job-oriented courses, government is trying to balance the demand-supply scenario. Government is also offering incentives to establish educational institutions such as free land, tax exemption, monetary grants, free electricity and textbooks, besides promoting women's education by opening new colleges for women.

The Ministry of Education is encouraging private and foreign participation in the post-secondary education sector and several Omani institutions have teamed up with foreign universities to offer higher education.

# **Company Profiles**

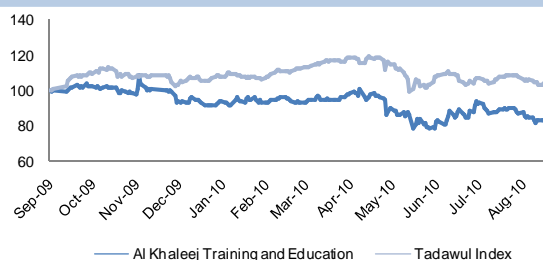
## Al Khaleej Training and Education

Public: Saudi Arabia

### Stock data

### Stock chart

Bloomberg Ticker	ALKHALEEJ AB
Price (SAR)	37.1
52 Week High/Low	49.3/ 33.4
Enterprise value (USD mn)	183.2
Market cap (USD mn)	148.4
6 month average daily value traded (USD mn)	1.2



Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Performance summary

### Business description

(USD mn)	2008	2009	% change
Revenue	92.3	93.6	1.3%
COGS	69.3	70.3	1.4%
Operating income	12.3	12.0	-1.9%
Operating margin (%)	13.3%	12.9%	-0.4pp
Net income	11.0	11.3	2.4%
Net income margin (%)	11.9%	12.0%	0.1pp
ROE (%)	23.7%	20.0%	-3.7pp
ROA (%)	12.5%	10.8%	-1.7pp

Source: Bloomberg, Zawya and company website

Al Khaleej Training and Education company provides training and educational programs including languages, information technology and e-learning. The company was established in 1992 and earlier was known as Al Khaleej Training and Electronic Industries. It has 1,400 employees and 82 branches across Saudi Arabia.

### Segments and services

#### Segments

- Its Information Technology segment includes three divisions – New Horizons, which has more than 41 centres in Saudi Arabia; The Platinum Centre for Advanced IT Training Solutions with three centres and Online Trading Academy.
- Its language segment has Direct English Centres for an English Teaching division with more than 40 centres in the country.
- Its online training segment has Al Khaleej e learning, an online training portal.
- Other divisions of Al Khaleej Training and Education include Al Khaleej Training and Education Institute, Takniat for Management Training and Development with three branches, Al Dhiafa for Hospitality & Tourism Training, and Kawader for recruitment.

#### Services

- The company provides training in electronics, communications, and English and tourism. It also provides administrative, financial training for individuals, corporations, and governmental establishments.

### Recent news and development

- July 2010: The Company announced plans to open several world-class international schools.

## Dhofar University

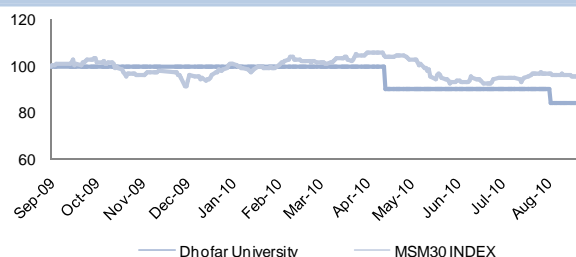
Public: Oman

### Stock data

Bloomberg Ticker	DHUS OM
Price (OMR)	1.3
52 Week High/Low	1.6/1.3
Enterprise value (USD mn)	38.1
Market cap (USD mn)	20.9
6 month average daily value traded (USD)	55.7

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Stock chart



### Performance summary

(USD mn)	2008	2009	% change
Revenue	11.8	11.1	-5.9%
COGS	NA	NA	NA
Operating income	-0.7	-3.4	399.1%
Operating margin (%)	-5.7%	-30.5%	-24.7pp
Net income	0.03	-2.8	-10021.3%
Net income margin (%)	0.2%	-25.1%	-25.3pp
ROE (%)	0.2%	-20.0%	-20.1pp
ROA (%)	0.1%	-7.0%	-7.1pp

Source: Bloomberg, Zawya and company website

### Business description

Dhofar University, established in 2004, provides courses in higher education. Earlier known as National College of Science and Technology, Dhofar is the first private university in Oman modelled after the American System of higher education. Dhofar has a library that serves more than 3,000 users and is open to members of the community outside the university through a special arrangement. The library has a collection of 13,000 books comprising English language and literature, business, computer science, education, graphics, etc. Dhofar employed 121 faculty members as of 2008.

### Segments and services

#### Segments

- Dhofar University currently operates three colleges at College of Arts and Applied Sciences (CAAS), College of Commerce and Business Administration (CCBA) and College of Engineering (CE).
- These colleges offer 25 academic programs in different fields of specialization, representing 17 diploma programs, 20 bachelors' degree programs and a masters' degree program.
- The University also has the Continuing Education Centre (CEC) that offers a number of courses and training programs for executives and employees of government agencies and commercial firms, and for adult learners in the local community.

#### Services

- Dhofar offers two-year diploma and four-year bachelor degree programs that follow the credit hour system and use English as the medium of instruction.
- It also offers a foundation program for students who are not sufficiently prepared to join the university programs.

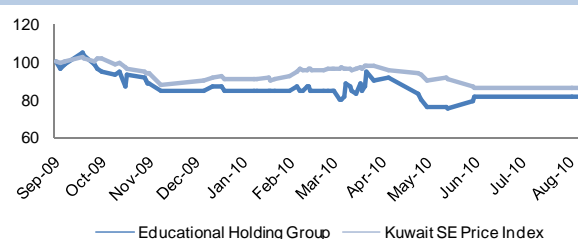
## Educational Holding Group

Public: Kuwait

### Stock data

Bloomberg Ticker	EDU KK
Price (KWd)	98.0*
52 Week High/Low	126.0/90.0
Enterprise value (USD mn)	160.1
Market cap (USD mn)	83.6*
6 month average daily value traded (USD mn)	9.9

### Stock chart



Source: Bloomberg Data as on 13<sup>th</sup> September 2010 \*last traded value as on 24<sup>th</sup> August 2010

### Performance summary

(USD mn)	2008	2009	% change
Revenue	17.4	16.9	-2.5%
COGS	11.0	-62.7	-670.3%
Operating income	-11.0	-7.7	-30.5%
Operating margin (%)	-63.4%	-45.2%	18.2pp
Net income	23.8	-62.7	-363.1%
Net income margin (%)	137.2%	-370.0%	-507.2pp
ROE (%)	13.2%	-41.0%	-54.2pp
ROA (%)	8.1%	-22.3%	-30.3pp

Source: Bloomberg, Zawya and company website

### Business description

The Kuwait-based Education Holding Group (EDU) establishes and invests in private educational institutions, training centres, universities and childcare schools in Kuwait and the Middle East. It was established in 1982. Formerly known as Kuwait Educational Services Establishment, EDU was the first educational company to be listed on the Kuwait stock exchange in 1993 and became a holding company in January 2005.

Regionally, EDU owns and operates the Lebanon-based Knowledge City Holdings, which offers language, administrative, programming and web design courses through its own subsidiaries Knowledge City Investments and Knowledge City Management.

### Segments and services

#### Segments

- It covers different segments, which include kindergarten, basic education, special need education, higher education, e-learning, training, business services, and recruitment services.
- Under basic education, it provides Arabic education as well as American education through its schools.
- Under the business services segment, its MENA business services helps clients to determine their training needs inside their workplaces and provides relevant specialist courses to develop skills.
- Under the e-learning segment, its Dubai-based Universal Knowledge Solutions provides e-learning technology and designs content for educational institutions, private centres, and other clients in the Middle East, North Africa and the Gulf region.

#### Services

- The Group's principal activity is provision of educational and training services in Kuwait.
- It also offers medical equipment, chemicals, and tools to the disabled through its subsidiary, Kuwait Lab Co.
- It has operations in Kuwait, as well as in the Gulf region and the Middle East.

## Oman Education and Training Investment Company

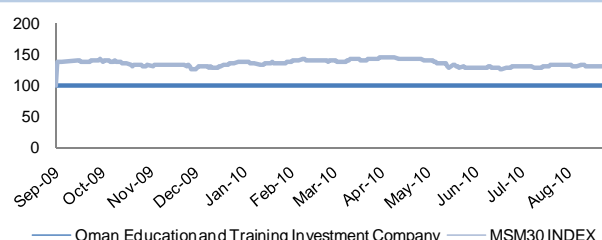
Public: Oman

### Stock data

Bloomberg Ticker	OETI OM
Price (OMR)	0.54
52 Week High/Low	0.58/0.49
Enterprise value (USD mn)	103.8
Market cap (USD mn)	98.2
6 month average daily value traded (USD)	22.8

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Stock chart



### Performance summary

(USD mn)	2008	2009	% change
Revenue	21.3	23.8	12.0%
COGS	NA	NA	NA
Operating income	5.1	1.8	-65.2%
Operating margin (%)	23.7%	7.4%	-16.4pp
Net income	7.5	4.8	-35.3%
Net income margin (%)	35.2%	20.3%	-14.8pp
ROE (%)	25.1%	14.0%	-11.0pp
ROA (%)	15.3%	9.1%	-6.2pp

Source: Bloomberg, Zawya and company website

### Business description

Oman Education and Training Investment Company was established in 1998 and is involved in providing higher education. The company owns and operates Sohar University in Oman, which is a non-profit organization that provides education and training for Omani and international students.

### Segments and services

#### Services

- Sohar University is the first private university in Oman. The University offers undergraduate and postgraduate programs, offering bachelors, diploma, and advanced diploma degrees, as well as university preparatory courses.
- The university consists of four faculties: business, computing and information technology, engineering, and humanities and social sciences.
- Its facilities include dormitories, a restaurant, prayer rooms, a private clinic, sports facilities, a library and computer labs.



## HumanSoft Holding Company

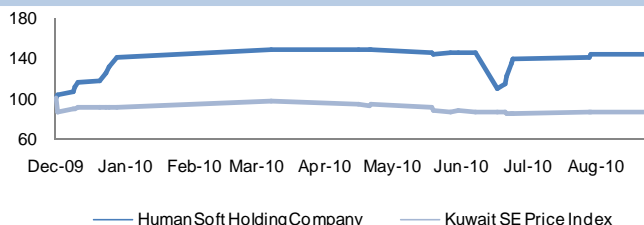
Public: Kuwait

### Stock data

Bloomberg Ticker	HUMANSFT KK
Price (KWd)	310.0
52 Week High/Low	320.0/216.0
Enterprise value (USD mn)	135.4
Market cap (USD mn)	123.2
6 month average daily value traded (USD mn)	12.9

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Stock chart



### Performance summary

(USD mn)	2008	2009	% change
Revenue	21.5	21.7	0.9%
COGS	23.4	33.9	44.7%
Operating income	-3.8	1.5	-138.4%
Operating margin (%)	-17.9%	6.8%	24.7pp
Net income	1.3	3.0	136.0%
Net income margin (%)	5.9%	13.8%	7.9pp
ROE (%)	2.0%	4.9%	2.8pp
ROA (%)	1.5%	3.5%	2.0pp

Source: Bloomberg, Zawya and company website

### Business description

HumanSoft Holding Company offers training and information technology services. Established in 1997, HumanSoft Holding Company manages universities and colleges providing computer education, language training, e-commerce, human resources management and organizational development, and career planning programs and solutions for public and private institutions in the Arab region.

### Segments and services

#### Segments

- In higher education segment, HumanSoft Holding Company's American University of the Middle East (AUM) emphasizes adoption of practical education along with theoretical education. It provides applied higher education programs to help students as well as corporate.
- HumanSoft Learning Solutions provides support and guidance in all fields relating to management of schools.
- Its Track Learning Solutions offers enterprise-learning solutions to organizations with the latest and technically advanced performance and learning systems customized to support the strategic objectives of the organizations.
- HumanSoft Management and IT Consulting helps corporate clients with HR, ERP, strategy and business model management solutions and consultancy services to help them maximize their talent base, structure and IT.
- Under the computer training segment, New Horizons Computer Training offers specialized computer application training courses to corporate and individuals to enhance personal and work application usage.

## EYAS for Higher and Technical Education Company

**Public: Kuwait**

### Stock data

### Stock chart

Bloomberg Ticker	EYAS KK
Price (KWd)	305.0*
52 Week High/Low	335.0/305.0
Enterprise value (USD mn)	NA
Market cap (USD mn)	NA
6 month average daily value traded (USD mn)	0.2

*No chart as it last traded in July 2010 and previous irregular trading pattern*

Source: Bloomberg Data as on 13<sup>th</sup> September 2010 \*Last traded value as on 4<sup>th</sup> July 2010

### Performance summary

### Business description

(USD mn)	2008	2009	% change
Revenue	30.9	40.6	31.1%
COGS	55.7	52.0	-6.5%
Operating income	4.9	8.3	69.8%
Operating margin (%)	15.8%	20.5%	4.7pp
Net income	4.4	-2.7	-160.7%
Net income margin (%)	14.2%	-6.6%	-20.7pp
ROE (%)	7.0%	-4.4%	-11.4pp
ROA (%)	3.4%	-1.9%	-5.3pp

Source: Bloomberg, Zawya and company website

EYAS, established in 2000, is a Kuwait-based company engaged in the establishment and management of a private university, schools and training centres; computer and telecommunication network consultants; publishers and distributors of audio, visual, and written educational materials.

### Segments and services

#### Services

- The company provides services such as establishing and managing private university and non-government educational institutions such as Arabic, foreign and local schools; organizing and holding exhibitions and conferences; and publishing research and educational studies about education practices and consultancies.
- Its services also include importing and exporting educational tools, issuing, publishing and distributing audio and visual materials specializing in the educational field, applying and proposing integral solutions and special consultancies related to computer networks and communication services for education services.

## Global Education Management Systems

### Private

<i>Snapshot</i>		<i>Business description</i>
Year Established	1968	Established in 1968, GEMS owns and manages schools. It is one of the largest K-12 private school operators globally, with more than 30 schools in GCC and the Middle East. GEMS provides quality education to nearly 100,000 students from 125 countries, employing 9,000 education professionals, specialists, and staff. It manages a network of high-quality international schools.
Location	Middle East, GCC, Europe and UK, India	
Total schools	100	
Employees	9,000	

Source: [www.gemseducation.com](http://www.gemseducation.com)

### Segments and services

#### Segments

- The company operates as a K-12 private school operator globally.

#### Services

- GEMS schools operate in 10 countries across three continents. GEMS education provides a variety of international curricula such as the International Baccalaureate program, the National Curriculum for England and the American Curriculum.

### Recent developments and future plans

- The company received the globally recognised International Organization for Standardization (ISO) 27001 certification for the quality of its infrastructure.

## Nafais Holding Company

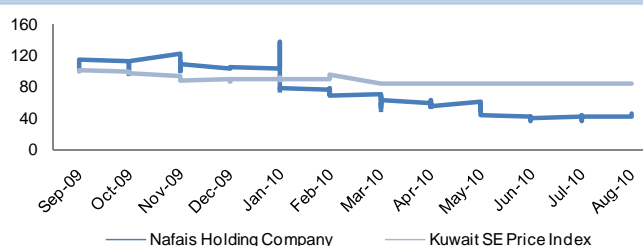
Public: Kuwait

### Stock data

Bloomberg Ticker	NAFAIS KK
Price (KWd)	45.0
52 Week High/Low	138.0/ 35.0
Enterprise value (USD mn)	410.8
Market cap (USD mn)	97.6
6 month average daily value traded (USD mn)	51.7

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Stock chart



### Performance summary

(USD mn)	2008	2009	% change
Revenue	36.0	76.8	113.4%
COGS	67.7	61.7	-8.8%
Operating income	2.8	-1.4	-149.2%
Operating margin (%)	7.8%	-1.8%	-9.6pp
Net income	4.5	-95.9	-2255.7%
Net income margin (%)	12.4%	-124.9%	-137.2pp
ROE (%)	3.0%	-43.1%	-46.1pp
ROA (%)	1.5%	-20.7%	-22.2pp

Source: Bloomberg, Zawya and company website

### Business description

Nafais Holding Company imparts education based on international curriculum. The company was established in 1984 and was known as Institute for Private Education until August 2007; Nafaaes Holding until September 2008.

It is a holding company with interests in investing in educational companies, and establishing and managing private universities, schools and training centres. It also invests in real estate, healthcare, advertising, and printing industries.

### Segments and services

#### Segments

- Nafais Holding Company owns and manages five schools in Kuwait: Al-Andalus Private School – teaching general education to students between kindergarten and fifth grade; Al-Tafawoq Private School - all girls school for sixth to twelfth grade; Al-Takamul International School - offering K-12 general education; Gulf English school - a general K-12 education school and Al-Maalee Bilingual school for kindergarten and elementary levels.
- Its Al-Takamul International School and Gulf English School are based on American and British education curriculum respectively.

## Majan College

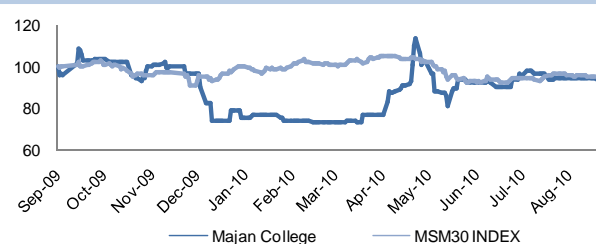
Public: Oman

### Stock data

Bloomberg Ticker	BACS OM
Price (OMR)	0.28
52 Week High/Low	0.36/0.22
Enterprise value (USD mn)	11.2
Market cap (USD mn)	22.0
6 month average daily value traded (USD)	12,086.2

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Stock chart



### Performance summary

(USD mn)	2008	2009	% change
Revenue	7.1	6.9	-2.9%
COGS	NA	NA	NA
Operating income	1.4	1.5	2.3%
Operating margin (%)	20.3%	21.4%	1.1pp
Net income	2.2	1.7	-22.4%
Net income margin (%)	30.5%	24.3%	-6.1pp
ROE (%)	14.2%	10.7%	-3.5pp
ROA (%)	12.3%	9.3%	-3.0pp

Source: Bloomberg, Zawya and company website

### Business description

Majan college is one of the largest private colleges in Oman with more than 1,800 students. It offers undergraduate and post graduate degrees in accounting, business administration, e-business, and English language.

Majan has accreditation from the University of Bedfordshire, UK and the majority of its academic programs are awarded by the University. Majan College is a subsidiary of Human Investment for Training and Investment Co.

### Segments and services

#### Segments

- Majan College offers programs in English language, business management and information technology. It also has a postgraduate centre and a foundation program.
- Its facilities include a hostel, a library, a computing library, a cafeteria, and sport and leisure facilities.

## National Hospitality Institute

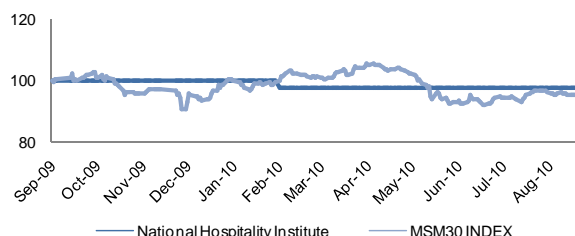
Public: Oman

### Stock data

Bloomberg Ticker	NHIS OM
Price (OMR)	2.05
52 Week High/Low	2.1/2.0
Enterprise value (USD mn)	5.8
Market cap (USD mn)	5.3
6 month average daily value traded (USD)	33.7

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Stock chart



### Performance summary

(USD mn)	2008	2009	% change
Revenue	2.7	2.3	(14.2)
COGS	59.7	73.0	22.2
Operating income	NA	(0.2)	NA
Operating margin (%)	NA	(7.6)	NA
Net income	NA	NA	NA
Net income margin (%)	NA	NA	NA
ROE (%)	NA	NA	NA
ROA (%)	NA	NA	NA

Source: Bloomberg, Zawya and company website

### Business description

The National Hospitality Institute, based in Muscat, is the provider of vocational training for the hospitality, catering and travel industries in the Gulf region. It provides training with a focus on internationally accredited vocational courses. The company was established in 1995.

It has partnerships with companies like Chartered Institute of Environmental Health, Investor in People, Renaissance Education and Training Group, International Air Transport Association Canada (IATA) and government authorities such as Ministry of Manpower, Oman.

### Segments and services

#### Segments

- National Hospitality Institute provides different types of courses related to hospitality and culinary arts. It owns and manages Hotel Management School, Gulf Chef School, Food Safety Academy, Gulf Travel School and Beauty School.
- While Gulf Chef School offers catering courses, Food Safety Academy offers training, HACCP certifications as well as consultancy and audit services; and Gulf Travel School provides IATA courses as well as cabin crew training courses.
- National Hospitality Institute is also franchisee for AHLA (American Hotels & Lodging Association) diplomas in the hospitality sector in Oman.

## AFAQ Educational Services Company

**Public: Kuwait**

### Stock data

### Stock chart

Bloomberg Ticker	AFAQ KK
Price (KWd)	NA
52 Week High/Low	NA
Enterprise value (USD mn)	NA
Market cap (USD mn)	NA
6 month average daily value traded (USD mn)	NA

*No chart as the firm has been suspended from trading*

Source: Bloomberg Data as on 13<sup>th</sup> September 2010

### Performance summary

### Business description

(USD mn)	2008	2009	% change
Revenue	2.4	14.5	502.6
COGS	79.2	95.1	20.0
Operating income	NA	(3.9)	NA
Operating margin (%)	NA	(27.0)	NA
Net income	NA	NA	NA
Net income margin (%)	NA	NA	NA
ROE (%)	NA	NA	NA
ROA (%)	NA	NA	NA

Source: Bloomberg, Zawya and company website

AFAQ Educational Services, established in 1993, offers educational services to Kuwaiti citizens with special needs and disabilities. It has seven schools, which serve different types of needs of people of Kuwait.

### Segments and services

#### Segments

- This company's schools can be categorised based on the types of education they offer, such as regular schools, inclusive schools, conduction education school, and conductive rehabilitation.
- AFAQ has three regular schools where the medium of instruction in these schools is Arabic. Two schools operate up till grade seven, and other operates till grade twelve. There are around 6,100 students.
- Two inclusive schools provide education to children with disabilities along with children without disabilities. The medium of instruction in these schools is Arabic and slow learners, students with mild disabilities, Down's syndrome as well as borderline cases are enrolled. These schools operate till grade seven and enroll around 190 students.
- A conductive education school has 94 students. It caters to students with motor problems, multiple disabilities, cerebral palsy, hyperactivity, autism, ADHD and Down's syndrome. The medium of instruction is in English.
- Conductive Rehabilitation Centre helps people suffering with severe disabilities.

#### Recent news and development

- June 2010: Kuwait Stock Exchange suspended share trading of AFAQ Educational Services Company until it submitted its financial statements for the period ended May 31, 2010.

## Appendix: Education projects in the region

### Major education projects in the region\*

Project Name	Education type	Country	Project value (USD million)	Expected completion	Student capacity
Boys Primary School at Aker	Primary education	Bahrain	5.6	2011	NA
Girls Primary School in Al-Nahda Area	Primary education	Kuwait	8.0	2009	NA
International Maritime College	Higher education	Kuwait	35.0	2010	NA
Boys Secondary School in Al-Farwaniyah	Secondary education	Kuwait	17.0	2011	NA
Boys Secondary School in Al-Aqila	Secondary education	Kuwait	17.0	2011	NA
Girls Secondary School in Abu Halifa	Secondary education	Kuwait	19.0	2011	NA
Girls School in Cordoba	Primary/Secondary education	Kuwait	11.0	2012	NA
Nursing Institute	Higher education	Kuwait	25.0	2012	NA
Kuwait University - University Hospital	Higher education	Kuwait	150.0	2012	NA
P.A.A.E.T Centre for Women	Higher education	Kuwait	37.0	2013	NA
Kuwait University - Kuwait University City	Higher education	Kuwait	3,500.0	2015	40,000
School No. 23 at Najma in Doha	Primary/Secondary education	Qatar	11.5	2011	NA
School No. 22 at New Salata in Doha	Primary/Secondary education	Qatar	11.5	2011	NA
School No. 14 at Al-Sailiyah in Doha	Primary/Secondary education	Qatar	11.5	2011	NA
School No. 7 at Al-Amir in Doha	Primary/Secondary education	Qatar	11.5	2011	NA
School No. 1 at Maamora in Doha	Primary/Secondary education	Qatar	11.5	2011	NA
Education City - Foreign Affairs Collage	Primary/Secondary education	Qatar	165.0	2011	NA
Education City - Islamic Studies Centre	Higher education	Qatar	NA	2012	NA
200 Educational Buildings in several areas	Primary/Secondary education	Saudi Arabia	535.0	2010	NA
Al Qassim University - Faculty of Medicine	Higher education	Saudi Arabia	45.0	2011	NA
Abu Dhabi Sorbonne University	Higher education	Saudi Arabia	400.0	2011	NA
Zayed University - New Campus	Higher education	Saudi Arabia	817.0	2011	6,000
King Saud University for Health Sciences (KSUHS)	Higher education	Saudi Arabia	1,600.0	2011	NA
King Saud University - Medical City	Higher education	Saudi Arabia	NA	2011	NA
Saudi Arabia MHE - King Khaled University - Phase II	Higher education	Saudi Arabia	800.0	2012	NA
King Abdullah University of Science and Technology (KAUST)	Higher education	Saudi Arabia	3,000.0	2012	NA
SMHE/SMF - Princess Nora University - Packages 1, 2, and 3	Higher education (Girls)	Saudi Arabia	4,000.0	2012	NA
Royal Commission For Jubail and Yanbu - Jubail 2 University College	Higher education	Saudi Arabia	33.3	2013	18,000
Imam Mohammed Bin Saud Islamic University - Housing Package	Higher education	Saudi Arabia	1,000.0	2013	NA
Dubai Maritime City - Academic Campus (DMCC)	Higher education	UAE	NA	2010	1,300
Mubadala - UAE University Campus	Higher education	UAE	NA	2010	19,000
UAE MHESR University (Zayed University)	Higher education	UAE	817.0	2011	6,000
Mubadala - New York University	Higher education	UAE	874.4	2014	NA

Source: : Zawya, Constructionweekonline, Arabianbusiness.com and other databases

\* The list is not exhaustive



Joint venture of



&



**Bukhatir  
Group**



US\$ 245,000,000  
Syndicated Term Loan Facility &  
Commodity Murabaha



US\$ 100,000,000  
Term Credit Facility



Jazeera Steel الجزيرة الحديد

Acquisition of Strategic  
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