



MENA Education Report

- **How large is the MENA education market?**
- **What are the demand drivers for the MENA education market?**
- **What is the level of private equity interest in the MENA education market?**
- **What makes the education sector an attractive investment for private equity investors?**
- **Which are the major educational projects being undertaken in the region?**
- **What are the key issues and challenges faced by the education sector?**
- **Special feature: Dubai private school market**

EXECUTIVE SUMMARY

The MENA education sector is gaining momentum. Due to the Arab Spring, most governments in the region have taken serious steps and announced large spends toward improving social infrastructure (education and healthcare).

Despite high spending on education by respective MENA governments, the quality of education in the region has remained below global standards, an issue that parents and the job market have been pointing towards. Employers in the region always preferred foreigners rather than nationals to fill vacant/new positions as the locals were always perceived as not having the requisite skills required for some jobs. Public resentment always existed; however, the onslaught of the Arab Spring forced governments in the region to realize their education system was faulty and not giving the desired results.

Earlier this year, the Government of Saudi Arabia announced its budget for 2013. Realizing its previous shortcomings, the government allocated a large chunk (~25%) of its USD219 billion budget toward higher education and workforce training. However, Saudi Arabia is not the only GCC country to increase its focus on education. The onslaught of the Arab Spring forced governments in the other MENA countries to think more about the welfare of the populace, resulting in higher spending on education and healthcare.

Education is becoming an attractive business proposition and the MENA K-12 education market is experiencing increased levels of activity. Private equity firms are interested to associate with this sector due to factors such as long-term revenue visibility, demand being greater than supply, and negative working capital (as school/tuition fee is paid in advance by parents and generally they do not default on dues).

The MENA region is expected to experience an incremental inflow of ~300,000 new pupils during 2010–15, driving demand in the education sector. With better enrolment rates, lower dropout rates, higher government spending and demand for private education, the education sector in MENA is set to grow robustly.

Our analysis suggests the public and private education market in the MENA region is estimated to be worth USD96 billion by 2015; with the GCC region alone being worth ~USD61 billion of this. Our projections indicate the private education market in MENA and GCC is estimated to be worth ~USD11.2 billion and USD5.5 billion, respectively, by 2015.

However, this opportunity is not free of concerns. The quality of education has not been good in the MENA region, resulting in relatively high unemployment rates and dissent amongst the youths. Although private establishments are now coming into prominence, course curriculum has to be updated continuously so that pupils are kept abreast with the latest developments across the world and are armed with all the tools required to improve the region's competitiveness. To make the best out of this opportunity, access to high-quality educationists has to be given top priority. Higher levels of public-private participation to provide access to education for women in the MENA region have to increase, especially in certain MENA countries (excluding GCC), whereby this participation is still lagging.

INTRODUCTION

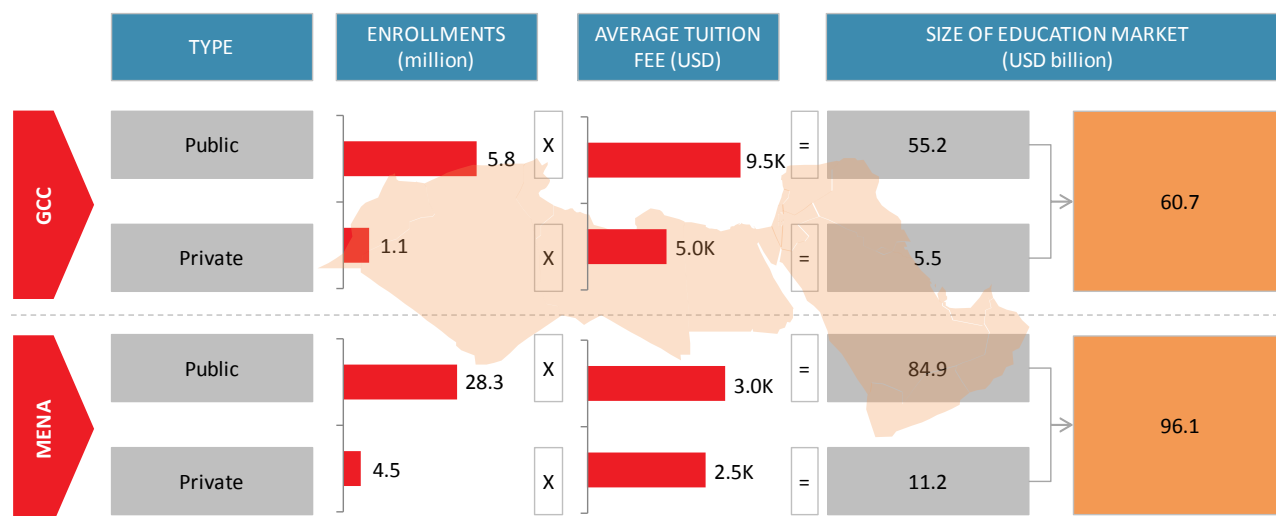
Earlier this year, the Government of Saudi Arabia announced its budget for 2013. Of the USD219 billion budget, the government allocated USD54 billion toward higher education and workforce training. The allocation was nearly 13% higher than that in the previous year (USD44.8 billion).

Saudi Arabia is not the only country to increase focus on education. The onslaught of the Arab Spring has forced governments in the MENA region to think more about the welfare of the populace, resulting in higher spending on social sectors such as education and healthcare.

Education is a huge opportunity

The education market in the MENA region is expected to be worth USD96 billion by 2015. In our previous report, released in November 2011, we had estimated the education market in MENA at USD75 billion (2010). The GCC region forms a sizeable portion of this market. We expect the public and private education market in the GCC region to be worth USD61 billion by 2015 compared to USD36 billion¹ in 2010. The private education market in the MENA region and GCC is estimated to be worth USD11.2 billion and USD5.5 billion, respectively, by 2015.

Exhibit 1: MENA and GCC education market (private and public)



Source: UNESCO, The World Bank, IMF, Booz & Co, Al Masah Capital Research

In terms of value, the largest private education markets would be Egypt (USD3.5 billion), Saudi Arabia (USD2.2 billion), the UAE (USD1.4 billion) and Kuwait (USD0.83 billion). In terms of the number of private sector enrollments, Egypt would be the largest market, with approximately 2 million pupils in private schools, followed by Saudi Arabia (580,000 students).

For more country-specific details, kindly refer the appendix.

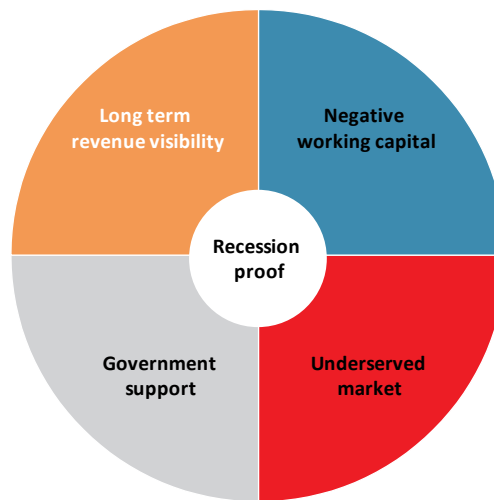
¹ Booz & Company

Education, a highly attractive business

There is strong interest in the education market in the MENA region. This can be ascribed to factors such as long-term revenue visibility (due to duration of a course), negative working capital (since school/course fee is paid in advance), underserved market (demand greater than supply) and government support.

The education sector is recession-proof, i.e., it is less sensitive to economic cycles, a major draw after the recent economic crisis.

Exhibit 2: Education is an attractive business



Source: The Parthenon Group, Al Masah Capital Research

In addition to all these, gross profit margin in the education sector is on the higher side, varying 30–60%. Pre-school and higher education categories generate gross margins of 55–60%, while the same for vocational institutions stands at 30–35%. Accordingly, operating profit margins are high in pre-school and higher education categories (up to 40%) and lower in vocational institutions (up to 15%).

DEMAND DRIVERS

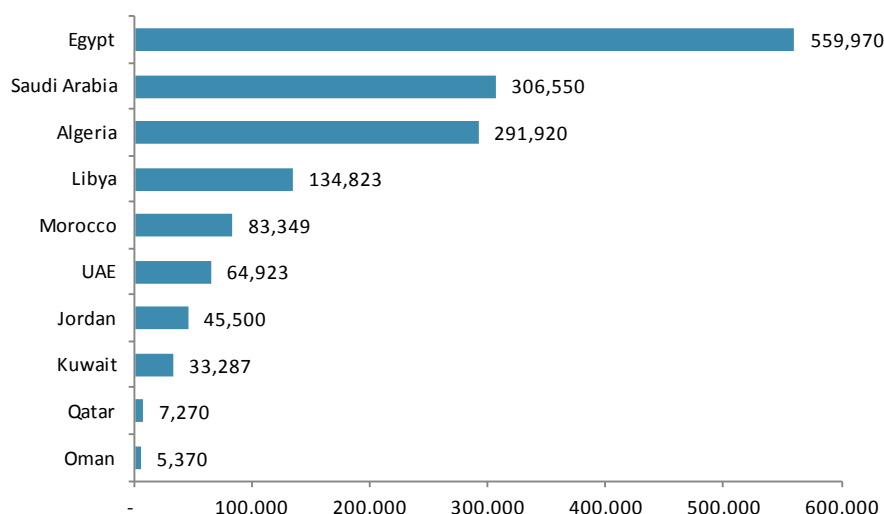
Addition of nearly 300,000 pupils each year

The MENA region is expected to absorb approximately 300,000² new pupils per year during 2010–15, which is a key demand driver for the region’s education sector.

Data from the World Bank suggests the total school-age population in MENA is likely to grow to 53.6 million pupils in 2015 from 51.8 million in 2010. The primary and secondary school-age population is expected to expand at a CAGR of 1.2% to 4.5 million pupils and 1.1% to 24.2 million, respectively, over 2010–15. Among GCC countries, the UAE is expected to experience the strongest growth in the total school-age population, which is projected to increase at a CAGR of 2.7% to 108,000 pupils during 2010–15. However, in absolute terms, Saudi Arabia leads with a projected growth of 361,000 in the school-age population over the same period. In MENA (excluding GCC), Libya is estimated to experience growth in the school-age population, which is likely to expand at a CAGR of 2.0% during 2010–15. However, Egypt is expected to grow the most in absolute terms, with a 1.0 million rise in the school-age population over the same period.

Using the above data with the assumption that there would not be any change in the gross enrolment ratio, we understand Egypt would experience maximum growth in the student population, followed by Saudi Arabia, Algeria and the likes as seen in the exhibit below.

Exhibit 3: MENA student population additions over 2010–15



Source: UNESCO, World Bank EdStats, Al Masrah Capital Research

Government spends in education sector

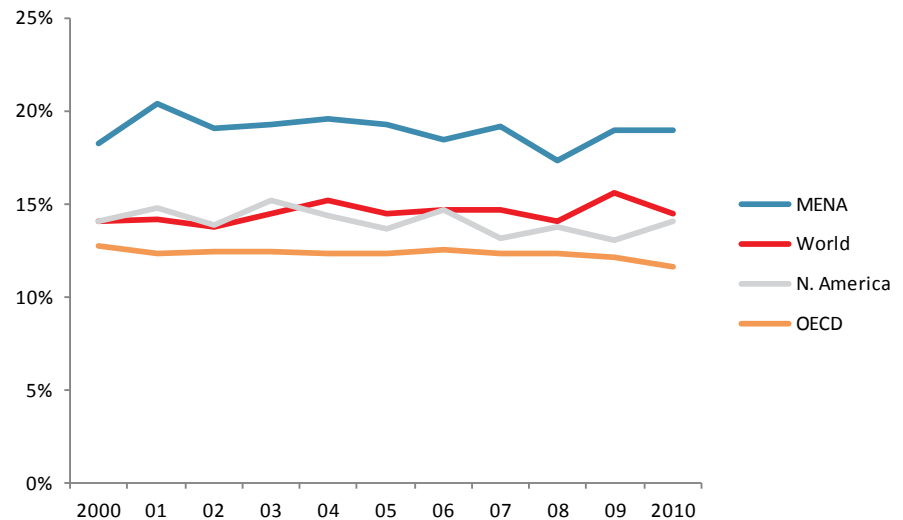
On an average, the MENA region is expected to experience a recurring spend of ~USD29 billion on education over the next couple of years, with Saudi Arabia being the leader as it continues to invest more money in building committed infrastructure in KSA. The government spends on education in a substantial manner in MENA, with contribution from

² After adjustment for Gross Enrolment Ratio

the private sector being miniscule. Such public expenditure helps in attracting pupils as well as teachers intending to be employed.

Data from the World Bank suggests that public expenditure on education in the MENA stands at 19% compared to the world average of 14.5%, North America average of 14.1% and the OECD average of 11.6%. Among MENA nations, public spending on education receives high priority, particularly in Oman, Morocco, the UAE, Tunisia and Saudi Arabia.

Exhibit 4: Public expenditure on education as a % of government expenditure



Source: The World Bank

Lower dropout rates

According to UNESCO, within a decade, dropout rates in primary education in the MENA region have reduced dramatically. This is significant as most children enrolling into primary education program go on to complete secondary education as well. Therefore, a reduction in dropout rates not just ensures steady demand for primary education, but also drives future demand for secondary education. Average dropout rates in MENA shrunk significantly to 5% in 2009 from 9.3% in 1999. Dropout rates in GCC were also high (8.6%) in 1999. In GCC, Bahrain and the UAE recorded high dropout rates of 9.7% and 10.5%, respectively, which within a decade became non-existent. Morocco and Tunisia have also made considerable strides to bring down their respective dropout rates.

Increase in demand for private educational setups

Despite relatively high public spending on education, MENA as a region lags behind in providing quality primary and secondary education to children. This can be mainly ascribed to relatively under-qualified teachers employed in public institutions and the lack of updated educational curriculum. This has resulted in parents (national and expatriates) seeking for private education for their children. Demand for private education has been on the rise in the MENA region, thus leading to strong growth in the education sector.

Private enrolment has been on an uptrend in the MENA region in the past decade; it rose to 28.7% in 2010 from 24.3% in 1999, higher than the latest world average of 10.9%. The rise

reflects higher demand for private education in the MENA region. Among GCC countries, the UAE (63.9%) and Qatar (48.1%) accounted for the highest private enrolment (primary and secondary combined) in 2010. In MENA, excluding GCC, Lebanon (66.8%) accounts for the highest private enrolment during the same period.

Exhibit 5: Private Enrolment rates		
Country	1999	2010
Lebanon	62%	67%
UAE	39%	64%
Qatar	33%	48%
Kuwait	29%	35%
GCC	24%	33%
MENA	24%	29%
Bahrain	16%	27%
Jordan	24%	26%
Oman	3%	13%
World	8%	11%
Saudi Arabia	NA	11%
Tunisia	4%	3%

Source: UNESCO, Al Masah Capital Research

Note: No data available on Morocco, Algeria, Egypt and Libya

Desire for better quality education by parents

Another major growth driver for the education sector in the MENA region is the desire of parents to send their children to world-class schools offering the latest international curriculum. This is an outcome of two factors. First, many employers complain college graduates in MENA are simply ill-equipped for jobs due to sub-standard/outdated education received at schools/universities. Second, parents are becoming more concerned about their children's future when they enter the workplace.

This is where private schools, which offer international (US/UK/Indian) curriculum, have a role to play.

A Knowledge and Human Development Authority (KHDA) report suggests parents prefer private schools over public schools as they believe these schools offer a better quality of education, improved English language instruction, more convenient location, enhanced school leadership and greater range of extra-curricular activities.

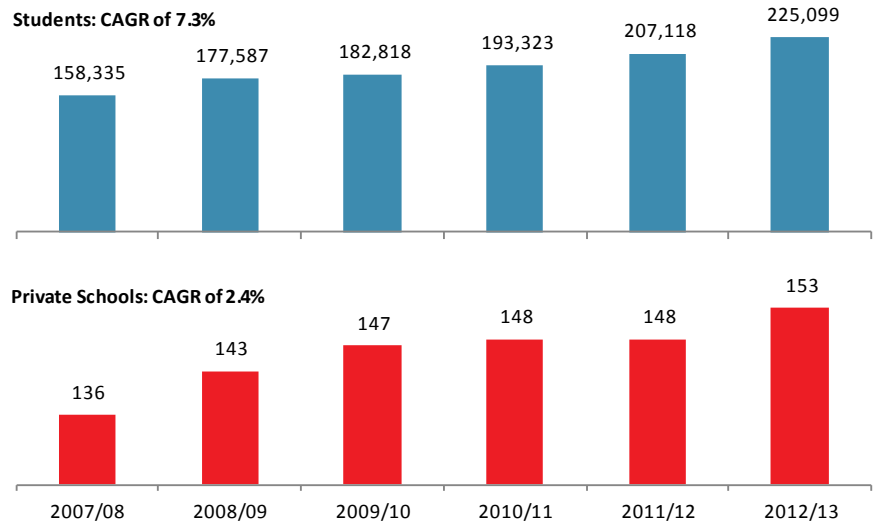
Refer to our special feature for more details on private schools in Dubai.

Special feature: Private Schools in Dubai, UAE

Private schools in Dubai

The number of private schools in Dubai increased at a CAGR of 2.4% over the last five years. However, at a CAGR of 7.3%, the student population growth in these private schools has been much higher. During the 2012–13 academic year, there were 153 private schools operating in Dubai, an increase of five from the previous year. A total of 17 schools (net) have been added since 2007–08. On the contrary, the number of students in private schools in Dubai totaled 225,099 for the 2012–13 academic year, a net increase of ~18,000.

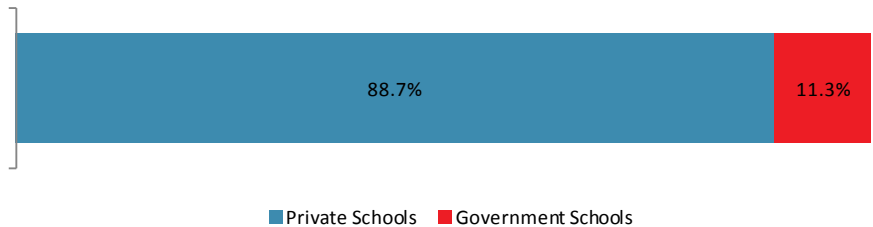
Exhibit 6: Private schools in Dubai versus students admitted



Source: KHDA

A total of 121 of private schools operating in Dubai are being run on for-profit or commercial basis, while the remaining 32 on not-for-profit or non-commercial basis. In terms of the private school student population, 83% of students were studying at for-profit schools, while the remaining 17% at not-for-profit schools. For the academic year 2012–13, the proportion of students attending private schools was 88.7% in Dubai.

Exhibit 7: Private schools in Dubai have maximum number of students



Source: KHDA

Private schools cater to children's education from Kindergarten through to completion of secondary school, spanning an age range of three or four to 17 or 18 years old.

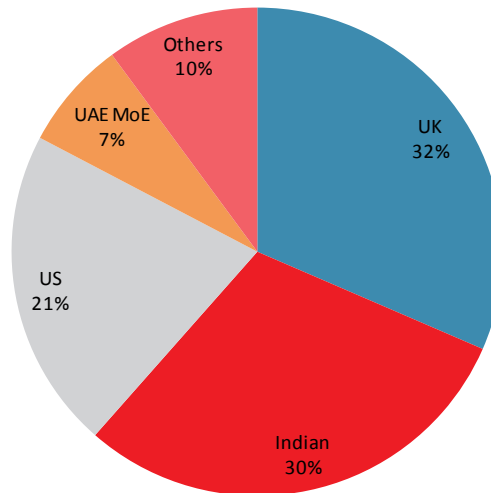
GEMS Education, Taaleem and Innoventures were the three for-profit operators with maximum number of schools. Two of these educational groups are already backed by private equity (PE) firms. In 2007, Abraaj Capital reportedly paid USD124.3 million through Infrastructure and Growth Capital Fund L.P. to acquire a significant stake in GEMS. A year later, Al Khayyat, Rasmala Investments and RHT Partners purchased 13% stake in Taaleem.

GEMS Education has 19 schools, accounting for 25% of Dubai’s total private school student enrolments. Taaleem has seven schools, with 1.8% of all private school students. Innoventures’ four schools enroll 2.3% of the total private school student population.

Students according to curriculum

Private schools in Dubai offer 15 different curriculums. Schools following national curriculum from the UK, the US, India and the UAE Ministry of Education (MoE) cater to 90% of the private school student population. UK curriculum schools has the highest number of students (70,860), representing 31.5% of all private school enrolments.

Exhibit 8: Number of students enrolled by curriculum



Source: KHDA

Tuition fees at private schools

Fees for enrolling children at private schools in Dubai can vary significantly. It could be as low as AED1,725 per year to as high as AED96,140 per annum. These tuition fees cover just day school facilities and do not include boarding facilities, transport or uniform costs.

KHDA reported average tuition fee paid by a student at a private school in Dubai at AED18,196 per year (or around USD5,000) for the academic year 2012–13, up 6% y-o-y.

Based on the above data on fee and enrolments, tuition fee earnings by private schools in Dubai totaled USD1.1 billion for the academic year 2012–13. Schools also earn money via bus fares, uniforms and books, among others.

KEY ISSUES AND CHALLENGES

The education sector in MENA has its own set of challenges: relatively low quality of education, poor access to high-quality teaching staff, difficult regulatory landscape and gender bias.

Quality of education

The quality of primary education in the MENA region is still below the standards in developed nations. World Economic Forum (WEF)'s Arab World Competitiveness Report reasserts the importance of quality education for improvement in Global Competitiveness Index in the MENA region. It recommends policies that would include implementing specific education and labor initiatives (internships, vocational training and continuing education) to align the supply and demand of skills; enhancing the flexibility of labor policies to adapt to changing markets; integrating women in the labor force; and fostering linkages between foreign enterprises and local suppliers, mainly through the use of economic zones. The WEF data suggests some countries, particularly Libya, Egypt, Morocco and Algeria, need to improve their quality of education at the primary level. It also appreciated the steps taken by Qatar, which currently ranks among the top five nations globally in terms of the quality of primary education.

Exhibit 9: Quality of education

Country	Quality of educational system		Quality of Primary education		Higher Education and Training		Quality of Scientific Research Institutions	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Qatar	4	5.7	10	5.6	33	4.9	5	5.8
United Arab Emirates	17	5.0	18	5.2	37	4.9	35	4.6
Saudi Arabia	32	4.4	45	4.4	40	4.8	37	4.5
Bahrain	35	4.4	51	4.2	34	4.9	107	3.1
Oman	60	3.9	59	4.1	61	4.3	74	3.5
Kuwait	104	3.1	89	3.4	82	4.0	103	3.2
Egypt	139	2.3	137	2.1	109	3.3	114	2.9

Source: World Economic Forum (The Global Competitiveness Report 2012-13)

Access to high-quality teaching and administration staff

The MENA region has 17 students for every one teacher (a pupil-teacher ratio of 17:1) compared to the world average of 24:1. However, the knowledge level and skill set among students in the MENA region is still relatively lower compared to their counterparts in the developed countries. This can be mainly ascribed to the poorer quality of teachers in the MENA region. Skilled teachers are essential in an education system as they are the ones who impart knowledge and values to the future generation. However, countries in the region face an acute shortage of teachers. Therefore, those hired to serve as teachers are often not adequately qualified for the position. This results in lower knowledge level and skill sets among students.

Students in MENA score lower on Trends in International Mathematics and Science Study (TIMSS4) compared to the average score in developing/developed regions.

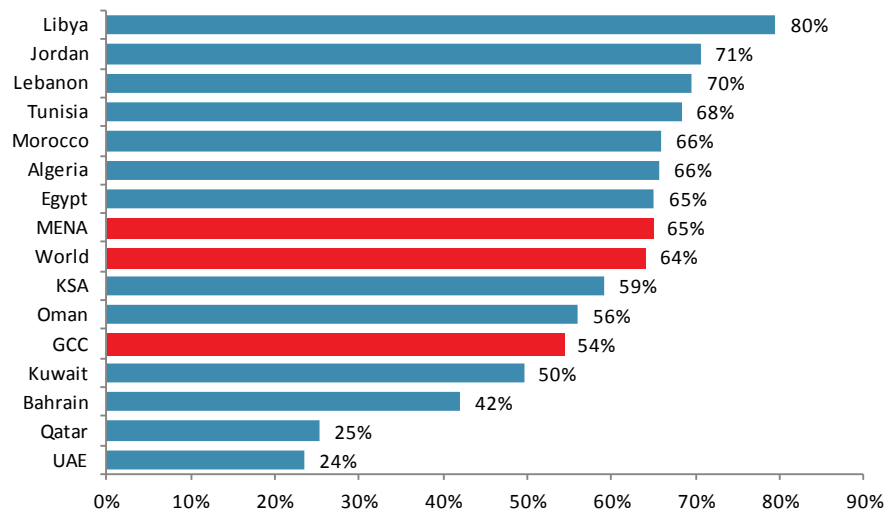
Regulatory landscape

The regulatory environment in MENA regarding education is fragmented across the region. While GCC somewhat boasts of a more mature regulatory environment, other regions in MENA simply lag behind in terms of providing clarity towards regulatory framework. Some GCC members tend to amend rules and regulations without prior notice, making it difficult for private players to manage operations in the region. Furthermore, granting of licenses to set up establishments is a slow process. In the past couple of years, the value of prime land holding has also increased substantially, making establishment of educational institutions a very expensive proposition. With no easy way to finance land acquisition, it becomes all the more difficult for private players to operate in the sector. For improvement in education sector performance, these bottlenecks need to be addressed by respective MENA countries to ensure stronger enrollments in primary, secondary and tertiary education.

Women education

The share of females amongst total illiterates in MENA stands at 65%, a notch higher compared to the global average of 64%. GCC fares better within MENA, with an average female illiteracy rate of 54%. The startling level of female illiteracy prevailing in the non-GCC part of MENA is a concern. Among GCC countries, the highest number of adult female illiterates is found in Saudi Arabia (59%), followed by Oman (56%). Overall, in MENA, Libya leads with an astounding 80% female illiteracy rate, followed by Jordan (71%), Lebanon (70%) and Tunisia (68%).

Exhibit 10: Female illiteracy rates (in total illiterates) are extremely high in MENA



Source: UNESCO, Al Masah Capital Research

Female illiteracy is a bane for the entire region in terms of social and economic costs. Although certain efforts have been made by individual countries to educate female masses, it is in no way sufficient. Coupled with the political turmoil in the region, the plight of women education is expected to remain grim in MENA. Among GCC countries, Saudi Arabia has allocated ~USD593mn towards women-focused educational institutions; however, it just represents ~10% of total spend towards education over 2013–16.

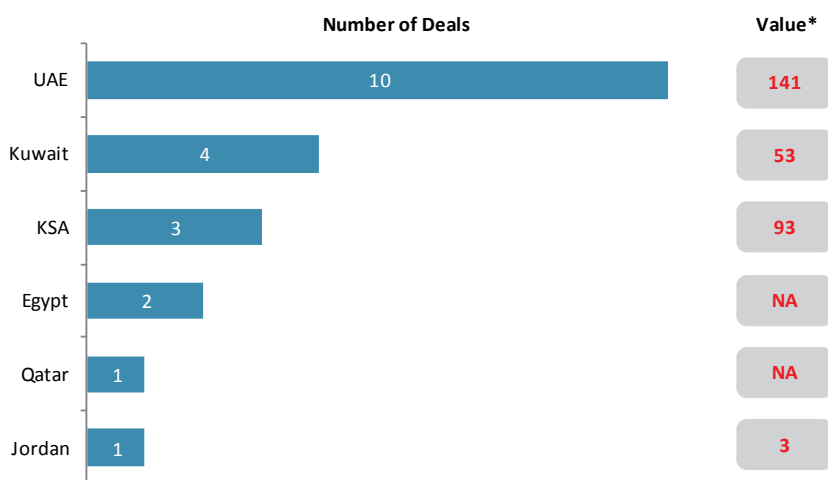
PE FIRMS EYE EDUCATION SECTOR

PE players have invested approximately USD285.1 million (disclosed value) through 21 deals in the education sector in MENA since 2003. Considering the deal count (a better indicator due to lack of details on transaction values), the PE activity in the sector is currently subdued after peaking during 2008–09.

UAE attracts highest number of deals

The UAE is the clear favorite among private equity investors. Of the 21 deals that have taken place in the education sector in MENA since 2003, ten were with UAE-based companies. The disclosed value of these deals totaled USD141 million. The UAE also topped in terms of the value of disclosed deals, followed by Saudi Arabia (three disclosed deals worth USD93 million) and Kuwait (four disclosed deals worth USD53 million).

Exhibit 11: UAE garnered most PE deals in MENA education sector (2003–till date)



Source: Zawya, Al Masah Capital Research

Note: Value in USD millions

Deals trickled of late; three PE exits till date

The PE activity in the education sector has weakened after 2009, following the global crisis and poor economic performance in the MENA region. There have been just six buy deals announced from 2011 till date.

Details on recent deals

In June 2013, Al Najah Education Limited acquired a British curriculum secondary school with capacity for 1,400 students in a prime area of Dubai for an undisclosed sum. In May 2013, Al Najah Education had acquired 100% of a EYFS nursery called Cooper Nursery located at the Al Safa area, Dubai, UAE, and rebranded it as Horizon Kids Nursery to be an affiliate to the Horizon English School which it had bought last year. In July 2012, Al Najah Education had acquired 100% equity stake in Horizon English School, a reputed, co-educational English curriculum school in Jumeirah, UAE. Horizon English School, which has been successfully operating for over two decades, has close to 500 students between Kindergarten and Grade

6 on its enrollment. The school has been rated as Outstanding by the Knowledge and Human Development Authority (KHDA).

Al Najah Education Limited, managed by Al Masah Capital Limited, was established in early 2012 with an aim to invest in the education sector in the MENA region.

In June 2012, NBK Capital Mezzanine Fund I announced a mezzanine investment of USD10 million in EIKON International Holding FZ LLC, (EIKON) the operator of the Heriot-Watt University in Dubai. Dubai-based university operator EIKON partnered with the Heriot-Watt University, a Scottish university, to offer high-quality British education at their branch campus in Dubai. EIKON and the university provide over 33 different academic programs. In 2012, EIKON had 2,600 students from 70 different countries.

Exhibit 12: Private equity deals (buy) across various the MENA countries since 2011

Year	Company	Country	PE Fund/Firm
2013	British curriculum secondary school	UAE	Al Masah Capital
2013	Cooper Nursery – now Horizon Kids Nursery	UAE	Al Masah Capital
2012	Eikon International Holding	UAE	NBK Capital
2012	Horizon English School	UAE	Al Masah Capital
2011	Newton Schools	Qatar	NBK Capital
2011	Kids First Group	UAE	CedarBridge Partners

Source: Zawya, Al Masah Capital Research

In January 2011, NBK Capital announced an investment in Arabian Establishment for Educational Development LLC (Newton Schools), an education company based in Qatar. The investment was made through NBK Capital Equity Partners Fund I, the company’s flagship regional private equity fund. Founded in 2006, Newton Schools is a private school operator with five campuses in Doha, Qatar. Newton Schools offers the foundation stage, primary and secondary education under the British curriculum.

In 2011, CedarBridge Partners Fund I (CedarBridge Partners’ maiden fund) acquired 35% stake in Kids First Group, a nurseries operator in the UAE, for an undisclosed amount.

Details on PE exits

The region experienced three PE exits, two from Kuwait and one from Saudi Arabia. The average investment tenure was for ~5.7 years. The shortest tenure was for five years and the longest lasted seven years. Little is known about the profitability of these exits; however, public disclosure from secondary sources suggests most of them have been profitable.

Exhibit 13: Private equity deals (exits) across various the MENA countries since 2011

Year	Company	Country	PE Fund/Firm
2013	Sama Educational Co.	Kuwait	Kuwait Investment Opportunities Fund
2013	Al Rayan Holding Co.	Kuwait	Global Opportunistic Fund I
2012	Al Rowad Private Education	KSA	Amwal AlKhaleej

Source: Zawya, Al Masah Capital Research

In May 2013, Kuwait Investment Opportunities Fund (KIOF) sold its stake in Sama Educational Company (SAMA) for an undisclosed figure after having invested for five years since 2008.

With the help of the investment, SAMA was able to double its capacity and increase student count from ~2,400 in 2008 to over 4,000 at the time of exit. SAMA has grown to become one of the largest operators of K-12 schools offering the American curriculum in Kuwait.

In January 2013, Amwal Fund II sold its majority stake in Al Rowad Private Education Group (ARPEG) that it had acquired in 2008, after staying invested for five years. APREG currently houses more than 13,000 students across Riyadh, Saudi Arabia, on seven campuses. It has two new campuses under construction that would boost student capacity by 6,500 students in the next two years. As claimed by the fund, the investment provided an exit return of 1.8x, the highest return on a private equity investment in the education sector until date in the MENA region.

In July 2012, Global Capital Management sold 58.9% of its stake in Kuwait-based Al Rayan Holding Company to United Education Company for an undisclosed figure after remaining invested for seven years. Al Rayan Holding Company's revenue and EBIDTA grew 12% and 26%, respectively, during 2009–11.

MAJOR EDUCATION PROJECTS IN GCC

Projects concluded during the last two years

According to data from Zawya, a total of 13 educational projects (worth USD13.2 billion) were concluded over 2011 –12 in the GCC region. Saudi Arabia is the top spender, accounting for 92% of the total spend in the past two years. The spend predominantly reflects expenditure incurred on the construction and equipping of schools and universities in GCC. Expenditure toward universities and school development accounted for 95.5% and 4.5%, respectively, of total spend.

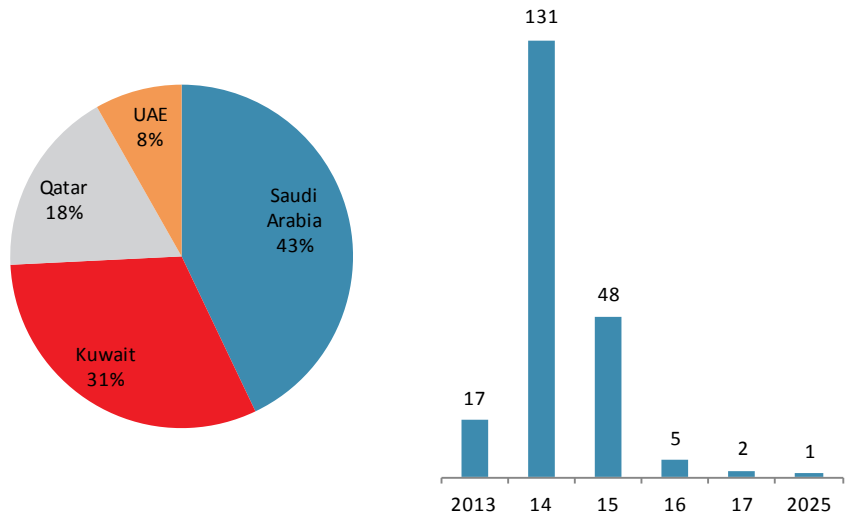
Saudi Arabia spent USD4 billion to establish the Princess Nora University, a major university education setup focused on women. A new science and technology center was also formed at the King Abdullah University. Approximately USD1.6 billion was spent toward establishing the University for Health Sciences at the King Saud University. The UAE spent USD817 million and USD512 million toward establishing the Zayed University (Dubai) and Mubadala chain of schools spread across Abu Dhabi and Al Ain, respectively.

Ongoing projects

According to data from Zawya, GCC members have committed ~USD23.6 billion in 214 educational institution construction projects. These projects are expected to be developed predominantly over 2013–17. GCC member Kuwait’s one project is to be completed by 2025.

Key spenders would be Saudi Arabia (42.9%), Kuwait (31.3%), Qatar (17.5%) and the UAE (8.2%). Bahrain and Oman’s spends are miniscule compared to the rest of the GCC members. Most projects are expected to be completed by 2014 (61.2%) and 2015 (22.4%).

Exhibit 14: Saudi Arabia is the top spender **Exhibit 15: No. of project completions**



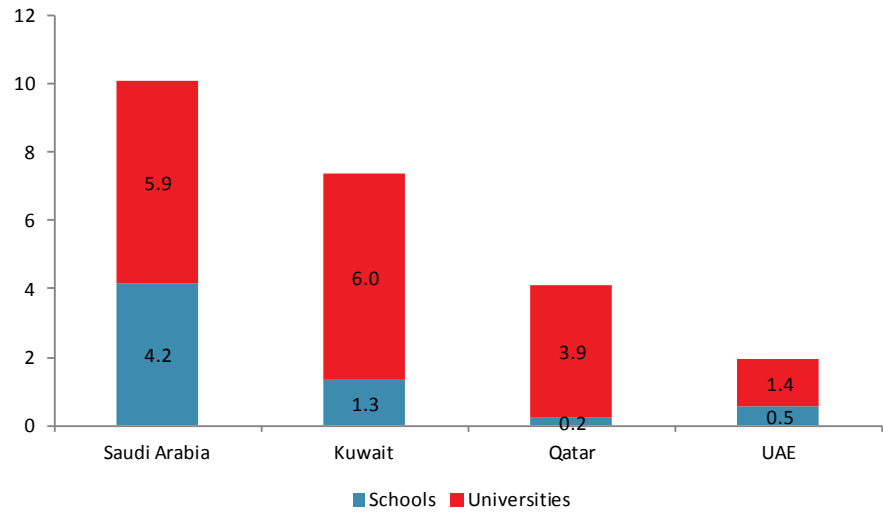
Source: Zawya, Al Masah Capital Research

Source: Zawya, Al Masah Capital Research

Higher spend in developing university infrastructure

Of the anticipated USD23.6 billion spend, 73.5% is toward building universities and technical centers spread across the GCC region, with the remaining being deployed toward construction of K-12 schools. Of the USD17.4 billion that would be spent on the construction of universities, Kuwait (34.8%) and Saudi Arabia (34.2%) are the largest spenders, followed by Qatar (22.5%) and the UAE (8%). A total of USD6.3 billion would be spent on building K-12 infrastructure in GCC, with the highest spend by Saudi Arabia (66.3%), followed by Kuwait (21.2%), the UAE (8.6%) and Qatar (3.6%).

Exhibit 16: Ongoing education projects in GCC (USD billion)



Source: Zawya, Al Masah Capital Research

Increasing focused spend on female education

Education institutions that are being established in GCC are largely co-educational. Our analysis suggests ~6.4% of total education spend in the GCC region would be towards female focused institutions, with maximum spend taking place in Kuwait, followed by Saudi Arabia.

Exhibit 17: Some of the major education projects in the GCC region

Project	Country	Value – USD million
Al Ateer Elementary School	Saudi Arabia	3,470
King Khaled University - Phase II	Saudi Arabia	800
Taibah University (Expansion)	Saudi Arabia	347
Kuwait University City	Kuwait	3,000
College of Business and College of Women	Kuwait	900
Hawalli Special Needs School	Kuwait	493
Ali Al Sabah Military Academy	Kuwait	400
Mubadala - New York University	UAE	895
ADFEC - Masdar Institute of Science and Technology	UAE	500
Musanada - Abu Dhabi Future School Program - Phase 3	UAE	332

Source: Zawya

CONCLUSION

Following the Arab Spring, public expenditure on education has received a major boost in MENA, with governments increasing expenditure on education. Predominantly, Saudi Arabia and Kuwait have committed large funds toward the development of educational infrastructure. Other MENA countries have followed the trend, announcing expansion in spending towards education. The respective governments have realized they need to invest in educating their future generations to ensure growth and maintain social stability.

Adult illiteracy, especially among women is still a problem in the region, although literacy rates and enrollments have improved in the below 19 years age group. Poorly-qualified teachers and outdated curriculum are some of the challenges which the regional education sector is facing. These persisting issues have led to the proliferation of private education enterprise in MENA that offer international curriculum, skilled teachers and world-class infrastructure.

Our findings reveal private equity firms have invested a total of USD285.1 million (disclosed value) through 19 deals in the education sector in MENA since 2003. Some of the PE firms exited their investments, making significant returns. Given the impetus of governments in MENA toward the development of the sector, we observe great potential for private equity players in the education sector in the region.

APPENDIX

Presented below is the country wise estimate of education market size across the MENA region in 2015.

Exhibit 18: MENA Education market (private and public) – by country

COUNTRY	PRIVATE EDUCATION MARKET		PUBLIC EDUCATION MARKET		TOTAL EDUCATION MARKET
Saudi Arabia	USD 2.2 billion	+	USD 41.9 billion	=	USD 44.1 billion
Egypt	USD 3.5 billion	+	USD 9.3 billion	=	USD 12.8 billion
Algeria	NM	+	USD 9.8 billion	=	USD 9.8 billion
Morocco	USD 0.4 billion	+	USD 6.1 billion	=	USD 6.5 billion
Kuwait	USD 0.8 billion	+	USD 4.8 billion	=	USD 5.6 billion
Oman	USD 0.6 billion	+	USD 3.1 billion	=	USD 3.7 billion
Tunisia	USD 0.1 billion	+	USD 3.2 billion	=	USD 3.3 billion
UAE	USD 1.4 billion	+	USD 1.8 billion	=	USD 3.2 billion
Qatar	USD 0.3 billion	+	USD 2.9 billion	=	USD 3.2 billion
Lebanon	USD 1.4 billion	+	USD 0.3 billion	=	USD 1.7 billion
Jordan	USD 0.4 billion	+	USD 1.1 billion	=	USD 1.5 billion
Bahrain	USD 0.1 billion	+	USD 0.6 billion	=	USD 0.7 billion
MENA	USD11.2 billion	+	USD 84.9 billion	=	USD96.1 billion

Source: UNESCO, The World Bank, IMF, Booz & Co, Al Masah Capital Research

Note: No projections for Libya due to data unavailability

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