

Alef Education

H1 2024 Investor Presentation



Executive Summary



Highlights & KPIs

Financial

- **Consistent and sticky revenue** from long-term ADEK contract providing significant revenue visibility and reliability; revenue slightly up year-on-year.
- **Robust cash flow generation** despite ramp up in capex on product development to drive revenue growth and scale.
- **Strong cost discipline** (and revenue growth) drove consistent and **market leading EBITDA margin of 73%** - EBITDA up 4% to AED 259 million; **strong like-for-like profit performance** with 4% YoY growth.

Operational

- Actively **developing new product variants** of flagship Alef Pathways product; launched **additional content** and learnings resources on Arabic-learning products.
- **B2B product sales up twofold**; ramp up expected despite cyclicity with timing of product launches.
- **New AED 31 million revenue contract in the UAE** for Islamic Content Development.
- **MoU signed with Kenya** paving the way for commercial agreement.
- **New reseller agreement** signed in Kuwait.
- **Acquisition of Arabits & Abjadiyah completed** for market & product portfolio expansion.

Strategic

- Ongoing discussions with several governments to **expand offering** in Alef's target markets; product development on B2B to expand offering into more subject areas.
- Growth focus supplemented by a **strong dividend policy** to drive shareholder value and returns; **dividend yield exceeding ~8%** with AED 135 million dividend payout earmarked for IPO investors in for FY2024.
- Continued focus on **contract extensions** with core clients including ADEK 3-year extension proposed.

H'24 numbers

Revenue

AED 354 million
+1%

Expenses

AED 112 million
-6%

Adj. EBITDA

AED 259 million
+4%

Margin

73%

Adj. Profit BT

AED 249 million
+7%

Margin

70%

Total Equity

AED 741 million
+44%

Total Debt

Nil

Note: Percentage change reflects YoY performance.



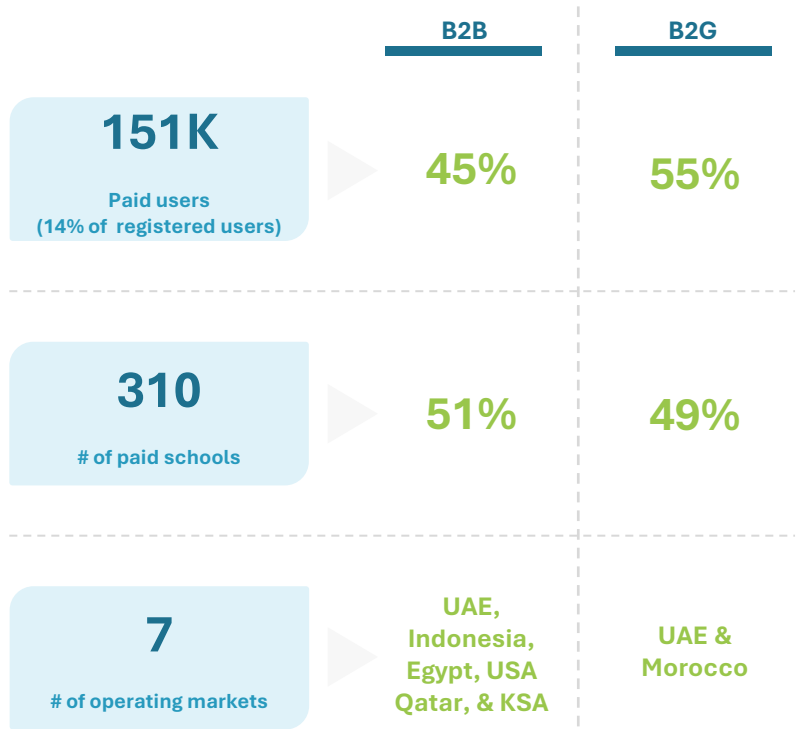
Business Overview

H1 2024

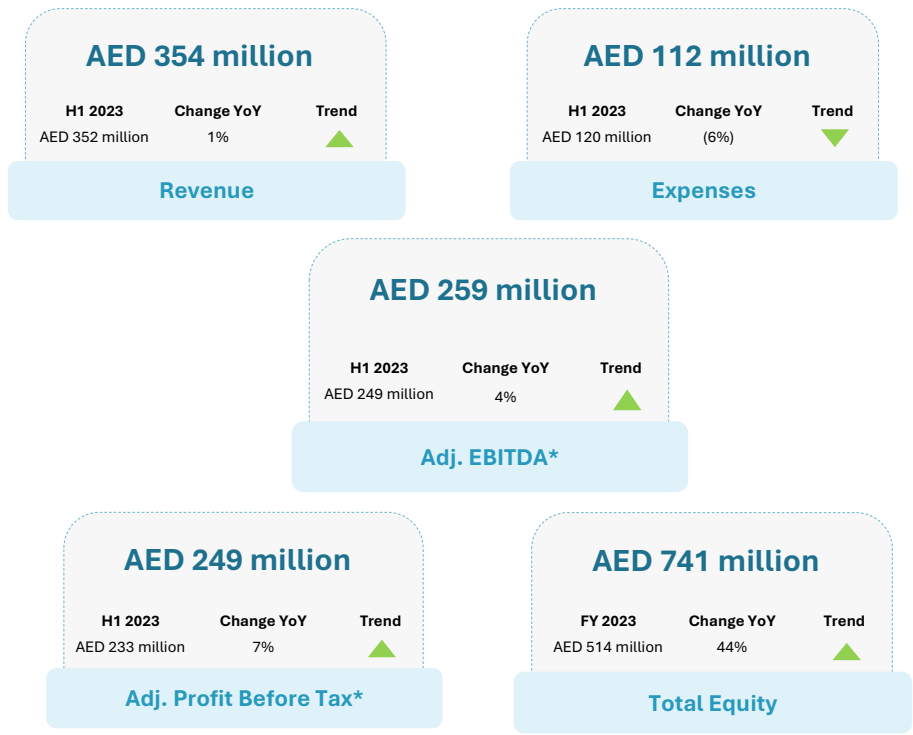


H1 2024 Performance | KPIs Snapshot

Operational



Financial

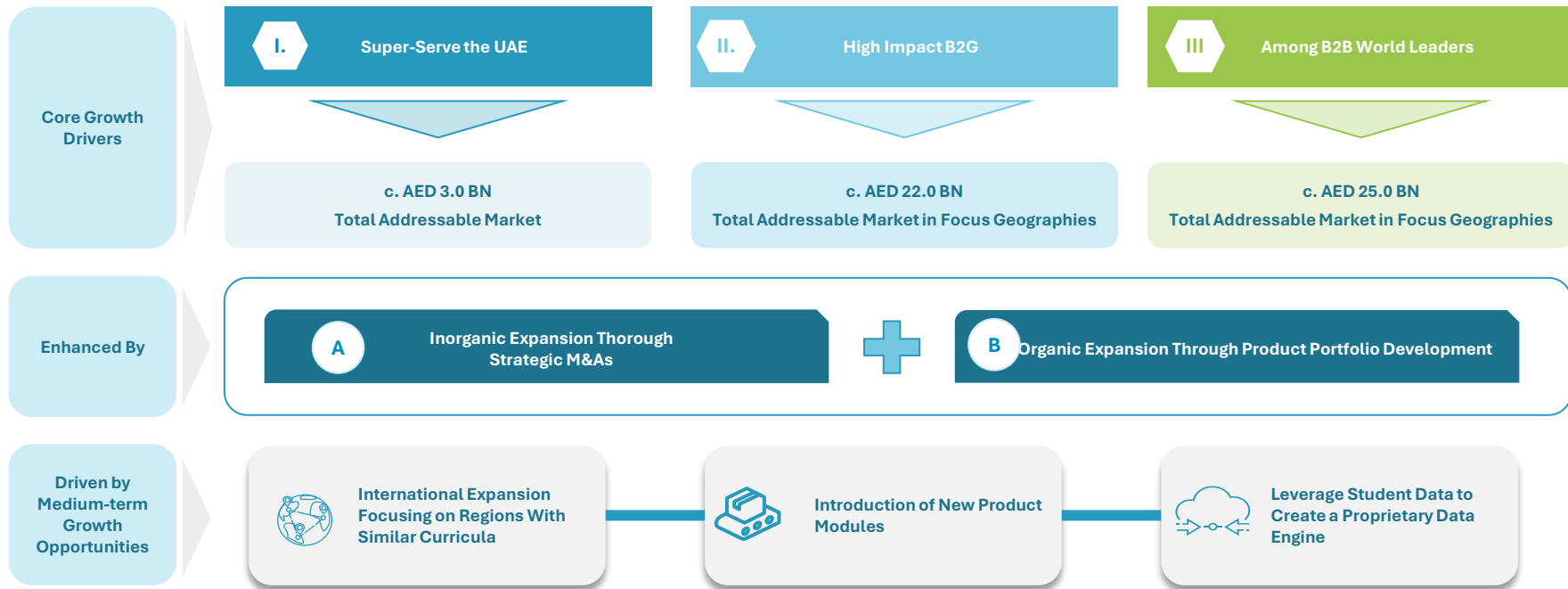


*Adjusted EBITDA and Profit before tax for H1 2023 excludes income from financial assets carried at fair value since the portfolio is discontinued & disposed in 2023.



Growth Pillars | Across segments

Ambition to become one of the leading global EdTech providers transforming educational outcomes through data-driven personalized learning





Business Overview | B2B & B2G Segment

B2B Segment



158

Paid schools



68K

Paid users



871

of Schools in the pipeline

New markets expansion:

Expansion



KSA

- Country Manager appointed in April 2024
- Business development manager started in Jeddah July 2024; First events held to drive awareness



Egypt

- Discussions underway for new schools sign up on launching Alef products
- Sales team joining in September 2024



Kuwait

- New reseller signed in Kuwait

B2G Segment

unicef
for every child



Alef EDUCATION
ألف للتعليم



- **KICD & UNICEF:** MoU signed with UNICEF and KICD (Kenya) paving the ground for a commercial agreement to deliver digital climate literacy courses to Kenyan students

- **New Contract Win:** Contract signed to partner on building and delivering a value-based Islamic instruction

TCV
AED 31 million

Grade Levels
14

Timeline
2 years
(2024- 2026)

- **Miqyas Al Dhad:**
 - Launched brand
 - Held first advisory meeting
 - Field testing started

مقياس الضاد
Miqyas AlDhad
إطار القياس القياسي للغة العربية
Arabic Language Measurement Framework
تأسس من قبل Levlle®





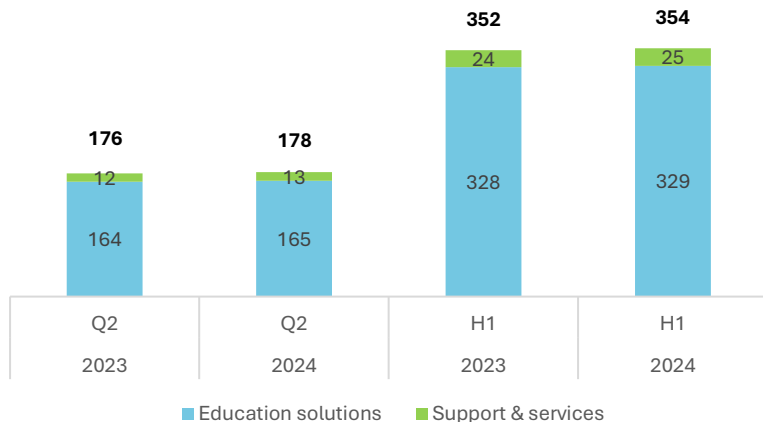
Financial Overview

H1 2024



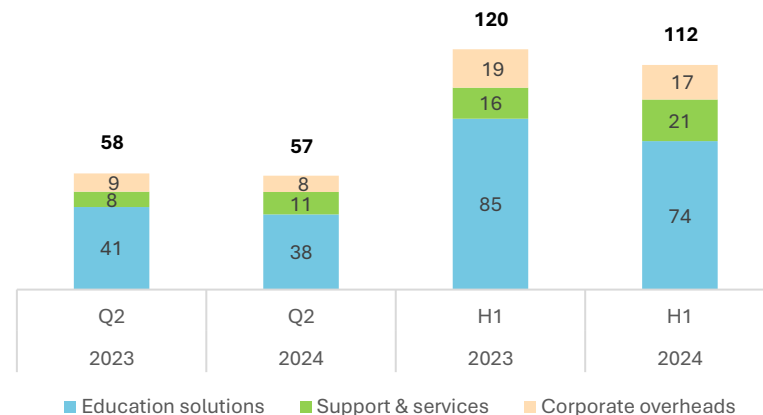
Financial Overview | Revenue & Expenses (Q2 & H1' 2024)

Revenue (AED million)



- All revenue segments outperformed in H1 2024 compared to relevant period in previous year. Increase in student count serviced in B2G, new contracts and new B2B products launched boosted overall revenue performance.
- New Islamic content development contract signed in Q2 for AED 31 million revenue across 3 years.

Expenses (AED million)

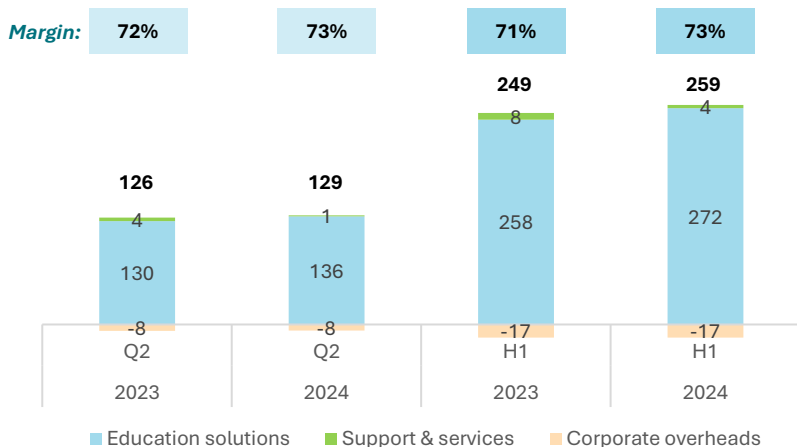


- Cost optimization initiatives drove savings in H1 expenses with better utilization of resources for product development & targeted focus. Also, previous year comparable period included IPO readiness & market assessment expenses as well as other research activities.
- Support & Services segment reflected increase in expenses due to renegotiated contracts & inflation which is partially offset by revenue from incremental students serviced



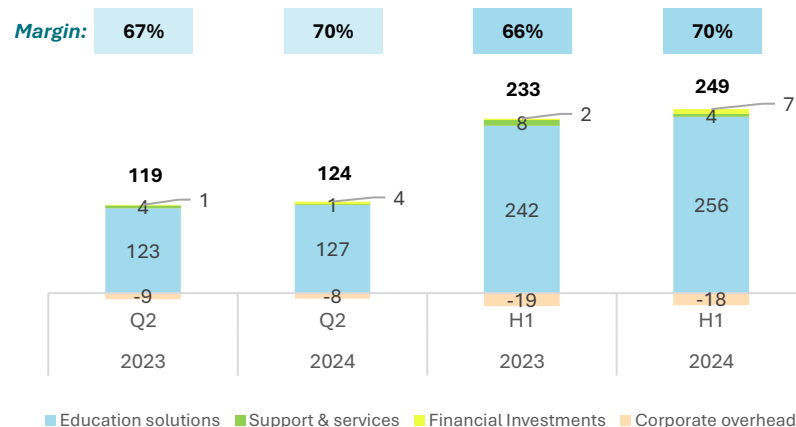
Financial Overview | EBITDA & Profit before Tax (Q2 & H1' 2024)

Adj. EBITDA* (AED million)



- EBITDA margin performance improved by 2% in 6 months comparable period combined by revenue growth & cost optimization initiatives.
- Q2 2023 and H1 2023 EBITDA excludes income from financial assets carried at fair value since the portfolio of financial assets was discontinued & disposed off in 2023.

Adj. Profit before tax* (AED million)



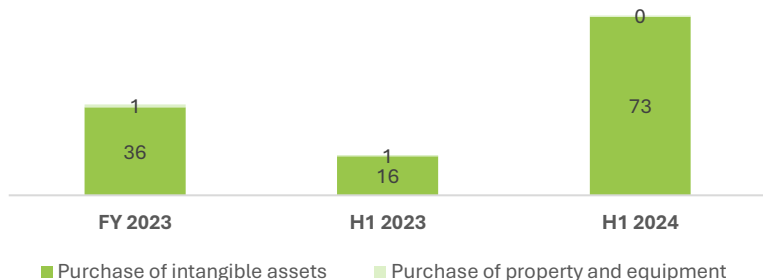
- Net profit margin improved to 70% in H1 2024 compared to previous year which is substantially above industry benchmarks.
- Treasury managed efficiently to generate higher passive interest income than previous year leading to better PBT margin.

*Adjusted EBITDA and Profit before tax for Q2 2023 and H1 2023 excludes income from financial assets carried at fair value since the portfolio is discontinued & disposed in 2023.



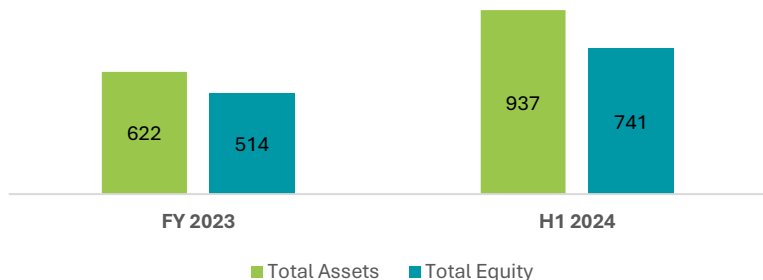
Financial Overview | Capex, Total Assets & Liabilities (H1' 2024)

CapEx (AED million)



- **Capex increase in H1 2024** is primarily driven by purchase of intangible assets which is attributed to the **acquisition of Arabits and Abjadiyat** (including non-cash component) which was completed in Q1 2024 as well as additional capex incurred for development of new products to expand market & product portfolio.
 - Purchase of **Arabits** for **AED 35.3 million**
 - Purchase of **Abjadiyat** for **AED 11.2 million**
 - Platform Capital work-in-progress and other ADEK content amounting to AED 22.8 million and Ongoing development of Miqyas Al-Dhad Scale amounting to AED 3.5 million

Total Assets & Liabilities (AED million)

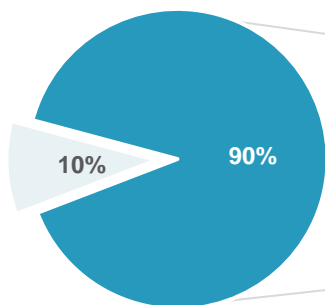


- The total assets have grown from AED 622 million in FY23 to AED 937 million in H1 2024 out of which 84% is constituted by current assets despite increased spending in capex.
- Total equity has grown from AED 514 million in FY23 to AED 741 million in H1 2024 due to consistent profits generated over the period.
- **Alef Education has no external debt historically.** Unlevered balance sheet with robust capital provides firepower to execute growth ambitions & meet capex requirements.



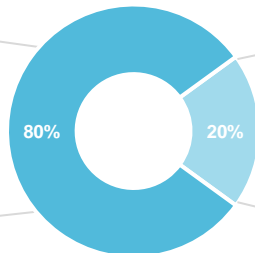
Financial Overview | Dividend Story

Net profit distribution (%)



■ Distributable profit ■ Retained profit

Dividend distribution (%)



■ Free Float ■ Existing Shareholders

Yield for free float (%)

Avg share price
~ AED 1.2

*Minimum guaranteed dividend
~ 0.1 AED

Dividend yield on share price
8%

Dividend Commentary

- Alef Education is targeting a dividend pay-out ratio of 90% for both FY 2024 & FY 2025 amid aggressive growth plans.
- *Free Float from IPO have a minimum guaranteed dividend of AED 135 million for each FY 2024 & FY 2025.
- Hence, this dividend pay-out translates to an attractive ~8% yield on average share price for June.



Q & A





Appendix



Interim consolidated statement of financial position

All figures in AED millions	FY 2023	H1 2024
Assets		
Non-current assets		
Property and equipment	3	2
Right of use asset	0	8
Intangible assets	80	136
Trade and other receivables	12	5
Total non-current assets	95	151
Current assets		
Trade and other receivables	155	357
Amounts due from related parties	110	-
Cash and bank balances	262	428
Total current assets	526	785
Total Assets	622	937
Equity and liabilities		
Equity		
Share capital	-	70
Shareholders' contribution	168	168
Statutory reserve	0	0
Retained earnings	347	503
Total equity	514	741
Non-current liabilities		
Provision for employees' end of service benefits	13	14
Lease liability	0	5
Total non-current liabilities	13	19
Current liabilities		
Trade and other payables	94	174
Lease liability	0	3
Total current liabilities	94	177
Total liabilities	107	196
Total equity and liabilities	622	937



Interim consolidated statement of comprehensive income

All figures in AED millions	Q2 2023	Q2 2024	H1 2023	H1 2024
Income				
Education solution fees	164	165	327	329
IT maintenance fees	12	12	24	25
Revenue from contracts with customers	176	178	352	354
Expenses				
Salaries and other benefits	(29)	(27)	(59)	(54)
Technology expenses	(7)	(8)	(13)	(17)
Software licenses	(6)	(6)	(11)	(12)
Amortisation for intangible assets	(8)	(8)	(15)	(17)
Legal and professional fees	(5)	(4)	(11)	(6)
Depreciation on property and equipment	(1)	(0)	(2)	(1)
Lease expenses	(1)	(1)	(2)	(2)
Marketing expenses	(2)	(2)	(5)	(3)
Others	(1)	(1)	(1)	(2)
Total expenses	(58)	(57)	(120)	(112)
Operating profit for the period	117	121	232	242
Income from financial assets carried at fair value through profit or loss	52	-	143	-
Interest income	1	4	2	7
Profit for the period before tax	170	124	376	248
Income tax expense	-	(11)	-	(22)
Net profit for the period	170	113	376	226
Other comprehensive income	-	-	-	-
Total profit and comprehensive income for the period	170	113	376	226
Basic earnings per share (AED)	-	0.03	-	0.06



Interim consolidated statement of cash flows

All figures in AED millions	H1 2023	H1 2024
Operating activities		
Profit for the period before tax	376	248
Adjustments for:		
Depreciation on property and equipment	2	1
Depreciation on right of use asset	0	1
Amortisation of intangible assets	15	17
Income from financial assets carried at fair value through pro	(143)	-
Interest expense on lease liability	0	0
Provision for employees' end of service benefits	2	2
Interest income	(2)	(7)
	252	262
Working capital changes:		
Amounts due from related parties	(0)	0
Trade and other receivables	(97)	(192)
Trade and other payables	(48)	58
Cash generated from operating activities	106	129
Employees' end of service benefits paid	(1)	(1)
Net cash from operating activities	105	128
Investing activities		
Purchase of property and equipment	(1)	(0)
Purchase of financial assets carried at fair value through profit	(497)	-
Dividend income from financial assets at fair value through pro	10	-
Receipt of amounts due from related parties	266	109
Placement of term deposits with original maturity of more than	-	(265)
Purchase of intangible assets	(16)	(73)
Net cash used in investing activities	(237)	(229)
Financing activities		
Interest income received	2	3
Payment of principal portion of lease liability	(0)	(1)
Net cash from financing activities	1	2
Net decrease in cash and cash equivalents	(131)	(99)
Cash and cash equivalents at the beginning of the period	171	262
Cash and cash equivalents at the end of the period	41	163



THANK YOU