



Management Discussion and Analysis
For the period ended 30 June 2024

Management Discussion and Analysis

Alef Education Holding PLC (“the Group”) reported adjusted net profit before tax of AED 249 million for H1 2024, which increased by 7% compared to AED 233 million for the corresponding period of 2023.

Business and Financial Highlights

The Group delivers industry-leading profitability margins backed by a strong revenue base and cost efficiencies in H1 2024:

- Adjusted Profit before tax increased by 7% on the back of stable revenue performance, with margin expansion to 70% - substantially above industry benchmarks.
- A strong revenue base and focus on cost efficiencies boost the Group’s market-leading Adj. EBITDA margin to 73%.
- The Group remains committed to an AED 135 million dividend payout for its 20% free float investors and has accordingly approved an AED 67.5 million payout for H1 2024, implying an interim dividend per share of c. AED 0.05, with the current dividend yield exceeding 8%.
- Further organic expansion was achieved through a new UAE based client contract, an MOU with the Kenyan government, and a reseller partnership agreement with Aafaq Distribution Co., marking the Group’s first entry into the Kuwait market.
- Continued pursuit of inorganic growth through a solid pipeline of potential M&A activities across target regions and focus areas.

Statement of comprehensive income for the period ended 30 June 2024 (in AED millions)

AED millions	H1 2024	H1 2023	% Change	Q2 2024	Q2 2023	% Change
Revenue	354	352	1%	178	176	1%
Expenses ¹	(95)	(102)	(6%)	(48)	(49)	(2%)
Adj. EBITDA	259	249	4%	129	127	2%
Adj. EBITDA Margin (%)	73%	71%	+200 bps	73%	72%	+100 bps
Depreciation & amortisation	(17)	(18)	(6%)	(9)	(9)	0%
Operating profit	242	231	5%	120	118	2%
Interest Income	7	2	314%	4	1	224%
Adj. Profit before tax	249	233	7%	124	119	4%
Adj. Profit before tax margin (%)	70%	66%	+400 bps	70%	68%	+200 bps
Investment income ²	-	143	N/A	-	52	N/A
Income tax	(22)	-	N/A	(11)	-	N/A
Net Profit	227	376	(40%)	113	171	(34%)

1) Expenses exclude depreciation and amortisation in the above table.

2) Adjusted EBITDA and Adjusted Profit before tax excludes Investment income, which is the Income from financial assets carried at fair value through profit or loss. This was disposed & discontinued in FY 2023.

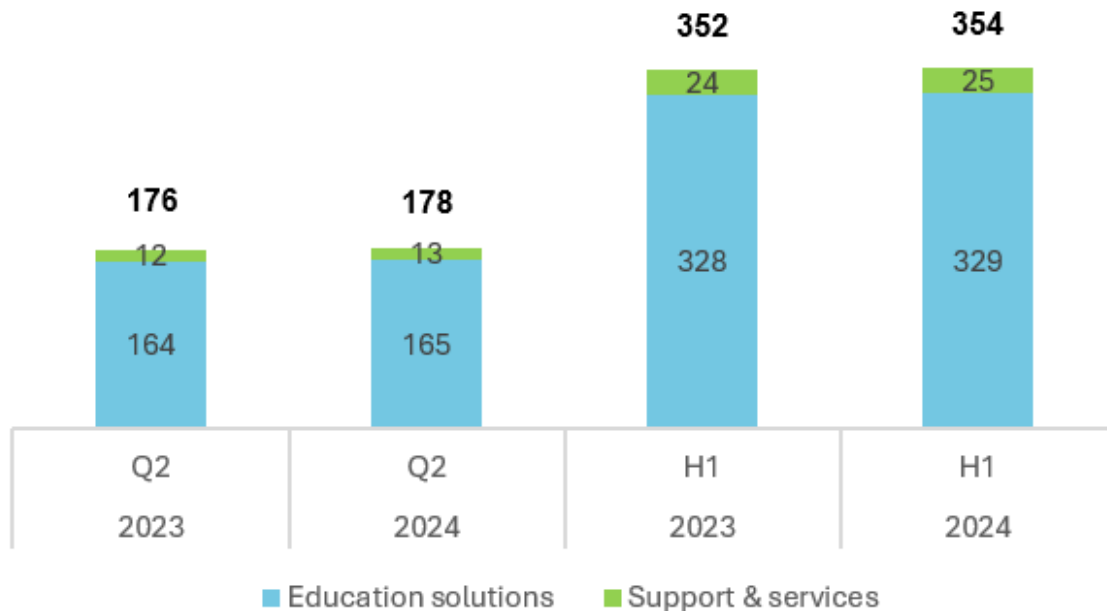
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Revenue

Revenue of AED 354 million for H1 2024 increased by 1% from AED 352 million for the corresponding period of 2023.

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

Revenue mix by segments



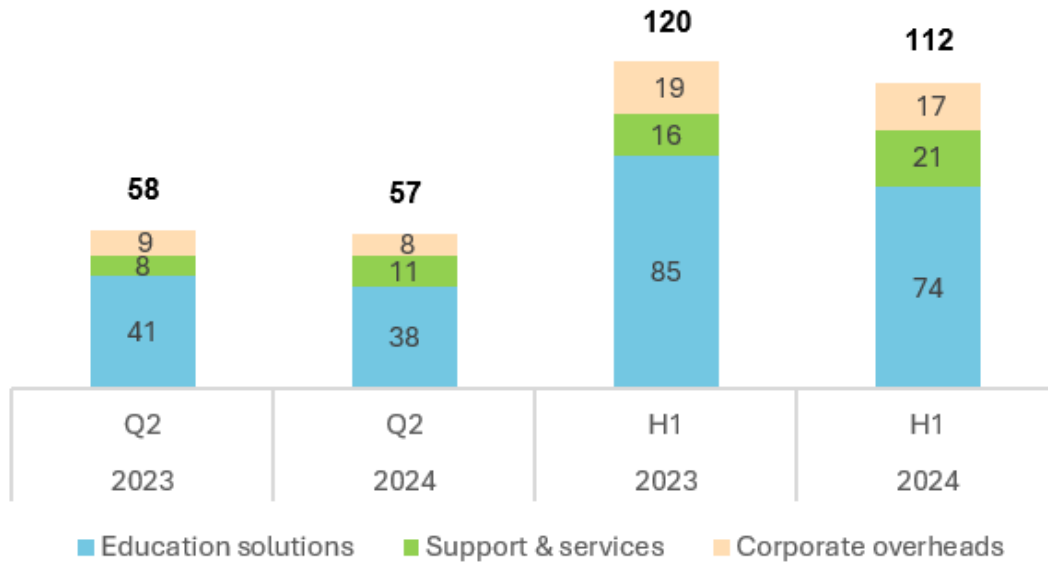
Expenses

Expenses (including Depreciation & Amortization) of AED 112 million for H1 2024 decreased by 6% from AED 120 million for the corresponding period of 2023.

- Cost optimisation initiatives drove savings in H1 2024 expenses, with better resource utilisation for product development and targeted focus. Also, the previous year's comparable period included IPO readiness and market assessment expenses as well as other research activities.
- Reflecting its focus on prudent cost control, Alef Education made significant savings in H1 2024 due to major reductions in employee, software, legal, and professional spending.

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Expense mix by segments



Adjusted EBITDA

Adjusted EBITDA AED 259 million for H1 2024, increased by 4% from AED 249 million for the corresponding period of 2023.

- The Group's strong cost discipline coupled with stable revenue performance were critical in maintaining its outstanding adjusted EBITDA performance, which rose 4% year-on-year to AED 259 million.
- Its industry-leading adjusted EBITDA margin expanded by two percentage points to 73% in the first half.

Adjusted Profit before tax

Adjusted profit before tax of AED 249 million for the H1 2024, increased by 7% from AED 233 million for the corresponding period of 2023:

- Net profit margin improved to 70% in H1 2024 compared to 66% in H1 2023, which is substantially above industry benchmarks.
- Treasury efficiencies generated higher passive interest income than the previous year, leading to a better Profit Before Tax margin.

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Statement of financial position for the period ended 30 June 2024 (in AED millions)

All figures in AED millions	H1 2024	FY 2023
Property and equipment & right of use assets	10	3
Intangible assets	136	80
Trade and other receivables	363	167
Amounts due from related parties	-	110
Cash and bank balances	428	262
Total Assets	937	622
Provision for employees' end of service benefits	14	13
Trade and other payables	174	94
Lease liability	8	0
Total liabilities	196	107
Total equity	741	514
Total equity and liabilities	937	622

Assets

Total assets as at 30 June 2024 were AED 937 million, compared to AED 622 million as of 31 December 2023, an increase of AED 315 million (+51%).

- Intangible assets increased to AED 136 million due to the acquisition of educational products Arabits and Abjadiyat for an amount of AED 46.5 million; Platform capital work-in-progress and other ADEK content amounting to AED 22.8 million; Ongoing development of Miqyas Al-Dhad Scale amounting to AED 3.5 million.
- Trade and other receivables increased to AED 363 million, of which AED 222 million is neither past due nor impaired.
- Amounts due from related parties were associated with Income from financial assets carried at fair value through profit or loss. The investment portfolio was disposed of in FY 2023.
- Cash and bank balances increased to AED 428 million through robust cashflow generation despite a ramp-up in CAPEX on product development. This includes term deposits of AED 265 million, generating interest income at prevailing market rates.

Liabilities

Total liabilities as at 30 June 2024 were AED 196 million compared to AED 107 million as at 31 December 2023, representing an increase of AED 89 million (+83%).

- Trade and other payables increased to AED 174 million as at 30 June 2024 from AED 94 million as at 31 December 2023. The current period balance includes AED 106 million of deferred revenue that pertains to the solution fee revenue for the months of July and August 2024, and a corporate tax provision amounting to AED 22 million.

Management Discussion and Analysis

- The Group's balance sheet remains debt-free, enhancing its flexibility to tap attractive inorganic growth opportunities to drive scale.

Key operational developments in H1 2024

- The Group continued to progress to develop new product variants for its flagship product, Alef Pathways (which includes Pathways products for Math, English, Arabic, and Science), and assessment solutions. Moreover, the Group is supporting growth through internationalization and other key features.
- Secured an AED 31 million revenue contract in the UAE to develop Islamic content across grades K-12.
- Signed an MOU with Kenya Institute of Curriculum Development (KCID) in partnership with UNICEF to deliver a digital climate curriculum by integrating climate change education into public schools across Kenya.
- Completed the strategic acquisition of two Arabic language products, Arabits (Arabic for non-native learners) & Abjadiyat (Arabic for native learners), to enhance the product portfolio and pursue market expansion plans.
- Signed a joint venture with MetaMetrics® by introducing "Miqyas Al Dhad", an Arabic language reading scale both plan to develop jointly.
- To support our wider GCC expansion strategy, the Group recently entered into a reseller agreement with Aafaq Distribution Co. in Kuwait & signed an MOU with a KSA-based company.



Director



Chief Executive Officer