



Management Discussion and Analysis (MD&A)

For the nine-month period ended 30 September, 2024

Dated: 30 October, 2024

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Alef Education delivered industry-leading profitability margins backed by a strong revenue base and cost efficiencies in the nine-month period ended 30 September 2024.

Alef Education Holding PLC (“the Group”) reported net profit before tax of AED 379 million for the nine-month period ended 30 September 2024, which increased by 8% compared to AED 351 million* for the corresponding period of 2023.

Q3 2024	9 months 2024
<p>AED 197 million</p> <p>Revenue ↑ 5.8% y-o-y</p>	<p>AED 551 million</p> <p>Revenue ↑ 2.5% y-o-y</p>
<p>AED 136 million</p> <p>Adjusted EBITDA ↑ 9.6% y-o-y</p>	<p>AED 395 million</p> <p>Adjusted EBITDA ↑ 5.8% y-o-y</p>

* Adjusted by reducing AED 144.3 million non-recurring income from financial assets carried at fair value through profit or loss recorded in the prior period. This financial assets portfolio was disposed of and discontinued in FY 2023.

Business and Financial Highlights

Adjusted profit before tax rose 8% on the back of stable revenue performance, with margin expansion to 69% - substantially above industry benchmarks.

For H1 of 2024, the Board of Directors approved an **interim dividend of AED 204 million to all shareholders, distributed in the third quarter of 2024.**

A strong revenue base and focus on cost efficiencies boost Alef Education's **market-leading EBITDA margin to 72%.**

The Company demonstrated strong operational performance in the first nine months of 2024, **converting ~13% of its 1.2 million users to paid subscriptions.** This resulted in the total number of paid users reaching over 150,000 across the Alef Education platform.

Alef Education is **actively developing new product variants** of its flagship Alef Pathways Math product and is launching additional content and learning resources on its Arabic language learning products.

Further product development during the period included collaboration with **MetaMetrics®** to **launch Miqyas Al Dhad**, an Arabic reading scale to improve the literacy skills of K12 Arabic speakers.

Alef Education secured its **first contract in the Kingdom of Saudi Arabia**, marking a significant milestone in our regional growth strategy. Our commercial teams are now actively deployed in Egypt and Saudi Arabia, working on multiple prospects that promise to further accelerate our expansion into these key markets.

During the reporting period, and since the launch of **Miqyas Al Dhad** in Alef Education has successfully signed memorandums of understanding "MOUs" with several Ministries of Education of different countries and is in advanced discussions with others. To date, **the project stands at 71% of overall project completion.** It has achieved a 100% completion rate of the item bank development and extracted over 40 million texts, standing at approximately 84% of the initiative's text sourcing objective.

Statement from Geoffrey Alphonso | Chief Executive Officer



“Our performance over the first nine months of 2024 highlights the resilience and strength of our business model. The consistent revenue growth, underpinned by long-term contracts like our strategic agreement with ADEK, provides the foundation for continued stability and confidence in our operations. This stability allows us to focus on scaling both our AI-driven educational solutions and our global reach.

In addition to maintaining strong operational efficiency, we have continued to deliver exceptional profitability, reflected in our outstanding EBITDA and net profit growth. Our disciplined cost management has been key to driving these results, ensuring we remain highly competitive within the industry.

Looking forward, we are excited about the opportunities ahead. With a robust financial position, Alef Education is well-placed to expand both organically and through strategic partnerships. Importantly, our commitment to creating value for our shareholders is underscored by our strong dividend program, which guarantees highly attractive yields. We remain focused on maximizing shareholder value while making a meaningful impact on students globally.”

Statement from Amit Choudhary | Chief Financial Officer



“Our financial results for the first nine months of 2024 reflect Alef Education’s strength and the resilience of our business fundamentals. Revenue rose steadily to AED 551 million, supported by our key strategic contracts, while adjusted EBITDA reached AED 395 million, reflecting an outstanding margin of 72%. Additionally, disciplined cost management was essential in achieving our 8% net profit growth.

Alef’s unlevered balance sheet and strong cash flow generation position us well to fund future growth initiatives and maintain our strong dividend distribution to shareholders. The third-quarter interim dividend of AED 67.5 million to free float shareholders, or AED 0.05 per share, reaffirms our commitment to delivering attractive yields in a low-interest-rate environment.

As we look ahead, our solid financial foundation enables us to prioritize organic expansion and product development while selectively pursuing high-value opportunities. We remain committed to generating sustainable, long-term value for our shareholders.”

Interim condensed consolidated statement of comprehensive income for the period ended 30 September 2024 (in AED Million).

AED millions	9M 2024	9M 2023	% Change	Q3 2024	Q3 2023	% Change
Revenue	551.5	538.1	2.5%	197.3	186.5	5.8%
Expenses ¹	(156.7)	(164.9)	-5.0%	(61.7)	(62.8)	-1.7%
Adj. EBITDA	394.8	373.2	5.8%	135.6	123.7	9.6%
<i>Adj. EBITDA Margin (%)</i>	72%	69%	+300 bps	69%	67%	+200 bps
Depreciation & amortisation	-25.4	-25.9	-3.8%	(7.9)	(8.0)	0%
Operating profit	369.4	347.3	6.3%	127.7	115.7	10.3%
Interest Income	10.0	3.2	233%	3.2	1.6	50%
Adj. Profit before tax	379.4	350.5	8%	130.9	117.3	12%
<i>Adj. Profit before tax margin (%)</i>	69%	65%	+400 bps	66%	63%	+300 bps
Investment income ²	-	144.3	N/A	-	1.3	N/A
Income tax	(34.1)	-	N/A	(11.8)	-	N/A
Net Profit	345.3	494.8	30.3%	119.1	118.6	0%

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

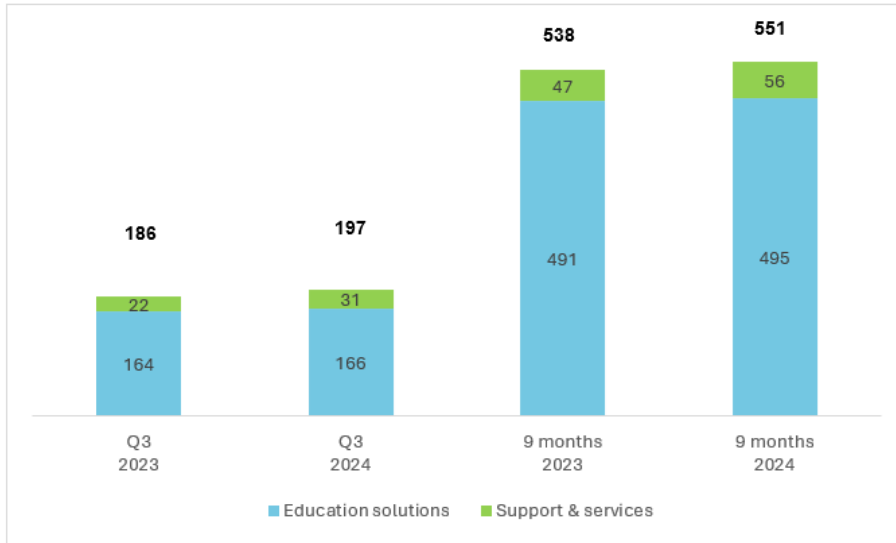
2) Adjusted EBITDA and Adjusted profit before tax excludes investment income, which is the income from financial assets carried at fair value through profit or loss. This was disposed of and discontinued in FY 2023.

Revenue:

Total Revenues recorded AED 551 million for the first nine months of 2024 and increased by 2.5% y-o-y, up from AED 538 million during the corresponding period of 2023.

- All revenue segments outperformed in Q3 2024 compared to the relevant period in the previous year. An increase in the number of students serviced in the B2G segment, new contracts, and new B2B products launched boosted overall revenue performance.
- A new Islamic content development contract was signed in the first half of the year. The total contract value is AED 31 million.

Revenue mix by segment

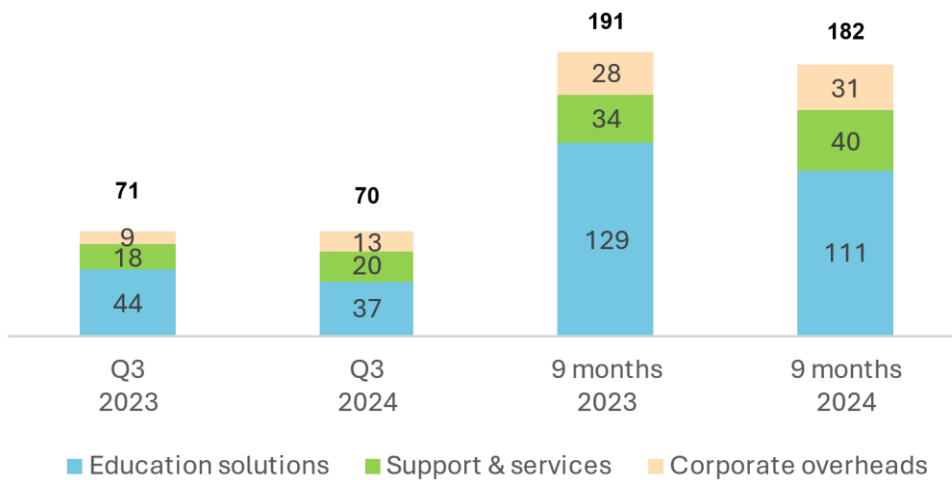


Expenses:

Expenses recorded AED 182 million for the first nine months of 2024, reflecting a 4.5% decrease, down from AED 191 million for the corresponding period of 2023.

- Cost optimisation initiatives and operational efficiency resulted in sizeable savings in overheads in the nine-month 2024 period, reflecting an enhanced utilisation of resources.
- The increase in support services expense is a result of inflationary pressures, in addition to the acquisition of additional devices, which are partially offset by revenue increments.

Expense mix by segment



Adjusted EBITDA:

Adjusted EBITDA reached AED 395 million for the first nine months of 2024 and increased by 5.9%, up from AED 373 million in the corresponding period of 2023.

- Adjusted EBITDA margin witnessed an improvement of 3% from the nine-month comparable period on the back of revenue growth and cost optimisation efforts.

Adjusted profit before tax:

Adjusted profit before tax recorded AED 379 million for the first nine months of 2024, which increased by 8%, up from AED 351 million during the corresponding period of 2023:

- Adjusted net profit margin improved to 69% in the first nine months of 2024 compared to 65% in the same nine-month period of 2023, substantially above industry benchmarks.
- Efficient treasury management resulted in the generation of higher passive interest income than the previous year, leading to a higher adjusted profit before tax margin.

Interim condensed consolidated statement of financial position for the period ended 30 September 2024 (in AED millions).

All figures in AED millions	9M 2024	FY 2023
Property and equipment & right of use assets	9	3
Intangible assets	145	80
Trade and other receivables	306	167
Amounts due from related parties	-	110
Cash and bank balances	289	262
Total Assets	749	622
Provision for employees' end of service benefits	15	13
Trade and other payables	37	94
Lease liability	7	0
Corporate tax liability	34	-
Total liabilities	93	107
Total equity	656	515
Total equity and liabilities	749	622

Total assets as of 30 September 2024 stood at AED 749 million compared to AED 622 million as of 31 December 2023, representing an increase of AED 127 million. Out of 749 million, 79% is constituted by current assets despite the increase in capex totalling AED 89 million and the dividend payout to shareholders of AED 204 million, which was completed in the third quarter of 2024.

- Intangible assets increased to AED 145 million attributable 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 38.1 million; Ongoing development of Miqyas Al-Dhad Scale amounting to AED 4.4 million.
- Trade receivables increased by AED 67 million for the first nine months of 2024, due to be collected in Q4 2024, and accrued income increased by 74 million for the first nine months of 2024, due to be invoiced in Q4 2024.
- 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.

Liabilities:

Total liabilities as of 30 September 2024 stood at AED 93 million, compared to AED 107 million on 31 December 2023, reflecting a decrease of AED 14 million.

- Trade and other payables decreased by AED 57 million during the first nine months of 2024 due to the recognition of revenue from customer advances and deferred revenue of AED 31 million. Furthermore, the decline pertains to VAT payable, payment to vendors, and reduction in accruals.
- The balance includes a corporate tax liability of AED 34 million due to the introduction of corporate tax legislation in the UAE during the current year. No provision was made as of 31 December 2023.
- The Group's balance sheet remains debt-free, enhancing its flexibility to tap attractive new growth opportunities and drive scale.

Key operational developments in Q3 2024:

- Strong start to the academic year 24/25: In the UAE, Alef Education has doubled the number of paying schools to 164, up from 82 in the previous quarter, and increased the number of paying students by 76% year on year.
- Alef Education has secured a contract with a confidential government entity for the development of Islamic content with a TCV of AED 31 million.
- Several memorandums of understanding have been signed by the ministries of education of different countries in the participation of Miqyas Al Dhad. Advanced discussions with ministries representing other countries are currently taking place. During the reporting period, the overall project readiness stood at 71%.
- The Group has been awarded its first contract in the Kingdom of Saudi Arabia, and commercial teams are now fully deployed in the Kingdom of Saudi Arabia and Egypt to further accelerate expansion into these key markets.



Director



Chief Executive Officer