

## Alef Education Maintains Impressive Growth Momentum in Q3, Recording Revenues of 551M with Adjusted EBITDA Surging 6%

- Adjusted Net Profit before tax rises to AED 379 million on the back of stable revenue performance, with margin expansion increasing to 69%.
- Adjusted EBITDA rises by 6% year-on-year to reach AED 395 million, reflecting Alef Education's market leadership and resulting in an Adjusted EBITDA margin of 72%, significantly exceeding industry benchmarks.
- Underpinned by a stable revenue base and bolstered by the continued strength of a strategic B2G contract, revenues reach AED 551 million, marking a 2.5% year-on-year increase.
- B2B segment achieves strong organic growth, doubling paid schools year-on-year and expanding into the Saudi market.
- B2G pipeline strengthens with new strategic contracts in UAE and over 20 global deals in development.
- Alef Education remains committed to its dividend program, ensuring a total payout of AED 135 million in FY2024 and FY2025 for its 20% free float investors. This implies an interim dividend of AED 0.05 per share, with the current dividend yield exceeding 8%.

### Abu Dhabi, UAE, 31 October 2024:

Alef Education Holding Plc (Alef Education), an award-winning AI-driven learning solutions provider based in Abu Dhabi, has announced its financial results for the period ending 30 September 2024. It marks Alef Education's second set of results since its successful IPO in June 2024.

Alef Education reported an 8% increase in adjusted profit before tax to AED 379 million, driven by a solid revenue foundation from long-term contracts and a focus on achieving significant cost efficiencies throughout its operations.

Reinforcing Alef Education's leading position as a trusted partner for governments and private schools in the UAE and beyond, the Company's suite of innovative bespoke education solutions continues to garner strong demand. A key factor in the Company's revenues, which rose 2.5% to AED 551 million, is the long-term investment-grade contract with the Abu Dhabi Department of Education and Knowledge (ADEK). The contract will continue to provide reliable revenue over the next seven years (the number of years remaining on the contract). The contract with ADEK provisions for a minimum of 80,000 students with a fixed fee per student.

Alef Education's strategic focus on cost-cutting and operational efficiency led to significant savings, resulting in Adjusted EBITDA rising to AED 395 million, marking a 6% year-on-year increase. The Company's targeted cost-control initiatives, which include streamlining processes and optimising resource allocation, have been pivotal in achieving this growth. Alef Education's adjusted EBITDA margin stood at an impressive 72%, well above industry benchmarks, while its adjusted net profit margin reached 69%, underscoring the success of its disciplined approach to cost management and strategic focus on profitability.

**Geoffrey Alphonso, Chief Executive Officer of Alef Education**, commented: *"Our performance during the first nine months of 2024 underscores the resilience and strength of our business model. The consistent revenue growth, driven by long-term strategic contracts such as our agreement with ADEK, provides a solid foundation for continued stability and confidence in our operations. Strong operational efficiency and disciplined cost management have been key to our exceptional EBITDA and net profit growth, reinforcing our competitive position. Looking ahead, we are excited about the opportunities to expand both organically and through strategic partnerships. Our commitment to creating value for our shareholders is underscored by our strong dividend*

*program, ensuring attractive yields, as we remain focused on maximising shareholder value while making a meaningful impact on students globally.”*

### **Strong profitability performance bolstered by stable revenue base and new government contracts**

On a like-for-like basis, excluding the first 9 months of 2023 financial investment income related to an investment portfolio, which was discontinued at the end of 2023, the Company recorded an 8% increase in adjusted profit before tax for the first nine months of AED 379 million compared to AED 351 million during the same period last year. This translates to an adjusted profit before tax margin of 69%, up by four percentage points compared to Q3 2023, and remains substantially above industry benchmarks. Robust top-line performance and continued cost management led to a 6% increase in Adjusted EBITDA to AED 395 million in Q3 2024. In comparison, costs declined by 4.5% to AED 182 million, down from AED 191 million last year.

The Company remains committed to accelerating its revenue growth, with a promising outlook supported by new opportunities. Revenue is expected to see a significant boost from a newly secured government contract in the UAE, with a total contract value exceeding AED 30 million. The contract focuses on developing and delivering tailored educational content, further solidifying Alef Education’s strategic relationships with government clients. These recent wins highlight the Company’s dedication to enhancing its value proposition and deepening its collaboration with key strategic partners within our B2G segment.

### **Higher level of paid users and new product development drive operational excellence**

The Company demonstrated strong operational performance in the first nine months of 2024, successfully converting ~13% of its 1.2 million users to paid subscriptions, resulting in more than 150,000 paid users across the Alef Education platform. This achievement was fuelled by significant contract wins and a remarkable two-fold increase in B2B product sales. Notably, the number of unique paid schools in the UAE doubled from 82 to 164 this year, reflecting our expanding reach in the private sector.

To meet elevated demand for its dynamic product range, Alef Education is actively developing new product variants of Alef Pathways and is launching additional content and learning resources on its Arabic 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 K-12 Arabic speakers.

During the reporting period, Miqyas Al Dhad successfully signed memorandums of understanding (MOUs) with multiple ministries of education and is currently in advanced discussions with several others. The project has reached 71% overall completion, achieving a 100% completion rate for the item bank development. Additionally, over 40 million texts have been extracted, covering approximately 84% of the initiative's text-sourcing goal.

### **Committed to maximising shareholder value, driving scale and boosting earnings growth through a targeted and focused growth strategy**

Alef Education continued to focus on contract extensions with key clients including a potential 3-year extension with ADEK. The contract with ADEK provisions for a minimum of 80,000 students, with a fixed fee per student. As of 2024, seven years remain in the contract, with plans to increase this to ten years following the extension, providing significant revenue visibility in the future. In addition to these efforts, the Company is actively seeking opportunities to expand its offerings beyond the current 5-12 grades served, aiming to increase its student base by providing Alef’s core platform to a broader range of educational levels.

Q3 of 2024 saw Alef Education mark its first entry into the education market in the Kingdom of Saudi Arabia, in line with the Group’s strategy to target markets that share linguistic, cultural, and pedagogical similarities to its

core UAE market. The Company's business development teams are now actively deployed in Egypt and Saudi Arabia, working on multiple prospects that promise to further accelerate its expansion into these key markets.

Alef Education is executing a focused, multi-pronged growth strategy to super-serve the growing B2G and B2B markets in the UAE while positioning itself as a global leader in EdTech. The Company is driving organic growth by expanding its product portfolio, securing high-impact B2G contracts with ministries of education and governmental initiatives in focus markets, and strengthening its presence in identified B2B markets.

To enhance its position in the B2B segment, Alef Education is developing tailored solutions for schools and school groups, developing distribution and reseller networks, and creating strategic partnerships. The Company is also intensifying its sales and marketing efforts to expand in the B2B market. It aims to significantly grow in the private school market by introducing new subjects and catering to younger students. Alef Education has already captured a significant ~20% market share of the UAE market. It is dedicated to deepening its penetration in this fast-growing sector.

From an inorganic perspective, Alef Education remains open to considering highly selective, opportunistic inorganic opportunities that align with its strategic goals. While organic expansion continues to be the primary focus, the Company will assess potential deals on a case-by-case basis, ensuring that each opportunity offers clear value and complements its long-term vision.

All these efforts are underpinned by Alef Education's strong, unlevered balance sheet, healthy financial foundation, and robust cash flow generation, which provide the flexibility needed to fuel sustainable growth.

In addition to driving growth, Alef Education's solid financial foundation enables the Company to deliver exceptional value to its shareholders through a robust and transparent dividend policy. Staying true to the commitment made during its IPO, Alef Education guarantees its 20% free float investors with a total dividend payout of AED 135 million for FY2024 and FY2025. In August 2024, the Company approved an interim dividend of AED 67.5 million, translating to approximately AED 0.05 per share. With a dividend yield exceeding 8% based on the current share price, Alef Education continues to offer one of the most attractive returns in the market, reinforcing its focus on maximising shareholder value.

<i>AED millions</i>	9M 2024	9M 2023	% Change	Q3 2024	Q3 2023	% Change
<b>Revenues</b>	551	538	2.5%	197	186	5.8%
<b>Expenses</b>	182	191	(4.5%)	70	71	(1.6%)
<b>Adj. EBITDA<sup>1</sup></b>	395	373	5.8%	136	124	9.6%
<i>Adj. EBITDA Margin</i>	72%	69%	+300 bps	69%	67%	+200 bps
<b>Adj. Profit before tax<sup>1</sup></b>	379	351	8%	131	117	12%
<i>Adj. Profit before tax margin</i>	69%	65%	+400 bps	66%	63%	+300 bps

<sup>1</sup> Adjusted EBITDA and profit for Q3 2023 and the first nine months of 2023 exclude income from financial assets carried at fair value; portfolio has been discontinued and disposed of at the end of 2023.

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### **About Alef Education**

Founded in 2016, Alef Education (**ALEFEDT** on the Abu Dhabi Stock Exchange) is an award-winning AI-powered learning solutions provider that is redefining the educational experience for K-12 students. The Company has established a strong presence in the education technology sector, operating in approximately 7,000 schools across the UAE, the US, Indonesia and Morocco. Its flagship AI-integrated Alef Platform offers personalised learning experiences to more than 1.1 million registered students, enabling them to work at their own pace and reach their full potential anytime, anywhere. With a 100% penetration rate in Cycle 2 (Grades 5-8) and Cycle 3 (Grades 9-12), Alef Education has a proven track record of improving student engagement and achievement, with test scores in Indonesia increasing by 8.5% in Arabic and maths.

The award-winning Alef Platform provides AI-powered learning and teaching solutions that use real-time data to drive improvements across the education system. Alef Pathways is a student-centred, self-paced supplemental math program. Abjadiyat is an Arabic language learning platform that provides engaging and interactive content from kindergarten to Grade 4. Arabits is a complete Arabic learning system for non-native speakers that helps students of all ages learn, practice, and improve their Arabic language skills using AI.

Alongside supporting students throughout their educational journey, Alef Education supports 50,000 educators with tools that enrich instruction and enable high-impact interventions to improve student learning outcomes. Alef Education promotes engagement, achievement and equity in learning, preparing students for success in an ever-evolving world.

For more information, visit [www.alefeducation.com](http://www.alefeducation.com).

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