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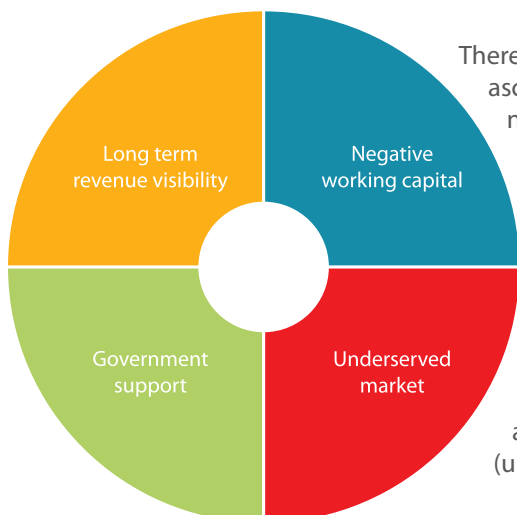
# EDUCATION

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## EDUCATION: A HIGHLY ATTRACTIVE BUSINESS

Presented below is the education market size (Private and Public) across the MENA region in 2015. <sup>(1)</sup>

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
<b>MENA</b>	<b>USD 11.2 billion</b>	<b>+</b>	<b>USD 84.9 billion</b>	<b>=</b>	<b>USD 96.1 billion</b>



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. <sup>(2)</sup>

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

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## 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 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.<sup>(3)</sup>*

## 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.

## 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.

## 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.<sup>(4)</sup>



D3 Consultants is a private educational consulting company operating in the GCC specializing in turnkey solutions and educational management services serving investors and capital investment companies, private and public K-12 schools, universities, training centers, and early childhood nurseries.

[www.d3consultants.net](http://www.d3consultants.net)

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1. Source: Source: UNESCO, the World Bank, IMF, Booz & Co, Al-Masah Capital Research

2. Source: Source: The Parthenon Group, Al-Masah Capital Research

3. Source: Source: The world Bank

4. Source: Source: Al-Masah Capital MENA Education Report