

# Elementary And High School Education

## INVESTMENT OPPORTUNITY SCORECARD

### EDUCATION

NOVEMBER 2020

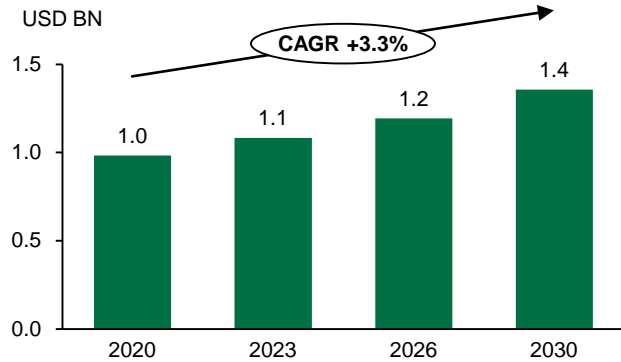


# Elementary School And High School Education

**OPPORTUNITY'S DESCRIPTION:** Opportunity to invest in KSA education sector by establishing private elementary and high schools across the Kingdom

## DEMAND

### MARKET SIZE, USD BN



### INVESTMENT HIGHLIGHTS

- Expected investment size of USD 187 Mn
- No. of seats: 70,000
- Expected IRR: 17 – 23%
- Payback period: 9.04 years
- 13% EBITDA margin expected in year 2 of operations

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Opportunity to capitalize upon the government's focus on developing human capital and social infrastructure under Vision 2030
- Leveraging recent FDI measures to motivate private sector participation in KSA education sector by creating investment friendly regulations and easing restrictions
- Ability to use Ministry of Education's infrastructure and utilize public assets

### KEY DEMAND DRIVERS

- Ministry of Education has target of filling additional 317,000 seats by 2030 under Vision 2030 education initiatives
- High GDP per capita in KSA (USD 48,908 in 2019 according to the World Bank) and emphasis on social infrastructure development, such as schools, remain one of the key drivers for the investment opportunity
- Growth in the market is further fueled by an increase in population and willingness of consumers (parents) to spend on quality education

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Government participation in elementary and high school education – 75%, private sector participation – 25%
- Limited presence of foreign private sector players in the domain – most international schools sponsored by their respective embassies

#### COMPETITOR ANALYSIS<sup>1</sup>



<sup>1</sup>Non-exhaustive list

### GLOBAL TRENDS

- Smart campus becoming increasingly popular, globally, with emergence of virtual classrooms, deployment of latest technology and adoption of integrated learning solutions to enable inclusive development of students
- Major focus on professional development programs for teachers to familiarize them with present generation competencies and skills as well as enhance their lateral thinking abilities



# EDUCATION

# ELEMENTARY SCHOOL AND HIGH SCHOOL EDUCATION

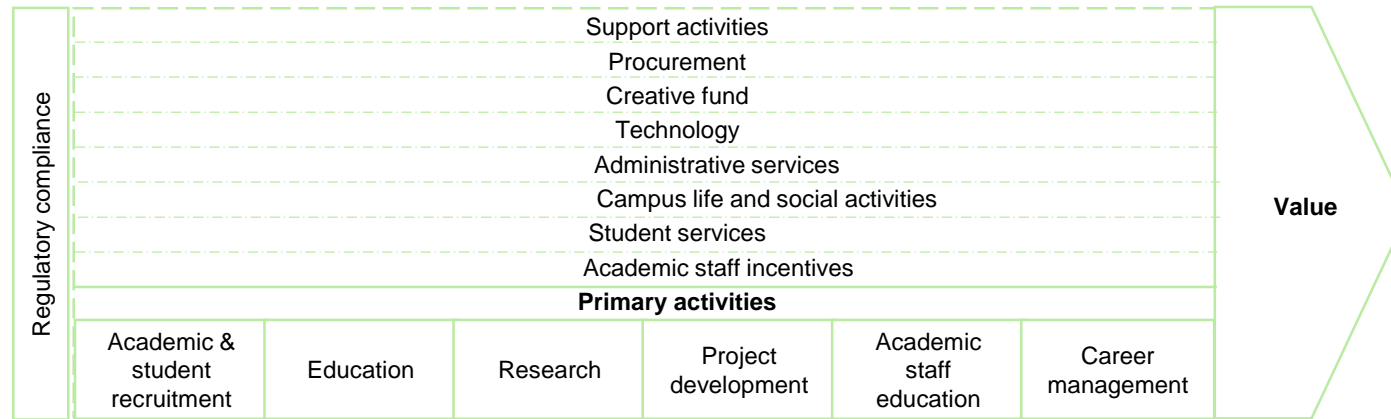
## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The Ministry of Education targets to increase the private sector investment by adding 70,000 seats in addition to the current seats of 391,000 provided from (national and international schools) which will make up ~530,000 seats by 2030
- Use of public infrastructure and assets (lands and buildings) at competitive prices due to subsidy offered by the Ministry of Education
- Low cost of construction, labour wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint within the Kingdom

### VALUE CHAIN ANALYSIS



### KEY STAKEHOLDERS

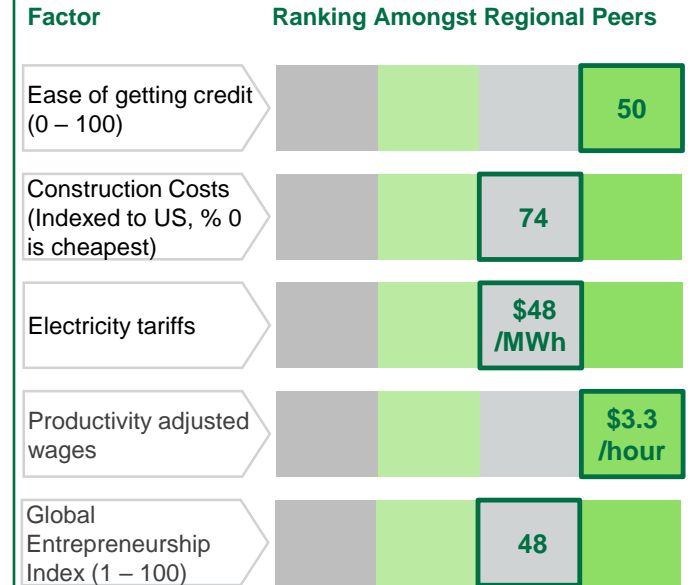


## ENABLING FACTORS

### ENABLERS

- Affordable lands and buildings supported by the Ministry of Education
- Competitive cost of construction and utility fees across the region
- Facilitate the issuance of the operational and academic staff visa

### COST OF DOING BUSINESS IN KSA



Bottom 25% | Top 75% | Top 50% | Top 25%

# DEFINITIONS

#	SCORECARD SECTION	DEFINITION
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
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11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
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13	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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# PRE-SCHOOL PRIMARY SCHOOL EDUCATION

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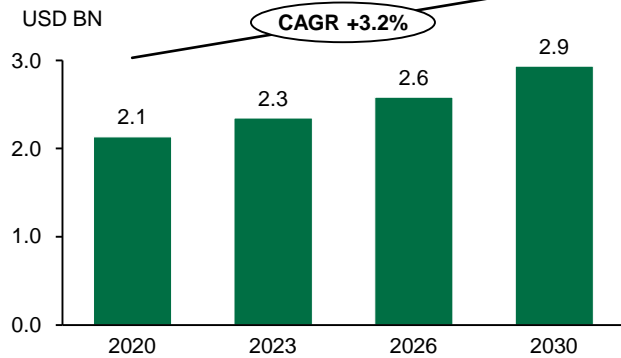


# PRE-SCHOOL AND PRIMARY SCHOOL EDUCATION

**OPPORTUNITY'S DESCRIPTION:** Opportunity to invest in KSA education sector by establishing private pre-school and primary schools across the Kingdom

## DEMAND

### MARKET SIZE, USD BN



### INVESTMENT HIGHLIGHTS

- Expected investment size of USD 533 Mn
- No. of seats: 200,000
- Expected IRR: 17 – 21%
- Payback period: 9.01 years
- 19% EBITDA margin expected in year 2 of operations

### VALUE PROPOSITION

- Opportunity to capitalize upon the government's focus on developing human capital and social infrastructure under Vision 2030
- Leveraging recent FDI measures to motivate private sector participation in KSA education sector by creating investment friendly regulations and easing restrictions
- Ability to use government (Ministry of Education and other entities) infrastructure and utilize public assets

## INVESTMENT OVERVIEW

### KEY DEMAND DRIVERS

- Ministry of Education's target to increase early childhood from 21% in 2019 to 25% by 2025 and 90% by 2030 in line with Vision 2030
- Number of kindergarten students forecasted to grow to 834K by 2030 with ~430K students enrolled in private kindergartens
- KG fees likely to scale faster than inflation with increased sophistication of offerings and costs of providing educational services
- Sector demand growth further fueled by willingness of parents to spend higher for quality/innovative learning experience

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Pre-schools and primary schools very localized in nature due to preference of parents to send kids to schools within vicinity of their dwelling
- 250+ Children Daycare Centers established by the MHRSD under 'Qurrah' program

### COMPETITOR ANALYSIS<sup>1</sup>



<sup>1</sup>Non-exhaustive list

### GLOBAL TRENDS

- Most countries have legislated a compulsory preschool year within education usually focusing on cognitive issues related to readiness for school
- Greater focus on physical fitness; early childhood educators focusing on non-competitive and independent sports activities
- Innovative preschools have integrated technology into the learning environment by familiarizing kids with internet-based games and nursery songs





# EDUCATION

# PRE-SCHOOL AND PRIMARY SCHOOL EDUCATION

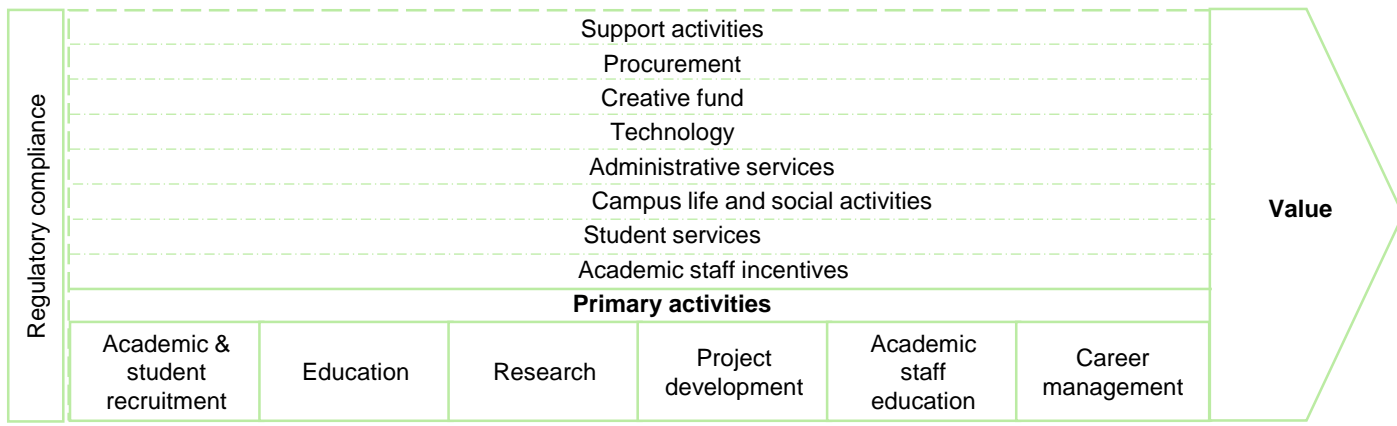
## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The Ministry of Education targets to enhance private sector participation by encouraging investment and allowing 25% of the total demand to be filled by local and international private sector players which will make up ~200,000 seats by 2030
- Use of public infrastructure and assets (lands and buildings) at competitive prices due to subsidy offered by the Ministry of Education
- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint within the Kingdom

### VALUE CHAIN ANALYSIS



### KEY STAKEHOLDERS

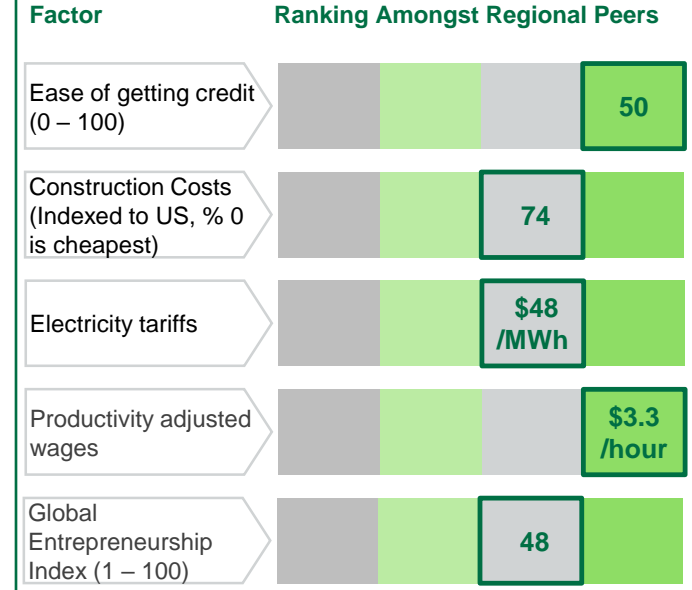


## ENABLING FACTORS

### ENABLERS

- Affordable lands and buildings supported by the Ministry of Education
- Competitive cost of construction and utility fees across the region
- Facilitate the issuance of the operational and academic staff visa

### COST OF DOING BUSINESS IN KSA



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# BUILDING EDUCATIONAL FACILITIES

## INVESTMENT OPPORTUNITY SCORECARD

### EDUCATION

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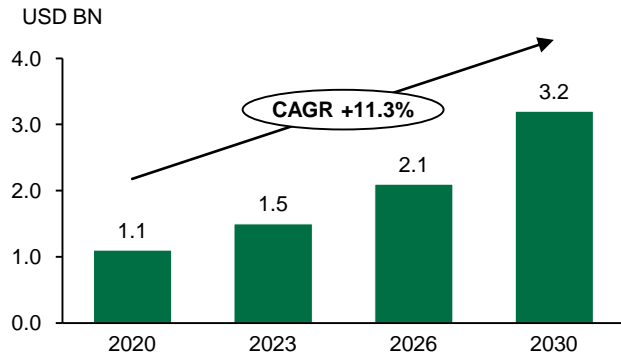


# BUILDING EDUCATIONAL FACILITIES

**OPPORTUNITY'S DESCRIPTION:** Opportunity to invest in KSA education sector by building educational facilities operated by the Ministry of Education

## DEMAND

### MARKET SIZE, USD BN



### INVESTMENT HIGHLIGHTS

- Expected investment size of USD 235 Mn
- No. of seats: ~330,000
- Expected IRR: 8 – 10%
- Payback period: 9.38 years
- 11% EBITDA margin expected in year 6 of operations

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Opportunity to capitalize upon the government's focus on developing human capital and social infrastructure under Vision 2030
- The Ministry of Education to bear the interest charges applied by bank/ financing companies for first 3 years during construction of facilities
- Leveraging recent FDI measures to motivate private sector participation in KSA education sector by creating investment friendly regulations and easing restrictions

### KEY DEMAND DRIVERS

- Ministry of Education has target of building educational facilities to accommodate ~330,000 seats in 2020 and increase the seats to ~1 Mn by 2030
- High GDP per capita in KSA (USD 48,908 in 2019 according to the World Bank) and emphasis on social infrastructure development, such as schools, remain one of the key drivers for the investment opportunity
- Growth in the market is further fueled by active encouragement of the government to boost private sector participation in economy

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Majority of the building/ assets owned and operated by the MoE is build by contractors through government issued tenders/ RFPs
- Limited presence of global private sector players specializing in building educational facilities; sector mostly served by local construction contractors

#### COMPETITOR ANALYSIS<sup>1</sup>



<sup>1</sup>Non-exhaustive list

### GLOBAL TRENDS

- Adding greenery to the landscape and adequate access to outdoor activities becoming increasingly popular in building educational facilities apart from adopting advanced building technology that are environment friendly
- Many campuses are opening themselves up to the community with multipurpose spaces that are also used by local entrepreneurs, businesses, and cultural centers allowing greater community engagement and inclusiveness

# EDUCATION

# BUILDING EDUCATIONAL FACILITIES

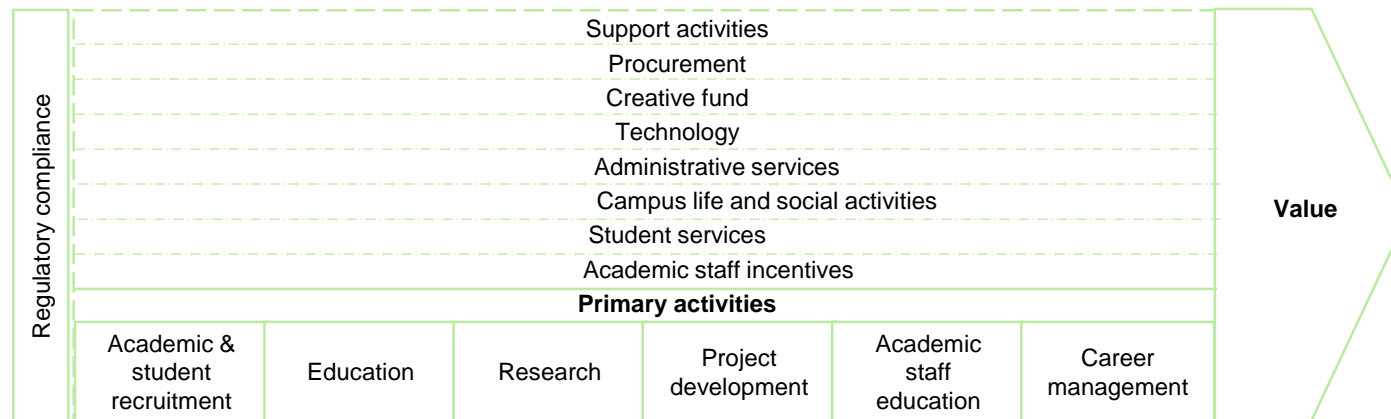
## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- The Ministry of Education targets to encourage private sector participation by allowing educational facilities, representing ~330,000 seats, to be built by private contractors. The demand for number of seats expected to grow by over 11% p.a. by until 2030
- Use of public infrastructure and assets (lands and buildings) at competitive prices due to subsidy offered by the Ministry of Education
- Low cost of construction, labor wages and utility fees to support low capital and operating expense for the investor and enable extending geographic footprint within the Kingdom

### VALUE CHAIN ANALYSIS



### KEY STAKEHOLDERS

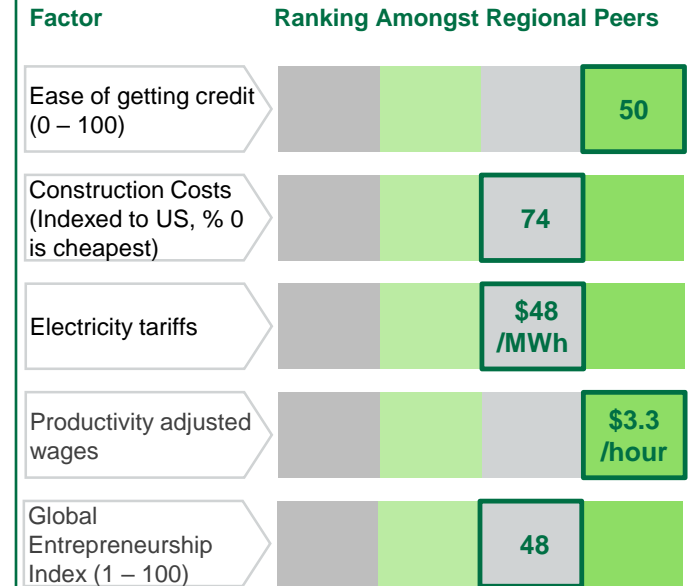


## ENABLING FACTORS

### ENABLERS

- Affordable lands and buildings supported by the Ministry of Education
- Competitive cost of construction and utility fees across the region
- Facilitate the issuance of the operational and academic staff visa

### COST OF DOING BUSINESS IN KSA



Bottom 25% Top 75% Top 50% Top 25%

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# FINANCING UNIVERSITY HOSPITALS

## INVESTMENT OPPORTUNITY SCORECARD

### EDUCATION

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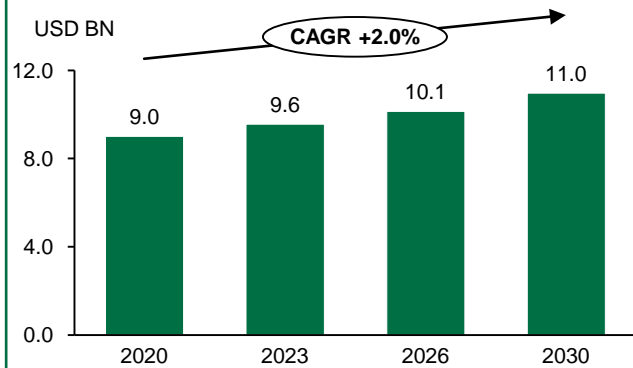


# FINANCING PRIVATIZATION OF UNIVERSITY HOSPITALS

**OPPORTUNITY'S DESCRIPTION:** Opportunity to invest in financing privatization projects in KSA for building university hospitals in multiple locations

## DEMAND

### MARKET SIZE, USD BN



### INVESTMENT HIGHLIGHTS

- Expected investment size of USD 2,133 Mn
- No. of hospitals: 20
- Expected IRR: 8 – 10%
- Payback period: 9.38 years
- 10% EBITDA margin expected in year 1 of operations

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Opportunity to capitalize upon the government's policies to encourage more private sector involvement in the provision of healthcare services
- Leveraging recent FDI measures to motivate private sector participation in KSA by creating investment friendly regulations and easing restrictions
- Funding university hospital projects mostly an untapped segment by any major regional/global player

### KEY DEMAND DRIVERS

- Government's continued efforts to encourage private sector participation in healthcare sector and boost overall efficiency
- Current target of building 20 university hospitals across the Kingdom for research and development, education and general healthcare service purposes
- In line with the government's Vision 2030 and the National Transformation Program (NTP), the Ministry of Health (MoH) is expected to spend close to USD 71 Bn over five-years ending in 2020

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- The health system in Saudi Arabia has three sectors: the Ministry of Health sector (MOH), the private sector and other government sectors
- Lack of any major financier solely focusing on funding university hospital projects in KSA

#### COMPETITOR ANALYSIS<sup>1</sup>



<sup>1</sup>Non-exhaustive list

### GLOBAL TRENDS

- Globally, trend in healthcare sector is to consolidate infrastructure development, Public Private Partnership (PPP) to enable university hospitals to provide all or most health care services
- Accreditation, re-accreditation, quality measurement and Continue Medical Education (CME) are important developments to proper management of university hospitals and enhanced physician capabilities



# EDUCATION

# FINANCING PRIVATIZATION OF UNIVERSITY HOSPITALS

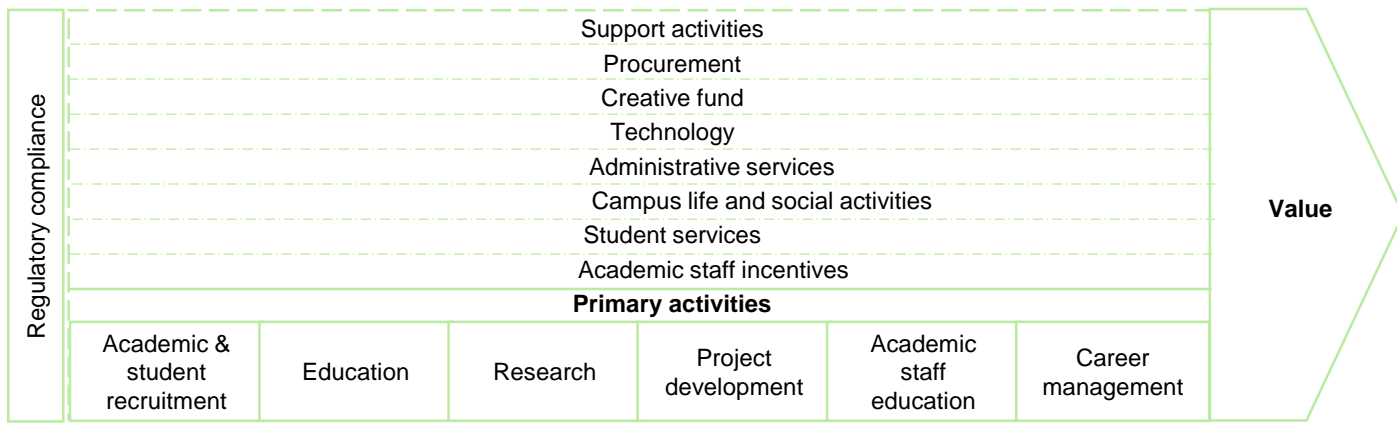
## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- By introducing Public Private Participation (PPP) models for healthcare, the government is working towards unlocking value in the health system and fast-tracking healthcare reform with plans to increase private sector contribution in total healthcare spending to 35% by 2020
- Major efforts to provide educational and training facilities for doctors, nurses and paramedics through the expansion of new medical colleges
- 295 hospitals and 2,259 healthcare centers to be privatized by 2030. Currently public healthcare sector represents approximately 79% of the total bed capacity leaving large scope for private sector players to enter the market

### VALUE CHAIN ANALYSIS



## ENABLING FACTORS

### ENABLERS

- Availability of land at subsidized rates for building hospitals
- Facilitate the issuance of the operational and academic staff visa
- Easy credit facilities in KSA

### COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Ease of getting credit (0 – 100)	50
Construction Costs (Indexed to US, % 0 is cheapest)	74
Electricity tariffs	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Global Entrepreneurship Index (1 – 100)	48

### KEY STAKEHOLDERS



Bottom 25% | Top 75% | Top 50% | Top 25%

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