

Investment in Early Years Schools

INVESTMENT OPPORTUNITY SCORECARD

EDUCATION

September 2022





EDUCATION

Investment in Early Years Schools

High Potential

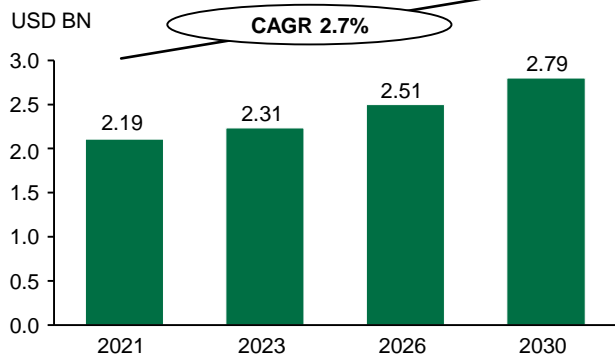
Moderate Potential

Low Potential

OPPORTUNITY'S DESCRIPTION: An opportunity to invest in the education sector in Saudi Arabia through the establishment of early years schools.

DEMAND

MARKET SIZE, USD BN



INVESTMENT HIGHLIGHTS

- Expected investment size of: 7-10 M SAR
- Expected IRR: 9 -13%
- Payback Period: 5 – 7 years
- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- 5 billion Saudi riyals is the total size of the sector by 2030,
- Significant growth in the sector due to increase in the enrollment rate of students in early years schools, and due to the expansion of the provision of vocational services to early years schools; moreover, there is a steady growth in the sector with the aim of raising the enrollment rate of children in early years from less than 25% to 90% in 2030.
- The Kingdom is the largest market for education in the GCC with the largest number of students; education sector is the largest item in the Saudi budget (186 billion riyals in 2021), and there has been a steady increase in spending on private education in recent years.
- It is one of the most promising investment opportunities in education and the economy in general that involves an average level of risk.

KEY DEMAND DRIVERS

- An increase in the number of children enrolled in early years schools.
- Few numbers of early years schools in the regions of the Kingdom
- The 2030 Vision motivates a large proportion of females to work which has made a greater need to enroll children in early years schools.
- Lack of awareness among entrepreneurs of the size of investment opportunities in early years schools.

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- It will generate 910 net jobs by 2030 due to the transfer of the majority of jobs from the Ministry of Education to privately operated government early years schools.

PROVIDER LANDSCAPE



¹Non-exhaustive list

GLOBAL TRENDS

- In America, a 4-year Education Development Grants program aims to increase the number of children enrolled in high-quality early years schools in communities with high needs, especially for low-income families, in order to address inequalities in access to early years education.
- France has reduced the commencement of the compulsory education to the age of three with the aim of reducing inequalities and providing high-quality early education opportunities for all children.



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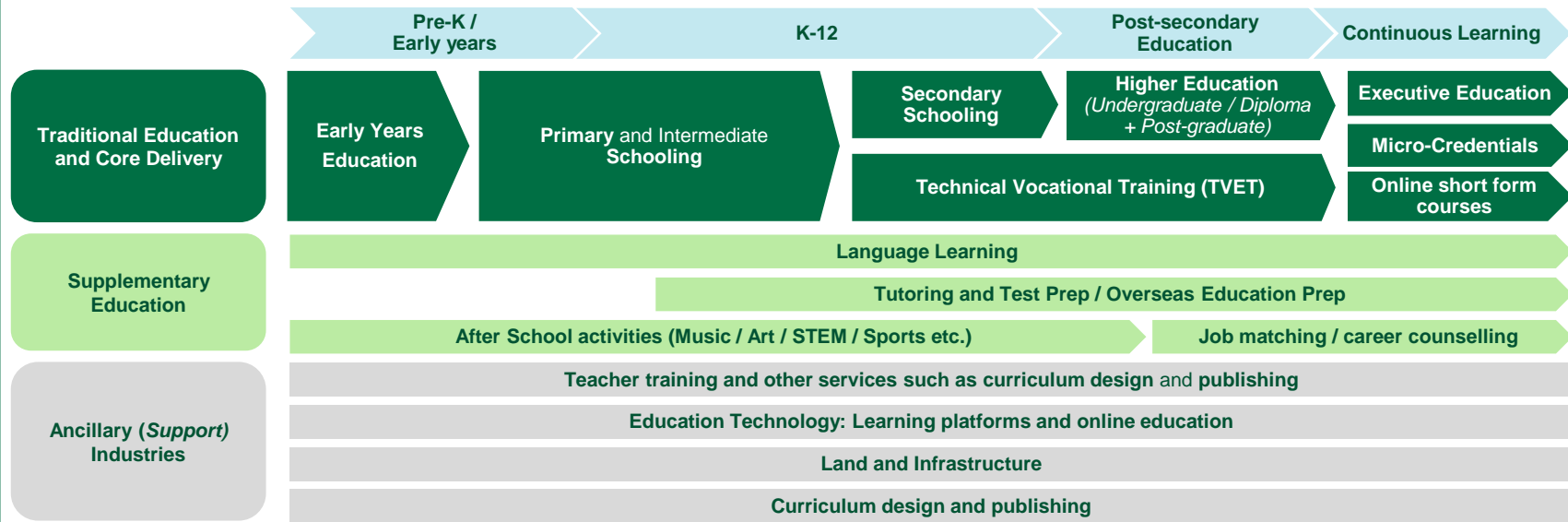
SUPPLY

SCALABILITY AND LOCALIZATION

- The most targeted areas of the Kingdom for investment in the field of kindergarten:
 - Najran region, where the number of children is 36,000, and 15 early years schools are private.
 - Al Baha region, where the number of children is 37,000, and 8 early years schools are private.

Grade: Low Medium High

VALUE CHAIN ANALYSIS



KEY STAKEHOLDERS



وزارة الاستثمار
Ministry of Investment



ENABLING FACTORS

ENABLERS

- Providing educational materials for private schools, and national identity books for international schools.
- Granting educational vouchers to special education and early years students according to the conditions through the "Maeen" program.
- Benefit from e-learning and online education services for early years schools through the "Rawdati" platform.
- Availability of educational facilities for investment.
- Exemption from VAT due on private educational services provided to citizens.

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



Sources for Cost of Doing Business: EIU, World Bank

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
2	Demand drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
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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