Taaleem

Decent earnings growth outlook despite higher interest costs; reiterate Buy

Company Update

Diversified Consumer Services. UAE

www

Stock Rating	Target Price	Closing Price
Buy	AED5.60	AED3.99

What's Changed	From	To
Target price	6.50	5.60
2026e EPS	0.154	0.172
2027e EPS	0.162	0.188

Cut TP, but remain Buyers, on valuation and solid LT earnings growth outlook

We cut our TP to AED5.60 (40% upside), as we lower our earnings estimate beyond the company's three-year guidance (p. 10) by c12% on avg., to reflect mainly a more conservative view on the recently acquired GCC early childhood education provider Kids First Group (KFG). We reiterate our Buy rating, as we believe the stock's current valuation is attractive (FY26e P/E of c23x), given Taaleem's strong LT earnings growth outlook (10YR CAGR of 13%), primarily driven by the ramp-up of premium schools. We still expect KFG to support stronger earnings growth in the ST (3YR CAGR of 17% despite higher interest costs to finance the acquisition and school openings, with leverage elevated – net debt/EBITDA c4x), offsetting the temporary ramp-up drag from new school openings (details below).

KFG acquisition strengthens ST earnings outlook, but initial contribution lower than expected

Taaleem acquired a 95% stake in KFG for AED912mn on 19 Jun 2025 (2024 P/E of c19x; AED730mn funded via loan). KFG operated 34 nurseries as of FY25 (c6k capacity; 84% utilisation; two in Qatar), offering four curricula under six brands. Although we expected full consolidation, KFG was accounted for as a JV due to strong minority shareholder rights retained by the founder. Taaleem holds a call option on the remaining 5%, effective Jun 2030, implying likely full consolidation by then (modelled as an associate over our forecast horizon). KFG contributed only AED2.5mn (3%) to Taaleem's 1Q26 net profit but is expected to add AED33-37mn (c19-21%) to FY26e earnings, as enrolments picked up post Sep/Oct 2025. This is, however, lower than the initial guidance of AED45mn due to cAED10mn additional brand amortisation charges resulting from purchase price allocation. Management is guiding for KFG to contribute cAED51-57mn (c27-30%) to FY27e earnings and cAED66-72mn (c29-31%) to FY28e. We conservatively assume 5% Y-o-Y growth in JV income thereafter.

Premium school expansions on track: to increase current capacity by 23% in FY29e

Taaleem operates 13 premium schools, with a capacity of c23.8k students as of 1Q25/26 (utilisation: c78%), after it: i) opened DBS Jumeira in Sep 2024 (+1.85k); ii) upped capacity at GIS (+536) in FY25 and DBS EH (+400) in FY26; iii) acquired French school LLFP Meydan in Nov 2024 for AED346mn (+2.1k seats); and iv) opened DBS Mira in FY26 (+1.86k). It plans to open three additional British schools over FY27-29e (two super-premium ones under the 'Harrow' brand and one in Ghaf Woods; capex/school: AED250-300mn; student capacity/school: c1.8k), which will increase premium schools' capacity 23% to c29.3k students in FY29e. While margins are likely to be slightly pressured in the ST, on new school openings (GPM -0.5pp over FY26-29e), we forecast a c1pp improvement thereafter as capacities ramp up.

Dubai PPP schools still a drag on numbers; ESE schools to be handed back to gov't in FY27e

Taaleem runs three schools under the Dubai PPP programme, with a capacity of c9.7k that is expected to reach c12k as more grades are added, with revenue contribution currently at c9%. The programme is still loss-making (est. negative EBITDA of cAED17mn in FY25). Taaleem also manages 11 Abu Dhabi charter schools and four nurseries (c1% of revenue; to average c5-6% of earnings, given margin-accretive mgmt. fees) and oversees five Ajyal (ESE) schools (down from eight), which will be handed back to the gov't over FY27e.

Key Financial Highlights (Aug Year End)

In AEDmn, unless otherwise stated	2025a	2026e	2027e	2028e
Revenue	1,136	1,345	1,465	1,655
EBITDA	291	346	374	430
Net income	144	172	188	230
EPS (AED)	0.14	0.17	0.19	0.23
EPS consensus (AED)	0.14	0.18	0.19	0.27
Price to earnings	27.6x	23.1x	21.2x	17.4x
Dividend yield	3.8%	3.9%	4.2%	5.2%
Net debt (cash) / Equity	0.7x	1.0x	1.1x	1.1x
EV / EBITDA	16.9x	14.2x	13.2x	11.5x
ROAE	10.5%	12.3%	13.3%	16.0%
FCF yield	-2.4%	-9.8%	-2.7%	4.4%

Source: Taaleem, Bloomberg and EFG Hermes estimates

Stock Data

Closing Price	AED3.99 as of 23 Feb 2026
Last Div. / Ex. Date	AED0.150 / 05 Dec 2025
Mkt. Cap / Shares (mn)	USD1,086 / 1,000
Av. Daily Liquidity (mn)	USD0.55
52-Week High / Low	AED4.85 / AED3.40
Bloomberg / Reuters	TAALEEM UH / TAALEEM.DU
Est. Free Float	50.5%

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Data Miner

Investment Thesis

Formed in 2003, Taaleem Holdings is the second largest premium K-12 operator in the UAE. It operates 13 premium schools (c23.8k student capacity; c86% of revenues; utilisation: c78%), with six offering British curriculum, five IB, one American and one French (acquired Dubai's LLFP Meydan in Nov 2024 for AED346mn). It was also awarded gov't management contracts for: i) three Dubai PPP schools (fully consolidated; c9.7k capacity; c9% of revenues); ii) 15 Abu Dhabi charter schools and nurseries (c1% of revenue; to avg. c5-6% of earnings); and iii) five ESE/Ajyal schools as of FY26 (to be handed over to gov't in FY27e). Taaleem is opening three new premium British schools (avg. capex per school: AED200-300mn; capacity per school: c1.8k) over FY27-29e after opening DBS Jumeira in FY25 and DBS Mira in FY26, which will increase premium school capacity to c29.3k students by FY29e. It raised AED750mn through an IPO in 4Q22 to fund organic expansions and M&A. Taaleem also acquired 95% of premium GCC early learning education provider Kids First Group on 19 Jun 2025 (KFG; reported as a JV) for AED912mn (34 nurseries incl. two in Qatar with c6k capacity as of FY25 to reach 50+ and 9.5k by 2029e) that should support add 19-21% to FY26e net income. We have a Buy rating on Taaleem's solid growth prospect (5YR EPS CAGR of 16%), mainly driven by the ramp-up of premium schools and contribution from KFG.

Valuation and Risks

We value Taaleem Holdings using the DCF methodology, yielding a TP of AED5.60. Upside risks include: i) faster capacity expansions (organically or acquisitions); ii) better ramp-up of premium schools' utilisation (currently at c78%); iii) higher tuition increases (regulated; c2-3% approved for each of FY24, FY25 and FY26); iv) better margin improvement, mainly on scale benefits, as well as higher contribution from gov't partnerships and nurseries; v) lower staff cost increases; vi) additional AD charter and Dubai PPP school awards; and vii) higher contribution from KFG. Key downside risks include: i) lower utilisation (we assume premium schools utilisation to reach c98% by our terminal year); ii) lower-than-expected tuition fee growth; iii) lower numbers from Dubai PPP schools (capacity to reach c12k, from c9.7k currently) that is loss-making (est. negative EBITDA of cAED17mn in FY25); iv) lower contribution from AD charter schools (Taaleem books a mgmt. fee that flows to bottom-line); v) margin pressure from staff cost inflation and/or difficulty in staffing; vi) delays in opening new schools; vii) downgrade in school ratings; viii) fiercer competition; ix) weaker cash conversion cycle; x) regulatory risks (more price regulation, reducing class sizes, etc.); and xi) expat exodus (Taaleem's premium schools have only c25% Emirati students).

Aug Year End In AEDmn, unless otherwise stated	2025a	2026e	2027e	2028e
Income Statement				
Revenue	1,136	1,345	1,465	1,655
EBITDA	291	346	374	430
Net operating profit (EBIT)	182	215	222	257
Taxes or zakat	(16)	(17)	(19)	(23)
Minority interest	0	0	0	0
Net income	144	172	188	230
Balance Sheet				
Cash and cash equivalents	531	502	321	290
Total assets	4,214	4,777	4,949	5,056
Total liabilities	2,585	3,131	3,284	3,369
Total equity	1,629	1,646	1,665	1,688
Total net debt (cash)	1,095	1,628	1,904	1,931
Cash Flow Statement				
Cash operating profit after taxes	226	322	372	441
Change in working capital	146	16	17	20
CAPEX	(444)	(662)	(420)	(209)
Investments	0	0	0	0
Free cash flow	(72)	(323)	(31)	252
Net financing	1,054	275	(147)	(268)
Change in cash	23	(30)	(181)	(31)

Source: Taaleem, EFG Hermes estimates

Aug Year End In AEDmn, unless otherwise stated	2025a	2026e	2027e	2028e
Per Share Financial Summary				
EPS (AED)	0.14	0.17	0.19	0.23
DPS (AED)	0.15	0.16	0.17	0.21
BVPS (AED)	1.63	1.65	1.66	1.69
Valuation Metrics				
Price to earnings	27.6x	23.1x	21.2x	17.4x
Price to book value	2.5x	2.4x	2.4x	2.4x
Price to cash flow	10.7x	11.8x	10.3x	8.7x
FCF yield	-2.4%	-9.8%	-2.7%	4.4%
Dividend yield	3.8%	3.9%	4.2%	5.2%
EV / EBITDA	16.9x	14.2x	13.2x	11.5x
EV / Invested capital	1.8x	1.5x	1.4x	1.4x
ROAIC	6.5%	7.1%	7.2%	8.3%
ROAE	10.5%	12.3%	13.3%	16.0%
KPIs				
Revenue growth (Y-o-Y)	20.1%	18.4%	9.0%	12.9%
EBITDA growth (Y-o-Y)	10.3%	19.1%	7.9%	15.0%
Gross profit margin	39.0%	38.9%	38.7%	38.7%
EBITDA margin	25.6%	25.8%	25.5%	26.0%
Net operating profit (EBIT) margin	16.0%	16.0%	15.1%	15.6%
Effective tax rate	8.9%	9.0%	9.0%	9.0%
Net Debt (Cash) / Equity	0.7x	1.0x	1.1x	1.1x
Net Debt (Cash) / EBITDA	3.8x	4.7x	5.1x	4.5x

Source: Taaleem, EFG Hermes estimates

Valuation

Figure 1: Summary of DCF valuation

In AEDmn

	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e	FY35e
EBITDA (post IFRS 16)	346	374	430	473	519	565	602	638	669	698
Share of profit from JV*	33	54	69	72	76	80	84	88	92	97
Est. lease expense**	(40)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)	(39)
Taxes	(17)	(17)	(19)	(23)	(25)	(30)	(35)	(39)	(43)	(47)
Change in working cap.	16	17	20	22	24	26	27	29	30	31
Capex	(662)	(420)	(209)	(52)	(54)	(57)	(60)	(63)	(67)	(70)
Free cash flow (FCF)	**(323)**	**(31)**	**252**	**454**	**500**	**544**	**579**	**613**	**642**	**671**
PV of FCFs	*(323)*	*(28)*	*212*	*349*	*353*	*351*	*343*	*332*	*319*	*305*
PV of terminal value										*4,325*
WACC	9.1%									
Terminal growth rate	2.0%									
Enterprise value	**6,537**									
Net debt** (1Q26)	937									
Equity value	**5,600**									
Number of shares (mn)	1,000									
Target price (in AED)	**5.60**									

*95% of KFG's earnings as it is reported as an associate
**Right of use depreciation charge + lease expense on income statement
**Includes cAED730mn bullet loan to finance KFG acquisition due Aug 2030; excluding leases (AED299mn)
Source: Company data, EFG Hermes estimates

Figure 2: Sensitivity of TP (AED) to changes in WACC and terminal growth rate

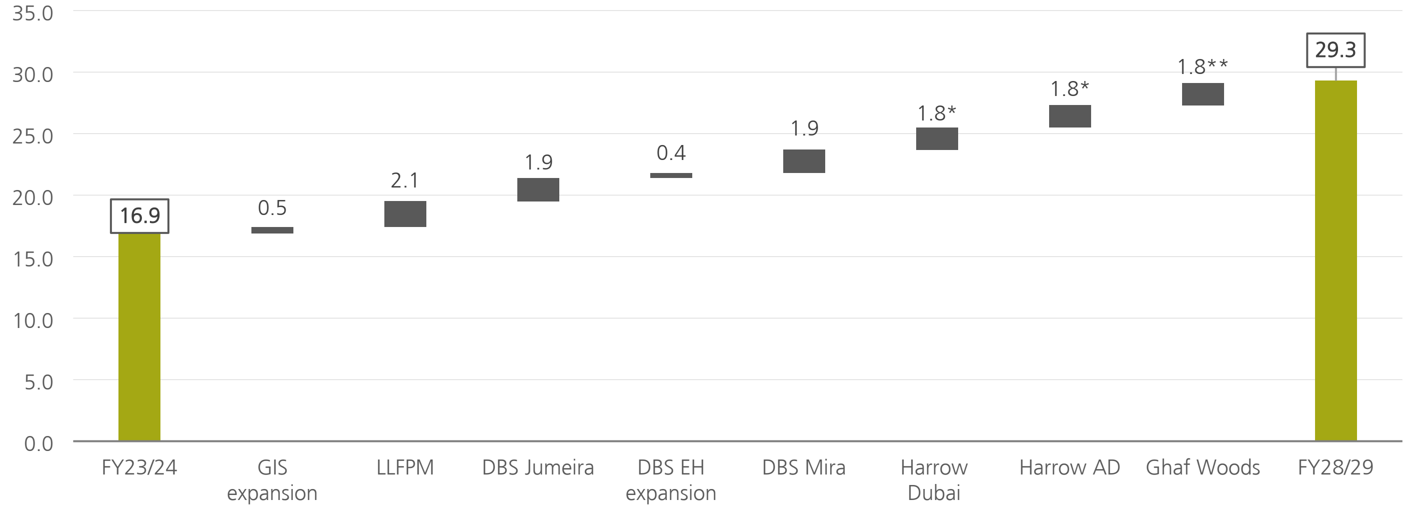
		WACC				
		8.1%	8.6%	9.1%	9.6%	10.1%
Terminal growth rate	1.0%	6.06	5.51	5.03	4.61	4.24
	1.5%	6.44	5.83	5.30	4.84	4.43
	2.0%	6.87	6.19	5.60	5.09	4.65
	2.5%	7.38	6.60	5.95	5.38	4.89
	3.0%	7.98	7.09	6.35	5.72	5.17

Source: EFG Hermes estimates

Premium schools' key forecast highlights

Figure 3: Recent and planned capacity additions until Sep 2028:* c73% increase in premium school capacity between FY24 and FY29e with one acquisition (LLFPM in FY25) and five greenfield schools (two opened – DBS Jumeira in FY25 and DBS Mira in FY26)

Number of students (in '000)



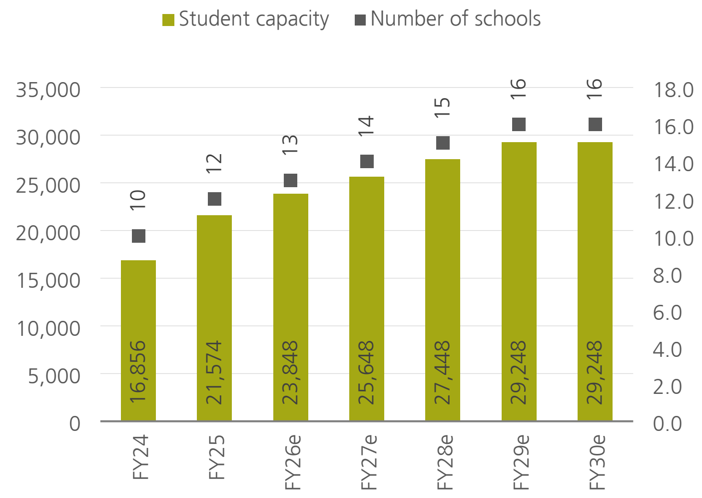
*A new planned premium school in Ghaf Woods, with land already purchased in FY26 for AED40mn and a planned capacity of 1,800 students; launch date TBA – we assume by Sep 2028

**Super-premium Harrow schools to address market gap (only seven super-premium schools in Dubai [fees over AED90k; rated 'Outstanding'] and two in Abu Dhabi [fees over AED75k; rated 'Outstanding']) expected to break even in year four with full cash payback in years 6-7; Harrow Dubai targeting 250-400 first year enrolment

Source: Company data, EFG Hermes estimates

Figure 4: Taaleem currently has 13 premium schools, with a capacity of c23.8k students; expected to increase to 16 schools, with a capacity of c29.3k students by FY28/29e (+23%)

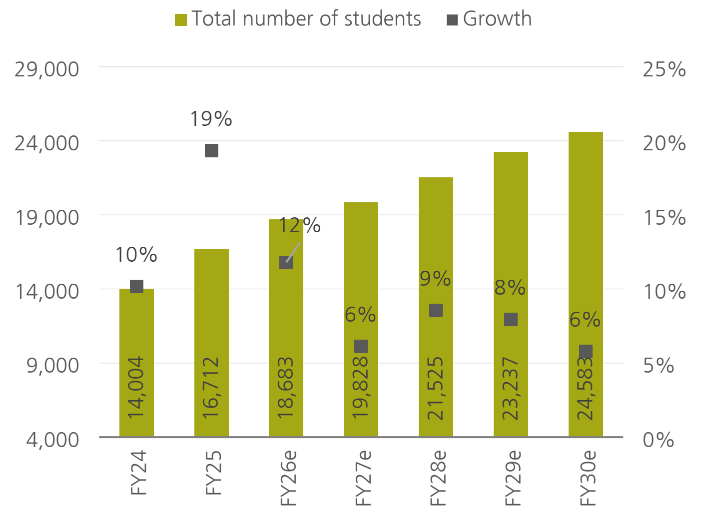
In number of students



Source: Company data, EFG Hermes estimates

Figure 5: Evolution of student count: witnessed 19% Y-o-Y increase in enrolments in AY24/25, mainly on the addition of two new schools (LLFPM and DBS Jumeira); +12% Y-o-Y to 18.7k in AY25/26 supported by the opening of DBS Mira; expect a 4YR enrolment CAGR of 7% thereafter on ramp-up of existing schools and the opening of three new ones

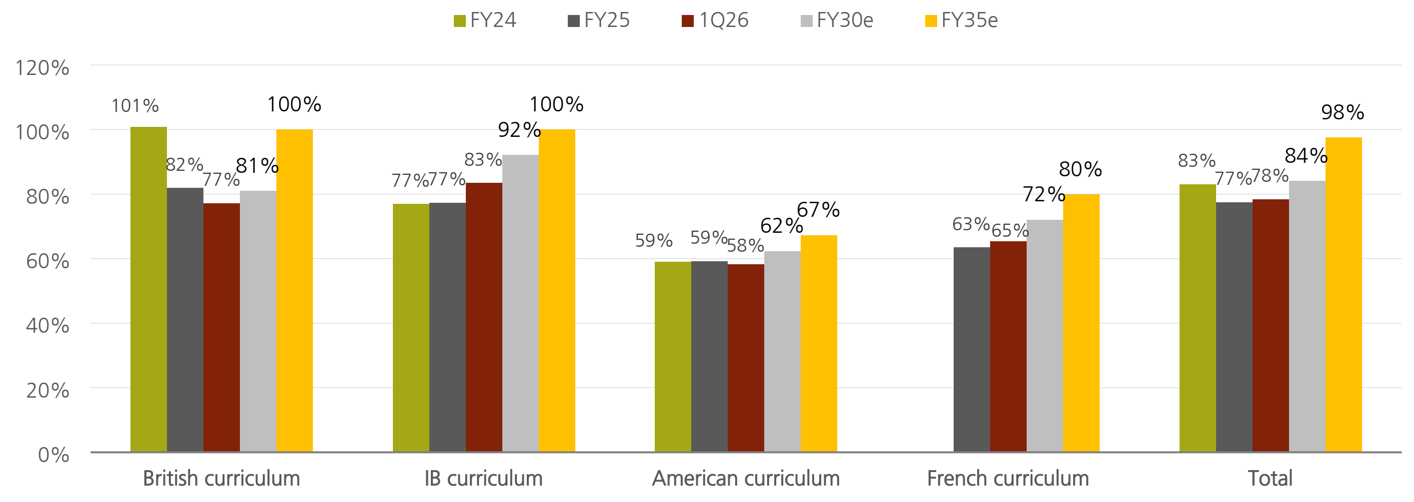
In number of students



Source: Company data, EFG Hermes estimates

Figure 6: Utilisation rate by curriculum: premium schools saw a decline in utilisation rates in FY25 (-c6pp to c77%), mainly from the addition of two new schools (LLFPM and DBS Jumeira); expect all schools to be nearly fully utilised by our terminal year (except for American curriculum school AAG and French curriculum school LLFP)

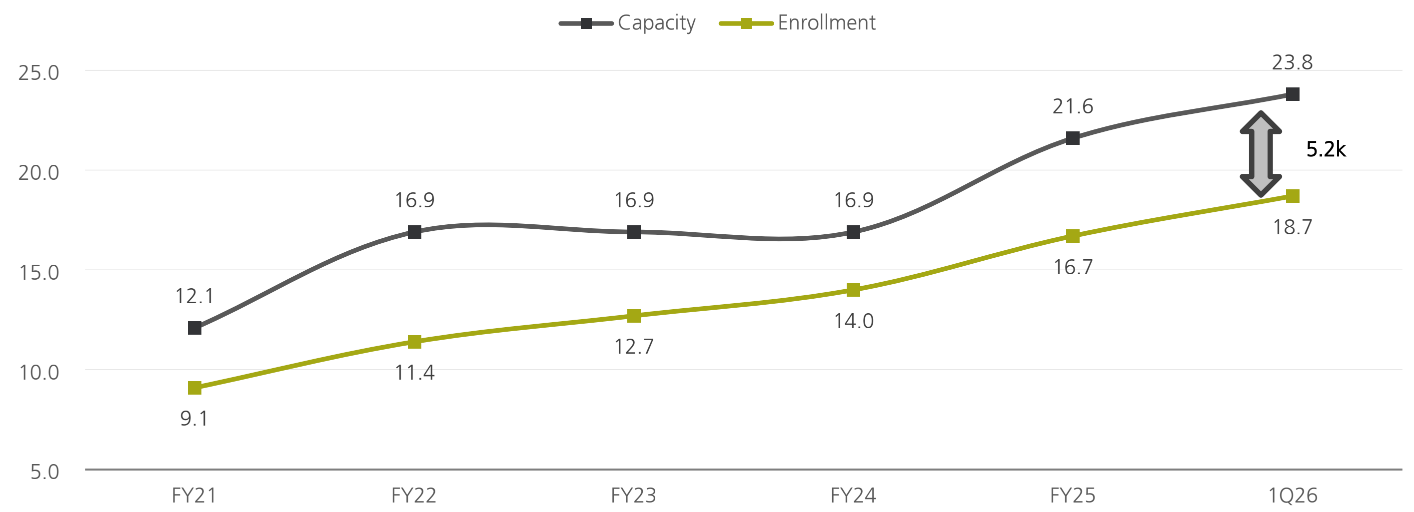
Premium schools' utilisation rate by curriculum (%)



Source: Company data, EFG Hermes estimates

Figure 7: Utilisation gap currently at 5.2k students, mainly from KCC Raha City (Abu Dhabi; c1k+ seats), AAG (c400) and UIS (c200), as well as newly opened schools DBS Jumeira (c1.4k) and DBS Mira

Number of students ('000)



Source: Company data

Figure 8: Tuition fees of premium schools by rating: Taaleem's highly rated premium schools are priced competitively vs segment average, offering room for fee expansion

Rating	Outstanding	Very Good	Good	Not yet rated
Max. annual tuition fees (AED)	97,000	98,000	94,000	99,000+
				Harrow AD AED95k (under construction)
				Harrow Dubai AED93k (under construction)
	Segment average			
	DBS JP AED70k	JBS AED68k		
	DBS EH AED63k	Jebel Ali AED62k		DBS Jumeira AED62k
		Segment average		Segment average
		UIS AED58k		DBS Mira AED60k
		Raha Garden AED58k	Segment average	
		GIS AED56k	Raha Khalifa City AED56k	
	DBF AED51k	LLFPM 53k	AAG AED53k	
Min. annual tuition fees (AED)	45,000	52,000	52,000	53,000

Source: Company data, KHDA & ADEK – based on a pool of schools across Abu Dhabi and Dubai with tuition fees ranging from AED 50k to 90k | British, French, IB and American schools

Figure 9: Premium schools' forecast summary table

	FY24	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e	FY35e
Number of schools	10	12	13	14	15	16	16	16	16	16	16	16
Student capacity	16,856	21,574	23,848	25,648	27,448	29,248	29,248	29,248	29,248	29,248	29,248	29,248
Total number of students	14,004	16,712	18,683	19,828	21,525	23,237	24,583	25,884	26,817	27,622	28,129	28,522
Growth	*10%*	*19%*	*12%*	*6%*	*9%*	*8%*	*6%*	*5%*	*4%*	*3%*	*2%*	*1%*
Utilisation	*83%*	*77%*	*78%*	*77%*	*78%*	*79%*	*84%*	*88%*	*92%*	*94%*	*96%*	*98%*
Gross tuition/student (AED)	59,697	59,376	61,752	63,907	66,137	67,460	68,809	70,185	71,589	73,021	74,481	75,971
Y-o-Y growth	*2%*	*-1%*	*4%*	*3%*	*3%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Gross tuition revenue (AEDmn)	836	992	1,154	1,267	1,424	1,568	1,691	1,817	1,920	2,017	2,095	2,167
Y-o-Y growth	*13%*	*19%*	*16%*	*10%*	*12%*	*10%*	*8%*	*7%*	*6%*	*5%*	*4%*	*3%*
% of total	*88%*	*87%*	*86%*	*86%*	*86%*	*86%*	*85%*	*84%*	*84%*	*84%*	*84%*	*84%*

Source: Company data, EFG Hermes estimates

Government partnership schools' key forecast highlights

Figure 10: Government partnership schools' revenue forecast summary

	FY24	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e	FY35e
Dubai PPP												
Number of schools	3	3	3	3	3	3	3	3	3	3	3	3
Student capacity	2,682	9,732	9,732	9,732	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Total number of students	2,571	3,333	4,512	4,866	6,000	7,152	8,400	9,600	10,320	10,920	11,520	12,000
Growth	*31%*	*30%*	*35%*	*8%*	*23%*	*19%*	*17%*	*14%*	*8%*	*6%*	*5%*	*4%*
Utilisation	*96%*	*34%*	*46%*	*50%*	*50%*	*60%*	*70%*	*80%*	*86%*	*91%*	*96%*	*100%*
Gross tuition/student (AED)	27,883	27,369	28,051	28,188	28,326	28,465	28,605	28,745	28,886	29,027	29,169	29,312
Y-o-Y growth	*6%*	*-2%*	*2%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*
Tuition revenue (AEDmn)	71.7	91.2	126.6	137.2	170.0	203.6	240.3	276.0	298.1	317.0	336.0	351.7
Y-o-Y growth	*38%*	*27%*	*39%*	*8%*	*24%*	*20%*	*18%*	*15%*	*8%*	*6%*	*6%*	*5%*
% of revenues	*8%*	*8%*	*9%*	*9%*	*10%*	*11%*	*12%*	*13%*	*13%*	*13%*	*13%*	*14%*
Abu Dhabi charter schools												
Number of schools	11	15	15	15	15	15	15	15	15	15	15	15
Student capacity	17,113	17,583	17,583	17,583	17,583	17,583	17,583	17,583	17,583	17,583	17,583	17,583
Total number of students	16,060	15,146	15,791	16,037	16,283	16,529	16,776	17,022	17,268	17,514	17,583	17,583
Growth	*41%*	*-6%*	*4%*	*2%*	*2%*	*2%*	*1%*	*1%*	*1%*	*1%*	*0%*	*0%*
Utilisation	*94%*	*86%*	*90%*	*91%*	*93%*	*94%*	*95%*	*97%*	*98%*	*100%*	*100%*	*100%*
Revenue (AEDmn)	10.3	15.0	15.5	15.8	16.0	16.3	16.6	16.8	17.1	17.4	17.5	17.6
Y-o-Y growth	*30%*	*46%*	*3%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*1%*	*0%*
% of sales	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
% of earnings	*7%*	*9%*	*8%*	*7%*	*6%*	*6%*	*5%*	*4%*	*4%*	*4%*	*3%*	*3%*
ESE/Ajyal schools*												
Number of schools	8	8	5									
Student capacity	6,240	6,238	3,058									
Revenue (AEDmn)	6.6	7.5	4.5									
Y-o-Y growth	*164%*	*14%*	*-40%*									
% of sales	*1%*	*1%*	*0%*									
% of earnings	*5%*	*5%*	*2%*									

*Four Ajyal schools handed back to gov't at end of AY24/25, one school temporarily assumed from another operator in AY5/26 and all to be handed back to gov't at end of AY25/26
Source: Company data, EFG Hermes estimates

Summary of total revenue forecasts

Figure 11: Taaleem's revenue forecast summary table

In AEDmn

	FY24	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e	FY35e
Premium schools' gross tuition	836.0	992.3	1,153.7	1,267.2	1,423.6	1,567.5	1,691.5	1,816.7	1,919.8	2,017.0	2,095.1	2,166.8
Growth	*13%*	*19%*	*16%*	*10%*	*12%*	*10%*	*8%*	*7%*	*6%*	*5%*	*4%*	*3%*
% of total	*88%*	*87%*	*86%*	*86%*	*86%*	*86%*	*85%*	*84%*	*84%*	*84%*	*84%*	*84%*
Dubai PPP gross tuition	71.7	91.2	126.6	137.2	170.0	203.6	240.3	276.0	298.1	317.0	336.0	351.7
Growth	*38%*	*27%*	*39%*	*8%*	*24%*	*20%*	*18%*	*15%*	*8%*	*6%*	*6%*	*5%*
% of total	*8%*	*8%*	*9%*	*9%*	*10%*	*11%*	*12%*	*13%*	*13%*	*13%*	*13%*	*14%*
Total gross tuition revenue	907.7	1,083.5	1,280.3	1,404.3	1,593.5	1,771.1	1,931.8	2,092.6	2,217.9	2,334.0	2,431.1	2,518.6
Discounts	(17.2)	(25.0)	(26.2)	(28.8)	(32.7)	(36.3)	(39.6)	(42.9)	(45.5)	(47.8)	(49.8)	(51.6)
% of gross tuition fees	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*	*-2%*
Net tuition revenue	890.5	1,058.5	1,254.0	1,375.5	1,560.9	1,734.8	1,892.2	2,049.7	2,172.5	2,286.1	2,381.3	2,467.0
Growth	*14%*	*19%*	*18%*	*10%*	*13%*	*11%*	*9%*	*8%*	*6%*	*5%*	*4%*	*4%*
% of total	*94%*	*93%*	*93%*	*94%*	*94%*	*95%*	*95%*	*95%*	*95%*	*95%*	*95%*	*95%*
Management fees*	16.9	22.5	20.1	15.8	16.0	16.3	16.6	16.8	17.1	17.4	17.5	17.6
Growth	*62%*	*34%*	*-11%*	*-21%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*1%*	*0%*
% of total	*2%*	*2%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*	*1%*
Application fees	2.1	3.8	4.4	4.6	4.9	5.1	5.4	5.6	5.9	6.2	6.5	6.8
Growth	*13%*	*81%*	*15%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
% of total	*0.2%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*
Other operating income**	35.7	50.6	66.0	69.3	72.8	76.4	80.3	84.3	88.5	92.9	97.6	102.4
Growth	*35%*	*42%*	*30%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
% of total	*4%*	*4%*	*5%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
Total revenue	945.2	1,135.5	1,344.5	1,465.3	1,654.6	1,832.7	1,994.4	2,156.5	2,284.0	2,402.6	2,502.8	2,593.8
Growth	*15%*	*20%*	*18%*	*9%*	*13%*	*11%*	*9%*	*8%*	*6%*	*5%*	*4%*	*4%*

*Revenue from Abu Dhabi charter schools and ESE/Ajyal schools
**Includes income from sports activity, debentures, transport, conferences and commissions from uniforms and cafeteria at both premium and Dubai PPP schools (AED28-29mn in FY25)
Source: Company data, EFG Hermes estimates

Income statement and balance sheet trends

Figure 12: Income statement and balance sheet forecast summary

In AEDmn, unless otherwise stated

	FY24	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e	FY32e	FY33e	FY34e	FY35e
Income statement												
Total revenue	945	1,136	1,345	1,465	1,655	1,833	1,994	2,156	2,284	2,403	2,503	2,594
Growth	*15%*	*20%*	*18%*	*9%*	*13%*	*11%*	*9%*	*8%*	*6%*	*5%*	*4%*	*4%*
Gross profit	392	443	523	567	640	706	773	840	893	944	988	1,030
Growth	*17%*	*13%*	*18%*	*9%*	*13%*	*10%*	*9%*	*9%*	*6%*	*6%*	*5%*	*4%*
Gross margin	*41.5%*	*39.0%*	*38.9%*	*38.7%*	*38.7%*	*38.5%*	*38.7%*	*38.9%*	*39.1%*	*39.3%*	*39.5%*	*39.7%*
Change	*0.5%*	*-2.5%*	*-0.2%*	*-0.2%*	*-0.1%*	*-0.1%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
EBITDA	264	291	346	374	430	473	519	565	602	638	669	698
Growth	*31%*	*10%*	*19%*	*8%*	*15%*	*10%*	*10%*	*9%*	*7%*	*6%*	*5%*	*4%*
EBITDA margin	*27.9%*	*25.6%*	*25.8%*	*25.5%*	*26.0%*	*25.8%*	*26.0%*	*26.2%*	*26.4%*	*26.5%*	*26.7%*	*26.9%*
Change	*3.3%*	*-2.3%*	*0.1%*	*-0.2%*	*0.5%*	*-0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
Operating profit	163	182	215	222	257	280	324	367	402	434	463	489
Growth	*42%*	*11%*	*18%*	*3%*	*16%*	*9%*	*15%*	*13%*	*9%*	*8%*	*6%*	*6%*
EBIT margin	*17.3%*	*16.0%*	*16.0%*	*15.1%*	*15.6%*	*15.3%*	*16.2%*	*17.0%*	*17.6%*	*18.1%*	*18.5%*	*18.9%*
Change	*3.2%*	*-1.3%*	*0.0%*	*-0.9%*	*0.4%*	*-0.2%*	*0.9%*	*0.8%*	*0.6%*	*0.5%*	*0.4%*	*0.4%*
Recurring net income	164	144	172	188	230	254	308	356	397	438	474	508
Growth	*40%*	*-12%*	*19%*	*9%*	*22%*	*11%*	*21%*	*15%*	*12%*	*10%*	*8%*	*7%*
Net margin	*17.3%*	*12.7%*	*12.8%*	*12.8%*	*13.9%*	*13.9%*	*15.4%*	*16.5%*	*17.4%*	*18.2%*	*18.9%*	*19.6%*
Change	*3.1%*	*-4.6%*	*0.1%*	*0.0%*	*1.0%*	*0.0%*	*1.6%*	*1.0%*	*0.9%*	*0.8%*	*0.7%*	*0.7%*
Balance sheet												
Cash conversion cycle	(161)	(167)	(171)	(163)	(150)	(142)	(136)	(132)	(131)	(131)	(132)	(134)
Working capital change as a % sales	*1.6%*	*12.9%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*
Capex	269	444	662	420	209	52	54	57	60	63	67	70
% of sales	*28%*	*39%*	*49%*	*29%*	*13%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
Free cash flow (FCF)	(23)	(72)	(323)	(31)	252	454	500	544	579	613	642	671
% of sales	*-2%*	*-6%*	*-24%*	*-2%*	*15%*	*25%*	*25%*	*25%*	*25%*	*26%*	*26%*	*26%*
Net debt (cash) including leases	(301)	1,095	1,628	1,904	1,931	1,795	1,627	1,460	1,298	1,135	975	815
Net debt/equity (x)	*(0.2)*	*0.7*	*1.0*	*1.1*	*1.1*	*1.0*	*0.9*	*0.8*	*0.7*	*0.6*	*0.5*	*0.4*
Net debt/EBITDA (x)	*(1.1)*	*3.8*	*4.7*	*5.1*	*4.5*	*3.8*	*3.1*	*2.6*	*2.2*	*1.8*	*1.5*	*1.2*
Net debt (cash) excluding leases	(594)	796	1,334	1,614	1,646	1,515	1,350	1,189	1,030	872	716	561
Net debt (cash)/equity (x)	*(0.4)*	*0.5*	*0.8*	*1.0*	*1.0*	*0.9*	*0.8*	*0.7*	*0.6*	*0.5*	*0.4*	*0.3*
Net debt (cash)/EBITDA (x)	*(2.6)*	*3.1*	*4.4*	*4.8*	*4.2*	*3.5*	*2.8*	*2.3*	*1.8*	*1.5*	*1.1*	*0.9*

Source: Company data, EFG Hermes estimates

Taaleem's updated three-year guidance

Figure 13: Taaleem's updated three-year guidance

	FY26e	FY27e	FY28e
Operating revenue Y-o-Y growth (Taaleem only)	16-19%	8-11%	11-13%
EBITDA (Taaleem only)	AED355-360mn	AED379-384mn	AED440-450mn
EBITDA margin (Taaleem only)	25.9-27.0%	25.7-26.0%	26.4-27.1%
Share of net profit of investment in JV (95% of KFG)	AED33-37mn*	AED51-57mn	AED66-72mn
Net profit (Taaleem + KFG)	AED172-180mn**	AED188-190mn	AED228-239mn
Capex (Taaleem only)	AED580-680mn	AED365-390mn	AED200-220mn
Net debt/EBITDA	3.7-3.9x	3.6-3.9x	2.3-3.0x

*After adjusting for cAED10mn additional brand value amortisation charges in FY26e, which resulted in lowering guidance from AED45mn initially
**Increased FY26e net profit guidance by cAED10-15mn because of one additional revenue-recognised day in AY26/27e that will be reflected in FY26e
Source: Company data

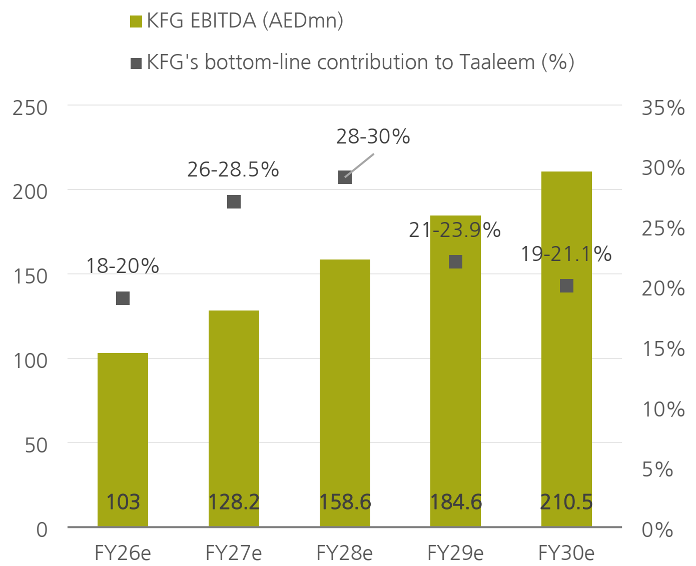
Figure 14: KFG financial performance*

	1Q25/26 3 months	FY26e 12 months	FY27e 12 months
Revenue	AED64.8mn	15-17% Y-o-Y***	15-20% Y-o-Y
EBITDA margin	26.6%	32-34.8%	34-36.6%
Net profit after tax	AED4.5mn	12-15% margin	15-19% margin
Capex	AED9.7mn	AED20-25mn	AED20-25mn
Contribution to net profit**	AED2.5mn	18-20%	26-28.5%

*Represents 100% of KFG's business except contribution to NP
**Represents Taaleem's 95% share of KFG business after PPAP adjustment
***Based on full-year revenues of AED252.8mn in FY24/25
Source: Company data

Figure 15: KFG is expected to contribute an average of 25.8% to Taaleem's net income over FY26-FY30, on an expected EBITDA CAGR of 19.6% during the period

KFG's forecasted EBITDA (AEDmn) and contribution to group net profit (%)



Source: Company data

Financial statements

Income Statement (Aug Year End)

In AEDmn	2025a	2026e	2027e	2028e
Revenue	1,136	1,345	1,465	1,655
COGS	(692)	(822)	(898)	(1,015)
Gross profit	443	523	567	640
SG&A	(158)	(181)	(198)	(215)
Other operating inc (expense)	6	4	5	5
EBITDA	291	346	374	430
Depreciation and amortisation	(109)	(131)	(152)	(172)
Net operating profit (EBIT)	182	215	222	257
Share of results from associates	(9)	33	54	69
Net investment income (loss)	0	0	0	0
Net interest income (expense)	(19)	(67)	(78)	(84)
Other non-operating inc (exp.)	27	8	9	10
FX gains (loss)	0	0	0	0
Net provisions	0	0	0	0
Income before taxes or zakat	181	189	207	253
Taxes or zakat	(16)	(17)	(19)	(23)
Net inc before minority interest	165	172	188	230
Minority interest	0	0	0	0
Reported net income	165	172	188	230
Adjusted net income	144	172	188	230

Source: Taaleem, EFG Hermes estimates

Balance Sheet (Aug Year End)

In AEDmn	2025a	2026e	2027e	2028e
Cash and cash equivalents	531	502	321	290
Accounts receivable (current)	94	113	134	157
Inventory	0	0	0	0
Other debit balances (current)	0	0	0	0
Total current assets	626	615	455	446
PP&E (net)	2,293	2,842	3,127	3,181
Goodwill & intangibles	315	307	300	293
Investments (non-current)	914	947	1,001	1,070
Other debit balances (non-current)	66	66	66	66
Total non-current assets	3,588	4,162	4,494	4,610
Total assets	4,214	4,777	4,949	5,056
Short term debt	200	275	375	375
Accounts payable (current)	234	254	276	300
Other credit balances (current)	575	595	627	687
Total current liabilities	1,009	1,124	1,277	1,362
Long term debt	1,427	1,855	1,850	1,846
Other credit balances (non-current)	150	153	157	161
Total non-current liabilities	1,576	2,008	2,007	2,007
Total net worth	1,629	1,646	1,665	1,688
Total equity	1,629	1,646	1,665	1,688
Total equity and liabilities	4,214	4,777	4,949	5,056

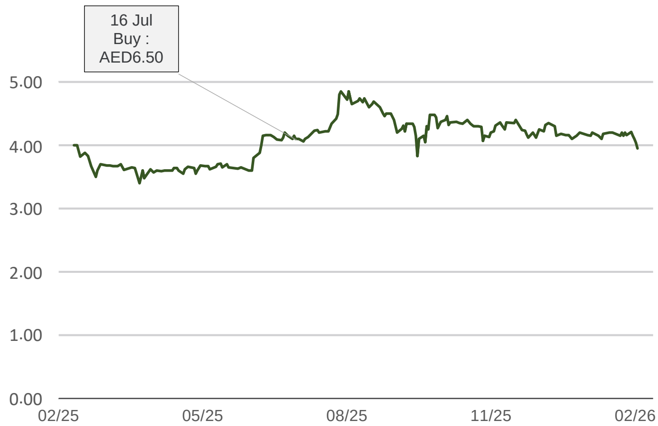
Source: Taaleem, EFG Hermes estimates

Cash Flow (Aug Year End)

In AEDmn	2025a	2026e	2027e	2028e
Cash operating profit after taxes	226	322	372	441
Change in working capital	146	16	17	20
Cash flow after change in WC	372	339	389	461
CAPEX	(444)	(662)	(420)	(209)
Investments	0	0	0	0
Free cash flow	(72)	(323)	(31)	252
Non-operating cash flow	(959)	18	(2)	(16)
Cash flow before financing	(1,031)	(305)	(33)	236
Net financing	1,054	275	(147)	(268)
Change in cash	23	(30)	(181)	(31)

Source: Taaleem, EFG Hermes estimates

Rating and Target Price chart



Rating Distribution

Rating	Coverage Universe%
Buy	59%
Neutral	34%
Sell	7%
Not Rated	0%
Under Review	0%

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Primary Analyst Coverage (Mirna Maher, CFA)

Company (Reuters/Bloomberg)	Last Rating	Price (23 Feb 2026)
ADNOC Distribution (ADNOCDIST.AD/ADNOCDIS UH)	Buy	AED4.03
Aldrees (4200.SE/ALDREES AB)	Neutral	SAR120.70
Almasar Alshamil (6019.SE/ALMASARA AB)	Neutral	SAR23.20
Ataa Educational Co (4292.SE/ATAA AB)	Buy	SAR57.00
Dubai Taxi (DTC.DU/DTC UH)	Buy	AED2.75
Humansoft (HUMN.KW/HUMANSFT KK)	Buy	KWD2.59
Jazeera Airways (JAZK.KW/JAZEERA KK)	Buy	KWD1.85
National Co for Learning & Education (4291.SE/NCLE AB)	Neutral	SAR116.80
Oriental Weavers (ORWE.CA/ORWE EY)	Buy	EGP22.88
Taaleem (TAALEEM.DU/TAALEEM UH)	Buy	AED3.99

Analyst Coverage (Hatem Alaa, CFA)

Company (Reuters/Bloomberg)	Last Rating	Price (23 Feb 2026)
Air Arabia (AIRA.DU/AIRARABI UH)	Neutral	AED5.56
Al Meera (MERS.QA/MERS QD)	Neutral	QAR15.40
Al Othaim (4001.SE/AOTHAIM AB)	Neutral	SAR6.30
Alamar Foods (6014.SE/ALAMAR AB)	Neutral	SAR43.00
Alef Education (ALEFEDT.AD/ALEFEDT UH)	Buy	AED1.04
Ali Alghanim (ALG.KW/ALG KK)	Buy	KWD1.17
Almarai (2280.SE/ALMARAI AB)	Buy	SAR41.60
Americana Restaurants (6015.SE/AMERICAN AB)	Buy	SAR2.12
Budget Saudi (4260.SE/BUDGET AB)	Buy	SAR42.34
CATRION (6004.SE/CATERING AB)	Neutral	SAR76.85
Cenomi Retail (4240.SE/CENOMI AB)	Neutral	SAR16.80
Cherry Trading (4265.SE/CHERRY AB)	Buy	SAR27.46
Eastern Company (EAST.CA/EAST EY)	Buy	EGP40.30
Emirates Driving Co. (DRIVE) (DRIVE.AD/DRIVE UH)	Buy	AED3.53
eXtra (4003.SE/EXTRA AB)	Buy	SAR85.95
Farm Superstores (4006.SE/SMARKETI AB)	Sell	SAR12.84
GB Corp (GBCO.CA/GBCO EY)	Buy	EGP30.20
Herfy (6002.SE/HERFY AB)	Sell	SAR14.57
Jarir (4190.SE/JARIR AB)	Buy	SAR14.19
Leejam (1830.SE/LEEJAM AB)	Buy	SAR87.70
Lulu Retail (LULU.AD/LULU UH)	Neutral	AED1.03
Lumi Rental (4262.SE/LUMI AB)	Buy	SAR42.26
Mezzan (MEZZ.KW/MEZZAN KK)	Buy	KWD1.16
Nadec (6010.SE/NADEC AB)	Buy	SAR17.39
SACO (4008.SE/SCH AB)	Neutral	SAR23.18
SADAFCO (2270.SE/SADAFCO AB)	Buy	SAR203.20
Savola (2050.SE/SAVOLA AB)	Buy	SAR22.50
Shaker (1214.SE/SHAKER AB)	Buy	SAR17.16
Spinneys (SPINNEYS.DU/SPINNEYS UH)	Buy	AED1.52
Theeb (4261.SE/THEEB AB)	Buy	SAR32.96