



CONSULTING  
**HAUS**

## KSA EDUCATION SECTOR OVERVIEW

MARCH 2024



# KINGDOM OF SAUDI ARABIA: EDUCATION SECTOR OVERVIEW



## INTRODUCTION

This KSA education sector overview (“**Overview**”) has been prepared by Consulting HAUS (“**CH**”) based on information obtained from secondary resources (including the General Authority for Statistics, various research publications, websites, etc.), and information gathered via primary market interviews with a cross-section of market participants in the Kingdom of Saudi Arabia.

Based on an assessment of the various data sources, the Overview presents the state of the education industry in KSA along with the prospects, trends, and market challenges in the sector.

Users of the Overview are encouraged to undertake their independent research before making any business-related decisions based on the content of the Overview.

We have also included a few pages on our unique value proposition offered for the education industry. Should you require a more in-depth analysis of the education sector in the region, or thinking of a venture in this space, please get in touch with a member of the team or send an inquiry via our website: [www.consulting-haus.com](http://www.consulting-haus.com)

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# CONSULTING HAUS OFFERINGS FOR THE EDUCATION INDUSTRY



## How best to establish a new school?

CONSULTING HAUS SUPPORTS ITS CLIENTS IN ESTABLISHING NEW SCHOOLS THAT ARE ABLE TO DIFFERENTIATE THEMSELVES FROM THE CROWD

### COMMON OPERATING MODELS

- The most common operating models employed in the region include the owner managed (homegrown) model, management contract model and the franchise model. Under the management contract model, the school owner is responsible for developing the brand while the operator's role is simply to run the school in the background. Under the franchise model, the school owner also gets the benefit of using the operator's name/brand which will typically be a well know brand that is capable of quickly attracting students. A summary of the two prominent operating models is provided below.

1

#### MANAGEMENT CONTRACT MODEL

- In this model, the third-party operator is responsible for managing the day-to-day operations of the school.
- The school retains ownership of its assets and facilities.
- The operator often has decision-making authority over curriculum, staffing, and budgeting.
- This model allows the school to benefit from the operator's expertise and resources while maintaining control over ownership.

2

#### FRANCHISE MODEL

- Similar to the franchise concept in business, a school can partner with a brand or operator that provides a standardized educational program.
- The brand provides the school with curriculum, teaching methods, and support services.
- The school maintains some level of autonomy but must adhere to the brand's educational standards.

### OPERATING MODEL FLOW CHART





# The economics of establishing an international school

## SETTING UP A K-12 SCHOOL REQUIRES A SIZEABLE INITIAL COMMITMENT BUT YIELDS ATTRACTIVE RETURNS OVER THE LONG TERM

### BUILDING

- The largest investment element for a school is the capital investment in establishing a purpose-built campus, which most elite brands will require.
  - i. Securing the land is the first step in developing a purpose-built campus. **For a school of around 1,500 students, majority of good brands in the UK will seek to have a land area of around 30k – 40k sqm.** This enables the school to have quality sports and other facilities along with the academic space.
  - ii. Building a state-of-art purpose-built campus is a key requisite for a successful school; however, the costs of building a campus needs to be managed to suit the schools profile and fee range. **Typically, the construction cost for a high-end school could range between SAR 5k – 8k per sqm of built-up area.**
- An alternate approach is to lease an existing building (either an old school building or a facility which can be converted into a school) but this is generally a stop gap option to expedite the time to entry with focus on the KG and primary levels.
- Selecting the right design / architect firm is a key element, prior experience matters significantly in ensuring success.



### FRANCHISE / OPERATOR FEES

- A simplistic model is to have a royalty on the annual revenues; **typically ranges between 5% - 10%** depending on the brand and the roles and responsibilities of the operator / franchisor.
- Alternative structures could involve a percentage of revenue and profitability or a fixed + variable structure.
- **Additionally, brands/ operator charge a fixed fee** for the support extended during the school establishment period wherein they take on the following responsibilities:
  - i. Assistance with the school application process;
  - ii. Selection of a suitable site, design planning and selection of key construction vendors;
  - iii. Recruitment of the founding headmaster and the other senior personnel;
  - iv. Procurement of other capex elements (furniture, IT, class equipment etc.); and
  - v. Initial branding, marketing and launch.







# The economics of establishing an international school

ON MATURITY, A SCHOOLS TYPICALLY GENERATE EBITDA RETURNS OF BETWEEN 30-35% WITH NET PROFITS TYPICALLY REACHING 22%-25%



## INITIAL INVESTMENT

Varies depending on whether a campus is leased or built.



## EBITDA MARGINS

Stabilized EBITDA margins reach 30-35%



## NET MARGINS

Stabilized net margins reach 22-25%



## IRR

Typically reaches 22-25% which significantly increases once debts are paid back



## PAY BACK PERIOD

Typically, 7-8 years

## INDICATIVE KEY PERFORMANCE INDICATORS

- **Break-even period:** Depending on the student ramp-up the school would be expected to achieve EBITDA break-even in 2-3 years of operations and net -profit positive in year 4-5.
- **Profitability margins:** Subsequently the profitability metrics for the school typically witnesses a steep curve till the school reaches its full capacity. Stabilized EBITDA margins are around 30%-35% while net profit margin during the corresponding period would be between 22%-25%.
- **IRR:** The IRR for such investments tend to be around 22-25%. This increases significantly once the debt is fully repaid, and the entire cash flows are available for the equity investors.
- **Pay-back period:** Investment in a K-12 school projects requires a long-term horizon. Pay back periods could be in the range of 7-8 years depending on the expected ramp-up plan and the level of initial investment.



## How can Consulting HAUS support?

CONSULTING HAUS HAS CLOSE RELATIONSHIPS WITH A NUMBER OF TOP EUROPEAN PRIVATE SCHOOLS THAT ARE SEEKING TO ENTER THE KSA MARKET

### WE CAN HELP YOU TO ACHIEVE YOUR OBJECTIVES

- Consulting HAUS has a vast array of education related credentials and has a firm understanding of the regional landscape. In addition, we have paired international operators with investors and successfully overseen the opening of several private schools in the region.
- Consulting HAUS is currently seeking to support investors who are keen to either expand their presence in the education space or enter the education space for the first time. We have a number of operators and franchise opportunities all of which have a proven track record in operating highly successful and profitable schools.

### HOW DOES IT WORK?

- There are several stages involved in opening a new school and Consulting HAUS can support you throughout the entire journey.





## Why Consulting HAUS?

WE HAVE DEEP SECTORIAL EXPERIENCE ACROSS THE REGION AND A PROVEN TRACK RECORD IN DELIVERING COMPLEX ASSIGNMENTS

### YOUR PATH TO SUCCESS

In the ever-evolving landscape of business, success isn't just about making the right decisions; it's about making the best decisions. That's why smart entrepreneurs, executives, and businesses turn to Consulting HAUS. Here's why people are choosing us as their trusted consulting partner:

#### EXPERTISE ACROSS INDUSTRIES

At Consulting HAUS, our consultants bring a wealth of experience from diverse industries. Whether you're in education, tech, finance, healthcare, or any other sector, our team has the knowledge and insights to guide you.



#### PROVEN TRACK RECORD

Our portfolio of successful projects and satisfied clients speaks volumes about our capabilities. We don't just talk about results; we deliver them.

#### TAILORED SOLUTIONS

We don't believe in one-size-fits-all. Our consultants work closely with you to understand your unique challenges and goals, crafting solutions that are tailored to your specific needs.



CONSULTING  
**HAUS**



#### INNOVATION AT ITS CORE

In a rapidly changing world, innovation is key. We inspire creativity and innovation within your organization, helping you stay ahead of the competition.

#### DATA DRIVEN DECISIONS

In today's data-driven world, informed decisions are paramount. We leverage cutting-edge analytics and market research to provide you with the data you need to make confident choices.



#### STRATEGIC PLANNING

Our consultants are not just problem-solvers; they are strategic thinkers. We help you chart a course for the future, identifying opportunities for growth and mitigating risks.





## Our tailored services

CH'S TURNKEY SOLUTIONS PROVIDE OUR CLIENTS WITH A RANGE OF CORPORATE FINANCE AND CORPORATE GOVERNANCE RELATED SERVICES





## Consulting HAUS in the education space

OUR EDUCATION TEAM HAS BEEN INVOLVED IN SOME OF THE LARGEST EDUCATION RELATED TRANSACTIONS IN THE REGION

### PROJECT CLASSROOM

Having completed a detailed market, technical and financial feasibility relating to the establishment of a British curricula K-12 school, Consulting HAUS successfully identified and negotiated an operator agreement with one of the top 5 private schools from the UK. In addition, we supported the client obtain the required licenses to operate the school and took full management of the licensing application. Our client is expecting to open the initial phase of the school (with a capacity of 1,500) in September 2024.



### PROJECT SCOTLAND

As part of the University of Aberdeen's expansion plans in the region, Consulting HAUS was appointed to prepare a detailed market, technical and financial feasibility study relating to the construction of a new, purpose build campus with a total capacity of 3,000 students. The study included a deep assessment of the market demand and future requirements and helped the client to understand what additional courses should added to the current portfolio of courses on offer. This involved significant primary market research with a variety of stakeholders including students, potential employers and the Ministry of Education.

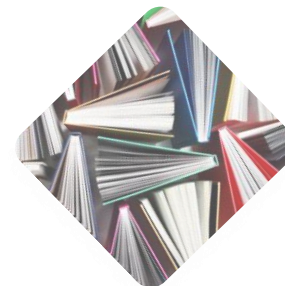


## Consulting HAUS in the education space

OUR EDUCATION TEAM HAS BEEN INVOLVED IN SOME OF THE LARGEST EDUCATION RELATED TRANSACTIONS IN THE REGION

### PROJECT RECESS

Consulting HAUS was appointed as the official valuation advisors to an educational group that was seeking to be listed on the stock market. Our scope included the assessment and valuation of 3 kindergartens, 4 K-12 schools and a university. In addition, following the legal restructuring of the entities (prior to listing) we were appointed to complete the purchase price allocation.



### PROJECT EXPAND

Consulting HAUS was appointed by one of the largest global education investment groups to help identify, approach and acquire targets in the K-12 space across the MENA region. During the course of the engagement, 12 targets were identified with six reaching serious stages of negotiations. The schools locations included Jordan, Qatar, KSA and Oman.



# EDUCATION INDUSTRY OVERVIEW IN KSA





## KSA education sector overview

### EDUCATION SECTOR INSIGHTS IN KSA

KSA accounted for 58.0% of the total GCC population as of 2021A and offers a huge potential for educational services

#### KSA EDUCATION MARKET BACKGROUND

- The Kingdom of Saudi Arabia ("**Kingdom**" or "**KSA**"), owing to its expansive population base (c.60.0% of the total GCC population as of 2021A), has the largest addressable market for the education sector in the region.
- The Kingdom accounted for 58.0% of the total GCC population as of 2022A. To meet the rising demand for education, the KSA government has increased its focus on expanding infrastructure, primarily through private sector participation.
- The government has also introduced several reforms in the sector as part of its Vision 2030 economic diversification strategy to build a knowledge-based economy. These include enhancing the quality of education, the rollout of modernized school curriculum that emphasizes critical thinking, teacher development and retention programs, construction of new schools, modernizing the education system using technology, enhancing scientific research and knowledge acquisition through specially designed initiatives, as well as decentralization of its centrally steered school system.
- Education in KSA is managed by the Ministry of Education ("**MoE**"), the Ministry of Higher Education, and the Technical and Vocational Training Corporate ("**TVTC**"). The Supreme Committee for Educational Policy is the top governing body in KSA for administering and regulating the education system.
- Currently, KSA is home to over 50 public and private universities, over 42,233 school levels (as of 2022A), and a large number of colleges and several technical and vocational training institutions.
- As of 2022A, the Kingdom's TVTC established eight training facilities of international technical colleges, 38 training facilities of strategic partnership institutes, 1,203 institutes for private sector training facilities, 138 training facilities of technical colleges, 65 training facilities of secondary industrial and architecture, and construction institutes. The MoE also runs vocational secondary schools, and several other government agencies operate institutes or training centers in their specialties.

#### CHARACTERISTICS OF KSA EDUCATION SECTOR



**INCREASING  
POPULARITY  
FOR HIGH END  
SCHOOLS**



**LARGE SCHOOL  
GOING  
POPULATION**



**STRATEGIC  
ECONOMIC  
DIVERSIFICATION**



**GROWING  
DEMAND**



**LARGE  
NUMBER OF  
SCHOOLS IN  
PIPELINE**



**SIGNIFICANT  
ONGOING  
GOVERNMENT  
EXPENDITURE  
IN EDUCATION**



**INCREASING  
PREFERENCE  
FOR BRITISH  
CURRICULUM**



**LACK OF TOP  
INTERNATIONAL  
BRANDS**

Source: Industry reports, news articles based on the views of industry experts



## KSA education sector overview

### VISION 2030

"Vision 2030" is KSA's plan to reduce dependency on oil & gas and move towards a knowledge-based economy and education is a critical component of this initiative



#### STRATEGIC OBJECTIVES: EDUCATION

- Improving recruitment, training, and development of teachers.
- Improving the learning environment to stimulate creativity and innovation.
- Improving curricula and teaching methods.
- Improving students' values and core skills.
- Development of financing methods and improvements in financial efficiency.
- Educating students to address national development requirements and labor market demands.
- Increasing private sector participation in the education sector.



#### KEY RESULT OUTCOMES FROM STRATEGIC PROGRAM – K-12 EDUCATION

- Framework for professional development of teachers and educational leaders.
- Developing a national strategy to upgrade the teaching profession by raising the professional level of teachers, improving the profession's ecosystem, and improving the quality of services provided to teachers.
- Development of KPIs at the Ministry level.
- Establishment of a Transformation Office and an office of strategy management at the Ministry level.
- Shifting to digital education to support teacher and student progress.
- Develop the Independent Schools model to reach 2000 public schools run by small establishments.



#### KEY RESULT OUTCOMES FROM STRATEGIC PROGRAM – SPECIAL EDUCATION NEED (SEN) EDUCATION

- According to the National Transformation Program of KSA, the baseline number of students with disabilities benefitting from the students' disability support program (6-18 years) is 77,575. The target is to increase this number to 200,000 students over 2.5x by raising the percentage of students benefitting from support programs to expand outreach and education provision.



#### KEY RESULT OUTCOMES FROM STRATEGIC PROGRAM – HIGHER EDUCATION

- Establishment of the King Salman University for technical and vocational education.
- Establish a practical framework to align university graduates with labor market needs.
- Education that contributes to economic growth – bridge the gap between the outputs of higher education and the requirements of the employment market.
- Life-long learning (sustainability).
- Aim to have at least 5 KSA universities feature as part of the 200 top universities in international rankings.

Source: Industry reports, news articles based on the views of industry experts



## KSA education sector overview

### HUMAN CAPABILITY DEVELOPMENT PROGRAM

The Human Capability Development Program of Vision 2030 aims to ensure that KSA citizens have the required capabilities to compete globally by instilling values and developing basic and future skills, as well as enhancing knowledge

#### KEY OBJECTIVES OF HUMAN CAPABILITY DEVELOPMENT PROGRAM



##### EQUAL ACCESS TO EDUCATION



##### STRENGTHEN SENSE OF NATIONAL BELONGING



##### INNOVATION AND ENTREPRENEURSHIP

- Foster values of moderation and tolerance
- Foster the values of mastery and discipline
- Foster the values of determination and perseverance
- Instill national values and strengthen the sense of national belonging
- Uphold the Arabic language
- Enhance family participation in preparing for their children's future
- Develop positive attitude, resilience and hard-work culture among our children
- Build a lifelong learning journey
- Improve equal access to education
- Improve fundamental learning outcomes
- Improve ranking of educational institutions
- Develop the brightest minds in priority fields
- Ensure alignment of educational outputs with labor market needs
- Expand vocational training to provide for labor market needs
- Improve readiness of youth to enter the labor market
- Nurture and support the innovation and entrepreneurship culture



Source: Vision 2030



## KSA education sector overview

### INVEST SAUDI INITIATIVE

In 2017, the biggest education market in the GCC region opened its doors to 100% foreign ownership, presenting vast opportunities for private sector expansion. The overarching goal is to shape students into future leaders, making private sector investment in education a focal point of the Vision 2030



- **Invest Saudi initiative and its significance to Education sector in the KSA**

- The KSA government upholds a commitment to fostering a robust educational infrastructure defined by exacting standards in literacy, numeracy skills, and character cultivation. Consequently, KSA extends an invitation to investors across a spectrum of education sectors, encompassing nurseries, pre-schools, K-12 institutions, universities, TVET, executive education programs, and educational support services.



- **Value Proposition**

- The largest education market in the GCC is expected to grow further.
- With more than 8 million students across the levels, KSA has the largest education market in the GCC region.
- KSA's education sector is home to 6.3 million K-12 students, 1.8 million university students, and 200,000 Technical and Vocational Education and Training (TVET) students.
- The KSA government dedicates large amounts of spending on education year-on-year and is, in fact, currently the largest spender on education among the GCC countries.



- **Large untapped potential in KSA's private education market**

- Compared to other countries in the GCC region, KSA currently has fewer students enrolled in private schools. However, there's a growing demand for better quality education, which creates good opportunities for investors. Most education companies in KSA that are listed on the stock exchange make a profit. The government is committed to helping the education market grow.
- As part of the Vision 2030 plan, the government has launched a program called Human capability development program (HCDP). This program has some big goals to achieve by 2025, such as getting 40% of kids into kindergarten and having six KSA universities ranked among the world's top 200.
- The government has also put a lot of money into online learning. Around 9 million students are using online platforms for learning, and 300,000 kids are using virtual kindergartens. To encourage private companies to get involved in education, the government is offering them incentives. These incentives are meant to help the private sector take a bigger role in improving education in the country.

Source: Invest Saudi official website



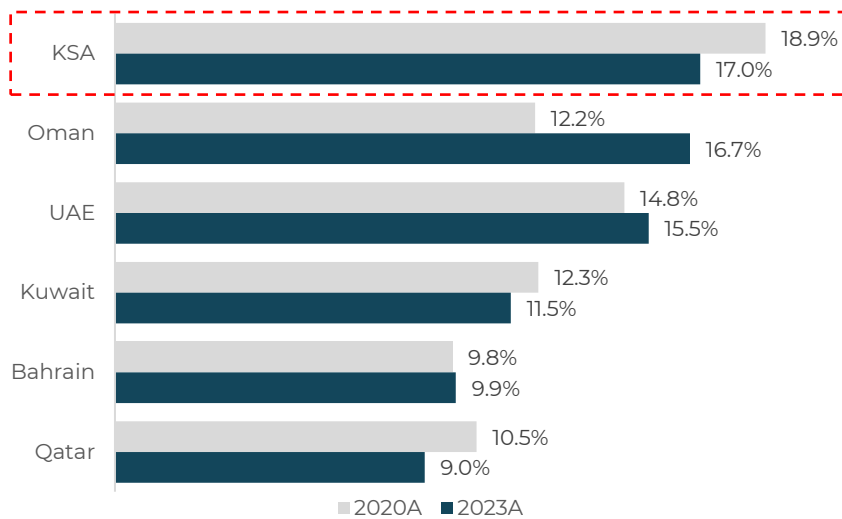


## KSA education sector overview

### GCC COUNTRIES EXPENDITURE ON EDUCATION

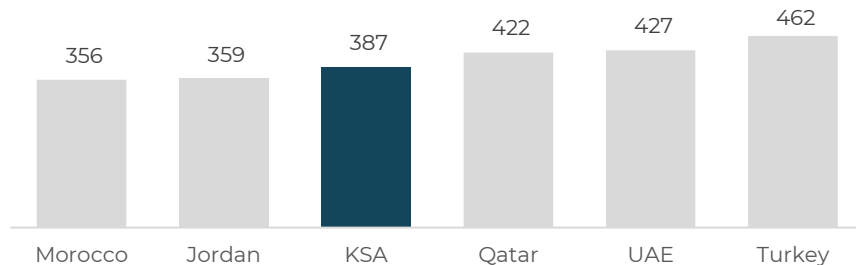
KSA's investment in education is one of the key pillars of its future growth

#### GOVERNMENT SPENDING ON EDUCATION AS % OF TOTAL BUDGETED EXPENDITURE (2020A AND 2023A)



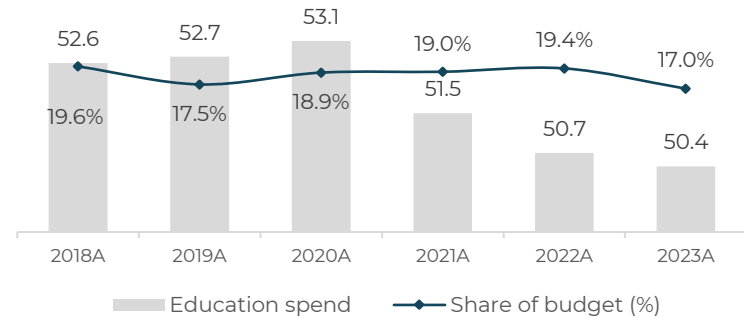
Source: Ministries of Education across GCC countries

#### PISA SCORE BENCHMARK ACROSS THE PARTICIPATING NEIGHBORING COUNTRIES



Source: Programme for International Student Assessment (PISA)

#### BUDGET ALLOCATION TO EDUCATION IN KSA (USDB)



Source: KSA budget reports

#### KEY OBSERVATIONS

- Education stands as a cornerstone of the long-term visions across the GCC countries, prompting substantial budget allocations by their respective governments for the advancement of this vital sector. In 2023A, KSA allocated USD50.4b, representing 17.0% of its total budget, towards education, marking a decrease from the 19.4% share observed in 2022. This reduction can be attributed to the Kingdom's strategic focus on capital projects, a response to fiscal constraints arising from the slowdown in hydrocarbon revenues. Nonetheless, KSA's allocation remains the highest among GCC nations, underscoring its ongoing commitment to educational development despite evolving economic challenges.
- Growth outlook for the private education sector in the country is positive as more expats are expected to add in the population mix. In addition, the private sector is expected to play a greater role in the overall education sector as more nationals are increasingly getting enrolled in private schools.
- As far as PISA scores are concerned, KSA's score is behind key participating countries from GCC such as UAE and Qatar highlighting the need for improving the quality of education infrastructure / resources and increase private sector participation.

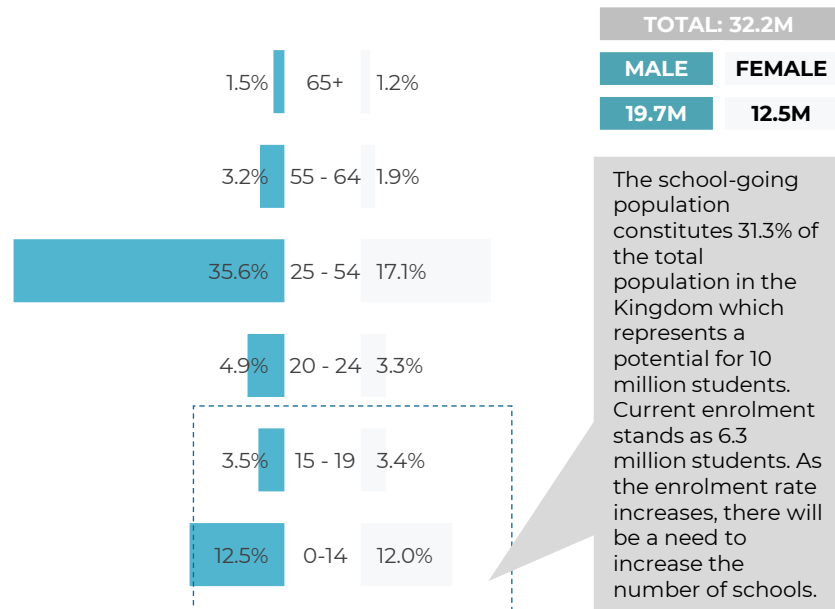


## KSA education sector overview

### DEMOGRAPHIC OVERVIEW

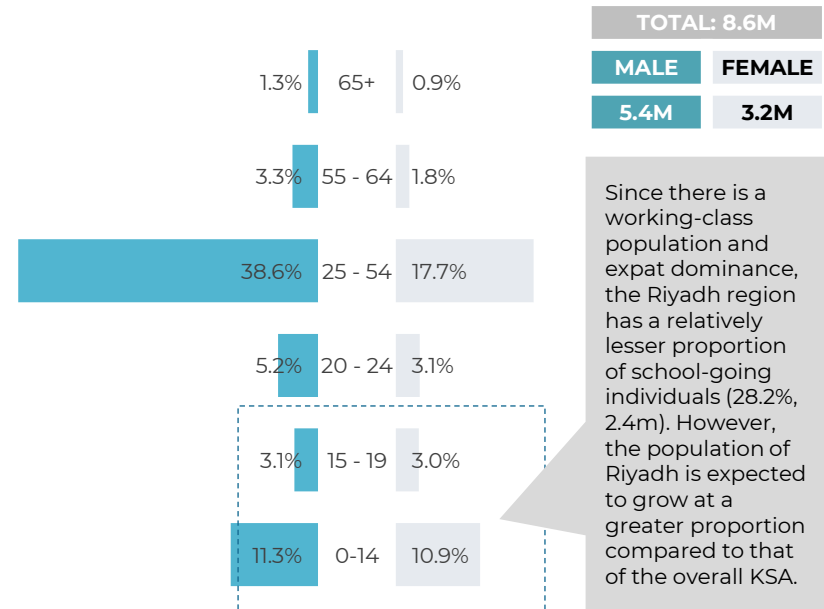
KSA boasts the largest school-age population base in the GCC region, a demographic reality that is mirrored proportionally in Riyadh. Of the total population of 8.6m in Riyadh, a significant 2.4m individuals belong to the school-going age bracket

#### KSA POPULATION BY AGE GROUP (2022A)



Source: General Authority of Statistics, CH analysis

#### RIYADH POPULATION BY AGE GROUP (2022A)



Source: General Authority of Statistics, CH analysis

#### OBSERVATIONS

- The demographic landscape of Riyadh's school-age population witnessed a notable trend until 2019. In 2017, individuals aged 0 to 19 comprised 30.8% of the populace, a figure that slightly declined to 30.5% in 2019 and further decreased to 28.2% by 2022. This decline can largely be attributed to the disruptive impact of the COVID-19 pandemic, as many expatriates relocated their families to their countries of origin. Despite this decline, the absolute number remains substantial, totaling 2.4 million individuals, with school enrollments reaching 1.5m in 2022.
- Looking ahead, with the gradual easing of pandemic-related constraints, a resurgence in the school-age population is anticipated. This trend signals a potential need for additional educational infrastructure, either through the establishment of new schools or the expansion of existing ones, to accommodate the growing demand.



## KSA education sector overview

### KSA EDUCATION SYSTEM

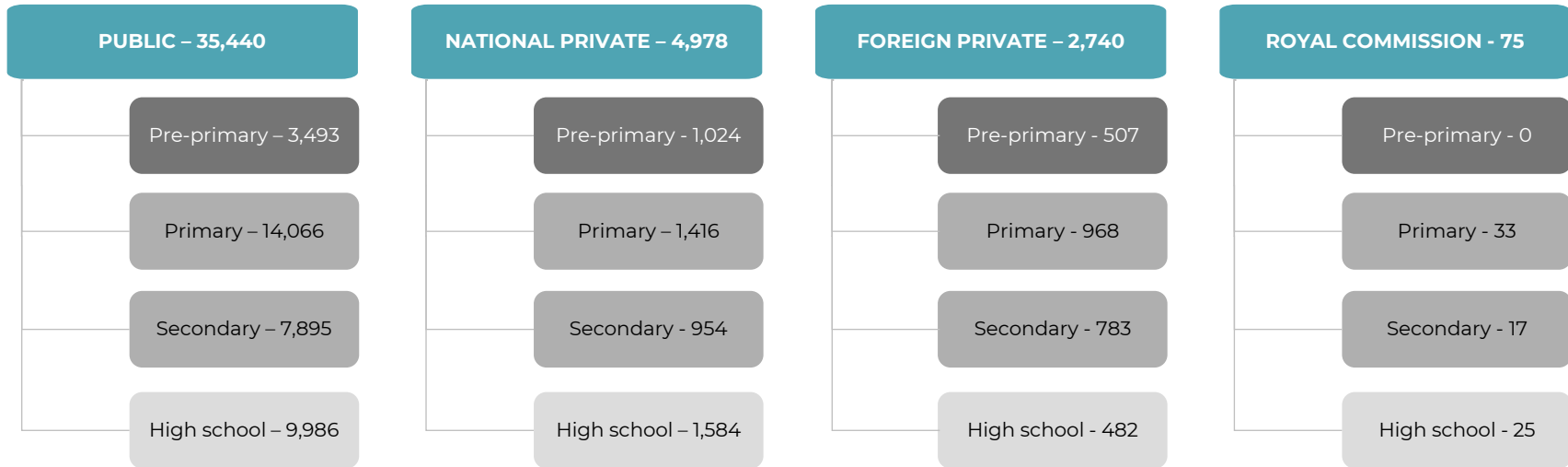
There are 43,233 school levels in KSA, private school levels account for just 17.9% of the total school levels in the country

#### OVERVIEW OF KSA'S EDUCATION SYSTEM

- As illustrated in the chart below, the education system in KSA is categorized into two components: basic education and higher education. When looking at supply, the MoE does not look at the number of schools but rather the number of school levels (i.e., pre-primary, primary, secondary, and high school) and the number of classrooms. School levels are not to be confused with the number of schools as each school may provide more than one level of education (e.g., a K-12 school offers all four levels).

#### SUPREME COMMITTEE FOR EDUCATION POLICY

#### BASIC EDUCATION (TOTAL 43,233 SCHOOL LEVELS)



In addition to these institutions, there are 1,245 centers in the country dedicated for differently abled pupils. These centers are catering to all age groups and are spread across public schools, private schools, rehabilitation centers, and inclusive schools who offer education to both general and special need students.

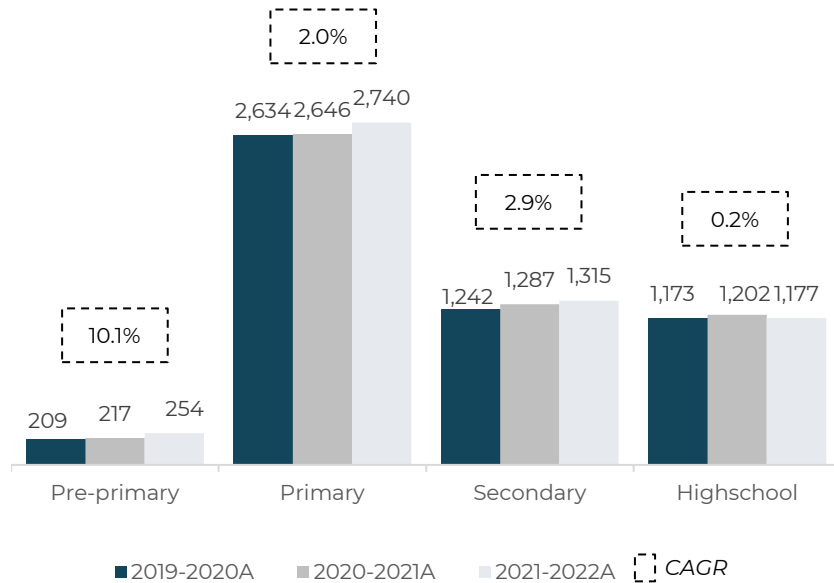


## KSA education sector overview

### STUDENT ENROLLMENT

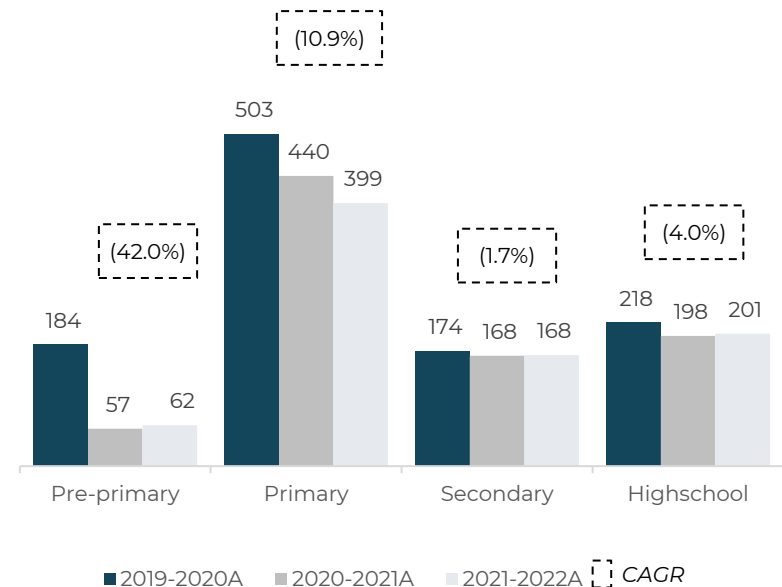
The decline in growth of private school enrollment can be attributed to the impact of the COVID-19 pandemic, which led to the closure of a number of under performing and low-quality private schools

#### STUDENT ENROLMENTS ('000) IN SAUDI PUBLIC SCHOOLS



Source: General Authority of Statistics

#### STUDENT ENROLMENTS ('000) IN SAUDI PRIVATE SCHOOLS



Source: General Authority of Statistics

#### OBSERVATIONS

- During the academic year 2021/2022, total student enrollments in KSA decreased slightly to 6.32m from 6.33m in 2019/2020, representing a negative CAGR of 0.2%. Despite the highest enrollment numbers being at the primary level, the secondary level experienced the highest growth rates over the past three years, driven primarily by the natural progression of students from primary to secondary levels. Secondary-level enrollments witnessed an overall CAGR of 2.3% between 2019/2020 and 2021/2022, while primary-level enrollments saw a marginal increase with a CAGR of 0.02%.
- The share of public sector enrollments in total student enrollments rose to approximately 86.9% in 2021/2022 from around 83.0% in 2019/2020.
- Private school enrollments experienced a decrease at a CAGR of approximately 12.3% over the last three years. This decline can be largely attributed to the closure of several underperforming schools and school levels within establishments during the COVID-19 pandemic period.



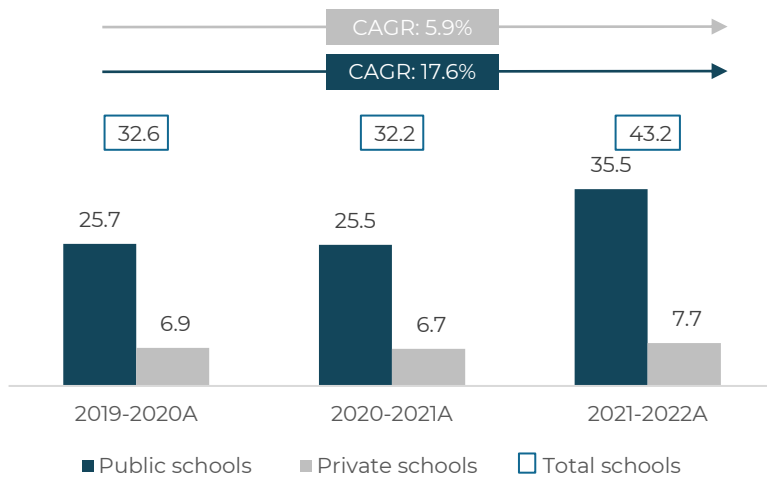


## KSA education sector overview

### STUDENT ENROLLMENT

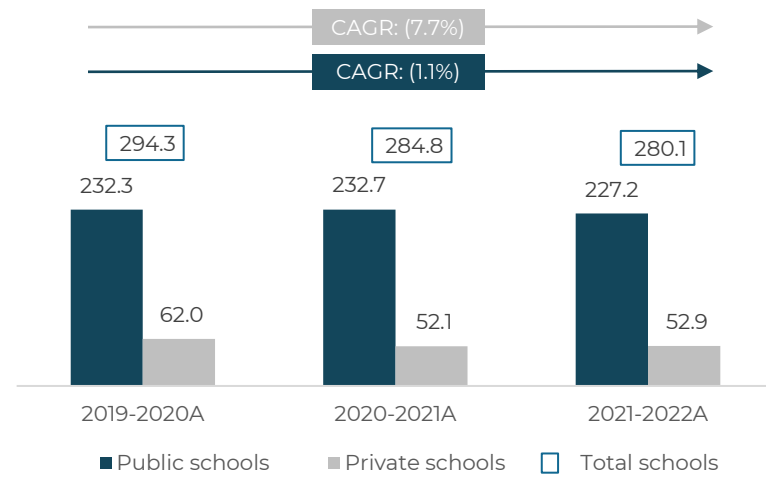
The decline in growth of private school enrollment can be attributed to the impact of the COVID-19 pandemic, which led to the closure of a number of under performing and low-quality private schools

#### PUBLIC VS PRIVATE SCHOOL LEVELS GROWTH ('000)



Source: General Authority of Statistics, CH analysis

#### GROWTH IN CLASSES IN PUBLIC VS PRIVATE SCHOOLS ('000)



Source: General Authority of Statistics, CH analysis

#### OBSERVATIONS

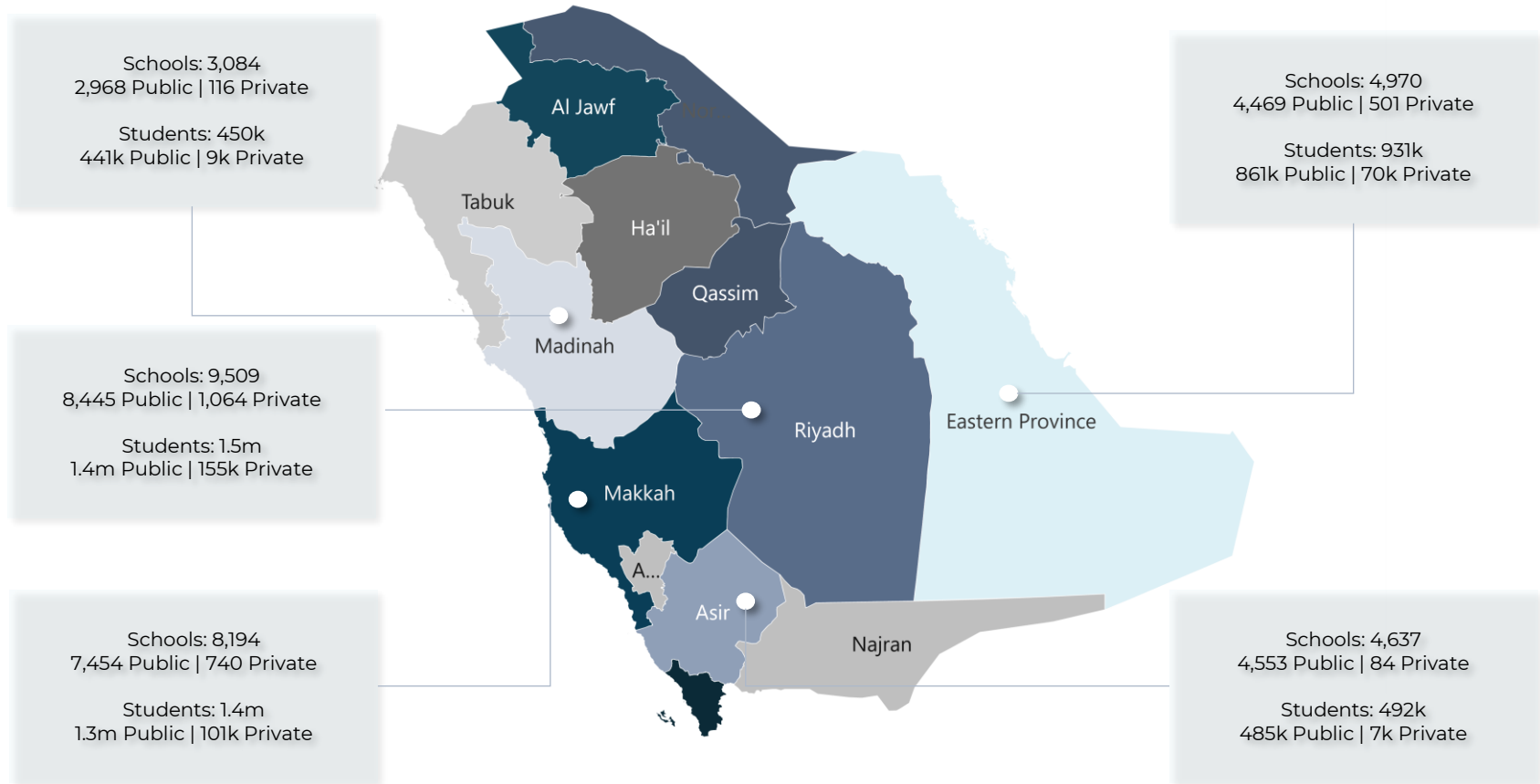
- According to the latest data from General Authority of Statistics for the academic year 2021/2022, KSA boasts a total of 43.2 thousand schools, catering to 6.3 million students across 280,077 classrooms. In the same period, private school facilities comprised roughly 18.9% of the total classroom count, totaling 52,850 classes. This reflects a decline from the 62,003 classrooms reported in 2019/2020, marking a yearly decrease of 5.2%. The reduction in both classroom numbers and private school presence is attributed to the impact of the COVID-19 pandemic, which led to the closure of several underperforming educational institutions over the past two to three years.
- Conversely, public schools accommodate a significantly larger student populace, owing to the country's demographic makeup and the prevalence of public educational establishments, which represent approximately 82.1% of all schools.
- In pursuit of its Vision 2030 economic diversification strategy and the fostering of a knowledge-based economy, the KSA government has embarked on various reforms within the education sector. These reforms encompass initiatives geared towards enhancing education quality, expanding school infrastructure, and modernizing teaching practices through the integration of technology.
- Vision 2030 sets forth ambitious objectives to augment the role of private institutions across pre-primary, primary, and secondary education segments. The aim is to increase their current contribution from roughly 12.5% to 25.0% by the year 2030.



## KSA education sector overview

### GEOGRAPHIC DISTRIBUTION OF SCHOOLS AND STUDENTS

The 5 provinces identified below cover 70% of the total number of schools in KSA. Private schools in Riyadh constitute 11.2% of the total number of schools, however, in Makkah, Madinah, Asir and the Eastern Province, private schools average 6.2% out of the total number of schools in their perspective province.



Source: General Authority for Statistics



## KSA education sector overview

### TRENDS IN KSA'S PRIVATE EDUCATION SECTOR

Highlighted below are some of the key trends that are impacting the private sector education sector's growth in KSA

1

- **KSA PRIVATIZATION UPDATE:** The aim of privatization is to reduce fiscal and operational dependence on the public sector and enhance learning outcomes.



2

- **LOCAL PARTNERSHIPS:** Local partnerships are important in navigating regulations when establishing, operating and recruiting in education.



3

- **ENROLLMENT GROWTH IN PRIVATE SCHOOLS:** KSA's government is supporting efforts to increase the attractiveness of private K-12 schools for KSA nationals.



4

- **POPULARITY OF INTERNATIONAL CURRICULUM SCHOOLS:** Among the various international curriculum, American curriculum schools have been the most popular choice in KSA.



5

- **ROLLBACK OF GOVERNMENT-FUNDED SCHOLARSHIPS:** The decision to reduce overseas scholarships aligns with KSA's goal of decreasing expenditure on public education.



6

- **REGULATIONS AND THE PUSH FOR QUALITY:** Regulatory clarity is a key factor in encouraging long-term investments in sectors that require more patient capital, such as education. This will not only benefit KSA but also attract global investors to invest in the country's economy.



7

- **CHANGES IN TERTIARY EDUCATION:** Similar to K-12, tertiary education has also seen growth in private sector participation but continues to be dominated by the public sector.



8

- **LACK OF EXISTING PRIVATE UNIVERSITIES:** The KSA higher education market is estimated to enrol ~2.1 million students in the year 2022A. The current supply is insufficient to meet this demand and will translate into an unmet demand of ~150k seats by 2022A.



Source: Industry reports, news articles based on the views of industry experts



## KSA education sector overview

### CHALLENGES AND OPPORTUNITIES

Highlighted below are some of the major challenges and opportunities in the education sector of KSA

1



#### *Securing Qualified Teaching Staff*

The efficacy of a school hinges significantly on the caliber of its teaching faculty. Nevertheless, akin to other nations within the GCC, KSA grapples with the challenge of enticing and maintaining high-quality staff members.

2



#### *Offering Diverse Facilities & Services*

Offering a diverse range of extracurricular activities, coupled with a commitment to top-tier construction standards and the provision of school facilities tailored to the preferences of the target demographic, stands as a distinctive strategy. However, such initiatives may incur higher upfront costs.

3



#### *Demographic Landscape*

In Riyadh, there is a youthful demographic, along with limited involvement from the private sector and the presence of regional and global international schools. Moreover, the increasing expatriate population offers a promising avenue for expansion within the education sector nationwide (albeit within the mid-high school fee market).

4



#### *Affiliation with International School Operators*

An established international brand can be considered as providing a competitive edge in the event the school is catering to mainly expats. Such brands appeal to the diverse demographic and offers globally recognized curriculum, distinguishing it from local alternatives.

5



#### *Creating a Gateway to Top Tier Universities*

Educational institutions, whether existing or new, can gain significant advantages by forging strong links with top universities. This not only exposes students to valuable higher education opportunities but also ensures a smooth transition to reputable institutions.

6



#### *Maintaining a Proactive Relationship with the MoE & Other Authorities*

Establishing and maintaining strong ties with the MoE and other pertinent government departments can greatly benefit schools in KSA/Riyadh. This can prove advantageous in various aspects, including securing approval for tuition fee increases or expansion plans in the future.

Source: Industry reports, news articles based on the views of industry experts



## KSA education sector overview

### SWOT ANALYSIS

Highlighted below is the strength, weakness, opportunities and threat analysis of education sector in KSA

#### S TRENGTH

- ✓ **Growing Demand:** Strong demand for quality education in KSA due to youth, rising incomes, and education awareness.
- ✓ **Investment in Infrastructure:** Private K-12 schools feature modern facilities and technology, appealing to students and parents.
- ✓ **International Curriculum:** Many schools offer British, American, or IB curricula, enhancing prospects for global education.
- ✓ **Flexibility and Innovation:** Schools innovate in teaching methods and curriculum, meeting diverse student needs.
- ✓ **Quality Education Standards:** Some international schools maintain high-quality teaching and assessment, comparable to international norms.

#### W EAKNESS

- ✗ **Declining Enrollment:** Total student numbers have slightly dropped, but this is expected to change soon.
- ✗ **Private School Challenges:** Many struggle to compete with public schools, with only top-tier institutions operating at full capacity.
- ✗ **Affordability Barrier:** Private K-12 education is costly, limiting access mostly to higher-income families.
- ✗ **Limited Accessibility:** Private schools are mainly in urban areas, hindering access for rural students.
- ✗ **Expatriate Workforce Dependence:** Private schools heavily rely on foreign staff, leading to turnover and cultural issues.

#### O PPORTUNITIES

- ✓ **Vision 2030 Goals:** Expand private sector involvement in education to 25% by 2030.
- ✓ **Market Growth:** Population growth drives demand for quality education, fueling sector expansion.
- ✓ **Customized Programs:** Rising demand for specialized education allows private schools to offer tailored curricula.
- ✓ **International Collaboration:** Partnerships with global institutions enhance academic offerings and programs.
- ✓ **Diversification:** Private schools can offer online courses, tutoring, and more to meet evolving market demands.

#### T HREATS

- ✗ **Oil Dependency:** KSA economy heavily relies on oil, making it vulnerable to price fluctuations, impacting education budgets.
- ✗ **Inflation and Energy Costs:** Price fluctuations affect living costs and school fees, potentially affecting education affordability, especially in Riyadh where fees are already high.
- ✗ **Uncertainty in Projects:** Some major projects may not materialize as expected, impacting demand for private schools and expat levels.
- ✗ **Potential Competition:** Anticipated growth in the private education market will attract significant competition in the future.
- ✗ **Quality Variability:** Inconsistent quality standards across private schools can undermine trust and competitiveness, posing challenges in student recruitment.

Source: Industry reports, news articles based on the views of industry experts





## KSA education sector overview

### FINAL THOUGHTS (1/2)



#### SUMMARIZING THE KSA EDUCATION SECTOR IN KSA:

- The private education sector in Riyadh, KSA, offers lucrative opportunities for investors and operators, particularly in American, British, and IB curricula or high-end national/international schools. Aligned with Vision 2030, the sector is a key driver of economic and social growth. The recent removal of foreign ownership restrictions has made it an attractive investment destination, especially in the K-12 market.
- Whilst the overall utilization of private schools in the Kingdom is hovering around 65.0%, signaling little room for new entrants, deeper analysis uncovered several key factors:
  - i. A large portion of the private sector is taken by schools that are unable to present a sufficient value proposition to entice nationals from the public sector. Typically, these schools have average-to-low academic performances and limited facilities and are skewing the overall utilization rates of private schools. Whilst a number closed during COVID-19, a sizable presence remains.
  - ii. High-end schools are fully utilized and grappling with large waiting list. This is a key indicator that in the event the value proposition of the school is clear, significant demand exists;
  - iii. Several new schools in the high-end bracket have recently opened. Most of which achieved 100% utilization form year 1 which further compounds the lack of supply of quality private schools in the Kingdom.
  - iv. As with international curriculums, good quality national schools are also in high demand with a number of the top performing national schools in the process of sizable expansions some more than doubling capacity to numbers in the region of 10,000 seats and above).
  - v. Public schools are already fully utilized with a significant and sustained shortage of supply expected imminently. This, coupled with the government's target of increasing private sector participation to 25.0% (up from 14.0%) will only result in one thing – more national students turning to private education.
  - vi. The major cities are expected to witness higher population growth that the overall country average, with many expats expected to arrive in the coming years and nationals migrating from rural towns to settle in the larger cities. With an already young demographic, these factors will further add pressure on the supply of both public and private schools.
- The sector is experiencing rapid growth due to population increase, international educational institutions, and demand for private education. Vision 2030 focuses on effective teaching, improved outcomes, and enhanced curricula, driving investments in infrastructure. Public-private partnerships are being leveraged for school expansions, particularly in remote areas, to meet the 90% enrollment target by 2030.
- Challenges include regulatory adaptation, Saudization initiatives, bridging tertiary education gaps, and balancing public-private participation. Success depends on quality education, modern techniques, advanced technologies, facilities, and extracurricular activities within acceptable fee ranges. Strategic planning and adherence to evolving regulations are crucial for sustainable growth despite challenges like high capital expenditure and staff recruitment.



## KSA education sector overview

### FINAL THOUGHTS (2/2)



#### THE SALIENT FEATURES OF KSA'S EDUCATION SECTOR:

- **GROWING POPULATION & YOUNG DEMOGRAPHICS:** The Kingdom's population of 32.2 million in 2022 is expected to reach 35.7 million by 2030. Consequently, the current school-going population of 7.5 million is expected to grow to almost 9.4 million by 2030, creating an additional demand for almost ~1,500 new schools.
- **LOW PRIVATE SECTOR PARTICIPATION:** At present, only 14% of the total number of students attend private schools in KSA, which is expected to increase significantly by 2030, thus creating demand for additional private schools. The share of international schools is even lower, with ~255,000 students (out of ~6.3m students), are in international schools. Moreover, with government's target to increase the private sector participation to 25% will further boost the participation from private players.
- **IMMENSE OPPORTUNITIES IN THE SECOND-TIER CITIES:** Presently, the focus of the majority of operators/investors/developers is Riyadh, followed by Jeddah and Dammam / Al Khobar and premium international schools. However, second-tier cities, such as Makkah, Madinah, Al Ahsa, Abha, Taif, and many others, offer opportunities to establish private schools. Most of these cities presently lack good quality private schools. Still, they are also going through major expansion plans to develop these cities into tourism, industrial, or other economic hubs as part of Vision 2030, resulting in increased per capita income and higher population growth, which ultimately create higher demand for K-12 education.
- **AFFORDABILITY:** With a per capita income of over USD25,000 per annum, affordability is expected to play a major role in the growth of the K-12 private education sector in the Kingdom. Based on the household income affordability analysis, the average tuition fees for private schools (mainly local brands) across the Kingdom, especially in the second-tier cities, remains less than USD10,000. However, in the main cities, such as Riyadh, high quality local and international school's tuition fees ranges between USD10,000 to USD30,000 per annum and with increase in white collar expatiate population and opening of international branded school in cities like Riyadh, there will be more demand for premium schools. However, the sweet spot for international private schools would range between USD15,000 to USD20,000 per annum.

#### KSA SCHOOLS ARE HIGHLY UTILIZED:

- KSA's schools are experiencing high utilization rates, notably at the secondary level, where it's reached 101.0%. Public schools operate at 97.7%, straining the government sector, while private schools show 64.0% utilization due to varying quality. Good private schools are in demand, with many operating at full capacity. However, a shortage of quality private schools poses a barrier to more students choosing private education. Projections indicate utilization rates exceeding 110% by the end of 2030, necessitating proactive measures to address the impending shortage effectively.
- Similar to KSA, public schools in Riyadh, too, are strained by high-capacity utilization and inadequate infrastructure, accommodating over 8.5 million residents across approximately 6,600 school levels. With an average of 360 students per level, significantly higher than industry standards, classrooms are in short supply. While private schools in Riyadh have acceptable utilization levels and space for additional students, many struggle to compete with public schools in terms of facilities and educational outcomes. However, top-quality private schools are operating at full capacity, indicating a trend towards the replacement of underperforming private schools with high-quality ones boasting modern infrastructure in the coming years.

Source: CH analysis



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