



IPO Maximum Price
EGP6.2/share

Implied Market Cap
EGP4.5bn

Investment Rating

Not Rated



Risk Rating

Not Rated



Enriching the Education Sector

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IPO Details

TALM's shares o/s 730mn

IPO shares

358mn shares

International offering 340mn shares (95%)

Egyptian retail offering 18mn shares (5%)

IPO maximum size

EGP2.2bn

Expected free float

49%

Selling shareholder

Sphinx Obelisk B.V.

Stabilization Fund

• 100% of gross proceeds.

(Egyptian retail offering)* • 30 days after trading.

Lock-up period**

24 months or 2 full financial years.

IFA Valuation

EGP6.86/share

*The stabilization activities will be undertaken in connection with the Egyptian Retail Offering.

** The direct and indirect shareholders of the Selling Shareholder are being given the opportunity to hold their proportionate beneficial interests in the Shares in the Company directly. FRA has the right to waive the application of the Mandatory Lock-up to permit such direct holding of the Shares.

Source: IPO Prospectus, media reports.

Proposed IPO Timeline

Event	Date
Books closed	Fri, 26-Mar-21
Allocation & price announcement	Mon, 29-Mar-21
Retail subscription opens	Sun, 28-Mar-21
Retail subscription closes	Thu, 1-Apr-21
Execution on EGX	Sun, 4-Apr-21
Settlement	Tue, 6-Apr-21
First day of trading	Wed, 7-Apr-21

Source: Prospectus.

The local landscape suggests further growth for private education providers:

In Egypt, the government is a dominant operator within the education sector. Of the 2.6mn higher education students enrolled in Egyptian universities in FY20, only 207,154 students were in private universities or c.8%. Still, a private-sector education provider can find plenty of untapped opportunities. Egypt is one of the attractive markets for private education providers for several reasons. **First**, it is the most populous country in the MENA region, with somewhat steady growth. Also, its population in the 5-24 year age bracket represents around 40% of total. **Second**, the total number of students enrolled in private universities rose at a CAGR of 12% in the past 12 years (FY09-FY20), when students in public universities grew at a CAGR of a mere 3%. **Third**, to throw off the burden on the state budget, the government is encouraging more private education providers to invest in Egypt. **Fourth**, parents are keen to provide their young with better education to meet the labor market needs. Yet, affordability stands in their way as a main obstacle. Hence, we believe private universities that offer affordable fees will squeeze the most out of this sector's growth potential.

Taaleem – Providing exposure to a high-growth sector: Taaleem Management Services [TALM], indirectly-owned (16.46%) by CI Capital Holding [CICH], operates within the higher education sphere. TALM owns [Nahda University in Beni Suef \(NUB\)](#), an affordable private university. Located in Beni Suef, NUB is set to be the largest and the first private university in underserved Upper Egypt. NUB's current capacity is c.11,000 students. The university has two campuses with eight faculties (namely pharmacy, dentistry, medicine, physical therapy, engineering, computer science, marketing & business administration, and media). The number of students enrolled in NUB reached 6,273 at the beginning of FY21, accounting for c.3% of higher education students in private universities in Egypt. NUB plans to add three new faculties (agricultural engineering, arts, and architecture) over the next three years, which should increase its student capacity by 27%.

Stretching its geographical reach: In [September 2020](#), TALM had signed an agreement with Palm Hills Developments [PHDC] to establish a university under the name Badya University in PHDC's Badya project, located in West Cairo. This new joint venture will be owned by TALM (60%) and PHDC (40%). In our view, Badya University will enjoy a geographical edge, since most prominent private universities are concentrated in East Cairo. It will have two campuses and eight faculties. It is expected to be operational by 2022 and serve around 9,000 students. This would eventually bring total student capacity to c.23,000 in the future.



Taaleem in numbers: In the FY18-FY20 period, TALM' revenues grew from EGP274mn to EGP450mn, implying a 2-year CAGR of 28% (compared to Cairo for Investment & Real Estate Development's [CIRA] CAGR of 45%). TALM's focus on high-margin faculties was a margin booster for the past three years during which gross profit margin (GPM) rose 574bps to 65% in FY20 (vs. CIRA's 51%), and adjusted EBITDA margin rose from 47% in FY18 to 53% in FY20 (vs. CIRA's 44%). Given TALM's unlevered balance sheet and the fact that it only provides higher education services (a high-margin segment), its 3-year average net profit margin (NPM) of 28% is relatively high when compared to CIRA's 24%.

A healthy balance sheet: TALM enjoys an unlevered balance sheet with a net cash balance of EGP362mn in Q1 2020/21 ending 30 November 2020 (1.6x LTM EBITDA) and a negative cash conversion cycle. Despite its 29% y/y earnings growth in FY20, TALM's ROAE dropped to 22% on the back of a capital increase from EGP0.25mn to EGP730mn, which had been approved in an extraordinary general meeting held on 14 January 2020.

What does TALM's IPO mean to CICH? Back in 2019, CICH along with a consortium of investors had acquired a 60% interest in TALM for EGP1.2bn (an EV/EBITDA multiple of 10x), implying a total equity value of EGP2bn for Taaleem. At TALM's maximum valuation of EGP4.5bn (an EV/adjusted EBITDA of 18.4x), CICH's 16.46% effective stake indicates a return of c.122%, cashing in some EGP740mn (EGP0.74/CICH share). We had valued Taaleem at EGP4bn at a EGP0.6/CICH share in our [coverage report](#) based on FY21e figures.

Valuation: We compared TALM's multiples to those of CIRA and regional peers. At the maximum IPO price, TALM's LTM EV/adjusted EBITDA stands at 18.4x, implying a premium of 31% to regional peers and a 24% to CIRA. Also, TALM's P/E of 31.3x, represents a premium of 26% to regional peers and 11% to CIRA. Hence, future growth will be key to the post-IPO stock performance. Indeed, any price premium will need to be justified by TALM's future growth projects, such as Badya University, which should help improve margins further.

TALM's Regional Peers					
Company Name	Country	EV/EBITDA	P/S	P/E	P/B
Ataa Educational Co.	KSA	15.5x	5.6x	30.9x	2.2x
Curro Holdings Ltd.	South Africa	21.3x	1.6x	29.3x	0.9x
Humansoft Holding	Kuwait	9.2x	6.6x	12.0x	3.8x
Majan College	Oman	7.0x	2.7x	10.9x	1.1x
National Co. for Learning & Ed.	KSA	29.1x	8.9x	34.9x	3.2x
Petra Education	Jordan	9.1x	3.2x	16.4x	1.8x
Zarka Education & Invest.	Jordan	7.3x	1.4x	39.8x	0.8x
Average		14.1x	4.3x	24.9x	2.0x
Taaleem Management Services	Egypt	18.4x	10.0x	31.3x	4.5x

Valuation (LTM)	TALM *	CIRA	Premium / (Discount)	Regional Peers	Premium / (Discount)
EV/EBITDA	18.4x	14.8x	24%	14.1x	31%
P/S	10.0x	6.5x	53%	4.3x	134%
P/E	31.3x	28.1x	11%	24.9x	26%
P/B	4.5x	7.3x	-39%	2.0x	124%

* Based on a maximum IPO price of EGP6.2/share, implying a market cap of EGP4.5bn.
Source: Company reports, Prime Research, Bloomberg.



Financials

Income Statement (EGPmn)	2018a	2019a	2020a	2-Year CAGR
Operating revenues	274	354	450	28%
Operating costs	(110)	(136)	(156)	19%
Gross Profit	164	218	294	34%
GPM	60%	62%	65%	
EBIT	69	128	189	65%
EBIT margin	25%	36%	42%	
Adjusted EBITDA	128	184	240	37%
EBITDA margin	47%	52%	53%	
Net profits before minorities	62	110	144	52%
Net profits net of minorities	62	110	142	52%
NPM	23%	31%	32%	

Balance Sheet (EGPmn)	2018a	2019a	2020a
Current Assets			
Trade and other receivables	27	32	22
Cash and cash equivalents	208	275	329
Other current assets	16	10	9
Total Current Assets	250	317	359
Non-Current Assets			
Fixed assets	432	503	651
Other non-current assets	522	540	539
Total Non-Current Assets	954	1,044	1,191
Total Assets	1,204	1,361	1,550
Current Liabilities			
Trade and other payables	38	48	74
Deferred revenue	156	211	179
Other current liabilities	772	768	52
Total Current Liabilities	966	1,027	305
Non-Current Liabilities			
Trade and other payables	-	-	54
Deferred tax liabilities	101	100	100
Total Non-Current Liabilities	101	100	154
Equity			
Paid-up capital	0.25	0.25	730
Retained earnings	129	227	352
Legal reserve	0	0	0
Non-controlling interests	7	8	9
Total Equity	137	235	1,091

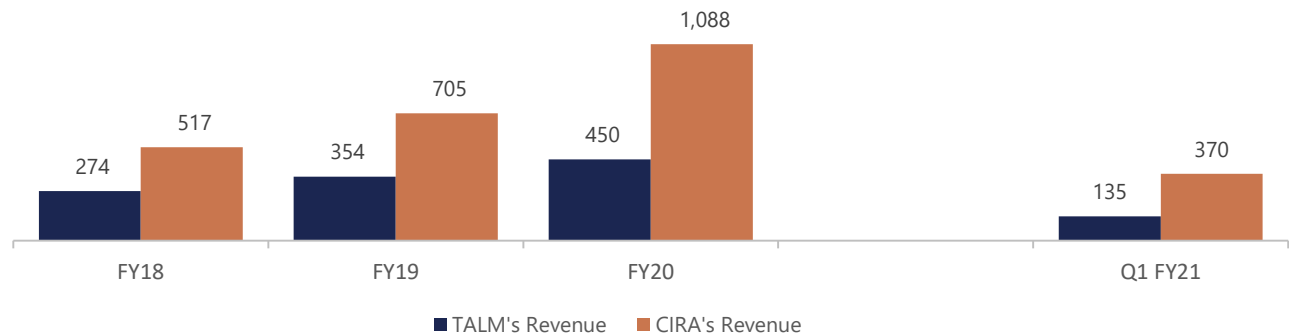
KPIs	TALM	CIRA
Operational KPIs		
Number of Students, last	6,273	12,952
Number of faculties, last	8	13
Financial KPIs		
2-Year Revenues CAGR	28%	45%
2-Year Net Profit CAGR	52%	46%
GPM, average 3 years	62%	52%
SG&A to sales ratio, average 3 years	-28%	-17%
NPM, average 3 years	28%	24%
ROE (LTM)	14%	26%

Note: Financial year ends 31 August.
Source: Company reports, Prime Research.

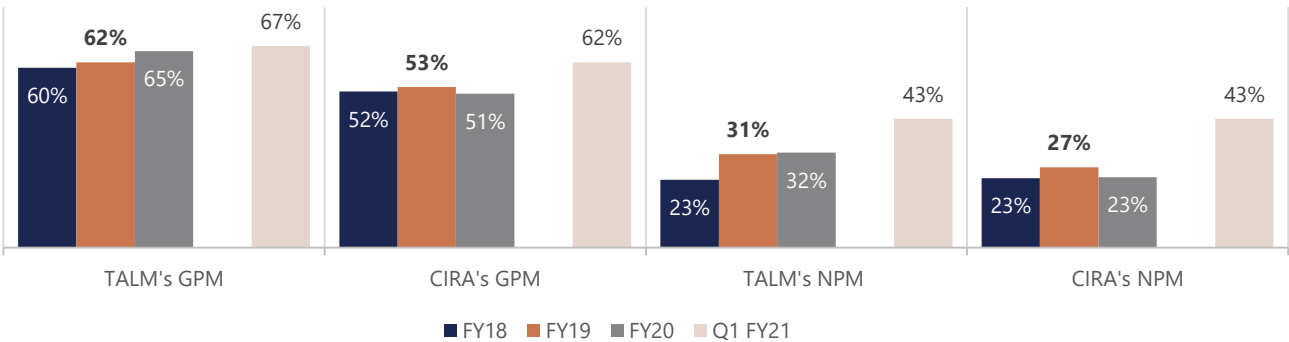


Taaleem in Charts

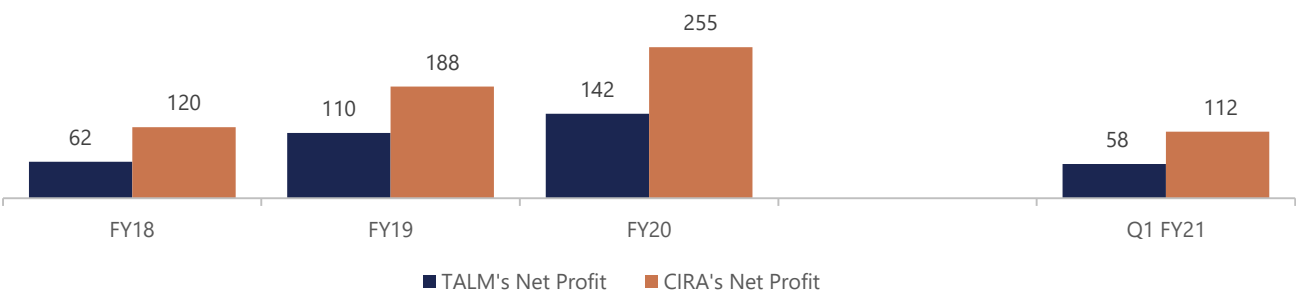
Revenue Performance (EGPmn)



GPM and NPM



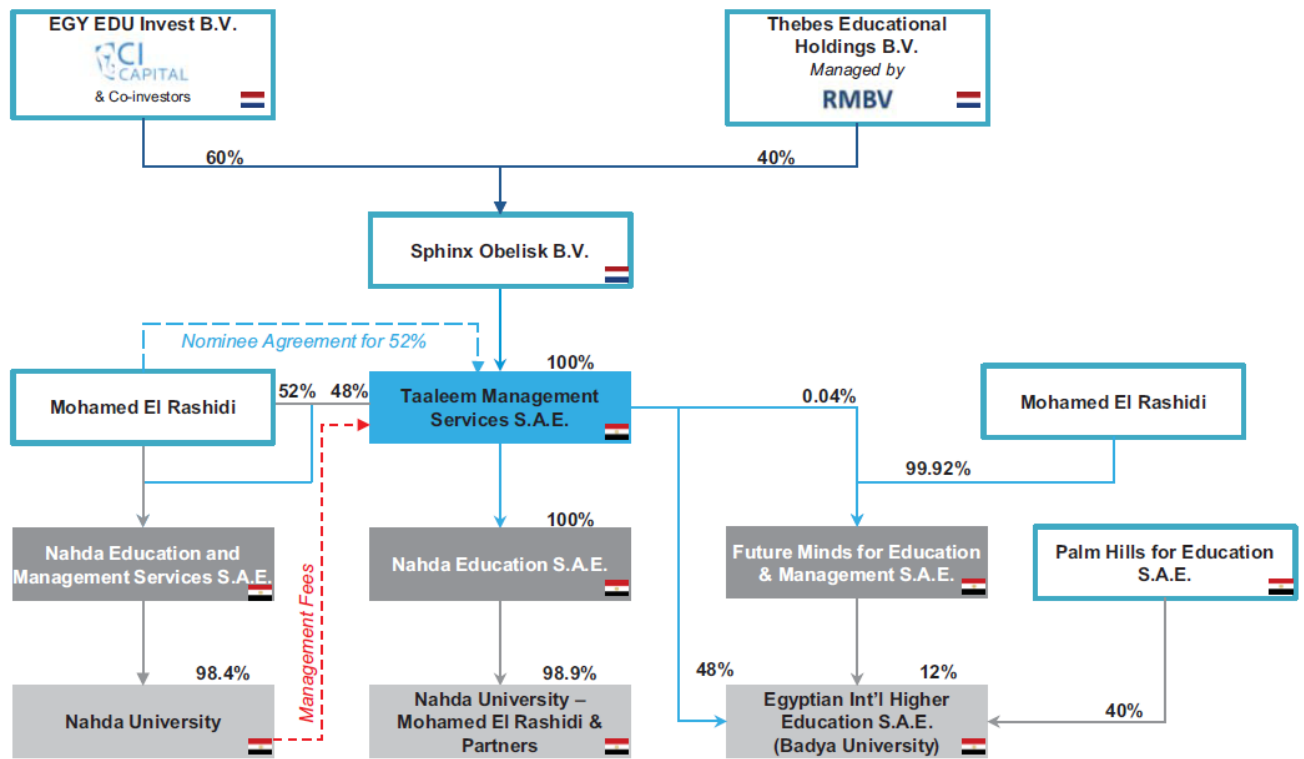
Net Profit Performance (EGPmn)



Source: Company reports, Prime Research.



Corporate Structure



Source: Company prospectus.

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