

Investor Presentation Summary

Executive Summary

- Total revenue for YTD Sept 2018 amounts to SR 585.9 million compared to last year to SR 526.7 million, an increase of 11%.
 - The increase in sales is due to improved revenues in all sectors of the company including our Subsidiaries.
- YTD net profit for Sept 2018 amounts to SR 16.2 million compared to SR 37.8 million profit YTD Sept 2017.
 - The decline in profits is mainly due to reduction in HRDF subsidy which resulted decline in net profits.
 - Furthermore, last year, Training sector was awarded a project from COE which helped boost profitability.
- To improve our margins, we are taking necessary measures to reduce costs while also trying to increase our billing. Our new contractual agreements will incorporate new pricing strategy to handle the cost structure which has increased due to medical insurance, reduction in subsidies and expat levies.

YTD SEPT 2018 Sector Comparison

| 30 Sep 2018 | Computer | Language | University | Fin & Mgst | Smart Link | School | Total SR |
|---------------------|-------------|-------------|------------|------------|-------------|-------------|---------------|
| Revenue | 75,620,180 | 50,099,633 | 58,674,245 | 71,663,073 | 247,318,200 | 82,577,739 | 585,953,070 |
| Depreciation | 2,351,610 | 1,469,756 | 2,057,659 | 1,069,715 | 3,200,799 | 8,523,672 | 18,673,212 |
| Profit before Zakat | (3,363,482) | (877,476) | 4,088,984 | 8,739,321 | 12,514,824 | (4,137,643) | 16,964,528 |
| Total Assets | 253,949,515 | 126,974,758 | 15,871,845 | 52,354,333 | 285,209,420 | 605,100,197 | 1,339,460,068 |
| Total Liabilities | 75,495,053 | 37,747,527 | 4,718,441 | 29,161,814 | 47,212,530 | 598,258,379 | 792,593,744 |
| Capital Expenditure | 6,909,894 | 3,549,698 | 1,095,415 | 1,811,217 | 5,849,251 | 7,854,361 | 27,069,836 |
| | -4% | -2% | 7% | 12% | 5% | -5% | 3% |

| 30 Sep 2017 | Computer SR | Language SR | University | Fin & Mgst | Smart Link | School | Total SR |
|---------------------|-------------|-------------|------------|------------|-------------|-------------|---------------|
| Revenue | 70,101,539 | 70,522,261 | 48,832,874 | 40,886,050 | 229,087,421 | 67,318,064 | 526,748,209 |
| Depreciation | 4,063,552 | 2,289,194 | 1,650,805 | 1,608,765 | 2,113,601 | 6,305,768 | 18,031,685 |
| Profit before Zakat | 2,529,582 | 9,968,407 | 1,406,592 | 2,616,788 | 20,284,189 | 2,058,184 | 38,863,742 |
| Total Assets | 241,920,037 | 120,960,018 | 16,128,002 | 24,192,004 | 303,887,645 | 569,323,945 | 1,276,411,651 |
| Total Liabilities | 49,129,369 | 26,600,686 | 3,546,758 | 5,320,137 | 85,088,314 | 558,447,642 | 722,812,769 |
| Capital Expenditure | 8,053,471 | 3,112,673 | 415,023 | 622,535 | 4,124,438 | 56,468,296 | 72,796,436 |
| | 4% | 14% | 3% | 6% | 9% | 3% | 7% |

1 Training Sector

- This segment provides training in IT, English Language, Soft Skills, and other areas
- This segment is expected to continue growth at 4% in 2019 and 4% in 2020.
- Further positive signs of improvement are expected during the year as new contracts are awarded to the company.
- We expect this segment to further improve on the profitability by controlling expenses while maintaining and/or improving on quality of service.

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Education Sector - Schools

Schools and Kindergartens

- A plan to open K3/K12 in the major cities, starting with 3 schools to be built by the end of 2019. Real Estate developers will build and we rent long term. Each Kindergarten will have a capacity of 450 students. Average tuition for the (K-12) is SAR 35K.
- The company will follow the model of having developers build purpose-built K-12 schools and Al Khaleej Training and Education Co. will lease and operate the school for 20-25 years.
- As we have started new schools, the consolidated profitability for school is negative as new schools will take time to ramp up and become profitable.

| Expected Number of Students | | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-2023 | 2023-2024 | 2024-2025 |
| Dammam 1 | 2,000 | 2,160 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 |
| Dammam 2 | 430 | 560 | 640 | 700 | 700 | 700 | 700 |
| Riyadh 1 | 450 | 836 | 1,200 | 1,600 | 2,000 | 2,400 | 2,800 |
| Riyadh 2 | 200 | 395 | 705 | 1,315 | 1,565 | 1,865 | 2,315 |
| KG-3 Format-Sahafa | 195 | 215 | 215 | 215 | 215 | 215 | 215 |
| KG-3 Format-Dhahran | 195 | 250 | 250 | 250 | 250 | 250 | 250 |
| School-Jeddah | 590 | 1,200 | 1,550 | 1,950 | 2,200 | 2,450 | 2,500 |
| School-Khobar | 0 | 0 | 0 | 300 | 400 | 700 | 1,050 |
| KG-3 Format (3 Schools) | 0 | 100 | 380 | 555 | 825 | 1,200 | 1,200 |
| School-KAEC | 0 | 0 | 0 | 350 | 425 | 600 | 800 |
| TOTAL | 4,060 | 5,716 | 7,140 | 9,435 | 10,780 | 12,580 | 14,030 |

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Education Sector - Schools

Schools and Kindergartens

- As we have started new schools, the YTD Sept 2018 consolidated profitability for schools is negative, however, as new schools ramp up to reach their mature stage, the net profit margins will improve.
- We expect to reach 20% net profit margins by 2022.

| Expected Revenue | | | | | | | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-2023 | 2023-2024 | 2024-2025 |
| Dammam 1 | 70,000,000 | 75,600,000 | 77,000,000 | 80,300,000 | 83,600,000 | 88,000,000 | 88,000,000 |
| Dammam 2 | 6,450,000 | 10,080,000 | 12,800,000 | 15,400,000 | 15,400,000 | 16,800,000 | 16,800,000 |
| Riyadh 1 | 16,650,000 | 27,588,000 | 42,000,000 | 58,400,000 | 76,000,000 | 91,200,000 | 106,400,000 |
| Riyadh 2 | 7,000,000 | 13,825,000 | 24,675,000 | 47,997,500 | 59,470,000 | 78,330,000 | 97,230,000 |
| KG-3 Format-Sahafa | 6,240,000 | 7,525,000 | 7,525,000 | 7,847,500 | 8,170,000 | 8,170,000 | 8,600,000 |
| KG-3 Format-Dhahran | 6,435,000 | 8,750,000 | 8,750,000 | 9,125,000 | 9,500,000 | 9,500,000 | 10,000,000 |
| School-Jeddah | 11,800,000 | 30,000,000 | 51,925,000 | 71,175,000 | 83,600,000 | 102,410,000 | 104,500,000 |
| School-Khobar | - | - | - | 10,950,000 | 15,200,000 | 26,600,000 | 39,900,000 |
| KG-3 Format (3 Schools) | - | 3,500,000 | 12,730,000 | 20,257,500 | 31,350,000 | 47,880,000 | 47,880,000 |
| School-KAEC | - | - | - | 12,775,000 | 16,150,000 | 22,800,000 | 31,920,000 |
| TOTAL | 124,575,000 | 176,868,000 | 237,405,000 | 334,227,500 | 398,440,000 | 491,690,000 | 551,230,000 |

3 Educational Projects - Universities

University Projects:- 16th year, a Preparatory Year Program launched by all Saudi Universities.

- AlKhaleej is running all or part of these programs (English, IT, and Soft Skills).
- This sector is showing improvement as we received new projects:

| | |
|------|---------------------------|
| 2018 | Revenue <u>80 Million</u> |
| 2019 | Revenue <u>85 Million</u> |
| 2020 | Revenue <u>90 Million</u> |

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Smart Link Call Center

- The sector has managed to achieve required growth in 2017 and we expect to see sustainable growth over the forecast period
- As present, we have 1,600 seats and 3,300 agents
- A great source of Saudization in the Company
- Expect this Sector to grow 10% YOY 2018, 2019 and 2020

Questions?

THANK YOU