



Rating Rationale

Alkhaleej Training & Education

(Joint Stock Company)

June 2023

1.1 TASSNIEF Opinion:

<i>Alkhaleej Training & Education – Entity Rating</i>	
<i>Domicile</i>	<i>Saudi Arabia</i>
<i>Long-Term Rating</i>	<i>BBB+</i>
<i>Outlook</i>	<i>Stable</i>
<i>Short-Term Rating</i>	<i>T-3</i>
<i>Rating Watch</i>	<i>No</i>
<i>Action Type</i>	<i>Assigned</i>
<i>Last Rating Action</i>	<i>N/A</i>

Tassnief has assigned a long-term entity rating of “BBB+” (Triple B Plus) and short-term entity rating of “T-3” to Alkhaleej Training & Education. Outlook on the rating is “Stable”.

Tassnief considers the rated issuer or issuance hold adequate creditworthiness, thus average credit risk. Risk profile may exhibit moderately high variation with changes in economic / sector conditions.

1.2 Rating Rationale:

Al Khaleej Training and Education (Al Khaleej) is a joint stock company incorporated under the CR # 1010103367 dated November 24, 1992. The assigned ratings reflect Al Khaleej’s strong market position & franchise within the KSA education and training sectors. Over the years, the Company has significantly evolved and grown into different domains/segments within the education space. The rating also takes into accounts Company’s relative low business risk profile on the back of presence in diversified business segments, low client & project concentration risk and satisfactory revenue visibility.

Ratings draw support from Al Khaleej’s sound governance framework as reflected by effective board composition and oversight, stable and experienced management team, adequate reporting structure and strategic planning process. The governance and control environment within the company is considered adequate with well-documented policies and procedures along with presence of internal audit function which directly reports to BoDs review committee. Al Khaleej’s topline has been improving over the years; however, bottom line remained weak due to the adjustments related to IFRS implementation in 2021 and higher operating costs in 2022 due to lower capacity utilization in newly added schools.

Tassnief notes that company’s operating fixed assets, investments and trade debts dominate the asset base, however, balance sheet profile has room for improvement given extended working capital cycle on the back of increased debtor days. The company’s coverages are on lower side due to higher debt on balance sheet in comparison to the cash flows generated on annual basis. However, comfort is drawn from liquid investments available which should facilitate in timely meeting obligations. Nevertheless, debt (including lease liabilities) in absolute terms remain sizeable. Going forward, coverages indicators are expected to improve, which, however, if remain at current levels could adversely impact the ratings.

1.3 Rating Triggers

The ratings remain dependent upon improving profitability profile, cash flow generation and enhancing cash flow coverages of outstanding debt. Sustaining market position and enhancing operating efficiencies will also remain important.

1.4 About the Company

Established in 1992, AlKhaleej Training & Education (Al Khaleej) initially operated as a limited liability company and later became a listed Saudi joint-stock company in 2016. The company is headquartered in the Olaya area of Riyadh, holding Commercial Registration (CR) number 1010103367. Al Khaleej and its subsidiaries (the 'Group') offers a wide range of services, including training and education, establishment and management of schools, operations and maintenance of computer program, networks and infrastructure, call centers, technical support, and public facilities. The company serves both the private and public sectors clients. The Company is listed on Tadawul.

Classification: **Restricted**

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2019) can be found on the website:

www.tassnief.com

DISCLAIMER:

- TASSNIEF has conducted the exercise based on its approved Rating Methodologies and Policies in order to derive the credit rating opinion on Alkhaleej Training & Education. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold or sell any securities or make any other investment decisions.
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- This rating has not been amended following disclosure to the rated entity or its related party(ies). The rating scale can be found in the link above. The rated entity has not conducted any rating activity with regards to its rating. No parts of the rating activities were outsourced.
- The analyses and forecasts in this rating report are inherently forward-looking and cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

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