CASE STUDY
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PRESERVING MISSION POST IPO AT CIRA EDUCATION
The Kallas are a mission-driven family. Dr. Hassan El Kalla founded CIRA in the early 90s with the mission of transforming Egypt bottom-up, student by student. He believes that Egypt’s greatest resource is its people and that quality, accessible education has the power to create generations of problem solvers who will positively impact the country. Dr. Hassan’s children are a new generation championing this mission at CIRA with Ahmed as a board member, Sara as deputy CEO, and Mohammed as CEO.

CIRA offered an IPO in 2018. On opening day, the stock was 10.36 times oversubscribed and the company enjoys a steady growth in profit that makes investors excited. Mohammed said, “We chose to be a trendsetter and not a follower.” CIRA created the education subindex on the Egyptian Stock Exchange (EGX) and was the first education company to IPO in the country. Since then, 5 more companies have joined or are joining the subindex. CIRA’s success is catalyzing Egypt’s education industry, and investors are eagerly buying shares as the company grows. However, more money brings more pressure. How will the company change as its capital changes?

But mission and profit can have tradeoffs. Rapid expansion threatens to diminish the quality of education. Talent acquisition can be challenging in education and building management capacity is difficult in a business dominated by the family. Also, pressure to grow tests the boundaries of CIRA’s mission. Egypt has always been at the center of CIRA’s work. However, looking for new markets for growth, the company is looking to expand throughout Africa. How can CIRA both satisfy its investors and uphold its mission?

CIRA’s Mission
From Clinics to Schools

The founder of CIRA and current Chairman of the Board, Dr. Hassan El Kalla had a firm belief that for Egypt to progress, it was imperative for high quality education to also be provided to Egypt’s growing middle class, who could not afford high end private schools and who did not want to have their children enrolled in a public school system that is often crowded and of inconsistent quality.

Dr. Hassan is an OB-GYN by training. By the late 80s, he had his own practice and was helping women with their gynecological and reproductive health. When choosing his specialty, he thought that by helping women, he could contribute to building a more prosperous Egypt by supporting the healthy lives of growing families. However, on a busy day, he would only see up to 20 patients. Dr. Hassan felt that his impact was only limited to the small number of people who could access care at the practice. He wanted to play a more impactful role at scale.

And he wasn’t the only one. At a dinner with 10 other physicians, he and the group began to gripe about the challenges facing the country. Cataloging their woes pushed the groups’ conversation to well after midnight. Frustrated, Dr. Hassan chimed in that “complaining is not going to do anything” and challenged the group to take action. Some suggested building a hospital. As physicians, they thought their training could help assuage some of the medical ailments that were facing the community.
However, after years in the system, the group was not convinced of a hospital’s ability to create the change needed for a country of at the time 60 million. Dr Hassan proposed a school for young women. His focus on women was again rooted in his belief that they multiply impact through their commitment to their families and communities. His hypothesis was that “if the school was successful, others will follow and we can make a contribution to society.” The group was willing to try.

The group bootstrapped the first school. In 1993 it cost about 1.5 million EGP (440k USD) to build the school of which land was 300k EGP (88k USD). Their plan was for each of the eleven group members to give 10k EGP (3k USD). They would each be asked to fund-raise 10 more investments of 10k for a grand total of 1.1 million EGP (324k USD). They reached 386k EGP (114k USD). Though they fell short of the 1.5 million required, they had enough money to buy land for the first school and enough collateral to get a loan for the rest of the school.

When the first school opened, students and families noticed how it was different from the rest. The administration was keenly attuned to the feedback of families in terms of fees, education, and even the color of the walls in the school. They would hold focus group discussions with students to ask what they thought of their education and how to make it better. Dr. Hassan wanted to make a mark that these schools did not offer the constrictive education of their competitors, but were built to maximize the talents of the students who would build the future of Egypt. Families flocked to this philosophy, and the school had more demand than seats. Dr. Hassan saw this as just the beginning and invested the profits from these first few years into building another school, a practice that would grow the impact of the model to the present day.

**Distilling the Mission**

Dr. Hassan’s mission was always focused on investing in Egypt’s changemakers at scale. When CIRA would later grow to found and operate a university, he chose the name “Futures.” He intentionally chose the plural to reflect the use of the word in a financial sense. He said “the ‘futures’ are the kids.

Each student is a contract on the future of Egypt.” The education that each student receives through CIRA’s schools is an investment into what the country can become. As the years pressed on, this mission became clearer and more ambitious as CIRA developed more businesses to fill gaps from primary to quaternary education in Egypt.

Also, building this mission proved Dr. Hassan’s belief that “small investments can make a difference.” Building that first school was a group effort and was animated on the belief that other people shared the conviction to pursue a vision of Egypt beyond any of their individual capacity to manifest. Dr. Hassan had to take people with him and CIRA’s mission has endeared allies to its cause from early friends and family investing 10,000 EGP to institutional investors investing millions.

Today, Dr. Hassan’s target is to have 200,000 students enrolled in CIRA schools every year. He said “you cannot change the country overnight. Only building bottom up will have the social impact I need.” Dr. Hassan estimates that if CIRA students can affect at least 10 people each, his schools can inspire 2 million change makers who can transform Egypt.

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**CIRA’s Business Model**

**Low Supply, High Demand**

Egypt ranks extremely low (139/140) with regards to quality of primary, secondary, and tertiary education according to the 2015 World Economic Forum Global Competitiveness Report (2015). Egypt now has a population that exceeds 95 million, with one of the highest percentages of youth in the world and the highest percentage of youth unemployment in the Arab region.
Further to the above, Egypt’s rising middle class, which has increased by a CAGR of 9.4% over the last 7 years has been demanding higher quality education from the government. Considering the circumstances, one’s expectation would be that education would be a top priority for the government of Egypt, however, investment in public sector education has been minimal. For this reason, over the past three decades, the education sector has become attractive for private sector investment.

**A Business Model for Affordable Education**

CIRA, is Egypt’s largest private owner/operator of K-12 Schools, under its flagship brand “Futures.” CIRA is a mid-market education provider, established with a mission to offer high quality affordable education to Egypt’s middle-class population. The schools were initiated with a purpose to help enhance quality and equity in education as a whole, by establishing an educational model which would be replicable, affordable, and economically viable. CIRA builds, owns and operates schools which offer English national and international curricula as well as British, American, French and German education tracks in select institutions.

CIRA operates at 20%-30% lower price points compared to its competitors. The company makes this possible by creating a centralized, holistic and vertically integrated group that has bundled together a group of subsidiaries owned by the mother company, CIRA, that cover the following areas:

- School Management & Operations (Academic Ops, teacher engagement and capacity building, curriculum management, etc.)
- Technology Support Services
- School Construction & Maintenance
- School bus operator

This model has allowed CIRA to reduce costs by owning the providers of the services required to keep the schools running. According to the CEO, owning their own construction arm has allowed them to increase efficiencies and reduce the costs of building schools by around 35%.

CIRA passes on these savings to their customers. CIRA has successfully created a new market for the education sector by creating an affordable high-quality education model that targets an underserved market in Egypt; namely the middle-class. In doing this, CIRA met the needs of thousands of families across Egypt giving them a good alternative to public schools which already existed in the market. While most investors in Egypt took the easy path of focusing on the urban centers of Cairo and Alexandria, CIRA scaled to other more marginalized governorates, which allowed it to expand its market and serve more families in need. As a company, they are working to constantly evolve their product offering to match the needs of their consumers. This can be seen through the acquisition of Mavericks and the launching of Egypt’s first blended learning low cost school.

**A Growing Company**

CIRA currently owns and operates 24 schools and 1 university with a combined enrollement of nearly 50K students. CIRA primarily provides a national English curriculum (with a small number of international schools offering American, British, French, Canadian and German tracks). In addition to its large footprint, CIRA is also one of a handful of education providers that has a national footprint, which means they have not confined themselves to the urban centers of Cairo and Alexandria, but rather they have moved to other governorates as well. Of those 22 schools, CIRA has also provided schools with pricing that targets the lower middle class, the middle class and the upper middle class allowing them to be inclusive of the entirety of Egypt’s middle-class demographic. CIRA’s students on average perform better than their peers as 100% of CIRA students pass preparatory school exams (national average is 99%) and 99.9% of CIRA students pass secondary school exams (national average is 81.5%).

CIRA recently expanded into the higher-education sector, establishing one of Egypt’s largest universities on the outskirts of Cairo. The university, Badr University in Cairo (BUC) is one of Egypt’s fastest growing universities, already boasting close to 10,000 students in its fourth year of operations.

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1 Derived from an interview with CEO of CIRA, Mohamed El Kalla in addition to information provided in a market study carried out by CIRA.

2 It is important to note that the school’s land and assets are controlled and majority owned by CIRA.
The location of the university was strategically chosen to be in close proximity to Cairo’s New Administrative Capital, allowing it to leverage partnerships with the government and be the key private education provider in the area.

Mohamed, the CEO of CIRA, believes that the education landscape in Egypt is changing rapidly. Technology now plays a much bigger role in education and pedagogy is quickly changing to accommodate the learning needs of the generation now entering schools. Online education that complements and supplements in class learning is increasingly demanded by students and families who are eager to acquire foreign language and STEM skills. To tackle these issues, education-focused startups have been on the rise. CIRA’s new strategy includes acquiring or partnering with some of Egypt’s and the region’s most innovative startups in education to further expand its business and to leverage where it can. One of the interesting acquisitions was a startup called Mavericks, in which CIRA now owns a majority stake. Mavericks was established to combine self-learning with traditional schooling, creating Egypt’s first high quality, low-cost blended learning program. Coming into the CIRA family, Mavericks now makes use of existing infrastructure and resources from within the CIRA family, allowing it to keep the cost of education per student down. Mavericks was established in 2016, but according to the CEO, he has high hopes that they will be able to quickly scale this model as well.

SCALING AND INVESTMENT

In CIRA’s first 28 years, its financing grew from an initial investor base of family and friends to the access funding from private equity firms like Abraaj. However, even with these increasingly larger private investment rounds, the company could only support up to 0.3% of students in a country of over 22 million school aged students. At that time, each new school required an initial investment ranging between 2 and 4 million USD per school. Their ambition was to build 5 schools in as many years and CIRA did not have the resources it needed to accomplish its goal. The company needed to raise a lot of money quickly, and Mohammed looked to the Egyptian Stock Exchange.

Listing on the Egyptian Stock Exchange (EGX) is a tough sell in Egypt. There are 215 companies listed EGX. Heba El Serafy, Assistant Chairman at EGX, said that, “the Role of the capital market is not clear for the business community in Egypt.” The predominant attitude is that listing requires disclosures that are cumbersome to gather and potentially damaging to publish. For example, telecom companies in the county refuse to list as the disclosures would offer an intimate look into the strategy and business model that competitors could take advantage of. Also, there are additional challenges when approaching family businesses to join EGX. Establishing the policies and procedures necessary to disclose require long-term institutional thinking that some family businesses do not have nor think are necessary. Egypt’s macroeconomic trends also led some to shy away from capitalizing in EGP.

CIRA started the IPO process in 2018. Mohammed reached out to Karim Galal from EFG-Hermes, a leading investment bank, to underwrite and structure the deal. In March 2018, Mohammed and Karim took CIRA’s story to 15 institutional investors for an “early looks” tour to see how they would receive the company’s story. They were excited. Investors saw huge market potential for market penetration in a country with a growing population and stagnant education sector, and CIRA’s margins were significant compared to other investment opportunities. Investors were also keen to diversify their portfolios into education having only previously seen one other education company in the region at the same size as CIRA. Investors also respected Mohammed’s experience and the reputation the Kallas had built in the education sector. To be fair, there were a couple red flags for investors as well. As a family business, investors worried about Mohammed a “key man risk.” All key strategic and operational decisions find their way to the CEO’s desk creating bottlenecks. In addition, investors had questions about governance and succession. Also, they worried that CIRA’s asset heavy model was cutting into the company’s profitability and tying up growth capital. However, these risks could be mitigated over time and the deal was too good to pass up.

5 The above information was taken from an interview with the CEO of CIRA, Mohamed El Kalla. With regards to high education, the CEO also specified that the total number of enrolled students in the academic year 2019 in higher education in Egypt was 600,000 students. Out of this 4.9% (29,400 students) were accommodated by private universities. Key demand drivers for private universities include declining quality of public sector education, security issues related to student protests on university campuses and a large supply shortage for students entering into college, which has again led to overcrowding of the higher education space.
Karim and his team at EFG-Hermes took the roadshow feedback and structured the deal. The research team estimated what buyers were willing to pay and set the initial price at 6 EGP per share (0.32 USD). Mohammed and Karim were also keenly aware that investors were still wary of buying EGX shares in 2018, only 2 years after the EGP was devalued by 85% of its value overnight. To de-risk the deal, they secured a mix of regional and international non-binding offers to take a stake in the IPO. Having done their homework, Mohammed and Karim filed to be listed and waited for the IPO date.

When CIRA opened its IPO in September 2018, it was 10.36 times oversubscribed. At the initial offer price, CIRA’s market capitalization was 3.3 billion EGP (175 million USD). At the time of writing, CIRA’s share price has risen to 11.25 EGP (0.60 USD) with a market capitalization of 6.6 billion EGP (351 million USD). CIRA grew tremendously because of the IPO, and Mohammed saw the company’s new capital as a means to build upon its mission. He said “Our aim is to utilize the IPO to further enhance our robust growth plan in both higher education and the K-12 segments with a wider geographic footprint and versatile offering that builds on the current societal needs both on and off campus.”

CIRA has done exactly that. Since 2018, the company has almost doubled its revenue and profits, expanded to 2 new governorates, opened 5 new schools, established 3 nurseries, and is opening another university (See Figures 1-3).

Karim said, “CIRA is the only company that has over delivered what they promised in their roadshow. They delivered the 5 year plan in 3.” The company’s success is inspiring others. CIRA was the first education firm listed on EGX with two companies following suit, one of which is copying CIRA’s integrated value-chain business model. After 3 years, the company ranks among the top 20 largest companies listed on the EGX.

**FY 17/18** Financial & Operational Highlights

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<th>Revenue</th>
<th>EGP 517.5 million</th>
<th>▲ 48% y-o-y</th>
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<tr>
<td>Cash Earnings</td>
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<tr>
<td>Number of Faculties</td>
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**Net Profit**

| EGP 126.4 million | ▲ 95% y-o-y |

**Adjusted EBITDA**

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<th>EGP 219.5 million</th>
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**Higher-ED Students**

| 5.5 thousand | 49% Utilization |

**K-12 Students**

| 21.4 thousand | 81% Utilization |

**Geographical Reach**

| 6 Egyptian governorates |

**1/19 Universities/Schools**

**Number of Schools**

| 19 schools |

**> 1,700 Teachers**

**Number of Classrooms**

| 8 faculties |

**> 400 Professors**

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**H1 2021/2022** Financial & Operational Highlights

<table>
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<th>Revenue</th>
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<tr>
<td>Number of Students</td>
<td>886 Teaching Staff</td>
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<tr>
<td>Number of Nurseries</td>
<td>3</td>
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**Adjusted EBITDA**

| EGP 534.2 million | ▲ 28% y-o-y |

**Adjusted Net Profit**

| EGP 298.8 million | ▲ 20% y-o-y |

**Higher-ED Students**

| 14.0 thousand | 10% Utilization |

**K-12 Students**

| 31.0 thousand | 93% Utilization |

**Nursery Students**

| 203 |

**Geographical Reach**

| 8 Egyptian governorates |

**1/24 Universities/Schools**

**Number of Classrooms**

| 16 faculties |

**24 schools |

**> 2,750 Teachers **

**Number of Nurseries**

| 3 nurseries |

**65 Teaching Staff**

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Mission and IPO

Since its initial public offering, CIRA has embarked on an important evolution, both in scale and in corporate structure, to address the challenges that come from this evolution with respect to the company’s mission. CIRA’s aim of expanding from servicing 50K students to over 200K students within a decade, requires not only organizational transformation from a family-owned business to a corporate entity with a robust governance structure but also an intensification of its commitment to high-quality education and societal impact. CIRA’s transformation is a strategic forward step towards greater impact and reach.

In response to the challenges highlighted by the IPO, such as increased scrutiny from regulators and investors, CIRA has been proactive in developing more accurate reporting frameworks and refining its governance structures. This process of “sanitation by sunlight” has facilitated a more transparent operation, aligning with CIRA’s goal of maintaining educational excellence and accessibility, which has always been central to its mission.

The skepticism expressed by Karim that “in a public market context, I’ve never seen someone super interested in mission” is well founded, in that public markets are not typically structured to incentivize mission.

Investors before and after the IPO are interested in CIRA because the company generates attractive returns. None of CIRA’s first wave of investors carry an explicit impact mandate; today a lot of them do. Today, the company’s investors want the company to manage its risk and grow. However, the Kalla family’s passion for education and the view of profit as a means for expansion provide a strong foundation to mitigate any concerns and reinforce the company’s mission. CIRA’s unique position as a mission-driven company with solid returns presents an opportunity to redefine investor expectations, and preserves stakeholder value and its educational mandate. The company’s financial innovation in introducing cash flow financing and a moderated approach to tuition fee increases to maintain and expand accessibility in the face of inflation are examples of how financial ingenuity can be harnessed to sustain and expand mission-centric goals.

Adapting to new disclosure requirements necessitated an expansion of CIRA’s teams and talent, and a deliberate shift in the allocation of roles and responsibilities within the company’s hierarchy. Addressing the remarks of Dr. Sherif Samy about CIRA being “stretched to the last hole in the belt,” CIRA is proactively seeking to widen the belt, so to speak, by developing a more comprehensive and capable management structure.
The sentiment expressed by Dr. Sherif Samy regarding the need for leadership to be more distributed reflects a broader theme in CIRA’s progression, and aligns with the company’s strategic direction in reducing the average age of its executive team and infusing new energy, perspectives, and digital fluency into its leadership.

These changes enrich its strategic decision-making and operational agility, with an approach to inclusivity that is not just confined to senior leadership roles, but is also echoed in CIRA’s progressive talent recruitment policies, which aim to foster an environment ready for innovation and adaptability. CIRA’s commitment to fostering a mission-driven culture in the face of expansion is reflective of the company’s conscious efforts to align growth with purpose. The establishment of the Saxony Egypt University for Applied Science and Technology is another prime example of this. By bridging local talent with global market needs, CIRA is not only addressing the local imperative of job creation but also strategically positioning its graduates on the international stage, thereby addressing the brain drain issue with a practical and forward-looking solution.

As CIRA forges ahead, the vision and passion of the Kalla family continue to be the company’s compass, ensuring that the pursuit of profit does not overshadow the educational mission. The IPO has introduced external pressures, undoubtedly, but it has also provided a platform for CIRA to showcase its robust model to the world. With a strategic balance of experienced wisdom from the Kalla family and the renewed vigor of an evolving leadership team, CIRA is well-positioned to navigate its post-IPO landscape while staying true to its foundational ethos.

CIRA’s journey is one of adaptation and strategic foresight. As it moves forward, the task for Mohamed and his team is to maintain the delicate balance between scaling the business regionally, meeting market expectations, and staying loyal to the core values that have defined the company from the start.

Dr. Sherif Samy said “the main savior here is that the controlling family really has a passion for education. They are not an opportunistic family. Profit was not the motivator. They saw profit as a means for expansion, and this motivation is making a difference.” With the measures already in place and the intrinsic motivation provided by the founding family’s dedication to education, CIRA is not just equipped to meet this challenge but to set new benchmarks for how educational enterprises can thrive in the public domain.

**WHAT’S NEXT**

As CIRA continues to write its post-IPO narrative, the essence of its mission remains safeguarded by the Kalla family’s dedication to education. The IPO has invited a number of external pressures, but it has also set the stage for the company to exemplify how a mission-driven organization can successfully scale and sustain profitability. Mohammed is exploring expansion throughout the African continent and the Middle East. How will CIRA’s next chapter of growth reinforce its educational mission and set new standards for social responsibility? How will it navigate expanding its market presence, fulfilling the mission ingrained by the Kalla family, and maintain, if not enhance, its profitability in an environment that traditionally prioritizes financial returns?