



CURRO

UNAUDITED INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2014

Learners
↑ 32%
to 28 899

Revenue
↑ 54%
to R 487 m

EBITDA
↑ 89%
to R 97 m

PAT
↑ 87%
to R 27 m

HEPS
↑ 76%
to 9.0 cents

Condensed consolidated statement of comprehensive income

	Percentage change	Unaudited 30 Jun 2014 6 months R million	Unaudited 30 Jun 2013 6 months R million	Audited 31 Dec 2013 12 months R million
Revenue	54%	487.2	315.6	659.1
Operating expenses	48%	(390.5)	(264.4)	(545.5)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	89%	96.7	51.3	113.7
– Schools	86%	140.2	75.4	155.0
– Head office	81%	(43.5)	(24.1)	(41.3)
Depreciation and amortisation	75%	(27.9)	(15.9)	(37.0)
Earnings before interest and taxation (EBIT)	94%	68.8	35.4	76.7
Investment revenue	141%	4.1	1.7	3.8
Share of profits (loss) of associates		(0.6)	–	1.0
Finance costs	107%	(34.5)	(16.7)	(26.2)
Profit before taxation	85%	37.8	20.4	55.3
Taxation	81%	(10.3)	(5.7)	(15.6)
Profit for the period (PAT)	87%	27.5	14.7	39.7
Other comprehensive income:				
Net fair value profit (loss) on cash flow hedge		0.2	–	(0.5)
Total comprehensive income	88%	27.7	14.7	39.2
Profit attributable to:				
Owners of the parent	93%	27.3	14.1	37.0
Non-controlling interest		0.2	0.6	2.7
	87%	27.5	14.7	39.7
Total comprehensive income attributable to:				
Owners of the parent	95%	27.5	14.1	36.6
Non-controlling interest		0.2	0.6	2.7
	88%	27.7	14.7	39.2
Reconciliation of headline earnings:				
Earnings attributable to owners of the parent		27.3	14.1	37.0
Adjusted for:				
Profit on disposal of property, plant and equipment		–	(0.2)	(0.4)
Taxation effect thereon		–	0.1	0.1
Headline earnings	95%	27.3	14.0	36.8
EBITDA margin		20%	17%	17%
EBITDA margin for schools		29%	24%	25%
Earnings per share (cents)				
– Basic	73%	9.0	5.2	12.9
– Diluted	75%	8.9	5.1	12.8
Headline earnings per share (cents)				
– Basic	76%	9.0	5.1	12.8
– Diluted	75%	8.9	5.1	12.7
Number of shares in issue (millions)				
– Basic		324.3	293.7	294.8
– Diluted		327.4	298.9	300.6
Weighted average number of shares in issue (millions)				
– Basic		303.8	272.0	287.8
– Diluted		306.9	274.9	290.2

Condensed consolidated statement of cash flows

	Percentage change	Unaudited 30 Jun 2014 6 months R million	Unaudited 30 Jun 2013 6 months R million	Audited 31 Dec 2013 12 months R million
Net cash generated from operating activities	179%	86.8	31.1	105.6
Net cash utilised in investing activities	(34%)	(327.3)	(495.7)	(1 087.0)
Net cash from financing activities	12%	650.8	581.7	1 106.4
Cash and cash equivalents movement for the period		410.3	117.1	125.0
Cash and cash equivalents at the beginning of the period		78.9	(46.0)	(46.0)
Cash and cash equivalents at the end of the period		489.2	71.0	78.9

Condensed consolidated statement of financial position

	Unaudited 30 Jun 2014 6 months R million	Unaudited 30 Jun 2013 6 months R million	Audited 31 Dec 2013 12 months R million
ASSETS			
Non-current assets	2 916.6	1 932.8	2 516.2
Property, plant and equipment	2 454.1	1 570.7	2 131.8
Goodwill	330.6	270.0	271.7
Intangible assets	117.6	92.1	97.6
Investments in and loans to associates	12.3	–	12.7
Other loans	2.0	–	2.3
Current assets	523.0	100.1	117.6
Inventories	3.3	2.9	6.8
Current tax receivable	2.4	2.0	1.6
Trade and other receivables	28.1	24.1	30.2
Cash and cash equivalents	489.2	71.0	78.9
Total assets	3 439.6	2 032.9	2 633.7
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of parent	2 173.3	1 529.6	1 560.2
Share capital	2 083.7	1 495.6	1 500.7
Reserves	10.1	6.4	7.3
Retained income	79.5	27.6	52.2
Non-controlling interest	3.4	1.1	3.2
Total equity	2 176.7	1 530.7	1 563.4
LIABILITIES			
Non-current liabilities	1 049.2	394.5	874.4
Loans and other financial liabilities	899.8	284.2	755.1
Deferred tax	149.4	110.3	119.3
Current liabilities	213.7	107.7	195.9
Loans and other financial liabilities	20.0	14.3	69.9
Current tax payable	2.7	1.3	1.2
Trade and other payables	67.8	29.0	48.4
Prepaid school fees and deposits	84.2	57.2	61.1
Acquisition payables	39.0	6.0	15.3
Total liabilities	1 262.9	502.2	1 070.4
Total equity and liabilities	3 439.6	2 032.9	2 633.7
Net asset value per share (cents)	670.1	520.5	529.2

Condensed consolidated statement of changes in equity

	Unaudited 30 Jun 2014 6 months R million	Unaudited 30 Jun 2013 6 months R million	Audited 31 Dec 2013 12 months R million
Balance at the beginning of the period	1 563.4	861.7	861.7
Total comprehensive income	27.7	14.7	39.2
Issue of shares	591.0	661.2	666.4
Share issue costs	(8.0)	(9.3)	(9.4)
Recognition of share-based payments	2.6	2.4	5.5
Balance at the end of the period	2 176.7	1 530.7	1 563.4

Notes to the financial statements

1. Statement of compliance

The consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, the Listings Requirements of the JSE Ltd and the requirements of the Companies Act of South Africa, as amended. The report has been prepared using accounting policies that comply with IFRS which are consistent in all material respects with those applied in the financial statements for the year ended 31 December 2013. The unaudited interim results have been prepared by DN Hartshorne, CA (SA) and supervised by the Chief Financial Officer, B van der Linde, CA (SA) CFA.

2. Accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2013. For a full list of standards and interpretations which have been adopted, we refer you to our 31 December 2013 annual financial statements.

3. Issued capital

Effective 23 June 2014, 29.5 million shares were issued by way of an underwritten renounceable rights offer at a subscription price of R20.00 per rights offer share, in the ratio of 1 rights offer share for every 10 Curro ordinary shares.

4. Operating segments

Due to all of the services being education-related and within South Africa, the group has only one reportable segment. All historical information presented represents the financial information of this single segment.

5. Business combinations

Effective 1 January 2014, the group acquired the business operations and properties of Grantleigh independent school for a consideration of R30 million.

Effective 2 June 2014, the group acquired 100% of the equity interest of Waterstone College (Pty) Ltd for a consideration of R130 million.

6. Events after the reporting period

There are no significant events after the reporting period.

Other key ratios

	31 Dec 2011	31 Dec 2012	31 Dec 2013	30 Jun 2014
Number of schools	12	22	26	32
Number of learners	5 777	12 473	21 908	28 899
Median number of learners per school	481	567	759	834
Staff	654	1 630	2 387	2 932
Teachers	446	1 151	1 593	1 951
Learner/teacher ratio	13	11	14	15
Building size (m ²)	75 000	169 024	261 004	277 593
Land size (ha)	107	153	188	255
Capital investment (Rm)	328	782	1 076	327
– Current campuses	80	223	602	160
– New campuses	175	237	242	37
– Acquisitions	73	322	232	130

The tables below illustrate the J-Curve effect from newly established schools to more mature schools.

For the 6 months ended 30 June 2013:

% of eventual capacity	Number of schools	Number of learners	EBITDA* R million	EBITDA margin
0 – 25	3	750	(1.1)	(9%)
25 – 50	11	6 913	13.9	14%
50 – 75	6	5 396	23.2	25%
75 – 100	6	8 849	39.4	36%
	26	21 908	75.4	24%

For the 6 months ended 30 June 2014:

% of eventual capacity	Number of schools	Number of learners	EBITDA* R million	EBITDA margin
0 – 25	7	1 748	(1.4)	(5%)
25 – 50	7	5 888	23.0	28%
50 – 75	10	12 652	59.6	28%
75 – 100	8	8 611	59.0	36%
	32	28 899	140.2	29%

The tables below illustrate the profitability of Curro and Meridian schools.

For the 6 months ended 30 June 2013:

Brand	Number of schools	Number of learners	EBITDA* R million	EBITDA margin
Curro**	22	15 509	60.7	22%
Meridian	4	6 399	14.7	33%
	26	21 908	75.4	24%

For the 6 months ended 30 June 2014:

Brand	Number of schools	Number of learners	EBITDA* R million	EBITDA margin
Curro**	27	20 958	114.8	29%
Meridian	5	7 941	25.4	27%
	32	28 899	140.2	29%

The tables below illustrate the profitability of acquired and developed schools.

For the 6 months ended 30 June 2013:

Origin	Number of schools	Number of learners	EBITDA* R million	EBITDA margin
Acquired	10	11 443	52.5	33%
Developed	16	10 465	22.9	15%
	26	21 908	75.4	24%

For the 6 months ended 30 June 2014:

Origin	Number of schools	Number of learners	EBITDA* R million	EBITDA margin
Acquired	12	14 598	78.7	32%
Developed	20	14 301	61.5	26%
	32	28 899	140.2	29%

Note:

* EBITDA at school level (excluding net head office costs and including teacher college results).
** Curro schools incorporating Select schools and Curro Castles.

Commentary

Education is one of the cornerstones of society, providing the primary strategic drive for the long-term socio-economic development of South Africa. While government remains the predominant supplier, independent providers are playing an increasingly important role in improving access to education in the country.

Curro develops, acquires, manages and supplies ancillary business services in the education sector.

Curro educates 28 899 learners. However, we still remain small in the wider education market in South Africa that has around 12.5 million learners. This serves as a source of inspiration to the group for growth in the years ahead.

Curro consists of 6 distinct lines of schools/businesses, each with its own characteristics:

School types	Fees (Rand per month)	Characteristics
Curro	2 000 – 4 200	Small class sizes: 20 – 25 learners; Academic and co-curricular activities; single, dual and parallel medium schools; wide variety of subject choices and co-curricular activities.
Select	3 400 – 6 200	Small class sizes: 20 – 25 learners; Acquired schools each with own ethos; convenient location; superior facilities; broad subject choices and co-curricular activities.
Curro Academy	1 500 – 2 000	Medium class sizes: 30 – 35 learners; Academic focus with appropriate co-curricular activities.
Curro Castle	1 800 – 2 800	Ages 3 months to 5 years; Full day care; custom designed cognitive development programme.
Meridian	1 000 – 1 500	Managed by Curro Medium class sizes: 30 – 35 learners; Academic focus, with relevant co-curricular activities.
Embury Institute for Teacher Education	2 500 – 3 000 (adjusted for comparative purposes)	Accredited Private Higher Education Institution; Short courses, diplomas and degrees.

Investment

In addition to its current 32 campuses in operation, Curro is in the process of developing the following campuses during 2014:

- 4 Curro traditional campuses in Brackenfell (Western Cape), Kathu (Northern Cape), Lanseria (Gauteng) and Secunda (Mpumalanga);
- 2 Meridian campuses through Campus and Property Management Company (Pty) Ltd, a subsidiary, in Cosmo City (Gauteng) and Newcastle (KwaZulu-Natal);
- 2 Curro Academy campuses in Mahikeng (North-West) and Soshanguve (Gauteng);
- 3 Curro Castle campuses in Douglasdale, Waterfall (Gauteng) and Somerset West (Western Cape); and
- Land banking more than 20 sites for development beyond 2014.

Funding

For the year 2014, Curro will be investing approximately R1.5 billion in the expansion of existing facilities, land banking, the development of new campuses and acquisitions.

Curro's balance sheet has been strengthened by the R589 million rights offer that was successfully concluded in June 2014. In addition thereto, the following sources of funding were secured:

- R125 million in a 5-year bond issue; and
- R188 million in fixed term funding specific for the Meridian business.

Curro's corporate credit rating of BBB- has been confirmed. For the remainder of the year, Curro will be raising further funding from either banks or the bond markets.

Curro is further exploring additional funding opportunities from development finance institutions for the furtherance of the Curro Academy brand.

People

Curro has approximately 3 000 employees. People, and their development, are at the heart of our business. With this in mind we:

- Deliver an enhanced curriculum to our learners. The national curriculum is supplemented with additional and relevant material including a fully developed IT and Robotics curriculum, advanced mathematics, specially developed literacy programmes and science and technology programmes relevant to the 21st century including nano science, plastic materials, satellites (CANSat-project) and space weather;
- Provide extensive training to our employees, which, *inter alia*, include 3 conferences for executive heads every year and an annual conference for teachers;
- Appoint leading educationalists at our schools;
- Enhance development through the extensive use of technology in the form of computers, data projectors, interactive whiteboards, tablets and extensive access to the internet which enhances the sharing and delivering of learning material, as well as general management.

Financial

For the period under review, revenue has increased by 54% from R315.6 million to R487.2 million. EBITDA has increased by 89% from R51.3 million to R96.7 million. The EBITDA margin has increased from 17% to 20%. Headline earnings have increased by 95% from R14.0 million to R27.3 million with earnings per share increasing by 73% from 5.2 to 9.0 cents per share and headline earnings per share increasing by 76% from 5.1 to 9.0 cents per share.

Dividends

No dividends have been declared for the period under review.

Prospects

As a result of the proven demand for the variety of schools that is being offered by Curro, the Company should, by year end, achieve its pre-listing statement target of 40 schools. This is 5 years ahead of the Company's initial schedule. Curro also remains on track to achieve its revised target of 80 schools by 2020.