



CURRO

Results for the
six months
ended
30 June 2021

Andries Greyling and Cobus Loubser
18 August 2021



CURRO

Business overview

Andries Greyling



AGENDA

- ▶ Introduction
- ▶ Why Curro?
- ▶ Highlights of the six months ended 30 June 2021
- ▶ Learner number growth
- ▶ Strategic focus, resilience in approach
- ▶ Conclusion

INTRODUCTION

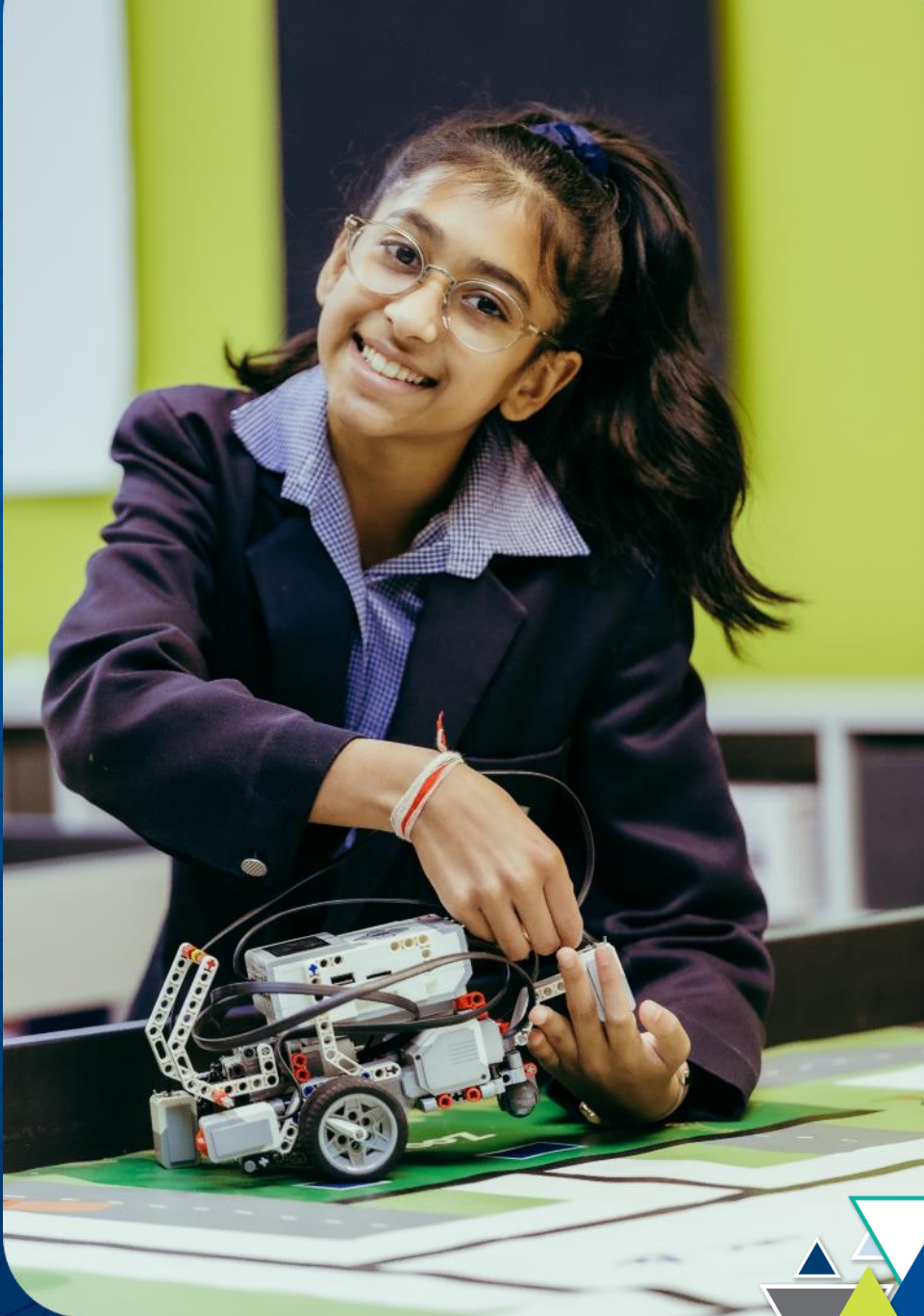
Schools sector heavily hit by COVID-19

One of most affected and disrupted sectors

Resulted in severe pressure for schooling sector

Future remains unpredictable and volatile



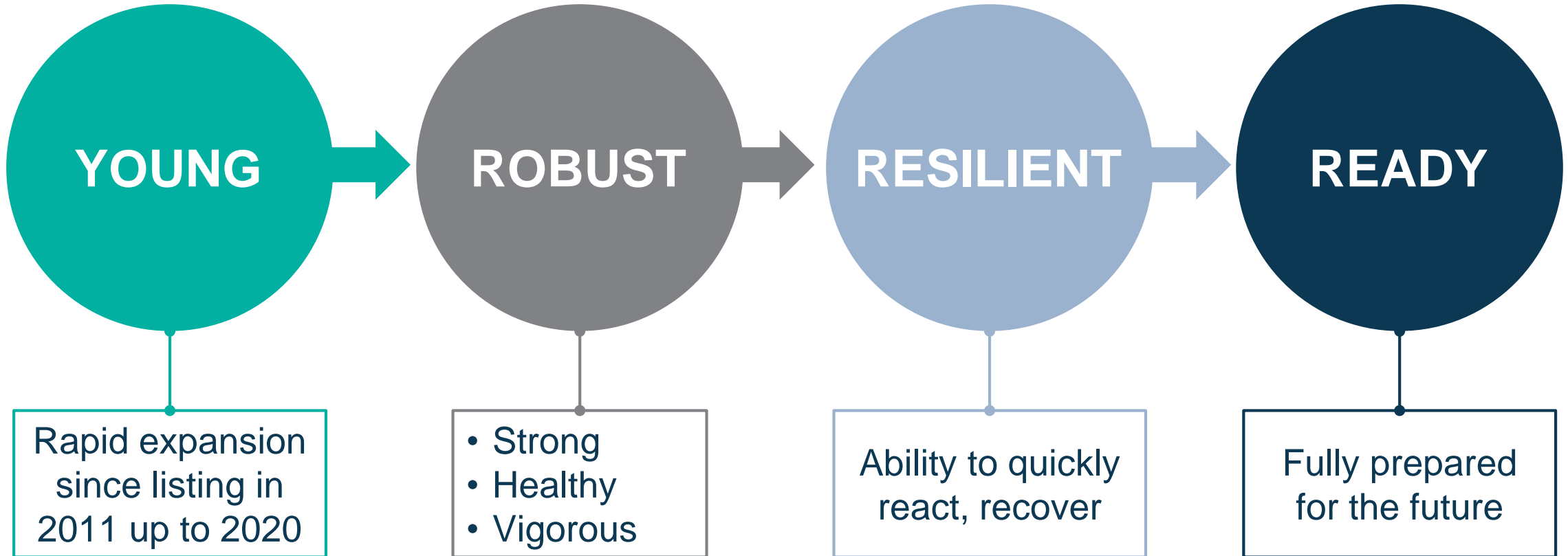


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WHY CURRO?



WHY CURRO?



WHY CURRO?

- ▶ Focus on **delivering affordable, quality education** to the children of southern Africa
- ▶ Have shown **significant business growth** in the past decade
- ▶ **Young, trusted brand** with track record of academic excellence
- ▶ **Young, growing portfolio of schools**, with majority being cash generative
- ▶ We offer **models for quality independent schooling at different price levels**
- ▶ **Robust, seamless digital tuition offering** – proven success during the recent lockdown when schools were closed, and contact-teaching was limited
- ▶ **Efficient campus design and funding methodology**

WHY CURRO?

- ▶ **Holistic offering in terms of curriculum, sport and culture**
- ▶ **Strong predictability** in the business model
- ▶ **High proportion** of annuity income
- ▶ **High cash generation**
- ▶ **Centralised services** drive operational efficiencies
- ▶ **Specialist and experienced management team** (strengthened further in 2020)
- proven track record of value creation



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HIGHLIGHTS



HIGHLIGHTS OF THE SIX MONTHS ENDED 30 JUNE 2021

AVERAGE LEARNER NUMBERS

From 61 746 to 66 167

▲7%

REVENUE

From R1 590m to R1
784m

▲12%

CASH GENERATED FROM OPERATING ACTIVITIES

From R355m to R525m

▲48%

EBITDA

From R466m to R390m

▼16%

HEPS

From 37.9 cents to 19.4 cents

▼49%

RECURRING HEPS

From 39.7 cents to 19.4 cents

▼51%

FINANCIAL ACHIEVEMENT

		FULL YEAR				6 MONTHS	
		2011	2014	2018	2020	Jun-20	Jun-21
Campuses	#	12	32	58	76	76	76
Schools	#	24	80	138	177	177	178
Learners	#	4 200	28 737	51 305	60 777	61 746	66 167
Revenue	R'm	166	1 001	2 496	3 094	1 590	1 784
EBITDA	R'm	10	192	627	686	466	390
<i>EBITDA Margin</i>	<i>%</i>	<i>6%</i>	<i>19%</i>	<i>25%</i>	<i>22%</i>	<i>29%</i>	<i>22%</i>
Cumulative capital invested	R'm	574	3 813	8 979	10 915	10 557	11 289
Cash generated from operations	R'm	7	247	388	514	525	355

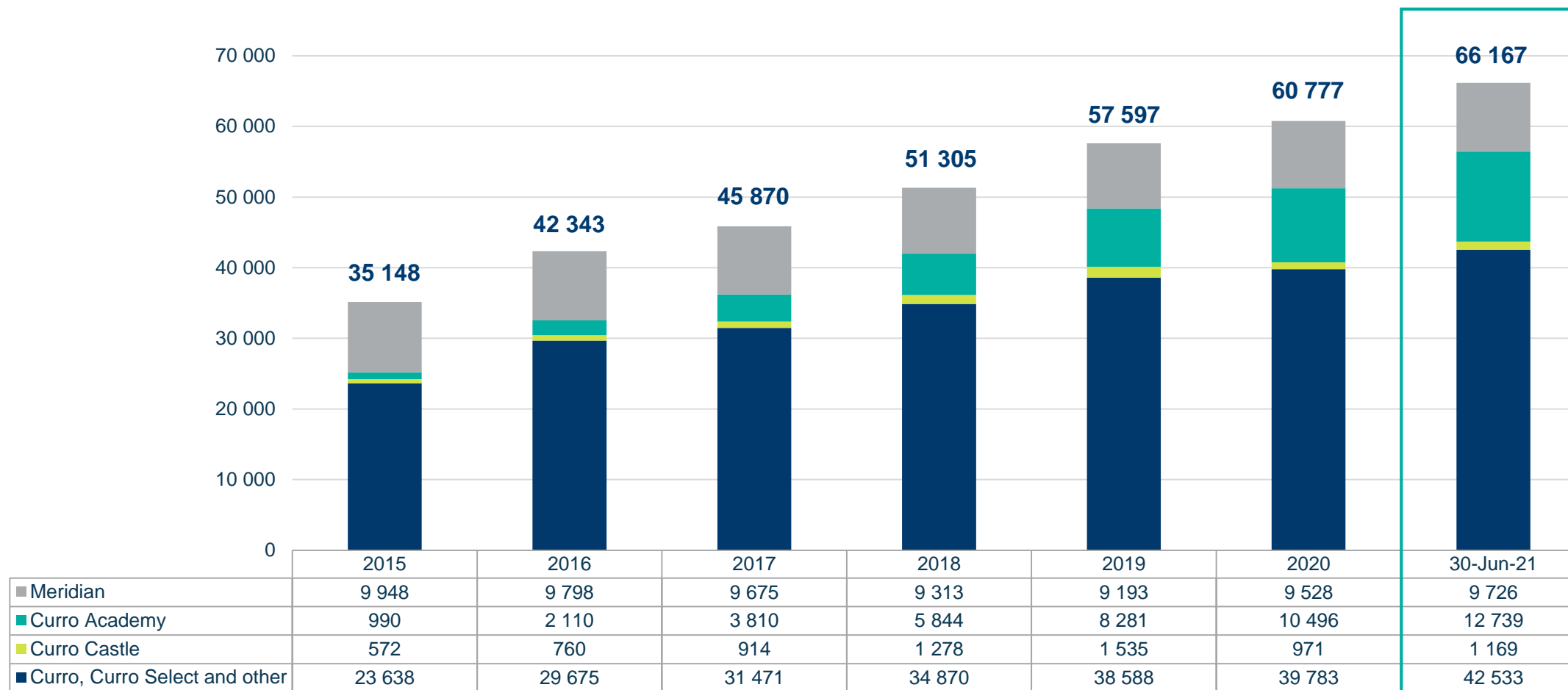


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LEARNER NUMBERS



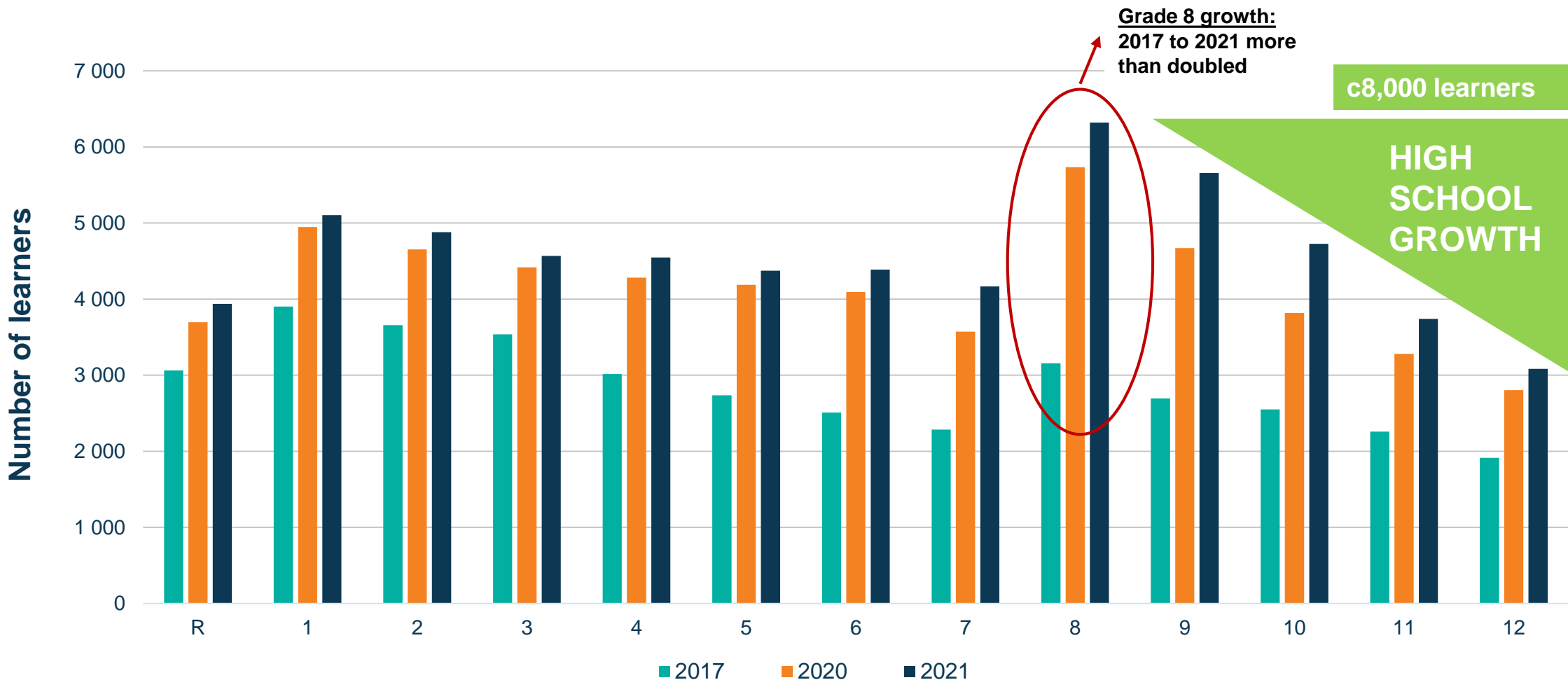
LEARNER NUMBER GROWTH OF 7%



The learner numbers presented are the average learners for the year.

LEARNERS PER GRADE

Expansion is available from high school, based on rollover from Grade 8 to Grade 12



LEARNER NUMBERS

- ▶ 3 500 non-paying accounts exited in December 2020; pre-school learners declined by 2 000 learners since 2019 (as per strategic decision)
- ▶ Even with the above negative factors, learner numbers have grown to **66 366**
- ▶ 4 040 learners that had left in previous years **returned to Curro schools** in 2021
- ▶ Learners leaving during 2021 is below pre-COVID-19 levels, while enrolments per month is tracking above pre-COVID-19 levels
- ▶ 3 538 parents transferred between schools in southern Africa or between our models
- ▶ The financial risk for learners currently in Curro schools is **lower than in prior years**
- ▶ Utilisation of eventual capacity grew to 60% and is at 70% of built capacity



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STRATEGIC FOCUS



STRATEGIC FOCUS



CONSOLIDATE

- Realign business where necessary
 - Limit exposure in preschools (babies to 3 years old)
 - Exit non-profitable schools (already closed one school)
- Focus on operating leverage
 - Annual cost and capital focus to grow margin and return on capital
 - Fill capacity
- Financial prudence and reorganisation where required



EXPANSION

- Capital allocation to grow schools, limit capital spend on under performing schools
 - Investment in digital offering to reduce fixed cost base at schools
- Fill capacity at existing schools as grades phase in



OPPORTUNITIES

- Consider attractive opportunities
 - Quality assets at attractive prices
 - Infrastructure at substantial discounts to replacement value with growth and cost-saving potential
- Curro Choice enhancement
- Expansion of digital models
- NCV offerings

DRIVE ANNUAL GROWTH IN OPERATING MARGIN AND RETURN ON ASSETS

STRATEGIC PROGRESS

Clear stance on vaccination
to ensure that we can return
to a new normal

**Enhanced safety and
security** at our schools

Action against excessive
municipal cost

Committed to **affordable,
quality education**



Unlimited subject choice:
Offer high school learners' options for
personalised learning

**Optimising capacity, further
investment in IT infrastructure**

New financial systems

**Concerted collection
efforts**



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CONCLUSION



CONCLUSION

The past 18 months tested and highlighted the resilience and agility of our business and its people



We will stay cautious – economy will remain volatile, we need to gear accordingly



Cost and capital expenditure managed



Our school models are healthy and serve meaningful market segments



Focused on utilising our platform to optimise our service delivery



Our business is agile and capable, and our value proposition remains strong



Focused on driving effectiveness and efficiencies



We have the capability to provide quality education through any mode of delivery to the learners of southern Africa



Focus on delivering quality education remains non-negotiable



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Financial commentary

Cobus Loubser



AGENDA

-  **Earnings**
-  **Revenue**
-  **Operating expenses**
-  **Trade receivables**
-  **Capital structure and capex**

Earnings per share

	Six months to 30 June 2021 Cents	Var %	Six months to 30 June 2020 * Cents
Recurring headline earnings per share (RHEPS)	19.4	(51.1%)	39.7
Headline earnings per share (HEPS)	19.4	(48.8%)	37.9
Earnings per share (EPS)	21.7	(1.4%)	22.0

* Restated results for the six months to 30 June 2020 to account for the bonus effect of the rights offer

DIFFERENCE BETWEEN EPS, HEPS AND RHEPS

In evaluating these results, the following matters should be considered:

- **2021 Earnings ***
 - Dilutive effect of rights offer, with 42% more weighted average shares in issue in first half
- **Base effect in 2020 Earnings ***
 - R167 million of total recurring headline earnings for 2020 of R179 million was recorded in the first half of the 2020 year.
 - EPS included impairments of R83 million. This is added back for calculation of HEPS, and accounts for the key difference between HEPS and EPS
 - HEPS included a non-recurring acquisition cost of R7 million.

** All amounts are disclosed net of the tax effect*

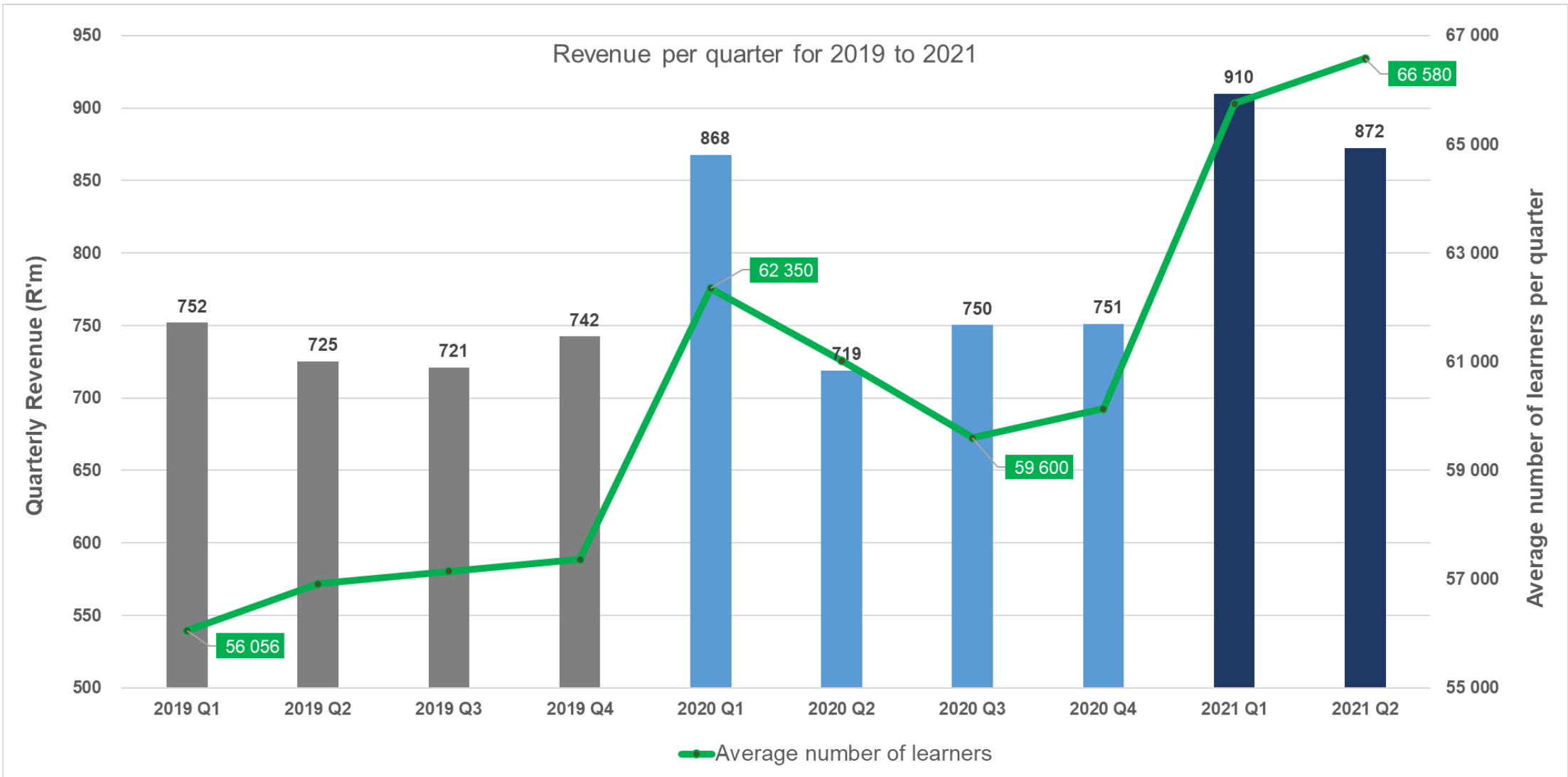
BALANCE OF EARNINGS

	First Half 2021	First Half 2020	Second Half 2020 <i>[Note 1]</i>	Full year 2020	First half of 2020 as % of full year 2020
<i>Earnings (R' million):</i>					
Recurring Headline	116	167	12	179	93%
Headline	116	160	11	171	94%
<i>Earnings per share (cents):</i>					
RHEPS	19.4	39.7	(1.7)	38.0	
HEPS	19.4	37.9	(1.5)	36.4	
EPS	21.7	22.0	(28.5)	(6.5)	
<i>Weighted average number of shares in issue (million)</i>	598	420	<i>Note 1</i>	471	42%

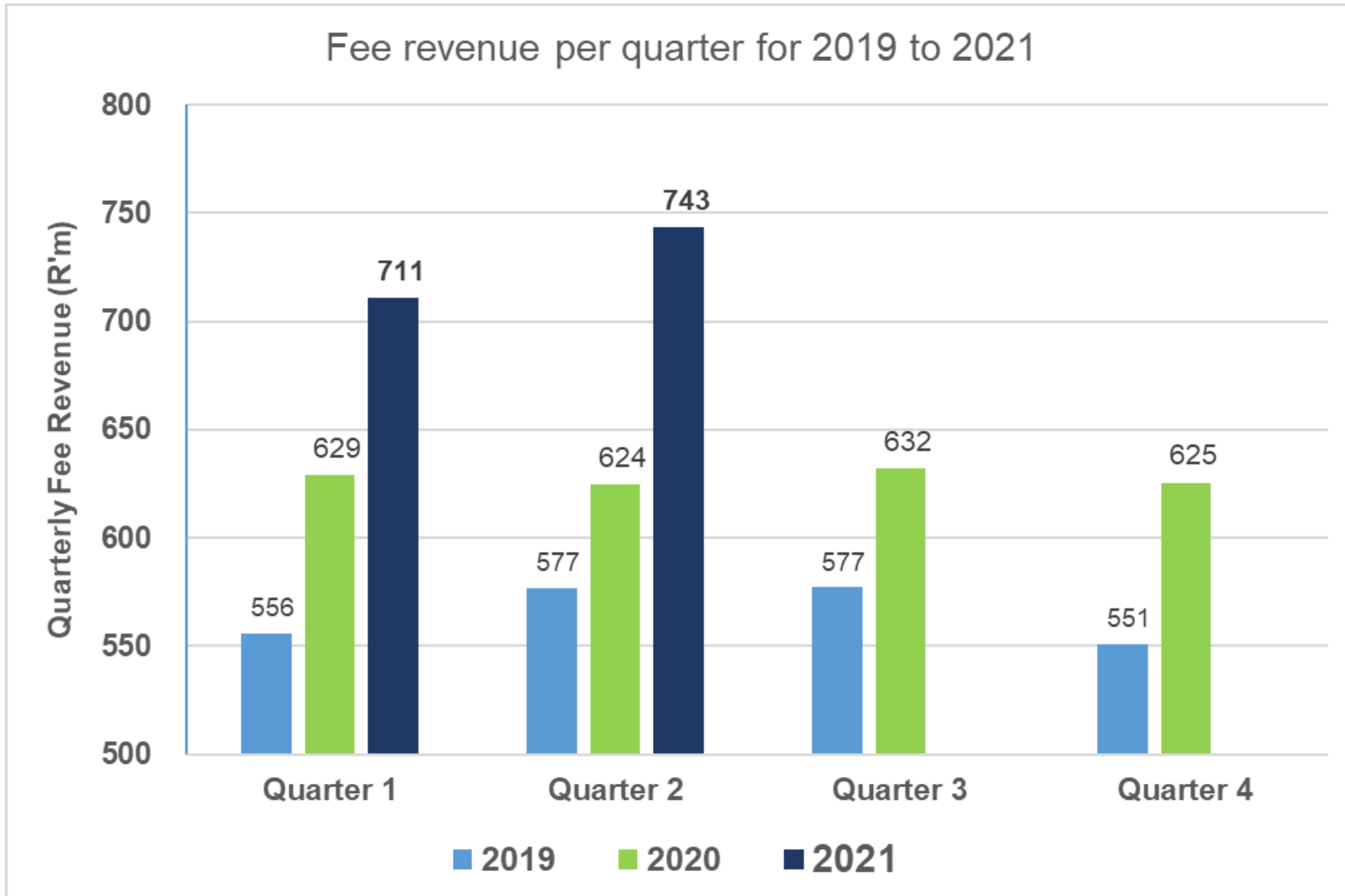
Note 1: Due to the rights offer during September 2020, the earnings per share for the second half of 2020 represents the absolute difference between the audited full year and restated first half earnings for 2020, rather than a recalculation using weighted shares in issue.

- Earnings for previous year ended 31 December 2020 ('2020') weighted toward the first half ("H1") of 2020.
- R167m or 93% of the total recurring headline earnings for 2020 of R179m recorded in H1.
 - Closure of schools resulted in certain cost savings in H1 2020
 - Impairments, fee discounts, provisions for expected credit losses and increases in municipal charges impacted more on second half of 2020.
- Rights issue is dilutive.
- We expect a more balanced distribution of earnings across the 2021 financial year.

REVENUE AND LEARNER GROWTH



RESILIENT GROWTH IN FEE REVENUE

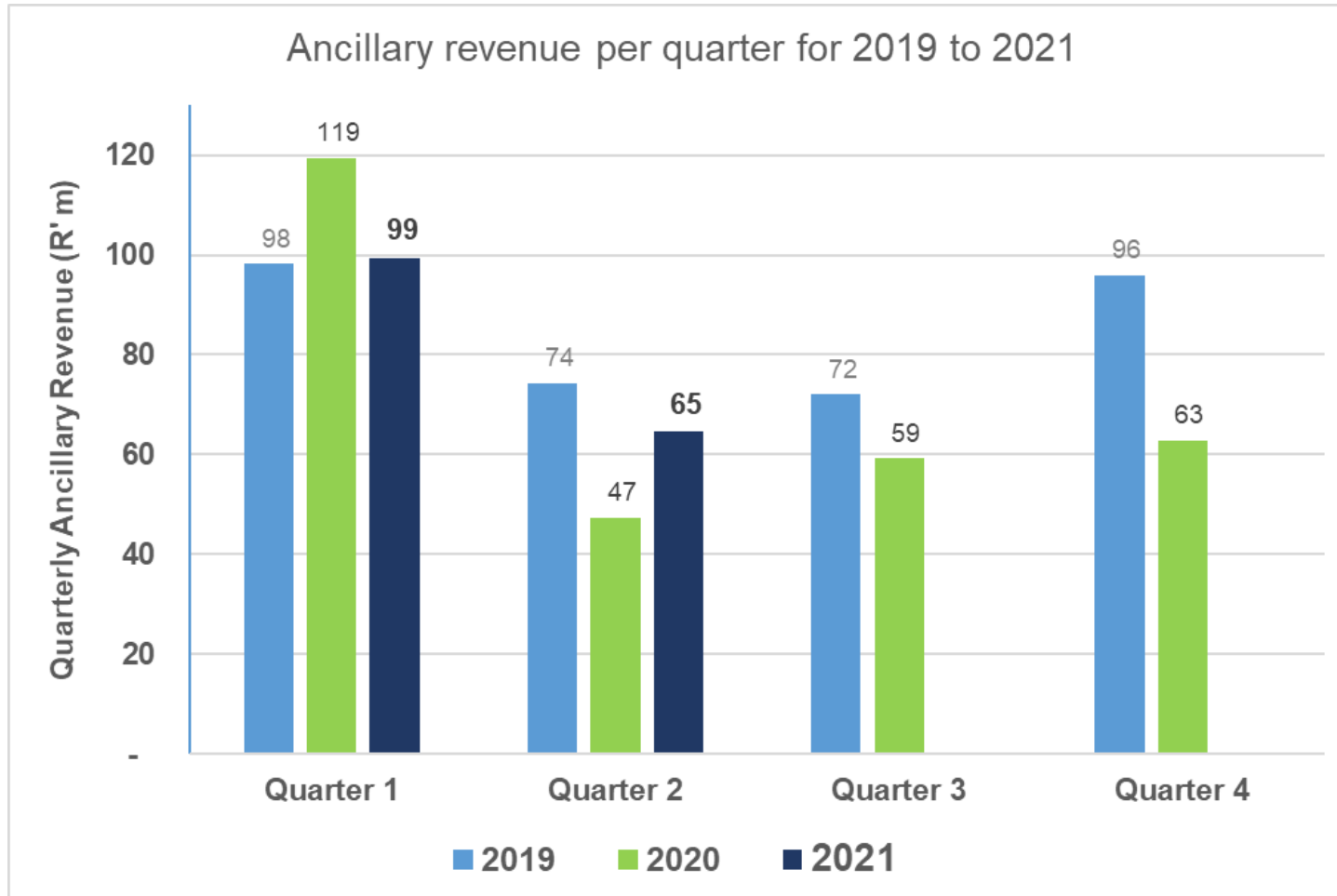


- Strong learner growth in 2021, with average learner numbers up 7% on the first half of last year
- Total revenue increased by 12% as a result of learner growth coupled with fee increases
- Fee revenue increased by 14% in the first half of 2021 on the first half of 2020.

Fee revenue consists of registration and tuition fees, net of discounts granted.

ANCILLARY REVENUE

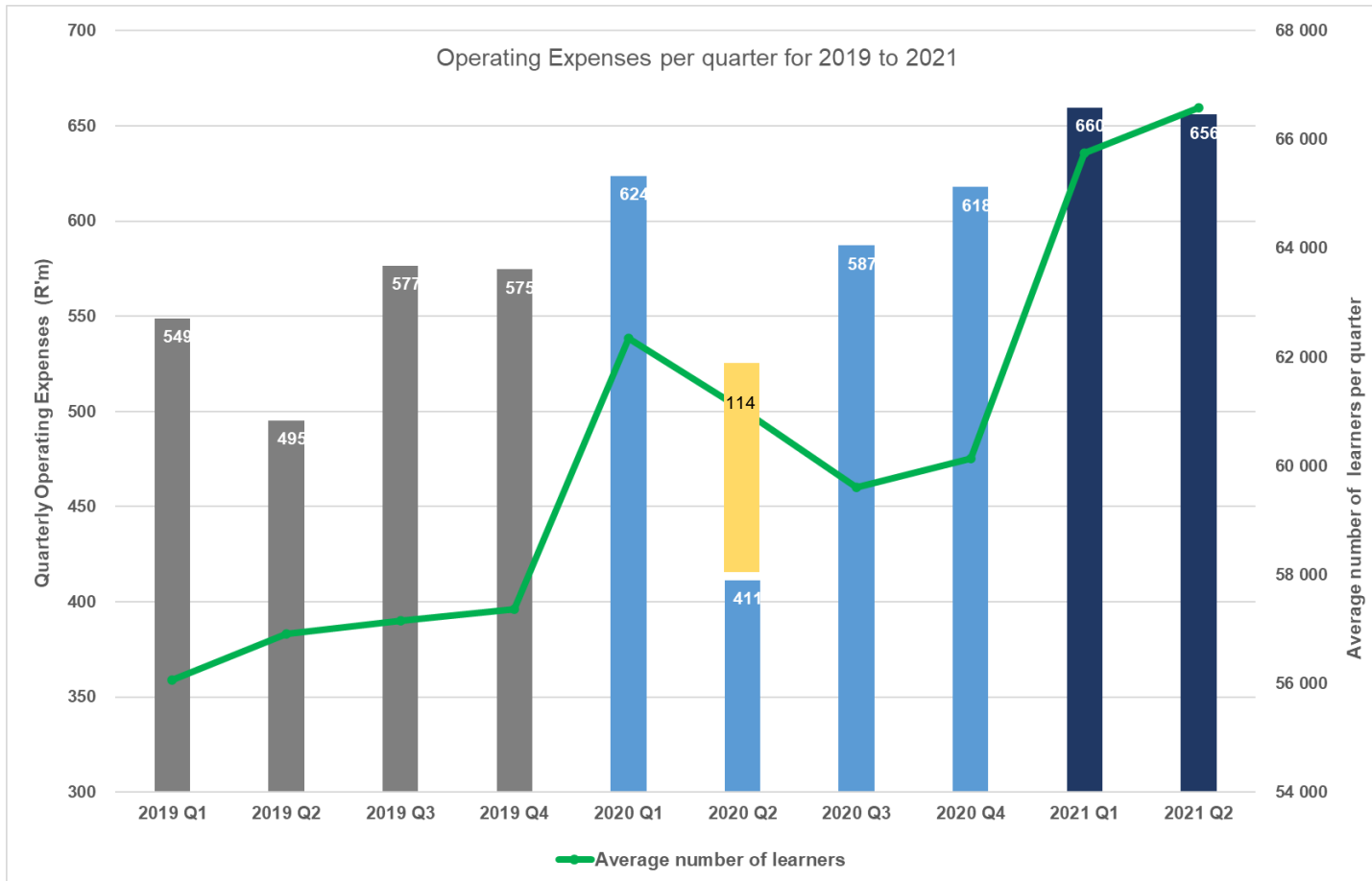
- Ancillary revenue is recovering gradually but still constrained



- Ancillary revenue consists of the non-tuition fee revenue lines, being rentals, boarding school fees, other income, aftercare fees, bus income etc
- Ancillary revenue improved in second half of 2020 as learners returned to schools but is still below normal activity.
- Average learner numbers increased by 7% from the first half of 2020 and by 17% from the first half of 2019.
- Despite increase in learners, ancillary revenue in the first half of this year was 2% lower than the first half of 2020 and is 5% lower than the first half of 2019.

OPERATING EXPENSES (1)

- Schools closed in the second quarter of 2020 with concomitant cost savings in first half of 2020
- Fully operational in the second half of 2020 and in 2021.

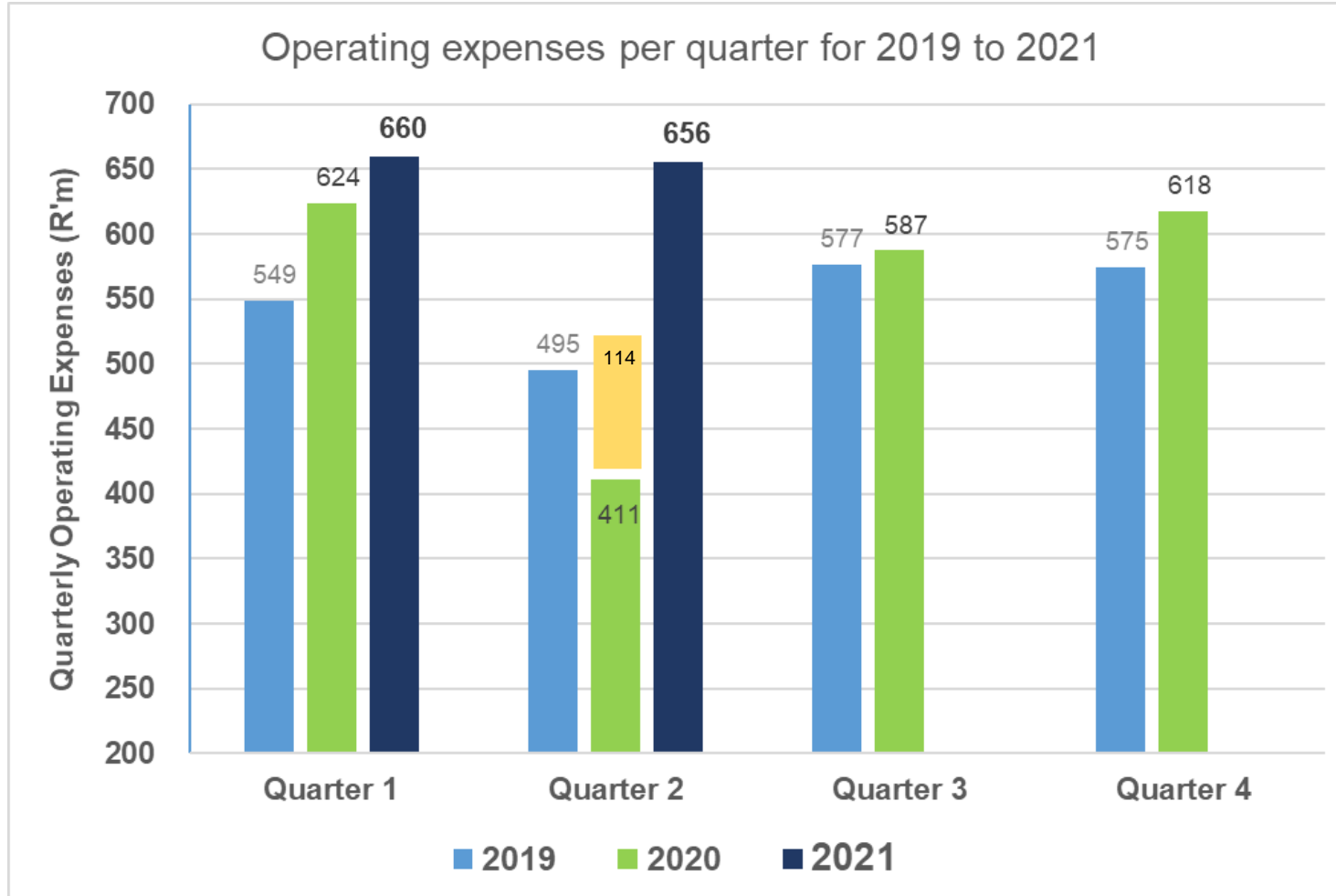


- It is helpful to compare the first half of 2021 with the first half of 2019:
 - Average learner numbers increased by 17%
 - Fee income increased by 24%
 - Salary costs increased by 24%
 - Facility costs increased by 55%
 - Other operating costs increased by 18%

Note: Operating expenses in the adjacent graph include employee costs, but exclude depreciation

OPERATING EXPENSES (2)

- Savings in second quarter of 2020 has base effect when comparing to 2021



Note: Operating expenses in the adjacent graph include employee costs, but exclude depreciation

- Operating costs in first quarter of 2021 is 5.7% higher than the comparable first quarter of 2020.
- Base effect: Curro had cost savings in second quarter of 2020 in response to effect of national lockdown, including TERS received.
- Extra-curricular activities still restricted
- Facility costs (water, electricity and municipal rates) increased by 18% to R162m in the first half of 2021 (2020: R137m).

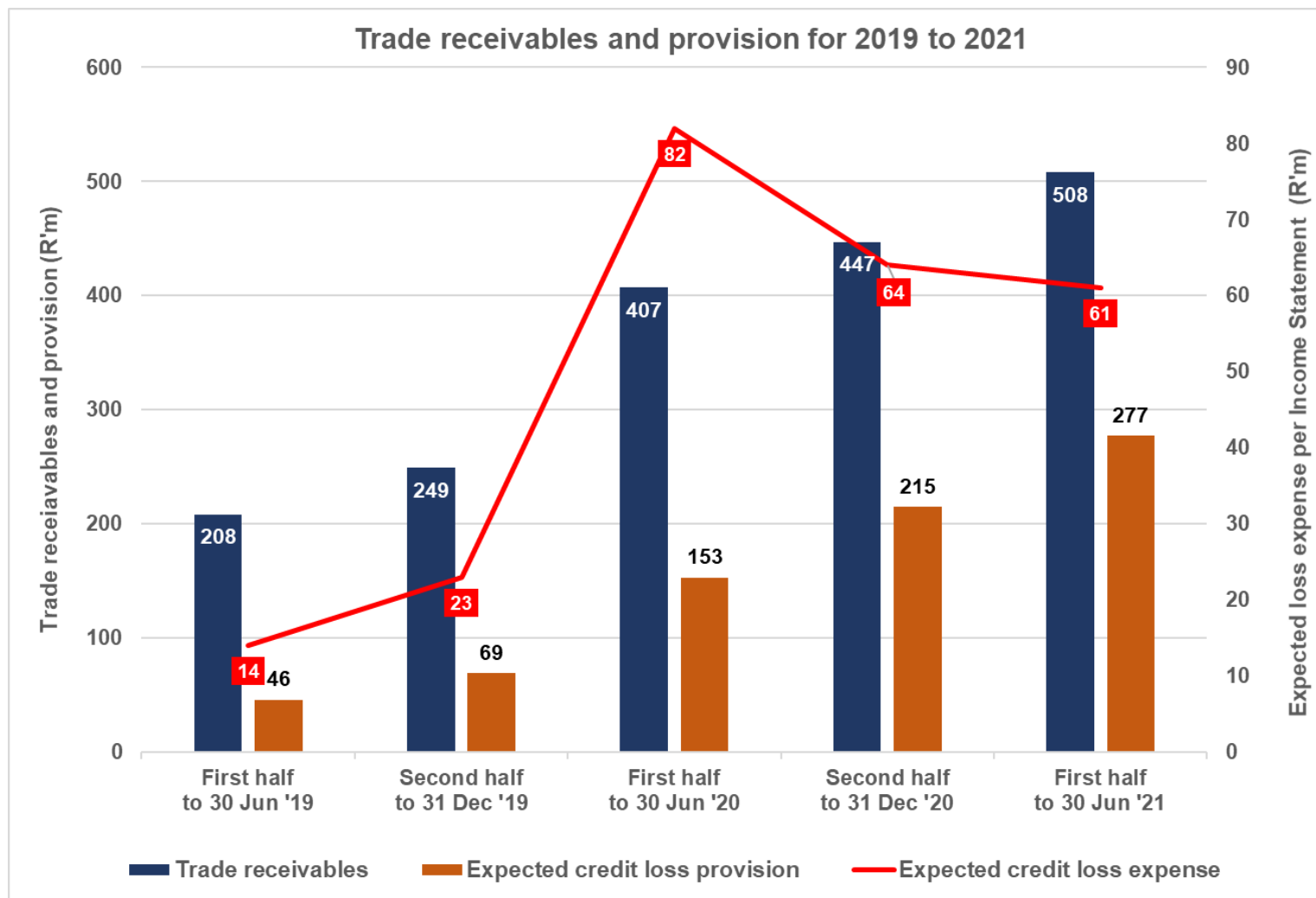
TRADE RECEIVABLES (1)

- Gross receivables increased to R508 million (2020: R447 million)
- Curro tolerated higher levels of overdue accounts to retain learners where possible
- IFRS 9 effect: receivable balances retained longer
- Aging improved due to enhanced debt collection process

(R'm)	Less than 90 days	91 - 180 days	181 - 360 days	361 - 540 days	More than 540 days	Total
30 June 2021						
Gross trade receivables	101	53	65	96	193	508
Loss provision	(4)	(7)	(23)	(59)	(184)	(277)
<i>Expected loss rate</i>	4,0%	13,3%	35,3%	61,3%	95,2%	54,5%
31 December 2020						
Gross trade receivables	68	55	139	58	127	447
Loss provision	(3)	(8)	(51)	(35)	(118)	(215)
<i>Expected loss rate</i>	4,4%	14,5%	36,7%	60,3%	92,9%	48,1%

- Tougher stance on overdue accounts
- Provided prudently in terms of the revised credit loss provision methodology
- Full balance of each account is allocated under its oldest aging category
- This categorisation better recognises risk that the full balance may not be collected

TRADE RECEIVABLES (2)

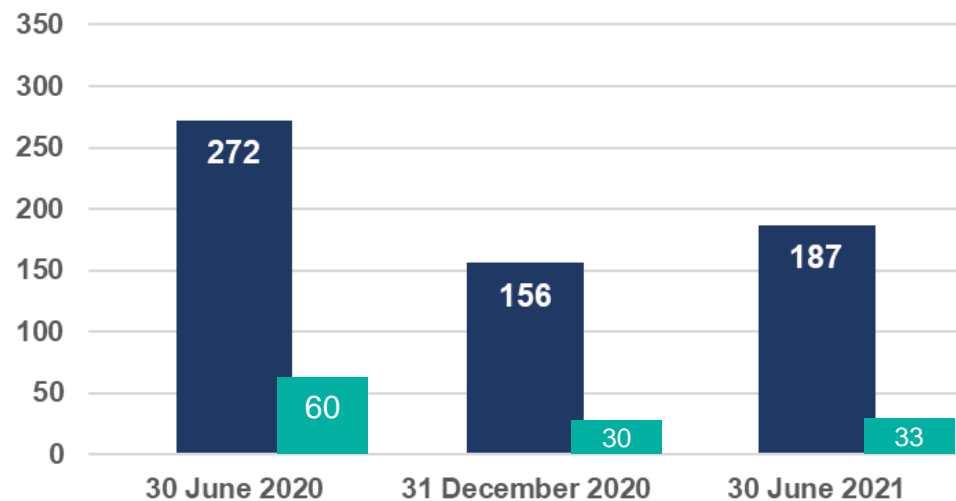


- Gross receivables increased by 14% in the first half of 2021 from year-end 2020.
- The expected credit loss provision increased by R61 million (First half of 2020: R82 million)
- Loss provision is at 55% of gross receivable (2020: 48%)
- Collections of overdue accounts improved in general, with the aging and quality of the active book in particular improving.

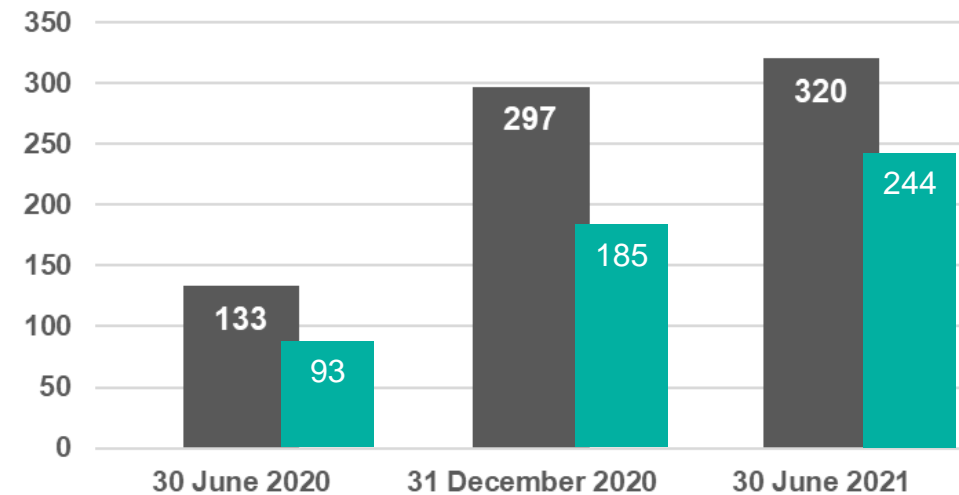
TRADE RECEIVABLES (3)

- Receivables are split between **Active** (learners still in schools) and **Inactive** (learners who left Curro).
- The aging and quality of the Active book has improved over the last 12 months.
- Nonperforming portion of debtors book mainly relates to Inactive book, with concerted efforts to recover this.

Active Debtors' Book and Provision (R'm)



Inactive Debtors' Book and Provision (R'm)



CAPITAL STRUCTURE

▶ Debt

- Interest-bearing debt, net of cash and money market investments, reduced by R1.4 billion from June 2020 to June 2021, funded by the rights issue proceeds and cash generated.
- Cash generated from operating activities increased by 48% to R525m (2020: R355m)
- Net finance cost in the first half of 2021 reduced by R44m to R91m (2020: R135m)
- Medium-term capex and acquisitions to be funded from operational cashflows and debt

▶ Rights issue of R1.5 billion successfully completed in September 2020

- Curro has 597,961,595 shares issued (30 June 2020: 412,087,989 shares)
- Dilutive effect: Weighted average number of shares to calculate earnings per share for 2021 was 597,961,595 (Restated first half of 2020: 420,384,587 shares)

▶ Dividend

- Dividend suspended to preserve cash and fund growth prospects
- Dividend policy will be re-evaluated at the end of this year

CAPEX

- ▶ Invested R374 million in the business in the first half of 2021 (H1 2020: R302 million)
 - Mainly completed projects started in 2020 to expand capacity and replace moveable assets
 - Construction of new Curro Durbanville high school campus at Phesantekraal
- ▶ Primary objective remains increased capacity utilisation of existing facilities
- ▶ Plans to invest R1.1 billion in 2021, including acquisition of Heronbridge College.



Curro Durbanville (Architectural Representation)



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QUESTIONS?





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LIBRARY



CURRO PRODUCT ROADMAP

1998 to
2012

Curro, Select, Curro Castle

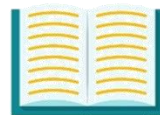
Enriched curriculum, wide variety of sports, cultural and extramural activities, superior facilities, IEB examination

START

2013 to
2015

Meridian and Academy

Enriched curriculum, focussed sports and cultural activities, cost-sensitive, NSC examination



2019

Assisted learning and NCV

Assisted learning: high-quality academic intervention, teaching styles adapted to suit learner needs, CAPS curriculum, NSC examination

NCV: Runs parallel to Grade 12, high-standard, skills-focussed allowing learners to specialise from a school-going age



CURRO DigiEd

Innovative, technologically-advanced, project-based learning through e-learning tools and videos, teachers/tutors provide one-on-one assistance as needed.



2019/
2020

Curro Online

Alternative to mainstream schooling, high-quality curriculum, home-based with teacher touchpoints throughout the day, designed for the parent who has limited time to supervise home-schooling.




Extended subject choices

Curro offers every high school learner the opportunity to broaden subject choice with e-learning option.



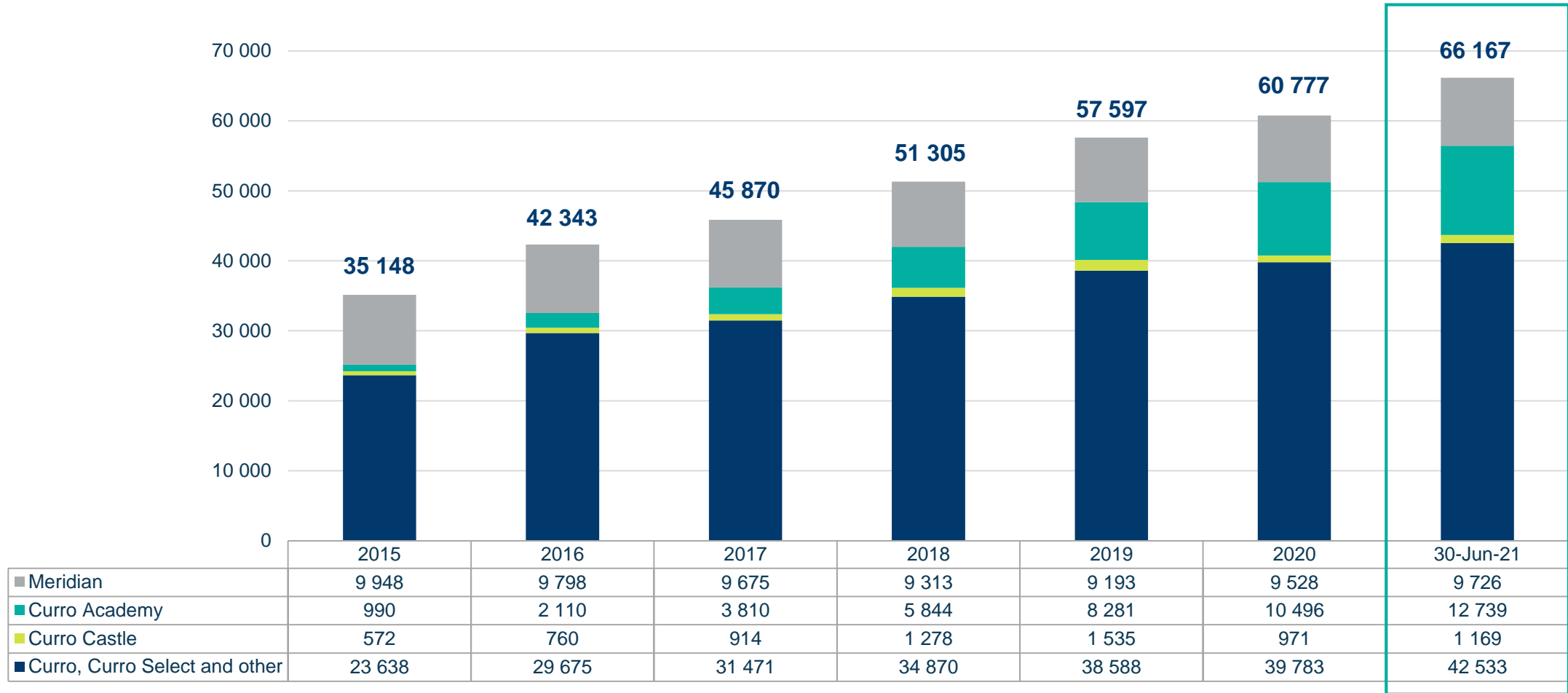
HISTORY SINCE 2011

Curro listed on the JSE in June 2011

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021	9-year CAGR
 Campuses	12	22	26*	32*	41	48	51	58	70	76	76	23%
 Schools	24	61	72	80	100	114	127	138	166	177	178	25%
 Average learners	4 200	12 473	21 027	28 737	35 148	42 343	45 870	51 305	57 597	60 777	66 167	35%

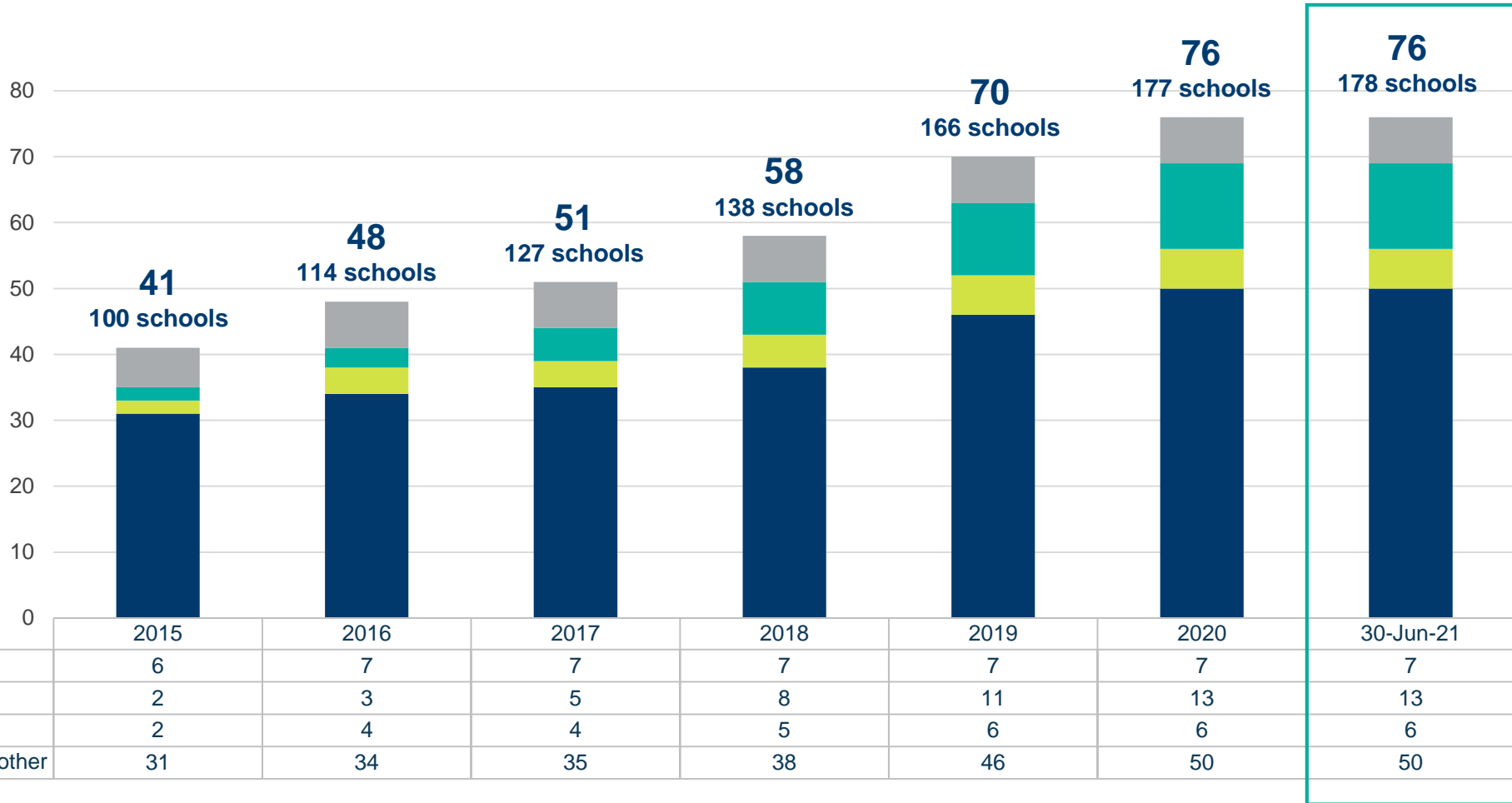
* Includes Embury Institute for Teacher Education in 2013 and 2014 campuses

AVERAGE NUMBER OF LEARNERS



The learner numbers presented are the average learners for the year.

NUMBER OF CAMPUSES



The campuses and schools presented are as at the end of each period presented

KEY INDICATORS

		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	5Yr CAGR	Jun-20	Jun-21	% Difference
Campuses	#	41	48	51	58	70	76	13%	76	76	0%
Schools	#	100	114	127	138	166	177	12%	177	178	1%
Average learners	#	35 148	42 343	45 870	51 305	57 597	60 777	12%	61 746*	66 167	7%
% of built capacity	%		69%	70%	69%	70%	69%		67%	70%	
Revenue	Rm	1 345	1 714	2 099	2 496	2 944	3 094	18%	1 590	1 784	12%
Schools EBITDA	Rm	375	487	594	772	873	886	19%	546	509	-7%
EBITDA	Rm	292	377	473	627	693	686	19%	466	390	-16%
EBITDA Margin	%	21%	22%	23%	25%	24%	22%		29%	22%	
Net interest expense	Rm	91	70	78	138	243	223	20%	135	91	-33%
HEPS (Recurring)	Cents	26.2	41.8	49	60.1	51	38	8%	39.7*	19.4	-51%
Learner/teacher ratio	#	15	17	17	17	18	18	4%	17	18	6%
Capital invested	Rm	1 010	1 486	1 136	1 493	1 246	650	-8%	292	374	28%
Cumulative capital invested	Rm	4 864	6 350	7 486	8 979	10 265	10 915	18%	10 557	11 289	7%
Total building size	m ²	449 067	558 683	598 194	656 081	700 946	713 084	10%	707 492	745 554	5%

* Adjusted for the bonus element contained in the rights issue concluded during September 2020.

J-CURVE – 30 June 2021

	Campuses		Average learner numbers			Growth		Schools' EBITDA (R million)			Growth		Schools' EBITDA margin			Built capacity utilised			Eventual capacity utilised		
	2021	2021	2019	2020 [#]	2021	19/20	20/21	2019	2020	2021	19/20	20/21	2019	2020	2021	2019	2020	2021	2019	2020	2021
Developed schools	51	120	35 747	39 021	42 714	9%	9%	296	343	304	16%	(11%)	34%	35%	28%	65%	63%	66%	46%	45%	56%
2009 & before*	4	9	4 130	4 149	4 228	0%	2%	42	50	45	19%	(10%)	35%	40%	33%	85%	82%	85%	73%	71%	71%
2010	2	6	2 215	2 244	2 200	1%	(2%)	25	27	25	8%	(8%)	41%	41%	36%	75%	74%	61%	55%	55%	61%
2011	5	15	4 429	4 301	4 198	(3%)	(2%)	37	46	35	24%	(24%)	32%	38%	28%	63%	59%	61%	53%	50%	57%
2012	2	6	1 891	1 975	2 082	4%	5%	15	17	15	13%	(7%)	29%	31%	26%	72%	73%	77%	56%	57%	72%
2013	4	12	6 357	6 412	6 291	1%	(2%)	70	82	69	17%	(16%)	42%	48%	39%	73%	71%	68%	64%	65%	65%
2014	4	9	2 343	2 423	2 533	3%	5%	11	13	8	18%	(36%)	23%	25%	14%	56%	52%	70%	47%	46%	65%
2015	7	17	6 494	6 759	6 973	4%	3%	39	38	31	(3%)	(16%)	31%	29%	22%	65%	66%	65%	49%	50%	59%
2016	4	8	1 905	1 794	1 813	(6%)	1%	26	19	11	(27%)	(42%)	41%	30%	18%	49%	39%	46%	36%	29%	42%
2017	3	8	3 143	3 722	3 908	18%	5%	29	38	35	31%	(6%)	41%	44%	37%	91%	78%	75%	51%	58%	64%
2018	4	8	1 107	1 376	1 638	24%	19%	4	–	(4)	(100%)	–	17%	2%	(13%)	33%	39%	47%	17%	20%	43%
2019	7	13	1 733	3 367	4 609	94%	37%	(1)	19	31	n/a	58%	(4%)	31%	31%	43%	74%	79%	17%	32%	43%
2020	5	9	–	499	2 241	–	349%	–	(6)	3	–	n/a	–	(84%)	7%	–	16%	48%	–	7%	27%
Acquired schools	25	58	21 426	22 725	23 453	6%	3%	196	216	209	10%	(3%)	33%	35%	31%	80%	76%	78%	66%	67%	70%
2012 & before	7	17	7 261	7 571	8 011	4%	6%	82	78	88	(5%)	13%	38%	37%	37%	79%	76%	82%	64%	65%	77%
2013**	2	2	3 684	3 715	3 654	1%	(2%)	17	20	21	18%	4%	26%	32%	27%	74%	75%	79%	74%	75%	79%
2014	2	6	2 763	2 645	2 412	(4%)	(9%)	41	35	26	(15%)	(24%)	39%	38%	28%	85%	79%	69%	80%	74%	69%
2015 & 2016	5	14	4 468	5 208	5 110	6%	(2%)	32	46	40	44%	(12%)	27%	36%	26%	99%	80%	78%	71%	67%	72%
2018	3	6	1 881	1 984	2 020	5%	2%	20	27	28	35%	6%	38%	43%	44%	82%	81%	83%	56%	64%	59%
2019	4	8	1 369	1 216	1 342	32%	10%	4	9	8	125%	(15%)	11%	19%	21%	52%	67%	69%	44%	59%	51%
2020	1	3	–	386	608	–	57%	–	1	–	–	–	–	12%	(1%)	–	55%	84%	–	39%	52%
2021	1	2	–	–	296	–	–	–	–	(2)	–	–	–	–	(24%)	–	–	64%	–	–	64%
Non-recurring costs								–	(10)	–											
Property rental, royalties and other***								(1)	(3)	(4)											
Total	76	178	57 173	61 746	66 167	8%	7%	491	546	509	11%	(7%)	33%	34%	29%	70%	67%	70%	52%	51%	60%



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