



CURRO 2018 INTERIM RESULTS

AUGUST 2018





AGENDA

- Financial results
- Financial analysis
- Key questions answered
- Expanding our footprint
- Conclusion

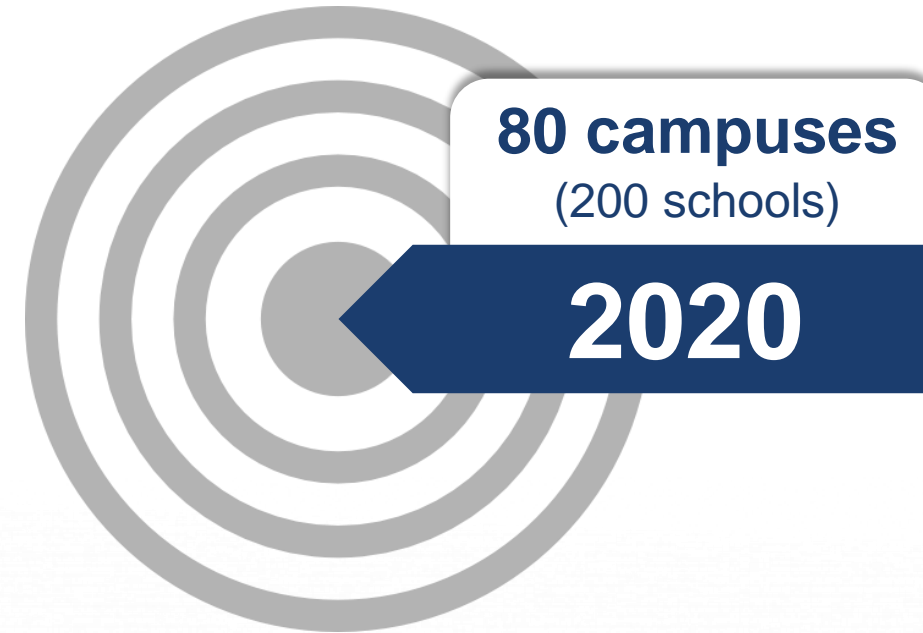




INTRODUCTION

PROMISE TO MARKET

- 1 Profitable growth
- 2 Improve EBITDA margin – schools' goal 40%
- 3 Attractive capital returns
- 4 Shareholder value/returns





FINANCIAL RESULTS



HIGHLIGHTS – JUNE 2018

Financial results

Continuing operations

REVENUE



From R1 051m
to R1 242m

SCHOOLS' EBITDA



From R316m
to R402m

EBITDA



From R255m
to R335m

HEADLINE EARNINGS



From R113m
to R138m



HIGHLIGHTS – JUNE 2018

Continuing operations HEPS



From 27.6 cents
to 33.6 cents

GROUP HEPS






From 26.9 cents
to 33.6 cents



HISTORY SINCE 2011

Curro listed on the JSE – June 2011

	2011	2012	2013	2014	2015	2016	2017	2018
 Campuses		22	26*	32*	41	48	51	57
 Schools	24	61	72	80	100	114	127	139
 Learners	4 200	12 473	21 027	28 737	35 148	42 343	45 870	50 691

*Includes Embury Institute for Teacher Education

WHY 57 CAMPUSES, 139 SCHOOLS?

57 versus 60 campuses

- 1 Baobab included as of July 2018 (1 campus)
- 2 Academy 1 and Academy 2 in the Free State – last part of year (2 campuses)

Acquisitions

- 3 Dot's Learning Centre – March 2018
- 4 Cooper College – April 2018

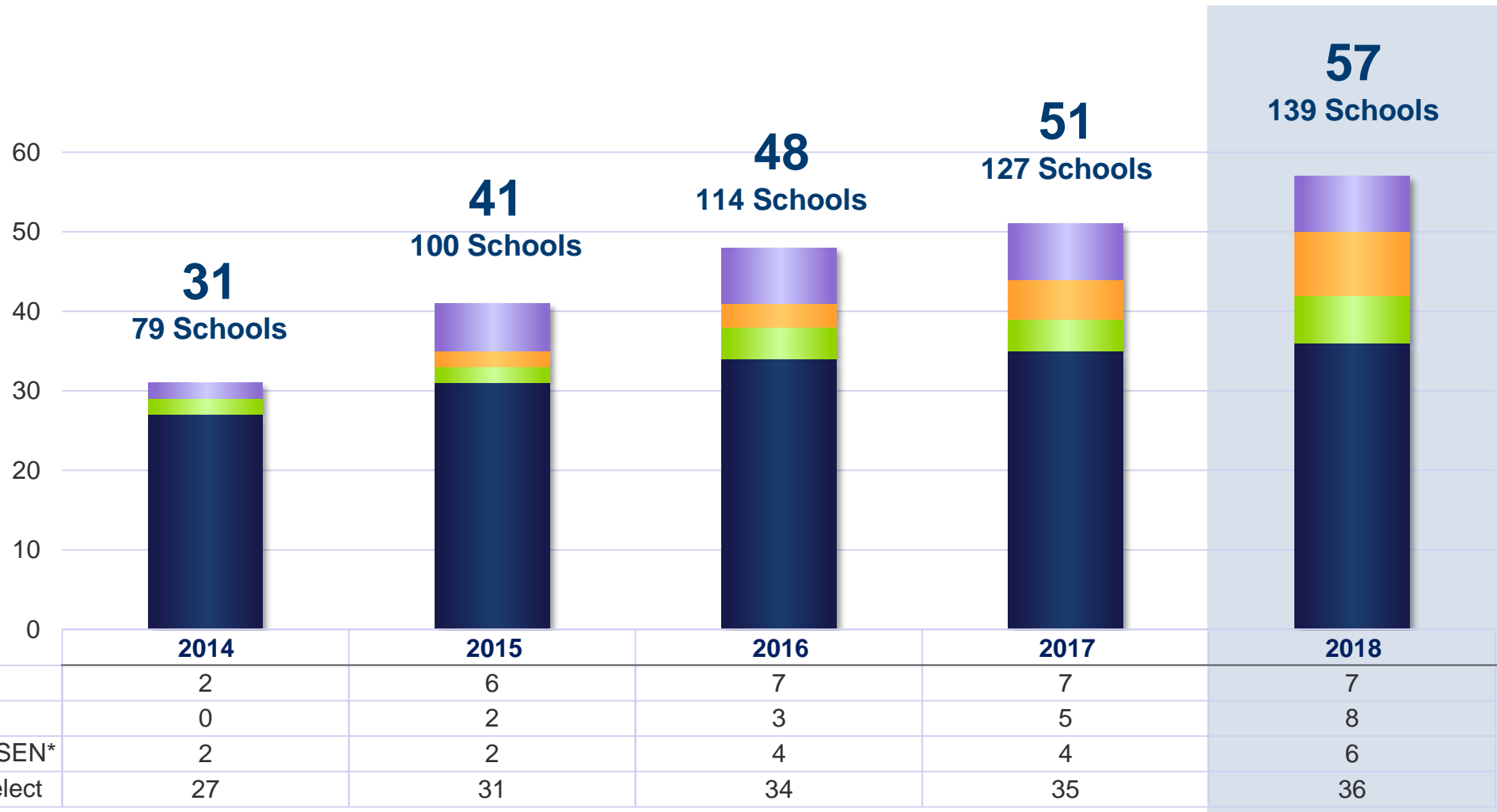


FINANCIAL ANALYSIS

CURRO



NUMBER OF CAMPUSES

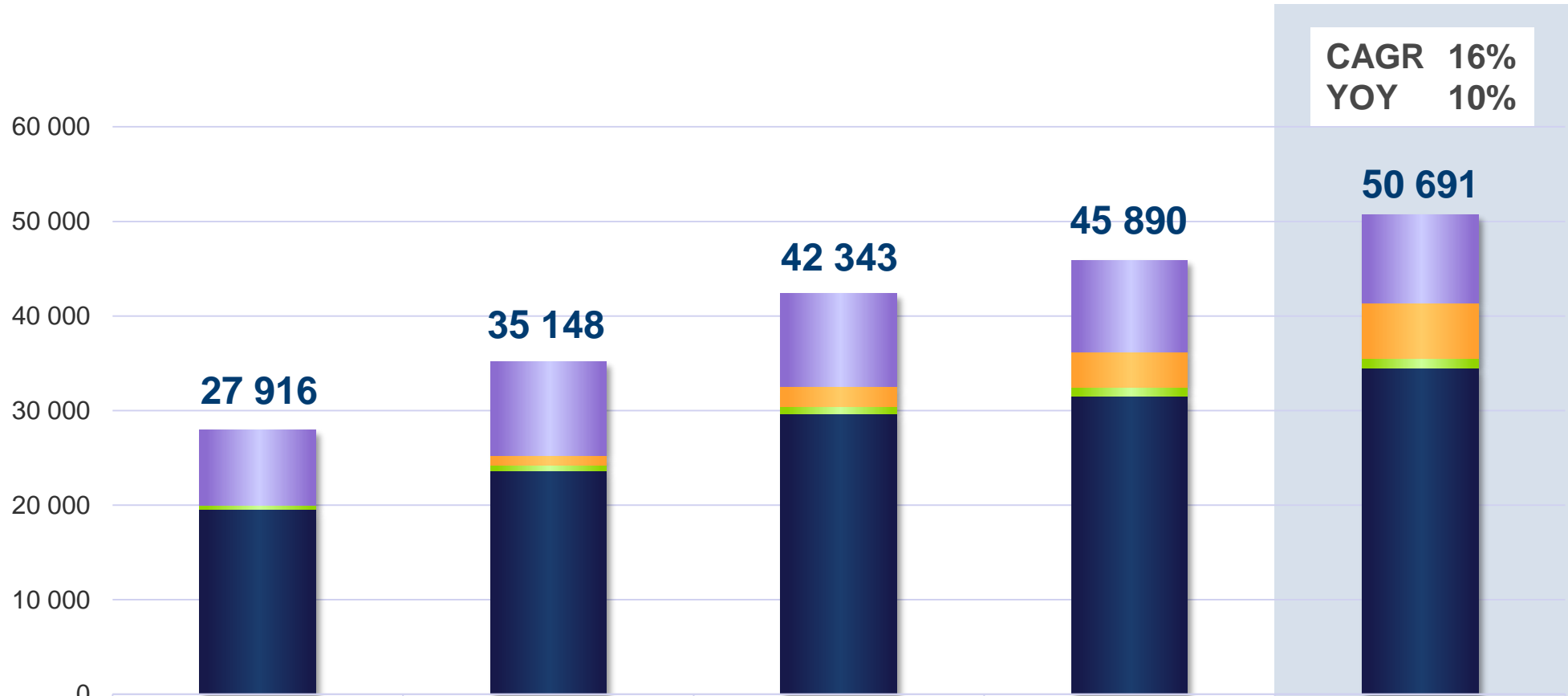


*2018 includes 1 LSEN campus



NUMBER OF LEARNERS

Financial analysis

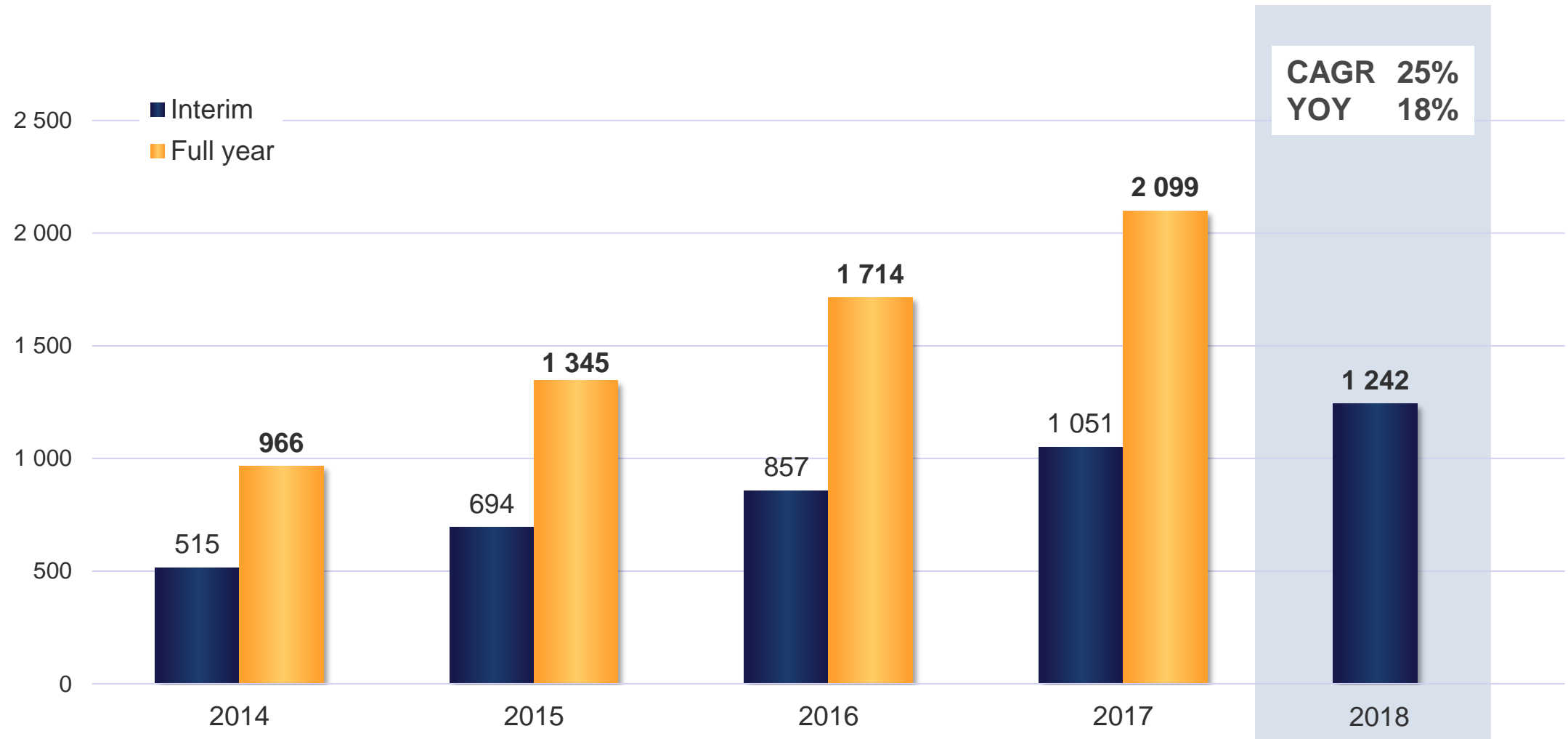


	2014	2015	2016	2017	2018
Meridian	7 941	9 948	9 798	9 675	9 335
Curro Academy	0	990	2 110	3 810	5 834
Curro Castle and LSEN*	474	572	760	914	1 062
Curro and Curro Select	19 501	23 638	29 675	31 491	34 460

*2018 includes 99 LSEN learners



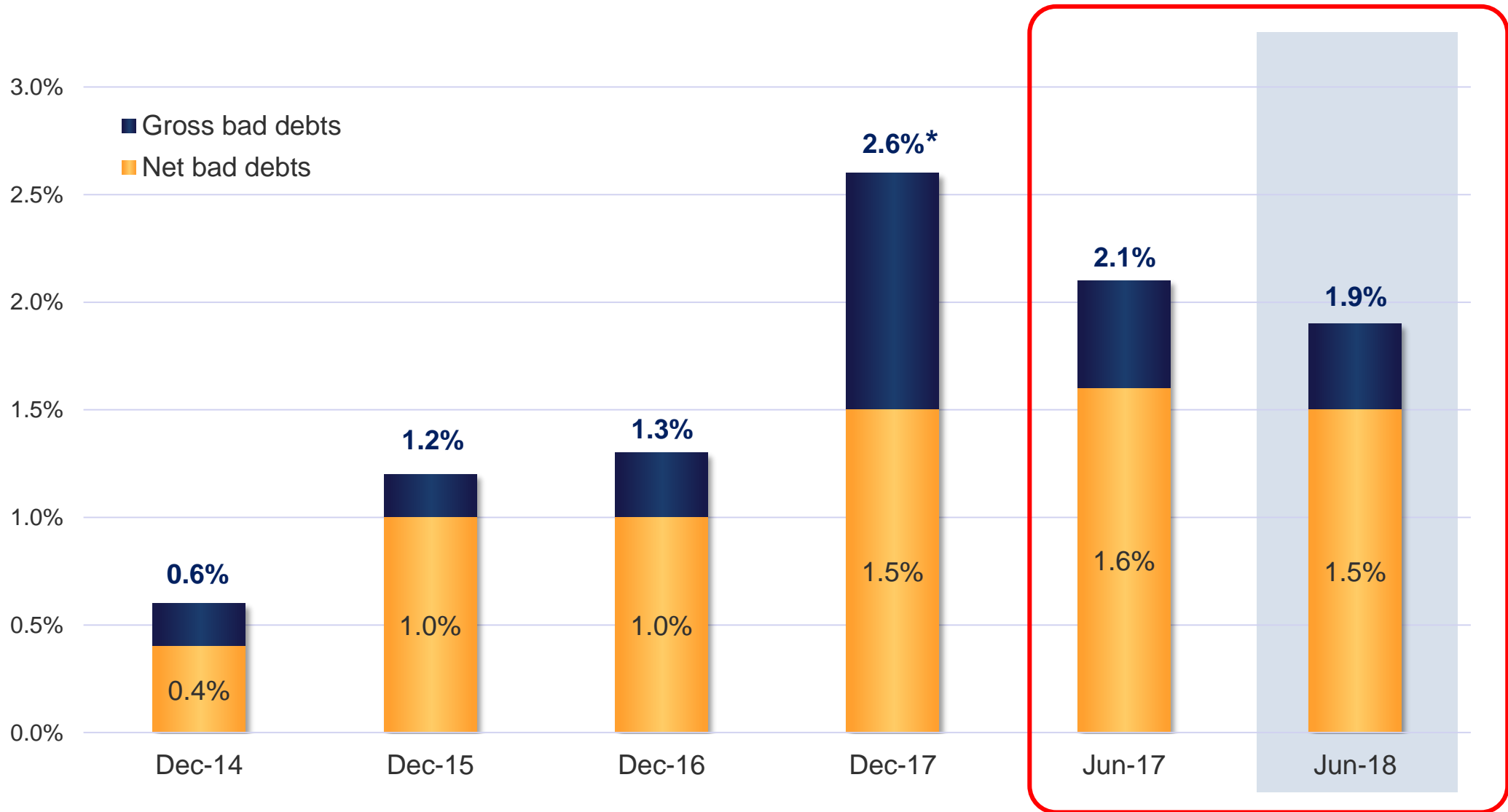
REVENUE



Note: Average school fee increase for 2018 is 9%



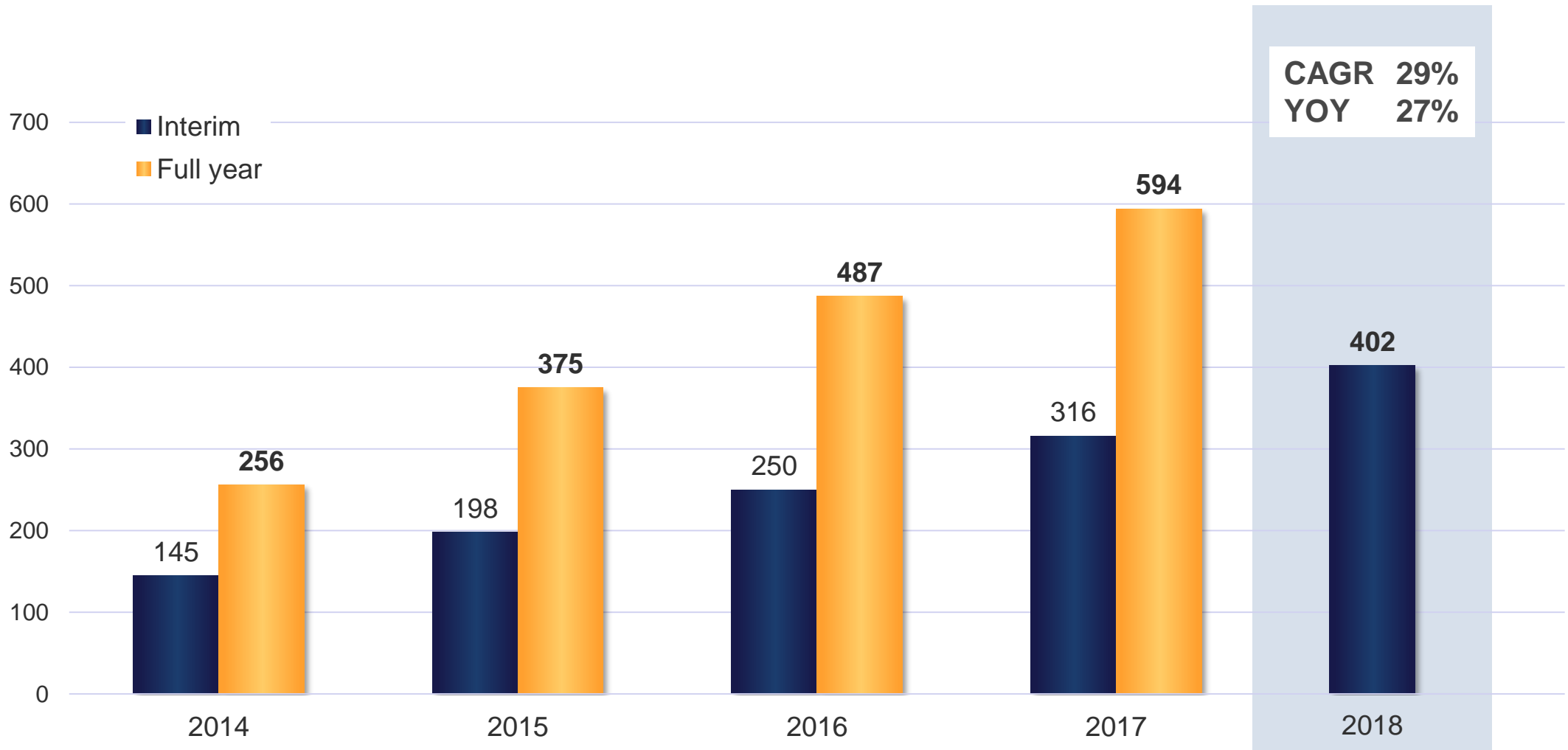
BAD DEBTS



*Change in collections approach

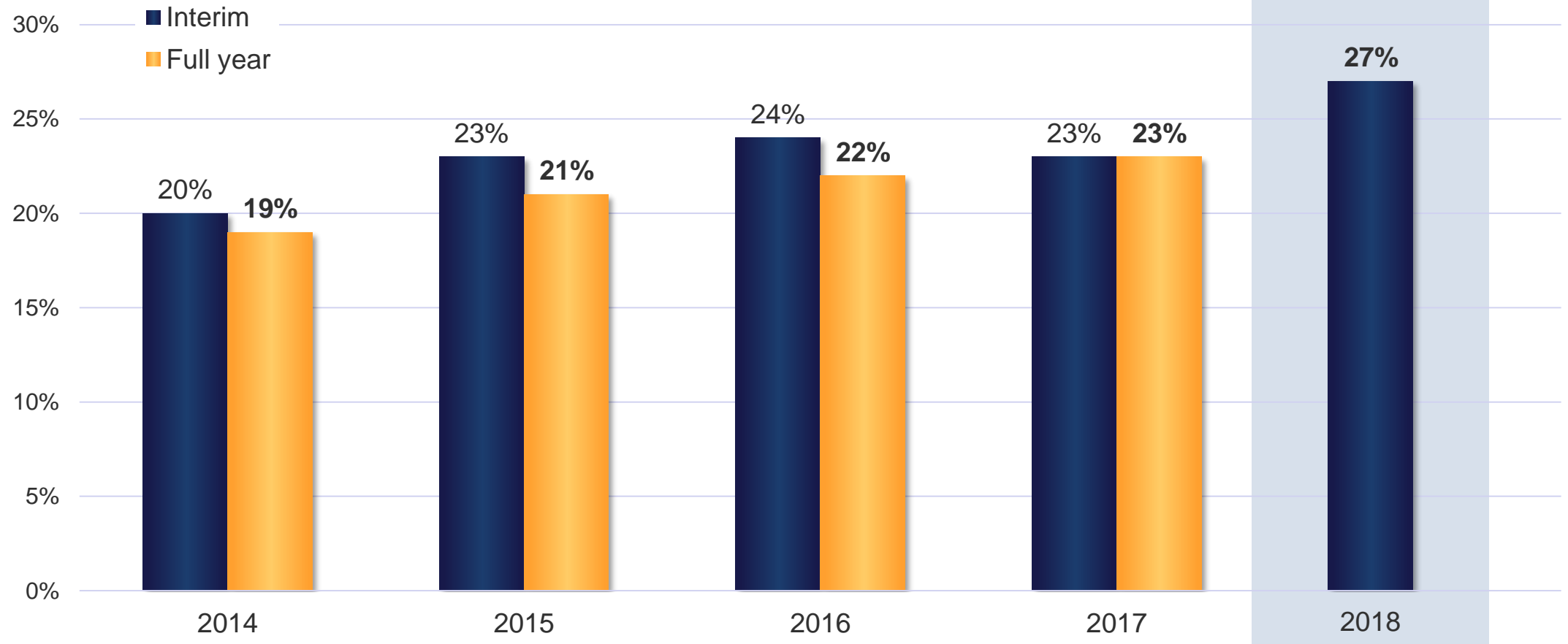


SCHOOLS' EBITDA



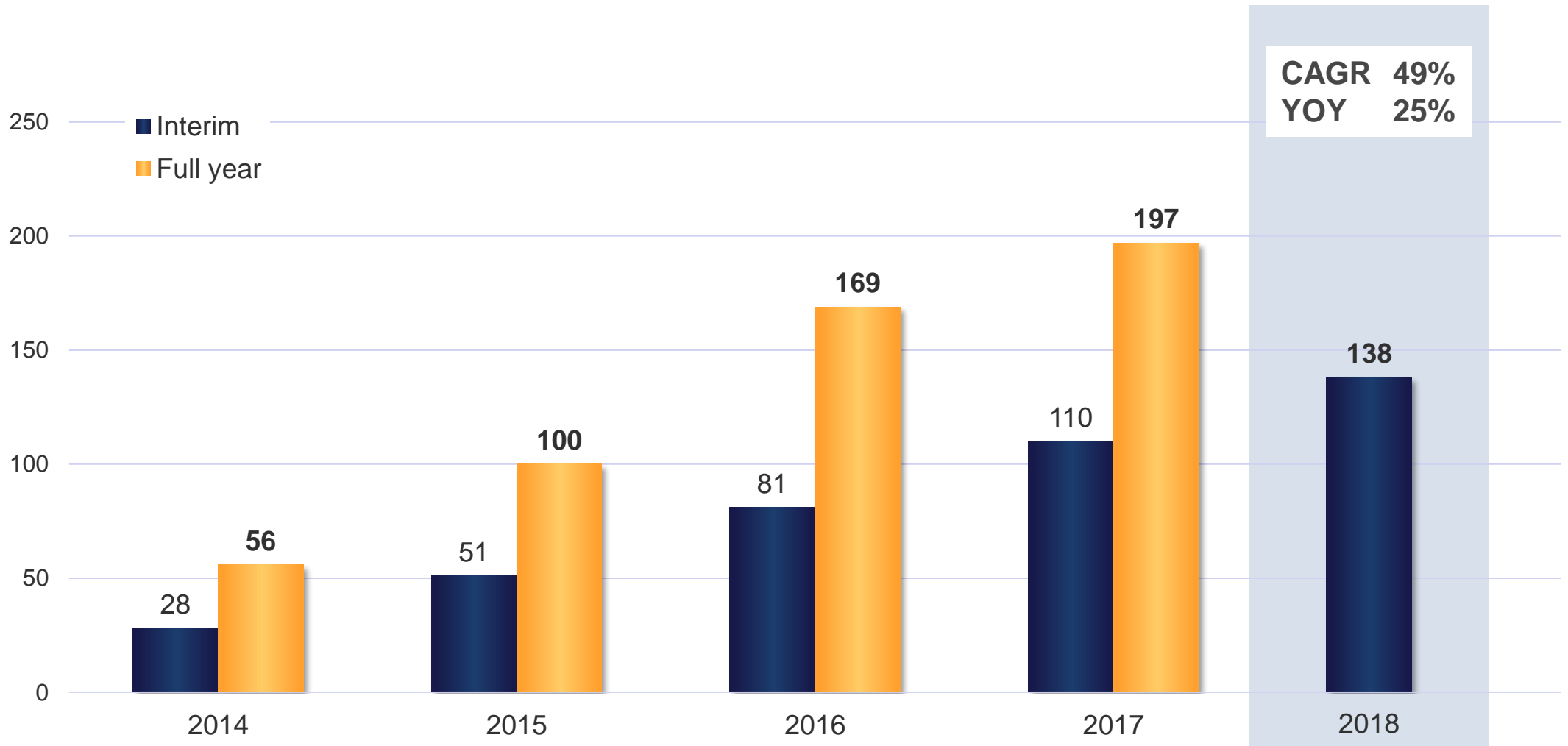


EBITDA %





HEADLINE EARNINGS (GROUP)

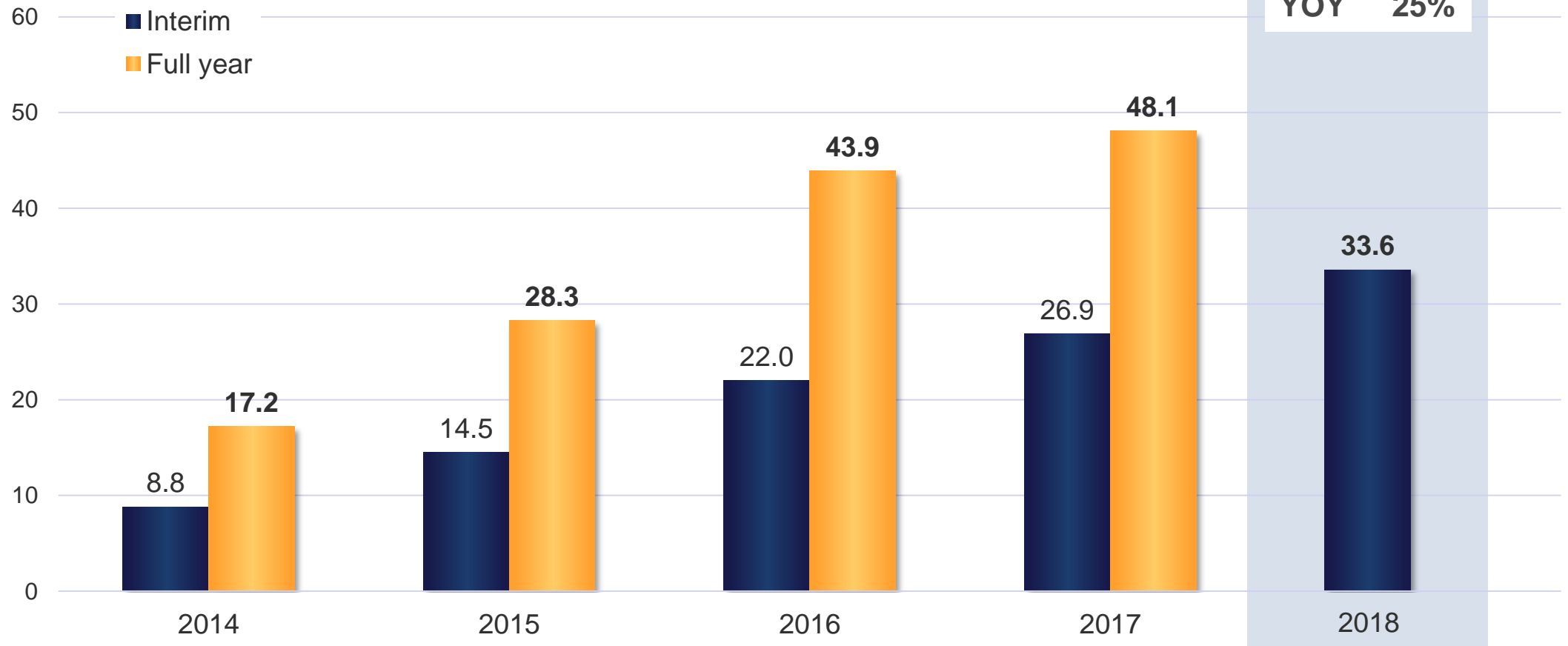




HEADLINE EARNINGS PER SHARE

Financial analysis

Group





KEY INDICATORS

Financial analysis

		Dec 2014	Dec 2015	Dec 2016	Dec 2017	4-year CAGR	2017 June	2018 June	YOY Growth
Campuses	#	31	41	48	51	18%	51	57	12%
Schools	#	79	100	114	127	18%	127	139	9%
Learners	#	27 916	35 148	42 343	45 870	18%	45 890	50 691	10%
% of eventual capacity	%	51%	50%	52%	53%	11%	53%	53%	0%
Revenue	Rm	966	1 345	1 714	2 098	30%	1 051	1 242	18%
Schools EBITDA	Rm	256	375	487	594	32%	316	402	27%
EBITDA	Rm	191	292	377	473	35%	255	335	31%
EBITDA Margin	%	19%	21%	22%	23%		23%	27%	
Net interest expense	Rm	55	91	70	78	12%	42	73	74%
HEPS - continuing ops	Cents	16.0	26.2	41.8	49.0	45%	27.6	33.6	22%
Learner/educator ratio	#	15	15	17	17		17	17	
Capital invested	Rm	1 305	1 030	1 486	1 136	(5)%	466	681	46%
Cumulative capital invested	Rm	3 834	4 864	6 350	7 486	25%	6 816	8 167	20%
Total building size	m ²	392 314	449 067	558 683	598 194*	15%	578 803	631 287	9%

* Four times the size of Canal Walk Shopping Centre



J-CURVE

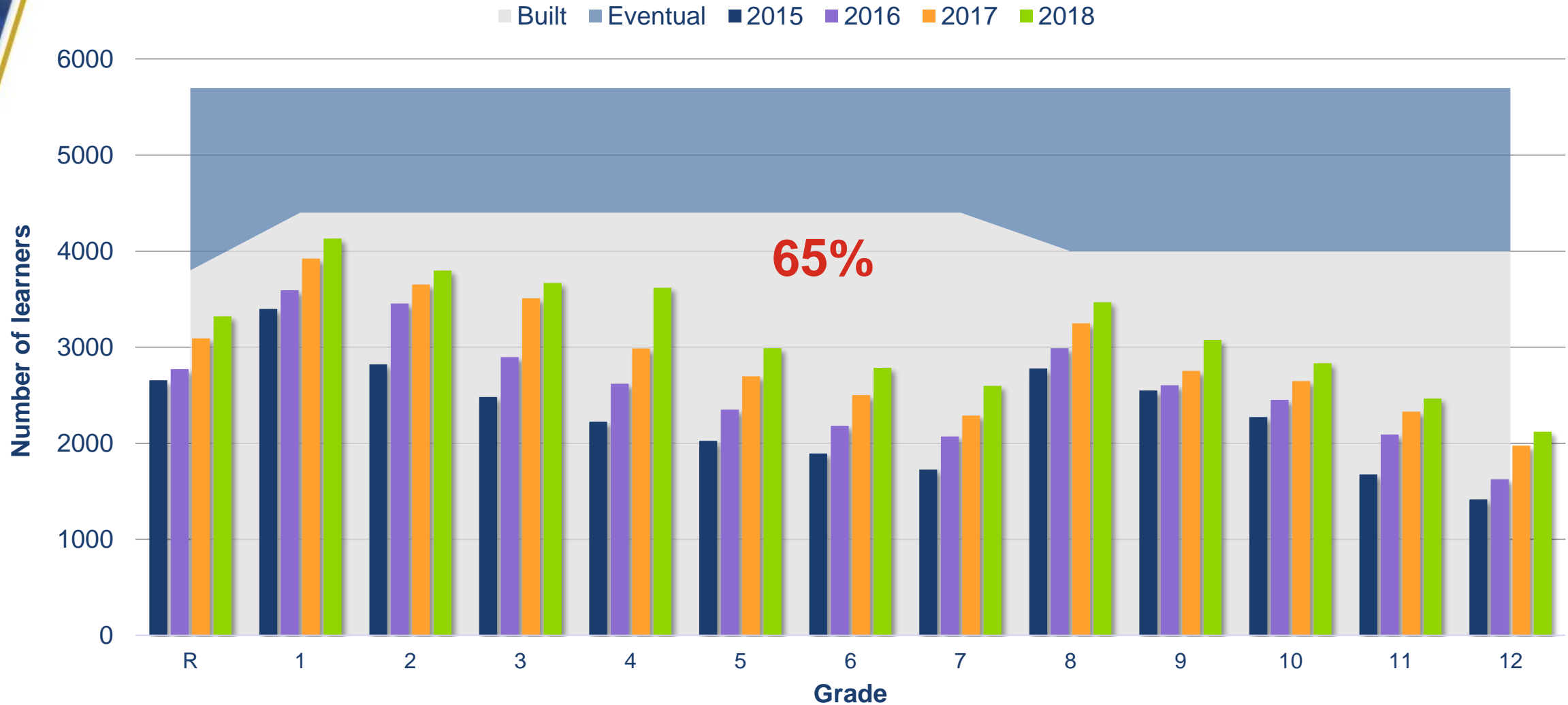
Financial analysis

	Number at 30 Jun 2018		Learner numbers			Growth		EBITDA (R million)			Growth		EBITDA margin			Eventual capacity		
	Campuses	Schools	2016	2017	2018	16/17	17/18	2016	2017	2018	16/17	17/18	2016	2017	2018	2016	2017	2018
Developed schools	40	98	24 344	28 315	31 872	16%	13%	131	179	243	37%	36%	27%	29%	33%	42%	45%	45%
2009 and before*	4	9	3 818	3 897	3 872	2%	(1%)	23	29	36	26%	24%	26%	30%	33%	81%	83%	82%
2010	2	6	2 216	2 254	2 205	2%	(2%)	15	20	20	33%	0%	32%	37%	35%	69%	70%	68%
2011	5	15	4 134	4 098	4 177	(1%)	2%	27	29	33	7%	14%	30%	30%	31%	46%	46%	46%
2012	2	6	1 764	1 904	1 978	8%	4%	9	14	17	56%	21%	24%	30%	32%	53%	57%	59%
2013	4	12	5 651	6 149	6 445	9%	5%	47	55	69	17%	25%	41%	40%	44%	58%	63%	65%
2014	4	8	1 506	1 833	2 169	22%	18%	2	3	8	50%	167%	8%	9%	19%	22%	27%	32%
2015	8	19	4 730	5 748	6 216	22%	8%	9	19	25	111%	32%	14%	21%	23%	30%	37%	40%
2016	4	8	525	1 179	1 681	125%	43%	(1)	7	19	Na	171%	(9%)	26%	38%	9%	20%	28%
2017	3	8	–	1 253	2 499	–	99%	–	3	21	–	600%	–	14%	41%	–	23%	46%
2018	4	7	–	–	630	–	–	–	–	(5)	–	–	–	–	(42%)	–	–	9%
Acquired schools	17	41	16 209	17 575	18 819	8%	7%	123	144	165	17%	15%	33%	33%	33%	78%	75%	73%
2012 and before	7	17	6 847	6 919	7 007	1%	–	68	76	78	12%	3%	36%	39%	38%	71%	72%	72%
2013	2	2	4 701	4 253	3 855	(9%)	(11%)	25	19	17	(24%)	(11%)	34%	28%	25%	78%	71%	64%
2014	2	6	2 425	2 618	2 742	8%	4%	23	30	40	30%	33%	31%	35%	40%	85%	92%	95%
2015 and 2016	4	13	2 236	3 785	4 147	69%	9%	7	19	25	171%	32%	19%	22%	24%	92%	72%	79%
2018	2	3	–	–	1 068	–	–	–	–	5	–	–	–	–	25%	–	–	52%
Property rental and royalties								(5)	(7)	(6)								
Total	57	139	40 553	45 890	50 691	13%	10%	249	316	402	27%	27%	30%	31%	33%	51%	53%	53%

Eventual capacity = **56%** should 2018 Greenfields be excluded



LEARNERS PER GRADE – CAPACITY



Excluding Castle (pre-school) learners
1bn to spend for eventual capacity for existing schools; existing schools 65% of built capacity



SCHOOLS PER EBITDA CONTRIBUTION

Financial
analysis

	Learner numbers			EBITDAR			EBITDAR Margin			Capacity utilised		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Top 20%	17 391	18 699	21 215	159 784	194 163	246 440	39%	40%	42%	74%	75%	71%
60% - 80%	9 657	11 566	12 029	62 186	80 668	94 693	28%	31%	30%	60%	65%	61%
40% - 60%	6 614	7 157	8 529	28 367	37 296	47 352	25%	27%	28%	51%	40%	50%
20% - 40%	4 700	5 116	6 232	7 882	17 802	26 149	12%	19%	22%	29%	37%	49%
0% - 20%	2 191	3 352	2 686	(3 985)	(5 537)	(5 991)	(14%)	(10%)	(14%)	21%	28%	17%
Total	40 553	45 890	50 691	254 235	324 391	408 644	30%	31%	33%	51%	53%	53%
Rent				(4 575)	(7 398)	(6 281)						
EBITDA				249 660	316 993	402 363						
Top 20% EBITDA % of Total				64%	61%	61%						



KEY QUESTIONS ANSWERED



CAPITAL DEPLOYMENT – 2018

Key questions
answered



	2018 Planned	2018 Updated	June 2018 Actual
Expansion and replacement to existing campuses	750	700	213
Building of new campuses	470	392	167
Subtotal	1 220	1 092	380
Land banking	400	290	86
Subtotal	1 620	1 382	466
Acquisitions	597	1 000	215
Total	2 217	2 382	681

- Capital investment can vary depending on land banking and acquisitions
- Acquisitions are done at reasonable prices and can be serviced through debt; ensure additional EBITDA



Debt Measures	Dec 2016	Dec 2017	June 2018	June 2018 Illustrative*
Net Debt/Equity				
Excluding Meridian	7%	24%	28%	57%
Including Meridian	19%	36%	40%	70%
ISCR				
Excluding Meridian	5.7	5.6	5.5	2.6
Including Meridian	4.2	4.9	3.5	2.1
Ave Net Debt/EBITDA				
Excluding Meridian	1.3	1.4	2.8	4.2
Including Meridian	2.4	2.3	3.7	4.8

- To date Curro has been low-g geared
- Debt utilisation will pick up but remains within reasonable levels for the amount of cash generation (excluding Meridian)
 - ISCR >2.5 times (covenant 1.75)
 - Debt/EBITDA <4.5 times
- Barring significant acquisitions, Curro does not foresee the need to raise additional equity capital

*EBITDA is rolling 12 months till June 2018 based on planned capital investments until end 2018



MERIDIAN

Key questions answered

(R million)	Dec 2015	Dec 2016	Dec 2017	June 2017	June 2018
Learners	9 948	9 798	9 665	9 602	9 335
Capacity	53%	52%	51%	51%	50%
Revenue	258	275	271	136	140
EBITDA	56	62	54	23	24
EBITDA margin	21%	23%	20%	17%	17%
Interest	(54)	(61)	(67)	(34)	(35)
HEADLINE EARNINGS	(16)	(12)	(31)	(15)	(12)
Senior and Mezz Debt	553	564	620	589	613
Non-Current Assets	590	629	641	633	640
EBITDA/Non Current Assets	9.9%	9.9%	8.4%	8.5%	8.6%



Recapitalisation:

Redeem expensive interest-bearing debt of R390m. As a 65% shareholder, Curro will invest R253m (August 2018).

This will significantly improve the profitability of this venture and also have a positive impact on Curro going forward.



LEARNER MOVEMENTS

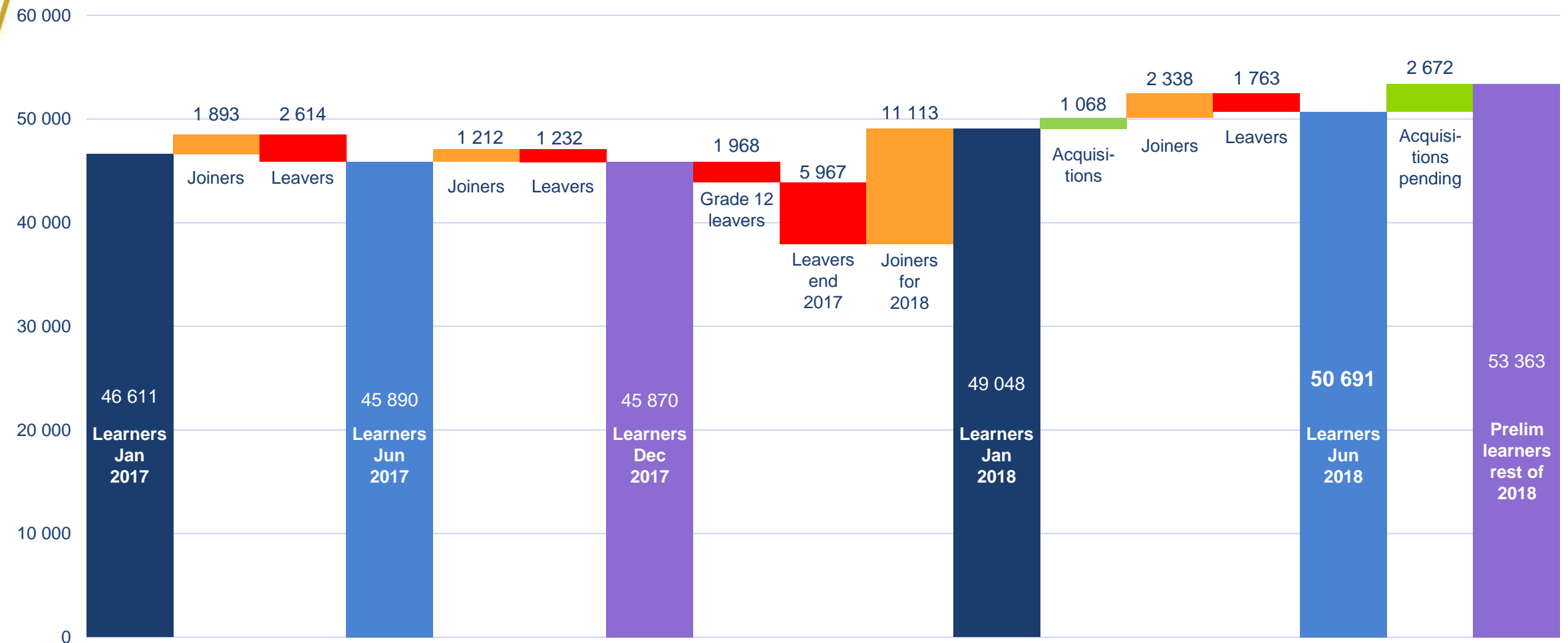
Key questions answered

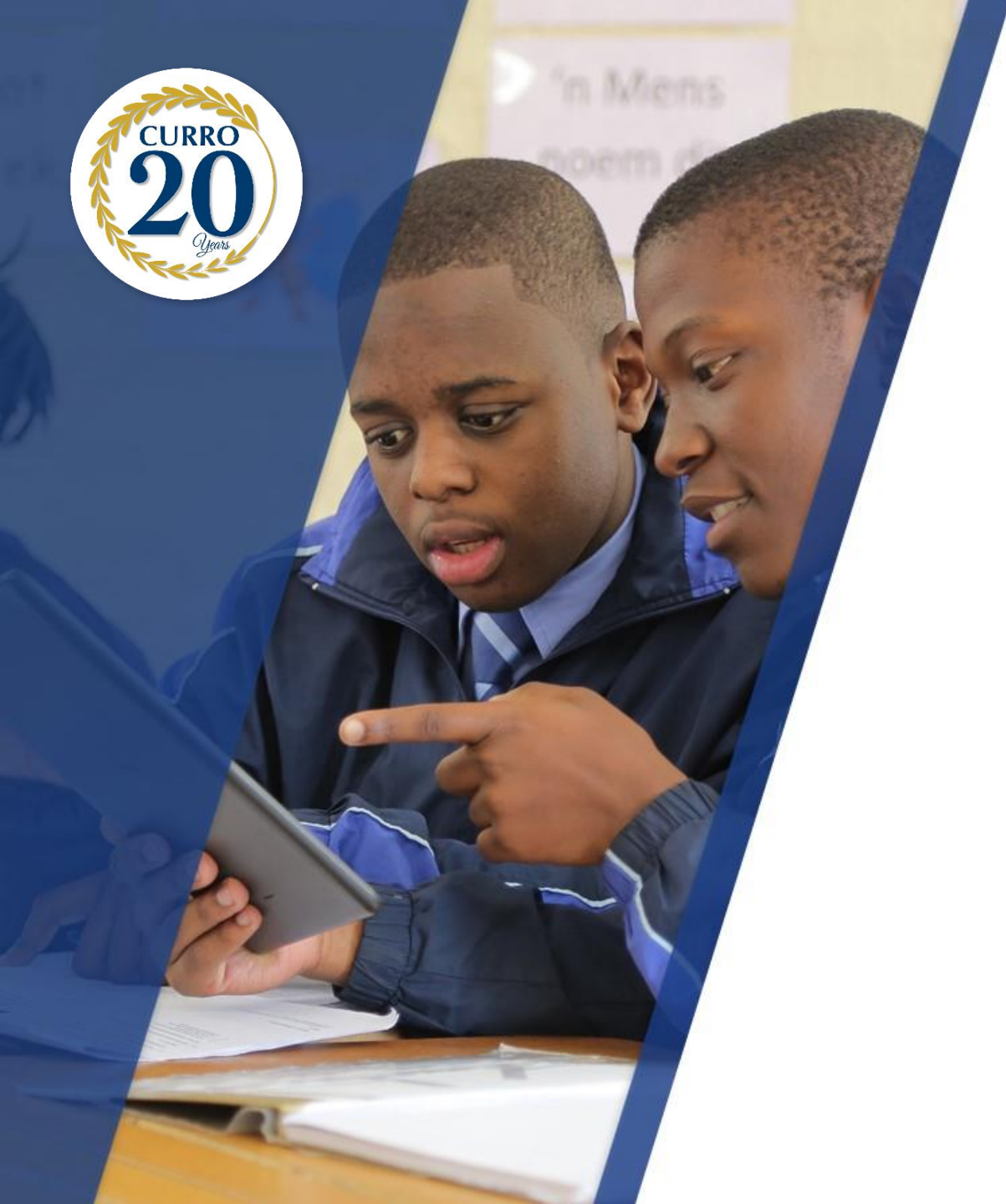


Number of campuses
57 (60)



Number of schools
139 (145)





EXPANDING OUR FOOTPRINT

CURRO



TAKING A STEP BACK – OUR MODELS

Expanding our footprint

CURRO
Castle | LSEN

6 campuses

1 062 learners

R3 700
avg. monthly fees

Balanced curriculum

25 maximum
class size

3 months – 5 years

CURRO | **CURRO**
School | Select School

36 campuses

34 460 learners

R4 250
avg. monthly fees

Balanced curriculum

25 maximum
class size

3 months – 18 years

CURRO | **MERIDIAN**
Academy School | School

15 campuses

15 169 learners

R1 700 – R2 700
avg. monthly fees

Academic curriculum

35 maximum
class size

5 – 18 years

CURRO



Expanding our
footprint

Our vision continues ...
to make independent
school education
accessible to more
learners **throughout**
Southern Africa.

CURRO



COMPETITIVE ADVANTAGES




Expanding our
footprint

- **Quality executive team**
 - Knowledge base
- Significant **quality investment** opportunities remain
- **Development team**
 - Finding new opportunities
 - Rezoning (where required)
 - Site development plans and design
- **Cost reduction** due to scale efficiencies
- **Closely aligned with contractors** – reducing building time and cost
- **Demand** for product
- **Value-for-money** offering
- **Brand/reputation**
- More schools **performing on or ahead of target**
- Significant spend on **curriculum development**
- **Capital base** (strong balance sheet)
- **Highly cash generative**
- Has a significant **supportive shareholder** in PSG



OUR SITES – GOALS

Expanding our footprint

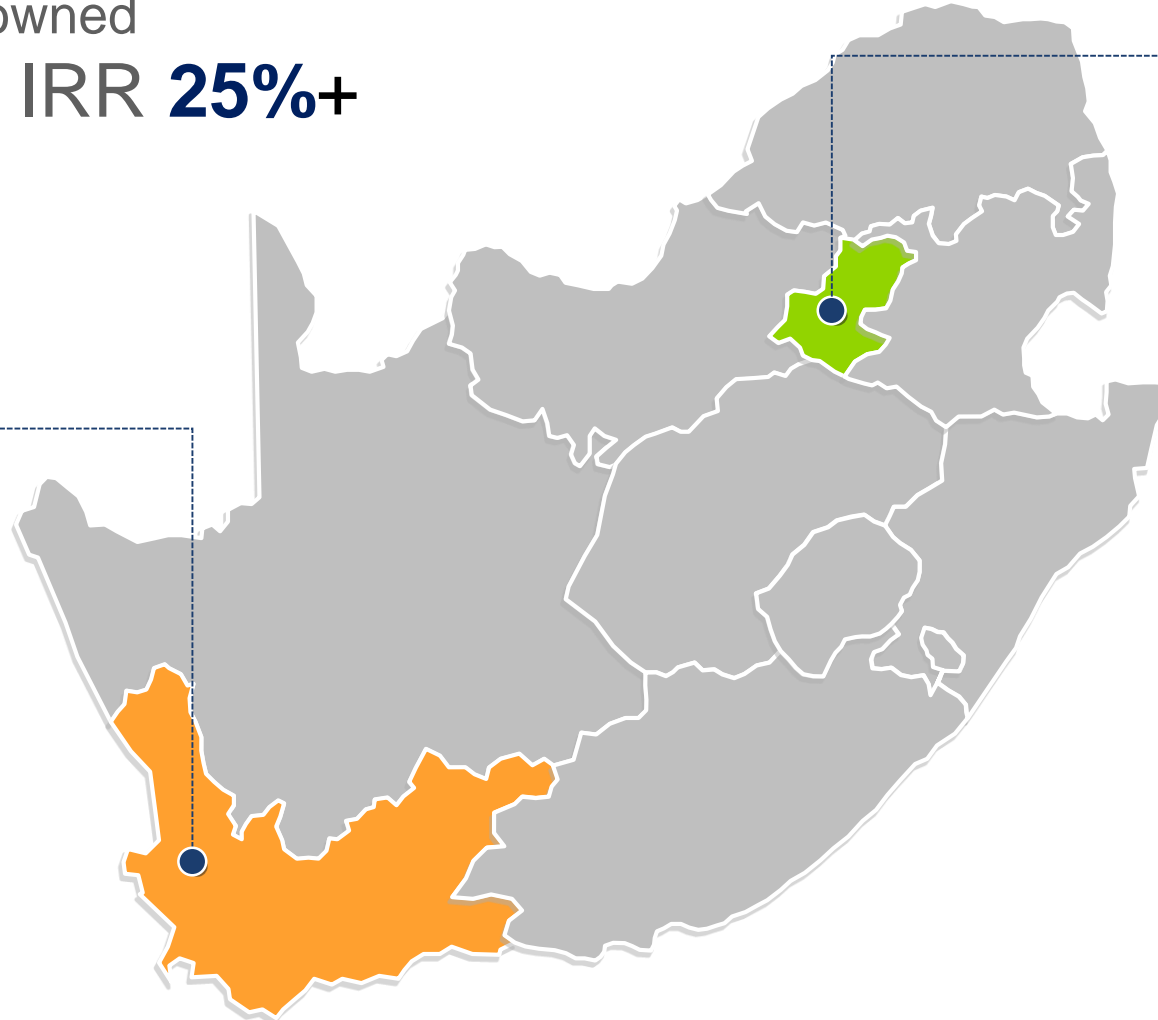
	End 2017	June 2018	2018	2019	2020
 Learners	45 870	50 691	53 363		
 Campuses	51	57	60 + 12	72 + 4	76 + 4
 Schools	127	139	147 + 17	164 + 12	176 + 12
			<ul style="list-style-type: none"> To open 7 new greenfield campuses 5 possible acquisitions until end 2018 	<p>Development and expansion strategy dependent on quality of opportunities; can therefore be more. Can be financed through cash generation.</p>	



GREENFIELDS 2019 – SOUTH AFRICA

Expanding our footprint

All facilities owned
TARGET IRR 25%+



WESTERN CAPE

CURRO CASTLE

- Curro Castle Burgundy

NEW HIGH SCHOOL MODEL

- DigiEd*

GAUTENG

CURRO SCHOOLS

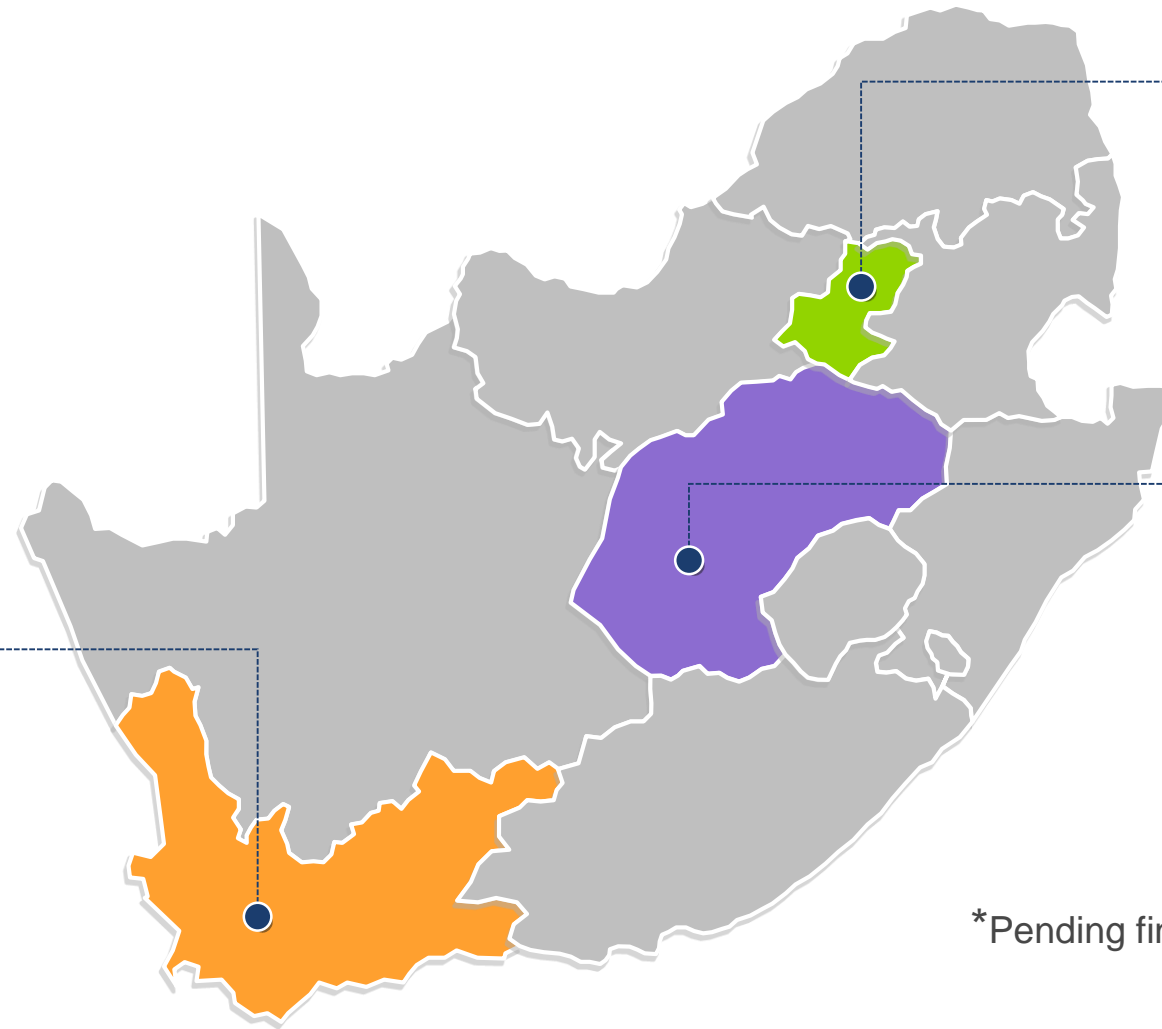
- Curro Vanderbijlpark
- Curro Edenvale

CURRO ACADEMY SCHOOLS

- Curro Academy Protea Glen (Soweto)
- Curro Academy Savanna City
- Curro Academy Parkdene

* To be opened during the course of 2019

ACQUISITIONS



WESTERN CAPE

- Dot's Learning Centre

GAUTENG

- Cooper College

FREE STATE

- An independent school group with more than 2 000 learners – Academy market*

*Pending finalisation; 4th quarter of the year

THE REST OF AFRICA

NAMIBIA

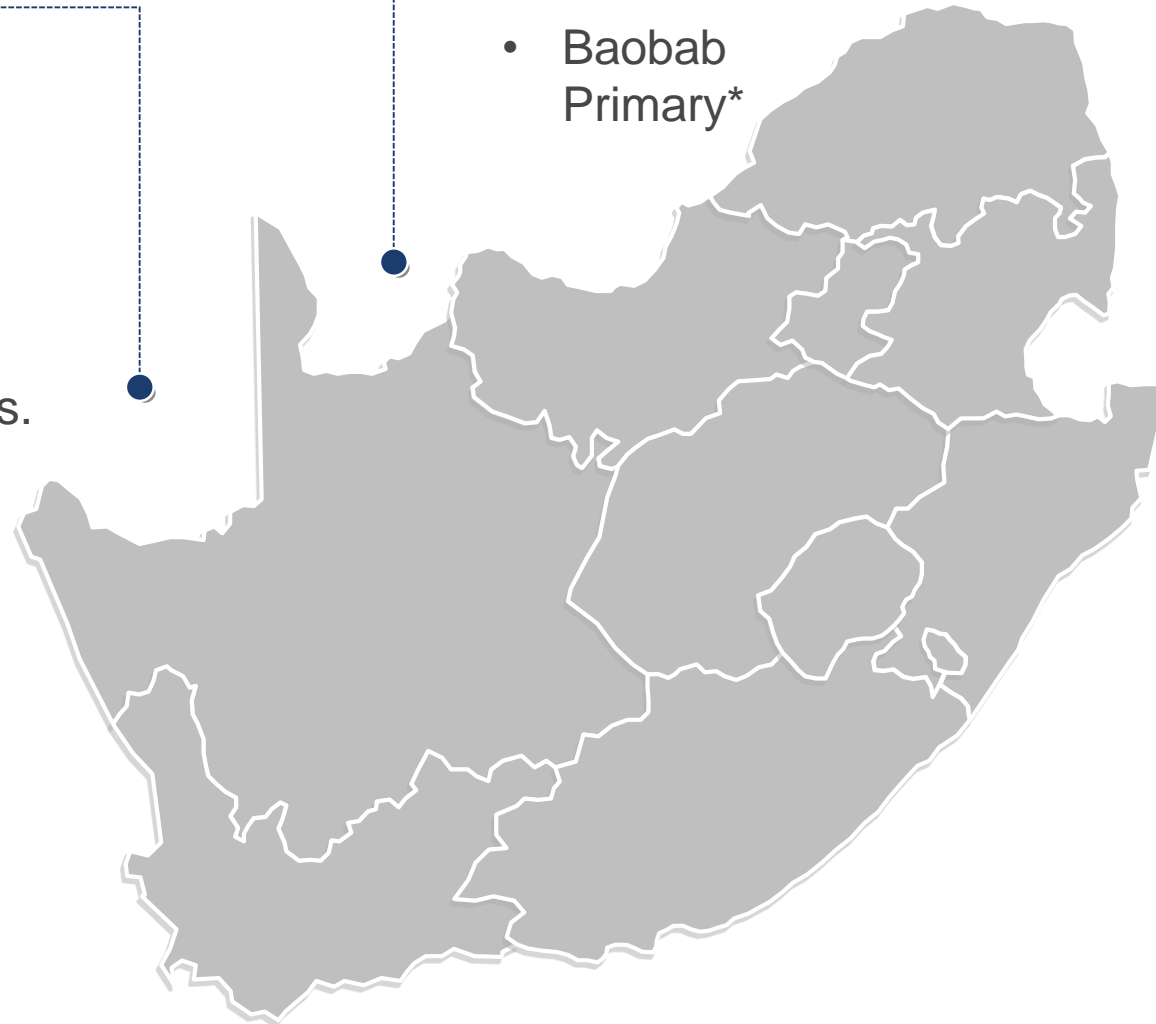
- Windhoek Gymnasium

Acquired in 2016 with 1 450 learners.
Currently **2 000** learners.

BOTSWANA

- Baobab Primary*

Currently two schools



*Effective July 2018

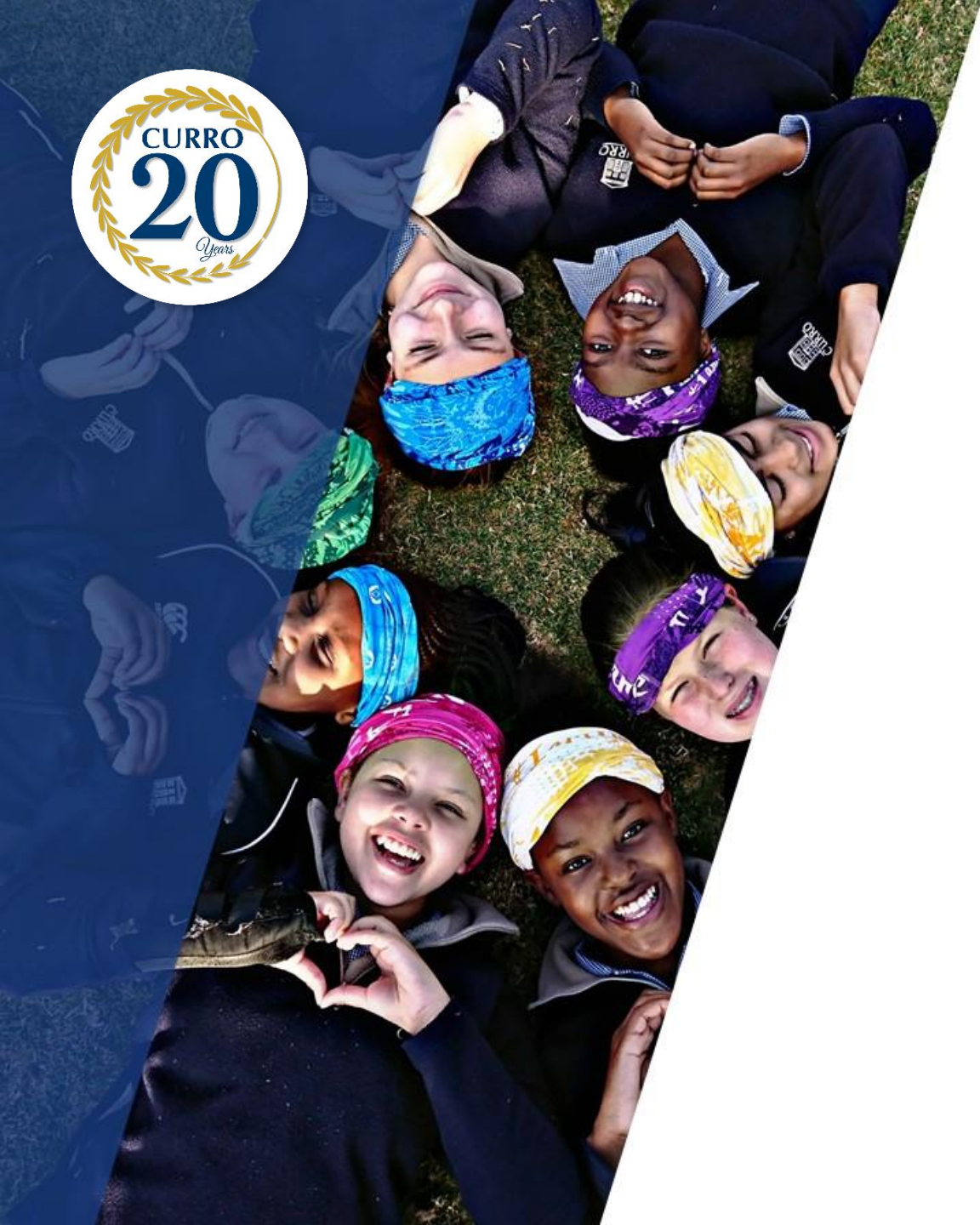
THE REST OF AFRICA – OUR APPROACH

- We best understand fundamentals of South Africa from business, political, economic and cultural perspective.
- When approached, opportunities will be evaluated.
- If sensible and entities that will add value to the business we will explore.



Approach will be:

- Attractive multiples
- Invest capital into business for expansion
- Current/Local management retain a significant stake (25%+)
- Operationally easy to manage



IN CONCLUSION



IN CONCLUSION

In conclusion

New business

- Second half of the year will **include acquisitions** not included in first half of the year
- **More acquisitions** are being explored until end 2018

Operational

- **Bad debt stable** compared to previous year (2017) – enhanced collection processes
- **Focus on learner retention**, manage decline in learners leaving in first half of 2018
- Expect **gross profit margin to stay the same** in second half of the year
- **Balance sheet well-gearred** to fund 2018 capital expenditure



IN CONCLUSION

**Remain positive about
Southern Africa,
its opportunities
and our future**



CURRO



Thank you



CURRO