

1H25 results & the firm intention to acquire 100% of Curro and its subsequent delisting

- 1H25 HEPS of 40.3c (+0%), is below our expectations. Student retention remains a challenge with the numbers declining further since February 2025. This resulted in revenue growth of 4.7%, modestly below expectations. Higher debtors costs contributed further to earnings not achieving our forecasts. Cost containment has been impressive (+5.4%), particularly staff costs growing at 3.6% whilst teacher numbers increased by 4.7% (there is some shift between temporary and permanent staff).
- EBITDA margins declined from 24.1% in 1H24 to 23.1%, and down on 24.7% in FY24. This reflects declining utilisation rates, falling from 70% in FY24 to 69.2%. Meridian schools performed well with margins rising from 22% to 24.2%, benefiting from its restructuring.
- Student leavers, particularly in preprimary and primary school grades, remains problematic given ongoing affordability constraints in its target market and younger families prioritising high school education. There were 72 109 students in February 2025 (down 1.4% on Feb 24), with an average of 71 749 in 1H25 (down 1.4% on the 1H24 average of 72 758), indicating ongoing slippage in numbers. We remain cautious on the outlook with 1.5% and 2.5% student growth in FY26E and FY27E respectively. The average school fee is expected to increase by 4.5% in FY26E.
- The credit loss charge of R96m was up sharply on R77m in 1H24m as higher provision coverage is maintained. Provision coverage in 1H24 was 30.8%, now 42.2% and slightly above 41.8% in FY24, a more sustainable level. As a % of revenue, the charge represents 3.5%, a slight improvement on the 3.7% in FY24. Given an intensified focus on collections and proactive debtors management, combined with ongoing interest rate declines, we see scope for the credit loss ratio to decline to 3.4% for FY25E, resulting in a charge of R182m, down 4.7%.
- Net debt (excluding lease liabilities) has declined slightly from R3.2bn to R3bn but is likely to rise in 2H25E as capex accelerates. Capex of R264m was incurred in 1H25 with management guiding to R630m for the full year. We estimate maintenance capex comprises R350m. The number of schools in 1H25 has remained unchanged at 189.
- The share buy-back programme continued in 1H25 with 10.8m shares acquired, and cancelled, amounting to R116m. No shares have been acquired post 30 June 2025 and given the proposed buyout offer share buy backs are to be suspended.
- We revise FY25E & FY26E HEPS down from 87.8c and 100.9c to 80.8c (-3%) and 92.4c (+14%), primarily due to disappointing student growth and its impact on operating leverage. In our DFCF we calculate a fair mid-range valuation of 1275c (1150c) due to a lower risk free rate.
- Much of the focus in the coming months will be on the firm intention by the Jannie Mouton Foundation to acquire 100% of the shares (and to delist Curro) for the equivalent of R13 per share (at the time of the announcement) based on determined share ratios. At the time of the announcement shareholders will receive 6.6% in cash, 79.7% in Capitec shares and 13.7% in PSG Financial Services shares. The transaction is subject to shareholders and regulatory approvals by no later than 31 December 2025. A circular will be published in due course outlining the timetable and it will incorporate the notice convening the General Meeting of Shareholders in order to consider and, if deemed fit, to pass the resolutions set out therein. We note this offer is subject to market risk.

Date: 27 August 2025

Analyst

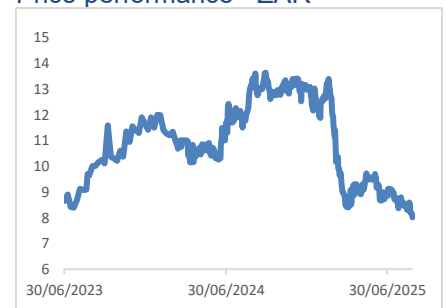
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Price (26/08/2025):	R8.01
Market cap	R4.5bn
Shares in issue	564mn

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Price performance - ZAR



Source: FactSet

Figure 1 Financial summary – R'mn

Year Ending	FY2022 A	FY2023 A	FY2024 A	FY2025 F	FY2026 F	FY2027 F
Income Statement						
Tuition fees	3,794	4,283	4,608	4,815	5,107	5,481
<i>Growth (%)</i>	<i>15.8%</i>	<i>12.9%</i>	<i>7.6%</i>	<i>4.5%</i>	<i>6.1%</i>	<i>7.3%</i>
Ancillary revenue	362	436	489	539	572	614
<i>Growth (%)</i>	<i>36.1%</i>	<i>20.4%</i>	<i>12.2%</i>	<i>10.3%</i>	<i>6.1%</i>	<i>7.3%</i>
Total revenue	4,156	4,719	5,097	5,354	5,679	6,094
<i>Growth (%)</i>	<i>17.3%</i>	<i>13.5%</i>	<i>8.0%</i>	<i>5.0%</i>	<i>6.1%</i>	<i>7.3%</i>
Other income	0	45	46	0	0	0
Operating costs	3,083	3,481	3,694	3,906	4,132	4,419
<i>Growth (%)</i>	<i>17.5%</i>	<i>12.9%</i>	<i>6.1%</i>	<i>5.7%</i>	<i>5.8%</i>	<i>6.9%</i>
Expected credit losses	147	128	191	182	187	195
<i>% of revenue</i>	<i>3.5%</i>	<i>2.7%</i>	<i>3.7%</i>	<i>3.4%</i>	<i>3.3%</i>	<i>3.2%</i>
EBITDA	926	1,155	1,258	1,266	1,359	1,481
<i>EBITDA Margin (%)</i>	<i>22.3%</i>	<i>24.5%</i>	<i>24.7%</i>	<i>23.7%</i>	<i>23.9%</i>	<i>24.3%</i>
<i>% growth</i>	<i>17.4%</i>	<i>24.7%</i>	<i>8.9%</i>	<i>0.7%</i>	<i>7.3%</i>	<i>9.0%</i>
EBIT	645	847	934	940	1,025	1,138
<i>EBIT Margin (%)</i>	<i>15.5%</i>	<i>17.9%</i>	<i>18.3%</i>	<i>17.6%</i>	<i>18.1%</i>	<i>18.7%</i>
<i>% growth</i>	<i>27.0%</i>	<i>31.3%</i>	<i>10.3%</i>	<i>0.6%</i>	<i>9.1%</i>	<i>10.9%</i>
Profit before tax	289	98	161	562	733	871
Net profit	235	32	97	388	533	634
Net profit post minorities	239	41	105	368	513	612
Headline Earnings	330	426	469	449	513	612
<i>% growth</i>	<i>34.7%</i>	<i>29.1%</i>	<i>10.1%</i>	<i>-4.3%</i>	<i>14.3%</i>	<i>19.2%</i>
Headline EPS, ZAc	61.4	73.2	83.0	80.8	92.4	110.2
Normalised EPS, ZAc	55.6	73.2	83.0	80.8	92.4	110.2
<i>% Change</i>	<i>35.6%</i>	<i>31.8%</i>	<i>13.4%</i>	<i>-2.6%</i>	<i>14.3%</i>	<i>19.2%</i>
DPS, Zac	11.1	14.6	16.6	16.2	18.5	22.0
<i>Payout ratio (%)</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>
Balance Sheet						
Cash and Cash equivalents	63	64	59	125	191	185
Current assets (ex – cash)	472	489	514	531	551	550
Net Fixed assets	10,487	10,543	10,548	10,821	11,168	11,557
Intangible assets	902	797	709	688	667	647
Investments	340	341	432	448	437	453
Other assets	0	76	59	45	58	70
Total assets	12,264	12,310	12,321	12,658	13,073	13,461
Debt ex lease liabilities	3,247	3,317	3,232	3,510	3,435	3,225
Lease liabilities	380	424	498	518	539	560
Current liabilities	604	675	648	679	718	768
Other liabilities	777	766	734	762	798	835
Total liabilities	5,008	5,182	5,112	5,469	5,489	5,389

Year Ending	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
	A	A	A	F	F	F
Shareholders' equity	7,270	7,151	7,041	7,144	7,589	8,121
Minorities	-14	-23	168	176	185	194
Total shareholders' equity	7,256	7,128	7,209	7,320	7,774	8,315
<i>BVPS - ZAR</i>	12.1	12.4	12.8	13.3	14.1	15.1
<i>RoE</i>	4.6%	5.9%	6.5%	6.2%	6.8%	7.6%
<i>ROCE</i>	6.1%	7.8%	8.6%	8.5%	9.0%	9.7%
Cash Flow						
Reported profit before tax	289	98	161	562	733	871
Change in net working capital	0	-19	-4	14	19	51
Net Interest (paid)/received	-152	-222	-286	-294	-293	-267
Dividends paid	-49	-65	-83	-94	-89	-102
Depreciation	281	308	324	326	334	343
Other adjustments	380	710	671	119	94	29
Cash flow from operations	749	810	783	634	798	926
Net Capex	-1,111	-694	-627	-599	-681	-731
<i>Capex/sales (%)</i>	29.3%	16.2%	13.6%	12.4%	13.3%	13.3%
Other investing cash flows	37	16	-60	33	34	9
Cash flow from investing	-1,074	-678	-687	-566	-648	-722
Equity raised/(bought back)	-97	-126	-146	-191	0	0
Net increase/(decrease) in borrowings	410	9	70	190	-75	-200
Other financing cash flows	39	51	58	92	80	92
Cash flow from financing	303	-131	-101	-3	-84	-210
Net cash flow	-22	1	-5	66	66	-6
Free cash flow	-219	360	509	506	498	563
Repayment of lease liabilities	-10	-14	-25	-26	-28	-29
Net Free cash flow	-229	346	484	480	470	534
Valuation Summary						
Valuation metrics						
Share Price- ZAc	900	1,165	801	801	801	801
P/E (Underlying) -x	16.2	15.9	9.6	9.9	8.7	7.3
P/BV -x	0.7	0.9	0.6	0.6	0.6	0.5
EV/Sales - x	2.0	1.8	1.7	1.6	1.5	1.4
EV/EBITDA -x	8.3	6.7	6.1	6.1	5.7	5.2
EV/EBIT - x	12.0	9.1	8.3	8.2	7.5	6.8
FCF Yield	-4.3%	5.1%	10.7%	10.9%	10.7%	12.1%
Dividend Yield	1.2%	1.3%	2.1%	2.0%	2.3%	2.8%
Net Debt (incl lease liabilities)	3,564	3,677	3,671	3,903	3,783	3,600
Debt/Equity (incl lease liabilities)	0.49	0.52	0.51	0.53	0.49	0.43
Net Debt (excl lease liabilities)	3,184	3,253	3,173	3,385	3,244	3,040
Net Debt/Equity (excl lease liabilities)	0.44	0.46	0.44	0.46	0.42	0.37

Source: Company data, ASB research

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