

CURRO



Results for the
six months

ended 30 June 2022

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

▲
7%

AVERAGE LEARNER NUMBERS

From 66 167 to 70 519

▲
20%

EBITDA

From R390m to R467m

▲
15%

REVENUE

From R1 784m to R2 060m

▲
14%

CASH GENERATED FROM OPERATING ACTIVITIES

From R525m to R598m

▲
31%

RECURRING HEPS

From 19.4 cents to 25.5 cents

▲
42%

HEPS

From 19.4 cents to 27.5 cents



St Dominics
Newcastle

COMMENTARY

Overview

Recurring headline earnings increased by 31.4% to R152 million (2021: R116 million) and the group recorded encouraging increases in learners, revenue, profitability and cash generated during the first half of this year.

We are pleased with this result given the prevailing economic conditions and are delighted that our learners experienced a stable academic period and could participate fully again in a wide range of extramural activities.

Results for the six months

Curro's average learner numbers for the first half increased by 6.6% to 70 519 learners (2021: 66 167 average number of learners). Curro had 71 011 learners enrolled at 1 August 2022. Revenue increased by 15.5% to R2 060 million (2021: R1 784 million) for the period. Tuition fees increased by 13.3% from the corresponding prior period, due to the growth in learners, coupled with the annual inflationary fee increase. Revenue growth was supported by an increase in ancillary revenue, which was R30 million and 21.4% higher than the first half of 2021.

Curro is focused on increasing its operating margin and is managing costs stringently. In this regard, discounts granted reduced to 7.8% of tuition fees from 9.1% in the comparable period.

Expected credit losses of R76 million were provided for during this period (2021: R61 million). Curro sold the non-performing portion of its debtors' book, which relates to learners who have left Curro ("inactive accounts"). The remaining debtors' book, net of the expected credit loss provision, consists of R175 million of actively enrolled accounts and R74 million of inactive accounts. The ageing of outstanding accounts for enrolled learners improved further during the first half of this year. Concerted efforts are being made to recover outstanding amounts, including more frequent terminations of non-paying accounts.

Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 17.7% to R599 million for the period, while EBITDA (after head office expenditure) increased by 19.7% to R467 million (2021: R390 million).

Headline earnings and headline earnings per share ('HEPS') increased by 41.8% from R116 million to R164 million and by 41.8% from 19.4 cents to 27.5 cents, respectively.

Recurring headline earnings and recurring headline earnings per share ('RHEPS') increased by 31.4% to R152 million (2021: R116 million) and by 31.4% to 25.5 cents (2021: 19.4 cents), respectively.

Earnings per share ('EPS') of 27.6 cents for the first half of this year was 27.2% higher than the 21.7 cents in the comparable period.

In evaluating these results, shareholders should take into account that Curro's Meridian subsidiary received long overdue once-off subsidy income from provincial government of R25 million in the first half of this year and that Curro recognised a gain on bargain purchase of R14 million in the previous comparable period. These items are included in the calculation of EPS but are added back for purposes of the calculation of RHEPS and HEPS respectively, and accordingly accounts for the key difference between RHEPS, HEPS and EPS.

Investment and expansion

Curro invested a further R549 million in the business during the period under review. This includes the acquisitions of HeronBridge College (effective from 1 April 2022) and a building in Cape Town for the thriving DigiEd Foreshore school. Other investing activities of R41 million in the statement of cash flows represent the net decrease in money market investments (2021: R19 million).

The Meridian Newcastle school will be closed at the end of this year and the property will be sold.

Curro's primary objective remains to increase capacity utilisation of its existing facilities. We are on track with our overall capex programme to invest up to R1.1 billion in the business this year.

Balance sheet and funding

Curro generated R598 million of cash from its operating activities, 14% higher than the first half of the previous year.

During June 2022, GCR Ratings reaffirmed Curro's long-term and short-term national scale issuer credit ratings of BBB+(ZA) and A2(ZA), respectively, with a stable outlook.

The board declared an annual dividend on 23 February 2022 and R49 million was paid on 22 March 2022. It is the board's policy to pay 20% of recurring headline earnings as an annual dividend on the premise that growth in cash generation shall continue in the future.

Prospects

Curro is in a healthy financial position and is on track to increase shareholder returns as the business matures, having navigated the effects of the pandemic successfully over the last two years. The full impact of higher inflation and a potential global recession is unpredictable, but our commitment to providing excellent education remains unwavering.

On behalf of the board




SL Botha
Chairperson



AJF Greyling
Chief Executive Officer

18 August 2022



Meridian
Pinehurst

STATISTICS

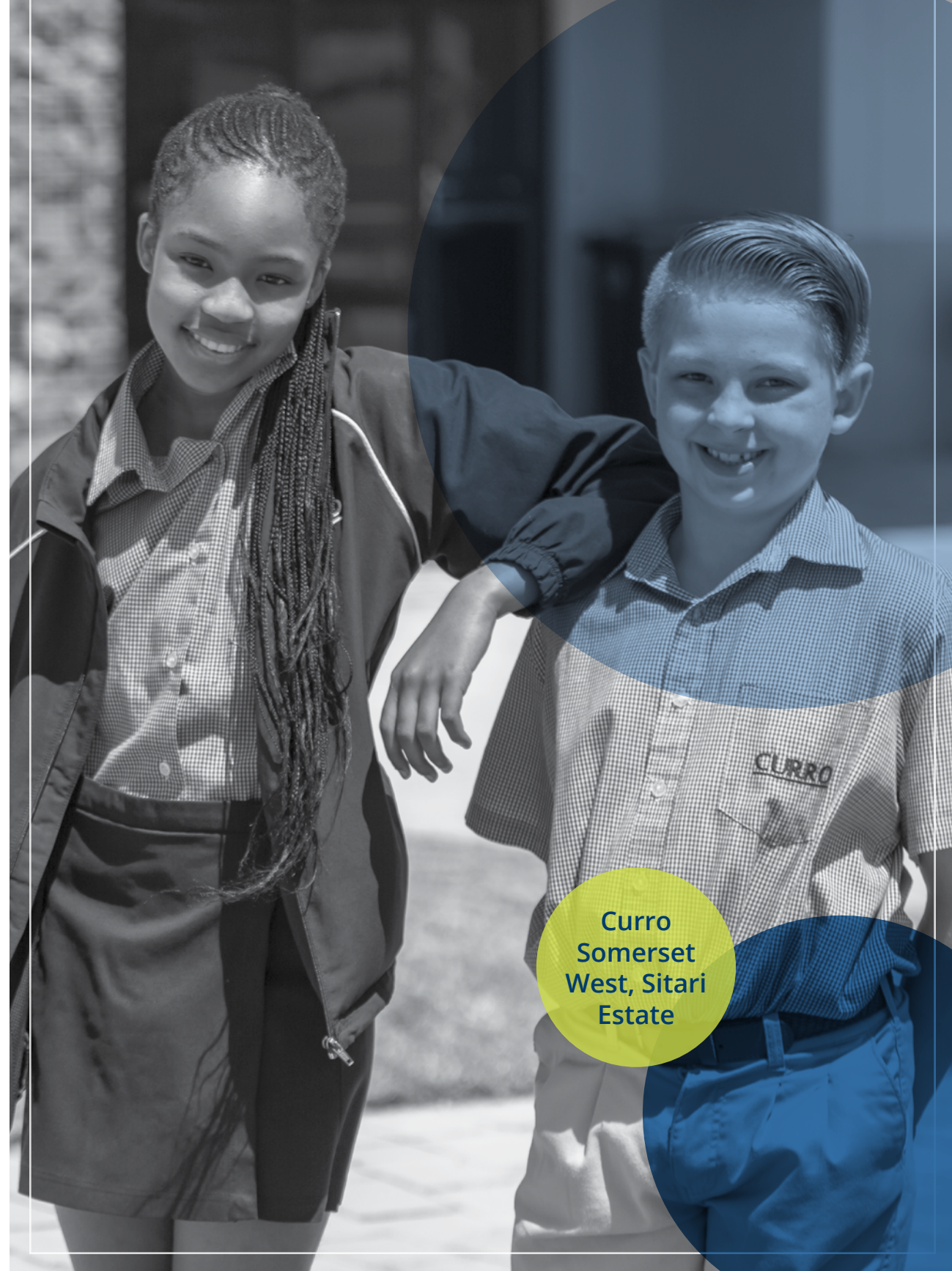
KEY RATIOS (Unaudited)

	31 Dec 2019	31 Dec 2020	31 Dec 2021	30 June 2022
Number of campuses	70	76	76	77
Number of schools	166	177	178	181
Weighted average number of learners	57 597	60 777	66 447	70 519
Average number of learners per campus	823	800	874	916
Number of employees ¹	6 076	5 963	6 150	6 647
Number of teachers ¹	3 230	3 425	3 579	3 909
Learner/teacher ratio ¹	17.8	17.7	18.6	18.0
Building size (m ²)	700 946	713 084	772 251	780 367
Land size (ha)	536	536	549	549
Capital invested (R million)	1 246*	650	929	549
– Existing campuses (R million)	910	635	677	422
New	878	602	577	362
Replacement	32	33	100	60
– New campuses (R million)	209	12	251	–
– Acquisitions (R million)	127	3	1	127

¹ On a like-for-like basis, excluding the addition of HeronBridge College during the period, total staff increased by 4.9% and teachers increased by 6.6%, in line with learner growth. The like-for-like learner/teacher ratio is 18.3 for the period.
* Figure adjusted from R1 285 million previously reported to exclude the other investing activities.



Curro
Thatchfield



Curro
Somerset
West, Sitari
Estate

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change	Unaudited 30 Jun 2022 6 months R million	Unaudited 30 June 2021 6 months R million	Audited 31 Dec 2021 12 months R million
Revenue from contracts with customers (note 3)	15%	2 060	1 784	3 543
Employee costs	11%	(1 020)	(919)	(1 830)
Expected credit losses on financial assets	25%	(76)	(61)	(131)
Other expenses	20%	(497)	(414)	(793)
Earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) ¹	20%	467	390	789
– Schools' EBITDA	18%	599	509	1 013
– Head office's EBITDA	11%	(132)	(119)	(224)
Depreciation and amortisation	13%	(152)	(134)	(281)
Earnings before interest and taxation (Adjusted EBIT) ¹	23%	315	256	508
Interest income	(38%)	23	37	72
Gain on bargain purchase	n/a	–	14	14
Once-off income	n/a	25	–	–
Profit on sale of property, plant and equipment	n/a	1	–	–
Finance costs	(2%)	(126)	(128)	(242)
Profit before taxation	33%	238	179	352
Taxation	35%	(69)	(51)	(101)
Profit for the period	32%	169	128	251
Other comprehensive income / (loss):				
Net fair value gain on cash flow hedges	(26%)	26	35	52
Exchange differences on translating foreign operation	50%	(3)	(2)	–
Total comprehensive income for the period	19%	192	161	303
Profit / (loss) attributable to:				
Owners of the parent	27%	165	130	259
Non-controlling interest	n/a	4	(2)	(8)
	32%	169	128	251
Total comprehensive income / (loss) attributable to:				
Owners of the parent	15%	188	163	311
Non-controlling interest	n/a	4	(2)	(8)
	19%	192	161	303

¹Adjusted EBITDA takes a headline approach and represent EBITDA excluding impairment, bargain purchase gains, once-off income and profit or loss on sale of assets. Adjusted EBIT takes the same approach as for adjusted EBITDA.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change	Unaudited 30 Jun 2022 6 months R million	Unaudited 30 Jun 2021 6 months R million	Audited 31 Dec 2021 12 months R million
Reconciliation of headline and recurring headline earnings:				
Earnings attributable to owners of the parent		165	130	259
Adjusted for:				
Gain on bargain purchase		–	(14)	(14)
Profit on sale of property, plant and equipment		(1)	–	–
Headline earnings	42%	164	116	245
Once-off income		(25)	–	–
Non-controlling interest		6	–	–
Taxation		7	–	–
Recurring headline earnings	31%	152	116	245
Earnings per share (cents)				
– Basic	27%	27.6	21.7	43.3
– Diluted	27%	27.6	21.7	43.3
Headline earnings per share (cents)				
– Basic	42%	27.5	19.4	40.9
– Diluted	42%	27.5	19.4	40.9
Recurring headline earnings per share (cents)	31%	25.5	19.4	40.9
Number of shares in issue (millions)				
– Basic		598.0	598.0	598.0
– Diluted		598.0	598.0	598.0
Weighted average number of shares in issue (millions)				
– Basic		598.0	598.0	598.0
– Diluted		598.0	598.0	598.0
Margins:				
– EBITDA margin ¹		22.7%	21.9%	22.3%
– Schools' EBITDA margin ¹		29.1%	28.5%	28.6%
– Operating margin		15.3%	14.3%	14.3%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Jun 2022 R million	Unaudited 30 Jun 2021 R million	Audited 31 Dec 2021 R million
ASSETS			
Non-current assets	11 432	10 552	10 963
Property, plant and equipment	10 199	9 397	9 800
Right-of-use assets	305	311	305
Goodwill	605	561	561
Other intangible assets	309	271	288
Other financial assets at amortised cost	14	9	4
Other financial assets at fair value	–	–	5
Deferred tax assets	–	3	–
Current assets	568	803	578
Inventories	14	9	17
Current tax receivable	22	1	1
Other financial assets at amortised cost	29	29	29
Trade receivables (note 4)	249	231	235
Other receivables	97	97	116
Investment in money market funds	43	311	90
Cash and cash equivalents	114	125	90
Non-current assets held for sale	29	13	11
Total assets	12 029	11 368	11 552
EQUITY			
Equity attributable to owners of the parent	7 270	6 949	7 110
Share capital	6 205	6 205	6 205
Other reserves	40	(13)	(4)
Retained earnings	1 025	757	909
Non-controlling interest	(6)	(4)	(10)
Total equity	7 264	6 945	7 100
LIABILITIES			
Non-current liabilities	3 634	3 685	3 505
Other financial liabilities at amortised cost	2 467	2 661	2 446
Other financial liabilities at fair value (note 5)	4	71	41
Deferred tax liabilities	794	612	664
Lease liabilities	338	325	330
Contract liabilities	31	16	24
Current liabilities	1 131	738	947
Other financial liabilities at amortised cost	332	52	346
Other financial liabilities at fair value (note 5)	3	–	7
Current tax payable	–	4	2
Lease liabilities	37	34	35
Trade and other payables	334	254	253
Contract liabilities (mainly prepaid school fees)	415	346	263
Development and acquisitions payables	10	48	41
Total liabilities	4 765	4 423	4 452
Total equity and liabilities	12 029	11 368	11 552
Net asset value per share (cents)	1 215	1 162	1 189

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 Jun 2022 6 months R million	Unaudited 30 Jun 2021 6 months R million	Audited 31 Dec 2021 12 months R million
Balance at the beginning of the period	7 100	6 766	6 766
Total comprehensive income	188	163	311
Dividends paid	(49)	–	–
Non-controlling interest movements	4	(2)	(8)
Other movements	21	18	31
Balance at the end of the period	7 264	6 945	7 100

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	% Change	Unaudited 30 Jun 2022 6 months R million	Unaudited 30 Jun 2021 6 months R million	Audited 31 Dec 2021 12 months R million
Cash generated from operations	24%	509	410	821
Tax paid	n/a	(22)	–	(2)
Net finance cost paid	13%	(77)	(68)	(127)
Decrease in net working capital	3%	188	183	75
Net cash generated from operating activities	14%	598	525	767
Cash flows from investing activities				
Purchase of property, plant and equipment	2%	(363)	(356)	(859)
Business combinations (note 6)	n/a	(127)	(1)	(1)
Development and acquisition investment	n/a	(31)	8	1
Purchase of intangible assets	19%	(31)	(26)	(74)
Sale of property, plant and equipment	200%	3	1	4
Other investing activities	116%	41	19	240
Net cash utilised in investing activities	43%	(508)	(355)	(689)
Cash flows from financing activities				
Proceeds from other financial liabilities	n/a	201	–	150
Repayment of other financial liabilities	52%	(213)	(140)	(229)
Dividends paid to company shareholders	n/a	(49)	–	–
Principal elements of lease payments	25%	(5)	(4)	(8)
Net cash utilised in financing activities	(54%)	(66)	(144)	(87)
Cash and cash equivalents movement for the period	(8%)	24	26	(9)
Cash and cash equivalents at the beginning of the period	(9%)	90	99	99
Cash and cash equivalents at the end of the period ^	(9%)	114	125	90

^ Curro has additional liquid resources amounting to R43m (June 2021: R311m; December 2021: R90m) available in the form of its money market investments.

	% Change	Unaudited 30 Jun 2022 6 months R million	Unaudited 30 Jun 2021 6 months R million	Audited 31 Dec 2021 12 months R million
Average number of learners for the period	7%	70 519	66 167	66 447
- Curro	8%	60 688	56 441	56 700
- Meridian	1%	9 831	9 726	9 747
Revenue	15%	2 060	1 784	3 543
- Curro	17%	1 875	1 606	3 202
- Meridian	4%	185	178	341
Schools' EBITDA	18%	599	509	1 013
- Curro	18%	552	469	945
- Meridian	18%	47	40	68
Net head office expenditure	11%	(132)	(119)	(224)
- Curro	11%	(126)	(114)	(216)
- Meridian	20%	(6)	(5)	(8)
EBITDA margin		22.7%	21.9%	22.3%
- Curro		22.7%	22.1%	22.8%
- Meridian		22.2%	20.0%	17.7%
Recurring headline earnings	31%	152	116	245
- Curro	31%	157	120	260
- Meridian*	25%	(5)	(4)	(15)
Recurring headline earnings per share (cents)	31%	25.5	19.4	40.9
- Curro	32%	26.3	20.0	43.4
- Meridian*	32%	(0.8)	(0.6)	(2.5)
Earnings per share (cents)	27%	27.6	21.7	43.3
- Curro	18%	26.4	22.3	45.8
- Meridian	n/a	1.2	(0.6)	(2.5)
Total assets	6%	12 029	11 368	11 552
- Curro	6%	11 285	10 633	10 820
- Meridian	1%	744	735	732
Total liabilities	8%	4 765	4 423	4 452
- Curro	9%	3 994	3 666	3 681
- Meridian	2%	771	757	771
Net asset value per share (cents)		1 215	1 162	1 189

* Included in the Meridian results is an interest charge of R32m (June 2021: R29m; December 2021: R55m) to shareholders in proportion to their shareholding.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have 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, and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting, the requirements of the JSE Limited (JSE) and the requirements of the Companies Act of South Africa, as amended. The results have not been reviewed or audited by the Company's auditor. The condensed consolidated interim financial statements have been prepared internally under the supervision of the Chief Financial Officer, JP Loubser, CA(SA).

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are materially consistent with those of the annual financial statements for the year ended 31 December 2021. For a full list of standards and interpretations that have been applied, we refer you to our 31 December 2021 annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)



3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Unaudited 30 Jun 2022 6 months R million	Unaudited 30 Jun 2021 6 months R million	Audited 31 Dec 2021 12 months R million
Included in revenue from contracts with customers:			
Registration and tuition fees	2 049	1 808	3 605
Other income	36	25	58
Recovery income	37	36	49
Boarding school fees	34	33	66
Aftercare fees	31	21	45
Bus income	22	18	36
Rental income	5	4	8
Subsidy income	5	3	4
Discounts granted	(159)	(164)	(328)
Personnel	(48)	(45)	(89)
Bursaries	(41)	(40)	(79)
Enrolments	–	(3)	(3)
COVID-19	–	–	(1)
Other*	(70)	(76)	(156)
	2 060	1 784	3 543

* Other discounts mainly comprise of discretionary discounts, financial assistance and Ruta Sechaba bursaries

4. TRADE RECEIVABLES

	Unaudited 30 Jun 2022 R million	Unaudited 30 Jun 2021 R million	Audited 31 Dec 2021 R million
Gross trade receivables	418	508	481
Expected credit loss provision	(169)	(277)	(246)
Net trade receivables	249	231	235

5. CASH FLOW HEDGES

	Unaudited 30 Jun 2022 R million	Unaudited 30 Jun 2021 R million	Audited 31 Dec 2021 R million
Fixed-for-variable interest rate swap liabilities	7	71	48

The interest rate swap agreements are measured using mark-to-market rates by the issuer of the instruments, representing a Level 2 fair value measurement for financial reporting purposes.

6. BUSINESS COMBINATIONS

Effective 1 April 2022, Curro acquired the entire business operations and properties of HeronBridge College in Fourways, Johannesburg for a total purchase consideration of R127 million combined.

Unaudited	R million
The following assets and liabilities were recognised:	
Property, plant and equipment	168
Intangible assets	22
Inventories	3
Cash and cash equivalents	25
Other financial assets	3
Deferred tax liability	(48)
Contract liability	(21)
Trade and other payables	(44)
Total identifiable net assets	108
Goodwill	44
Cash consideration paid	152
Net cash outflow on acquisition	
Cash consideration paid	(152)
Cash acquired	25
	(127)

J-CURVE

The table below illustrates the J-Curve effect from the newly established schools to more mature schools by age. All figures and amounts are as at 30 June.

	Campuses	Schools	Average learner numbers		Growth		School's EBITDA (R million)		Growth		School's EBITDA margin		Built capacity utilised		Eventual capacity utilised	
	2022	2022	2021	2022	20/21	21/22	2021	2022	20/21	21/22	2021	2022	2021	2022	2021	2022
Developed schools	51	120	42 714	45 829	9%	7%	304	373	(11.4%)	22.5%	27.8%	29.4%	66.3%	68.8%	56.2%	60.3%
2009 & before*	4	9	4 228	4 299	2%	2%	45	45	(10.3%)	0.0%	33.0%	29.8%	85.4%	72.9%	70.8%	71.9%
2010	2	6	2 200	2 179	(2%)	(1%)	25	27	(8.4%)	8.7%	36.0%	36.0%	60.7%	60.1%	60.7%	60.1%
2011	5	15	4 198	4 323	(2%)	3%	35	38	(24.0%)	9.9%	27.9%	28.0%	60.8%	61.8%	56.7%	58.4%
2012	2	6	2 082	2 150	5%	3%	15	17	(7.5%)	7.6%	26.1%	24.9%	77.4%	80.0%	72.1%	74.4%
2013	4	12	6 291	6 261	(2%)	(0%)	69	73	(15.8%)	5.9%	39.4%	38.6%	67.6%	67.3%	65.5%	65.2%
2014	4	9	2 533	2 771	5%	9%	8	12	(35.8%)	46.3%	13.9%	16.8%	70.5%	72.7%	65.0%	71.2%
2015	7	17	6 973	7 195	3%	3%	31	42	(15.9%)	30.9%	22.0%	25.5%	65.4%	67.5%	59.4%	61.3%
2016	4	8	1 813	1 988	1%	10%	11	24	(42.1%)	120.1%	18.0%	32.4%	46.2%	50.6%	41.9%	46.0%
2017	3	8	3 908	4 108	5%	5%	35	40	(6.3%)	13.5%	36.9%	37.9%	74.6%	76.0%	64.3%	67.6%
2018	4	8	1 638	1 647	19%	1%	(4)	7	–	–	(12.6%)	18.6%	47.2%	47.5%	43.3%	43.5%
2019	7	13	4 609	5 676	37%	23%	31	42	58.4%	35.5%	31.5%	31.1%	79.5%	78.6%	43.3%	53.3%
2020	5	9	2 241	3 232	349%	44%	3	6	–	141.9%	6.8%	10.2%	48.0%	97.5%	26.7%	43.4%
Acquired schools	26	61	23 453	24 690	3%	5%	209	235	(3.1%)	12.2%	30.5%	29.9%	78.0%	78.9%	70.3%	75.8%
2012 & before	7	17	8 011	8 169	6%	2%	88	94	12.6%	7.0%	37.2%	36.2%	81.6%	83.2%	77.0%	78.5%
2013	2	2	3 654	3 636	(2%)	(1%)	21	22	4.5%	3.5%	26.8%	28.7%	78.6%	78.2%	78.6%	78.2%
2014	2	6	2 412	2 368	(9%)	(2%)	26	31	(24.1%)	17.2%	27.8%	30.4%	69.4%	68.1%	69.4%	68.1%
2015 & 2016	5	14	5 110	5 167	(2%)	1%	40	47	(12.3%)	16.3%	25.9%	26.9%	77.6%	78.4%	71.6%	72.4%
2018	3	6	2 020	1 999	2%	(1%)	28	25	6.1%	(10.5%)	44.4%	37.5%	83.4%	82.5%	59.0%	58.3%
2019	4	8	1 342	1 609	10%	20%	8	13	(14.9%)	58.2%	21.4%	26.1%	69.5%	69.8%	51.2%	61.4%
2020	1	3	608	876	57%	44%	(0)	2	–	–	(0.8%)	12.4%	84.0%	97.4%	51.8%	74.7%
2021	1	2	296	289	–	(2%)	(2)	(0)	–	–	(24.5%)	(4.5%)	64.3%	62.8%	64.3%	62.8%
2022**	1	3		577			–	1				4.6%	–	82.0%	–	82.0%
Non-recurring costs																
Property rental, royalties and other							(4)	(9)								
Total	77	181	66 167	70 519	7%	7%	509	599	(6.7%)	17.7%	28.5%	29.1%	70.0%	72.1%	59.9%	64.5%

Acquired schools indicates the year the school was incorporated into Curro. All acquired schools have been established for at least seven years. * 2009 and before schools have a maximum of 20 learners per class, which has a direct impact on the EBITDA. Other schools have a maximum of 25 learners for Curro and Select or 35 for Meridian and Academy schools. Curro Durbanville's new High School increased capacity in 2022. ** HeronBridge College was acquired effective 1 April 2022 and had 1 164 actual learners on 30 June 2022.



Curro Hillcrest

STATUTORY AND ADMINISTRATION

Directors: SL Botha** (Chairperson), TP Baloyi**, AJF Greyling (CEO), ZN Mankai**, PJ Mouton*, SWF Muthwa**, DM Ramaphosa**, JP Loubser (CFO), CR van der Merwe*

* Non-executive

** Independent non-executive

Registered office: 38 Oxford Street, Durbanville, Cape Town, 7550

Transfer secretaries: Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Corporate adviser and JSE Equity and Debt sponsor: PSG Capital

Joint independent JSE Equity sponsor: Tamela Holdings

Group Company Secretary: M Lategan

Curro Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1998/025801/06

JSE Equity Alpha Code: COH

JSE Debt Alpha Code: COHI

LEI: 378900E237CB40F0BF96

ISIN: ZAE000156253

('Curro' or 'the company' or 'the group')

Announcement date: 18 August 2022



Cooper
College

'Act as if what you do
makes a difference.'

IT DOES.'

- William James

Meridian
Pinehurst



CURRO

Contact details: 021 979 1204/5 | engage@curro.co.za | www.curro.co.za