



CURRO

2019 ANNUAL RESULTS

FEBRUARY 2020

#Learners2Leaders



AGENDA



Business overview

- Models
- Greenfields and acquisitions
- History since 2011
- Number of campuses
- Number of learners



AGENDA



Financial analysis

- Highlights December 2019
- Key indicators
- J-curve
- Cost of growth (2017 – 2019 schools)
- Pressures on certain higher fee campuses
- Learners per grade
- Bad debt as % of revenue
- Capital investment
- Debt and interest cover
- Curro head office
- Meridian



Conclusion



A photograph of three students in school uniforms smiling. The student on the left is a girl with glasses, the middle is a boy with glasses, and the right is a girl. They are all wearing dark blue jackets with white stripes on the sleeves and white shirts with dark ties. The background is a light-colored wall with a geometric pattern of overlapping triangles in shades of blue, green, and purple.

CURRO

2019

Business overview

#Learners2Leaders



Our vision: To make independent school education **accessible** to more learners **throughout southern Africa.**

CURRO

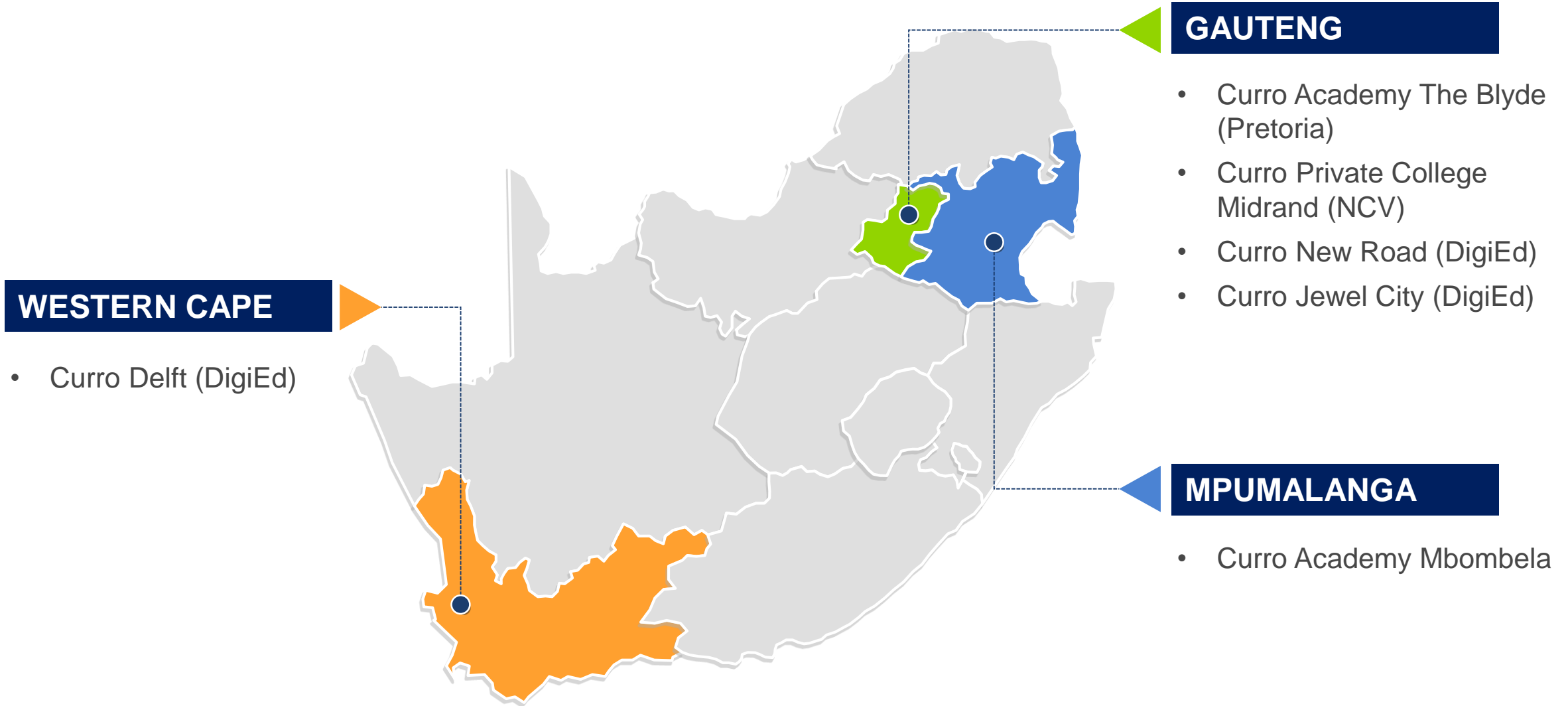


EXPANDING OUR MODELS as at December 2019



Model	Curro Castles	LSEN	Curro Schools	Curro Select Schools	Curro Academy Schools	Meridian Schools	DigiEd schools	NCV Colleges
Campuses	7		44		18		1	
Learners	1 535		38 520		17 474		45	23
Average monthly fees	R3 900		R4 600		R1 900 – R2 900		R1 900	R3 000 – R4 500
Maximum learners per class	25		25		35			
Ages	3 months – 5 years		3 months – 18 years		5 – 18 years		14 – 18 years	16 – 18 years

GREENFIELDS – 2019 (Opened in Jan 2020)



ACQUISITIONS – 2019

GAUTENG



Land of Oz






The Kings School –
Linbro Park



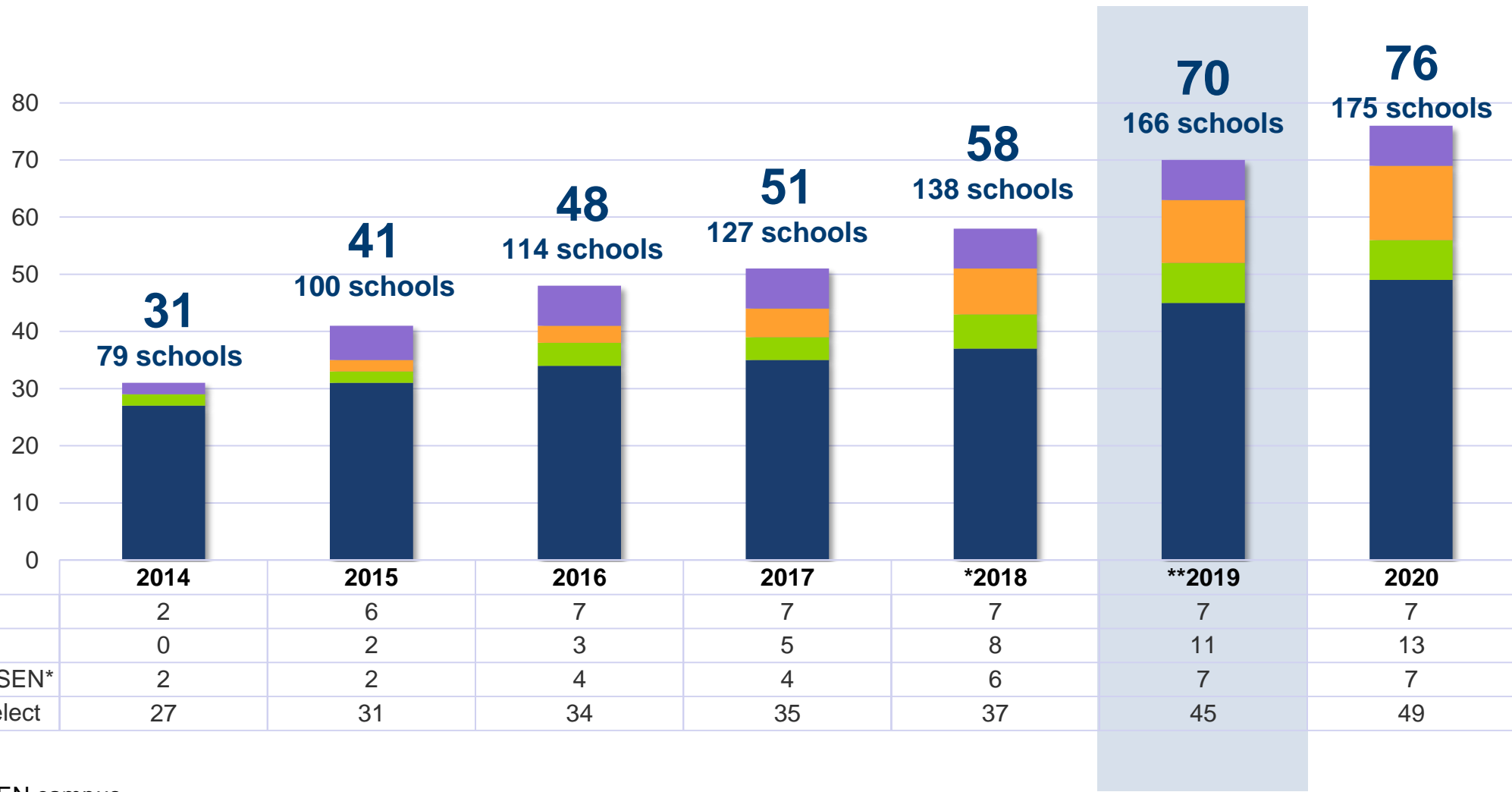
HISTORY SINCE 2011

Curro listed on the JSE – June 2011

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	9-year CAGR
 Campuses	12	22	26*	32*	41	48	51	58	70	76	23%
 Schools	24	61	72	80	100	114	127	138	166	175	25%
 Learners	4 200	12 473	21 027	28 737	35 148	42 343	45 870	51 305	57 597	62 698	35%

*Includes Embury Institute for Teacher Education

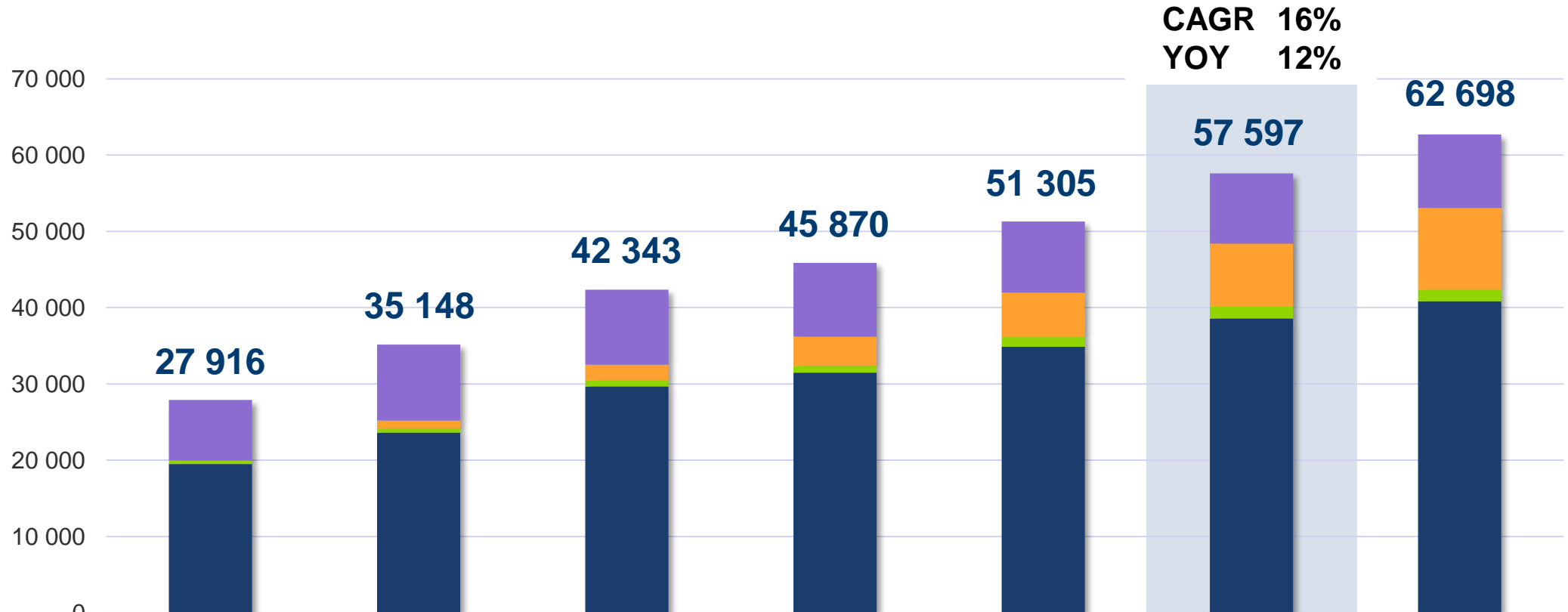
NUMBER OF CAMPUSES



*2018 includes 1 LSEN campus

** 2019 and 2020 includes DigiEd and new models

NUMBER OF LEARNERS



	2014	2015	2016	2017	*2018	**2019	***2020
Meridian	7 941	9 948	9 798	9 675	9 313	9 193	9 621
Curro Academy	0	990	2 110	3 810	5 844	8 281	10 757
Curro Castle and LSEN*	474	572	760	914	1 278	1 535	1 497
Curro and Curro Select	19 501	23 638	29 675	31 471	34 870	38 588	40 823

*2018 includes LSEN learners

** 2019 and 2020 includes DigiEd and new model learners

***Period 2014 to 2019 reports on learner numbers in December; 2020 learner numbers are at end January 2020

CURRO

2019

Financial analysis

#Learners2Leaders

HIGHLIGHTS – DEC 2019

LEARNER NUMBERS



From 51 305
to 57 597

REVENUE



From R2 496m
to R2 944m

EBITDA



From R627m
to R693m

RECURRING HEPS



From 60.1 cents
to 51.0 cents

HEPS



From 60.1 cents
to 61.1 cents

CASH GENERATED FROM OPERATIONS



From R632m to
R714m

OPERATIONAL COMMENTARY

- ▶ Positive learner number growth in 2019; however, this was below expectation given our strategy to retain slower paying customers.
- ▶ Overall the strategy had a positive impact on the bottom line but resulted in higher discounts and bad debts, an additional 2.7% impact on revenue.
- ▶ Significant high school growth meant appointment of more teachers, therefore lower learner/teacher ratio. This will improve as learners advance to grade 12.
- ▶ Significant investment into greenfields and acquisitions during the last 3 years (funded by debt).
- ▶ Pressure on higher fee schools, lower learner numbers, lower fee increases – EBITDA growth lower than expected.
- ▶ Investment made in new models – LSEN, DigiEd and NCV

KEY INDICATORS

		Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	% Difference	5Yr CAGR
Campuses	#	31	41	48	51	58	70	21%	18%
Schools	#	79	100	114	127	138	166	20%	16%
Learners	#	27 916	35 148	42 343	45 870	51 305	57 597	12%	16%
% of built capacity	%			69%	70%	69%	70%		
Revenue	Rm	966	1 345	1 714	2 099	2 496	2 944	18%	25%
Schools EBITDA	Rm	256	375	487	594	772	873	13%	28%
EBITDA	Rm	191	292	377	473	627	693	10%	29%
EBITDA Margin	%	19%	21%	22%	23%	25%	24%		
Net interest expense	Rm	55	91	70	78	138	243	76%	35%
HEPS (Recurring)	Cents	16.0	26.2	41.8	49.0	60.1	51.0	(15%)	26%
Learner/teacher ratio	#	15	15	17	17	17	18	6%	4%
Capital invested	Rm	1 305	1 010	1 486	1 136	1 493	1 285	(14%)	0%
Cumulative capital invested	Rm	3 834	4 864	6 350	7 486	8 979	10 264	14%	22%
Total building size	m ²	392 314	449 067	558 683	598 194	656 081	700 946	7%	12%



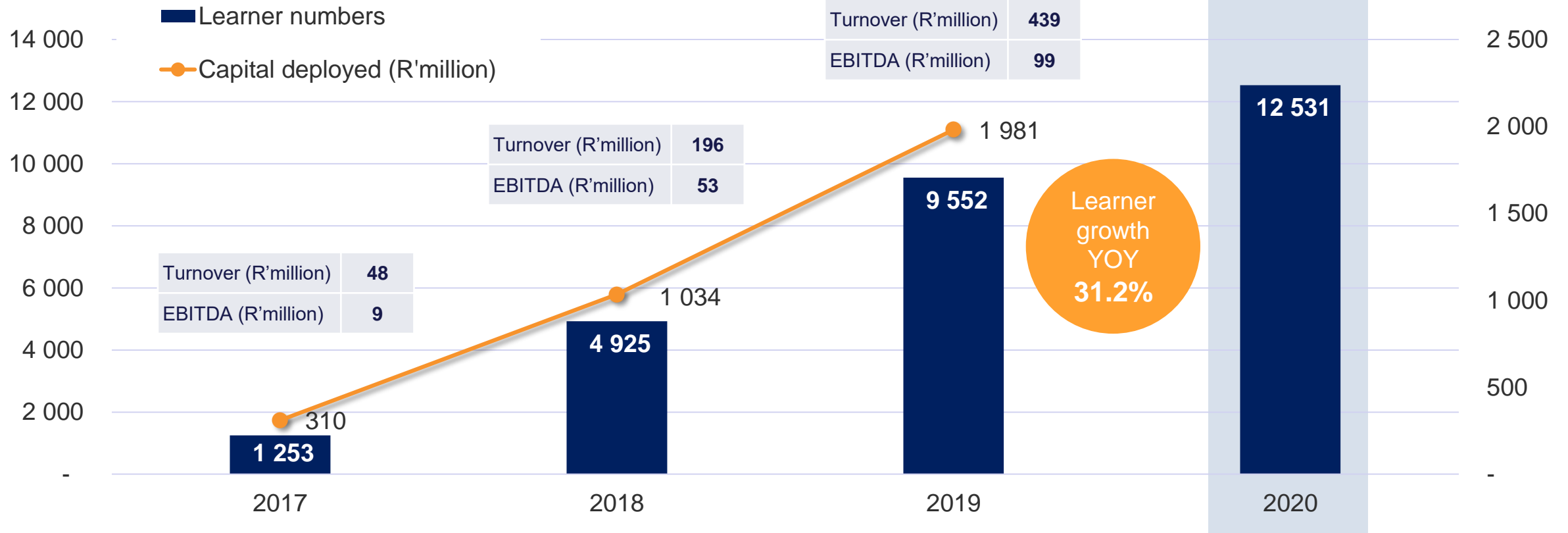
J-CURVE

Number as at 31 December 2019	Campuses		Schools		Learner numbers		Growth		EBITDA** (R million)		Growth		EBITDA margin		Built capacity	
	2019	2019	2018	2019	17/18	18/19	2018	2019	17/18	18/19	2018	2019	2018	2019	2018	2019
Developed schools	47	113	31 798	35 902	12%	13%	464	527	36%	14%	32%	30%	63%	65%		
2009 and before*	4	9	3 874	4 143	13%	7%	64	73	16%	14%	30%	31%	82%	85%		
2010	2	6	2 205	2 213	(2%)	0%	39	43	5%	10%	35%	36%	75%	75%		
2011	5	15	4 166	4 440	(8%)	7%	65	71	23%	9%	31%	31%	59%	63%		
2012	2	6	1 977	1 889	4%	(4%)	34	27	36%	(21%)	33%	26%	75%	72%		
2013	4	12	6 427	6 341	5%	(1%)	127	126	22%	(1%)	42%	39%	74%	73%		
2014	4	9	2 148	2 371	17%	10%	17	19	183%	12%	20%	20%	55%	57%		
2015	8	19	6 193	6 517	8%	5%	52	65	37%	25%	24%	26%	63%	65%		
2016	4	8	1 682	1 952	43%	16%	37	46	147%	24%	37%	37%	45%	50%		
2017	3	8	2 485	3 143	98%	26%	38	54	322%	42%	37%	38%	72%	91%		
2018	4	8	641	1 137	–	77%	(9)	9	–	–	(37%)	19%	19%	34%		
2019	7	13	–	1 756	–	–	–	(8)	–	–	–	(11%)	–	44%		
Acquired schools	23	53	19 507	21 695	11%	14%	324	354	21%	9%	33%	30%	76%	80%		
2012 and before	7	17	6 985	7 261	1%	4%	153	151	8%	(1%)	41%	36%	73%	79%		
2013***	2	2	3 837	3 670	(9%)	(4%)	30	30	(14%)	–	23%	23%	64%	74%		
2014	2	6	2 744	2 756	5%	0%	70	71	25%	1%	36%	35%	96%	85%		
2015 and 2016	4	11	4 142	4 492	9%	8%	47	58	34%	23%	24%	24%	100%	99%		
2018	3	6	1 799	1 899	–	6%	24	39	–	63%	37%	36%	79%	83%		
2019	5	11	–	1 617	–	–	–	5	–	–	–	5%	–	57%		
Property rental, royalties and other****							(16)	(8)								
Total	70	166	51 305	57 597	12%	12%	772	873	30%	13%	31%	30%	69%	70%		

PER BRAND

	Number of learners			2018			2019			Growth		
	2018	2019	Difference	Turnover (millions)	EBITDAR (millions)	Margin	Turnover (millions)	EBITDAR (millions)	Margin	Learners	Turnover	EBITDAR
Traditional and Select	35 027	38 520	3 493	1 957	654	33.4%	2 257	724	32.1%	10.0%	15.4%	10.7%
<i>Like for like</i>	<i>33 308</i>	<i>34 648</i>	<i>1 340</i>	<i>1 891</i>	<i>628</i>	<i>33.2%</i>	<i>2 052</i>	<i>677</i>	<i>33.0%</i>	<i>4.0%</i>	<i>8.5%</i>	<i>7.7%</i>
Castles	1 058	1 361	303	48	8	17.1%	61	18	29.1%	28.6%	25.9%	114.9%
Academy	5 815	8 281	2 466	193	52	27.1%	297	82	27.7%	42.4%	53.5%	57.1%
<i>Like for like</i>	<i>5 815</i>	<i>7 216</i>	<i>1 401</i>	<i>193</i>	<i>53</i>	<i>27.4%</i>	<i>265</i>	<i>85</i>	<i>32.2%</i>	<i>24.1%</i>	<i>37.4%</i>	<i>61.7%</i>
Meridian	9 313	9 193	(120)	273	57	20.8%	289	64	22.2%	(1.3%)	5.8%	12.6%
Other models	80	242	162	5	(1)	(23.4%)	16	(15)	(93.8%)			
EBITDAR - School operations	51 305	57 597	6 292	2 476	772	31.1%	2 920	873	29.8%	12.3%	17.9%	13.1%

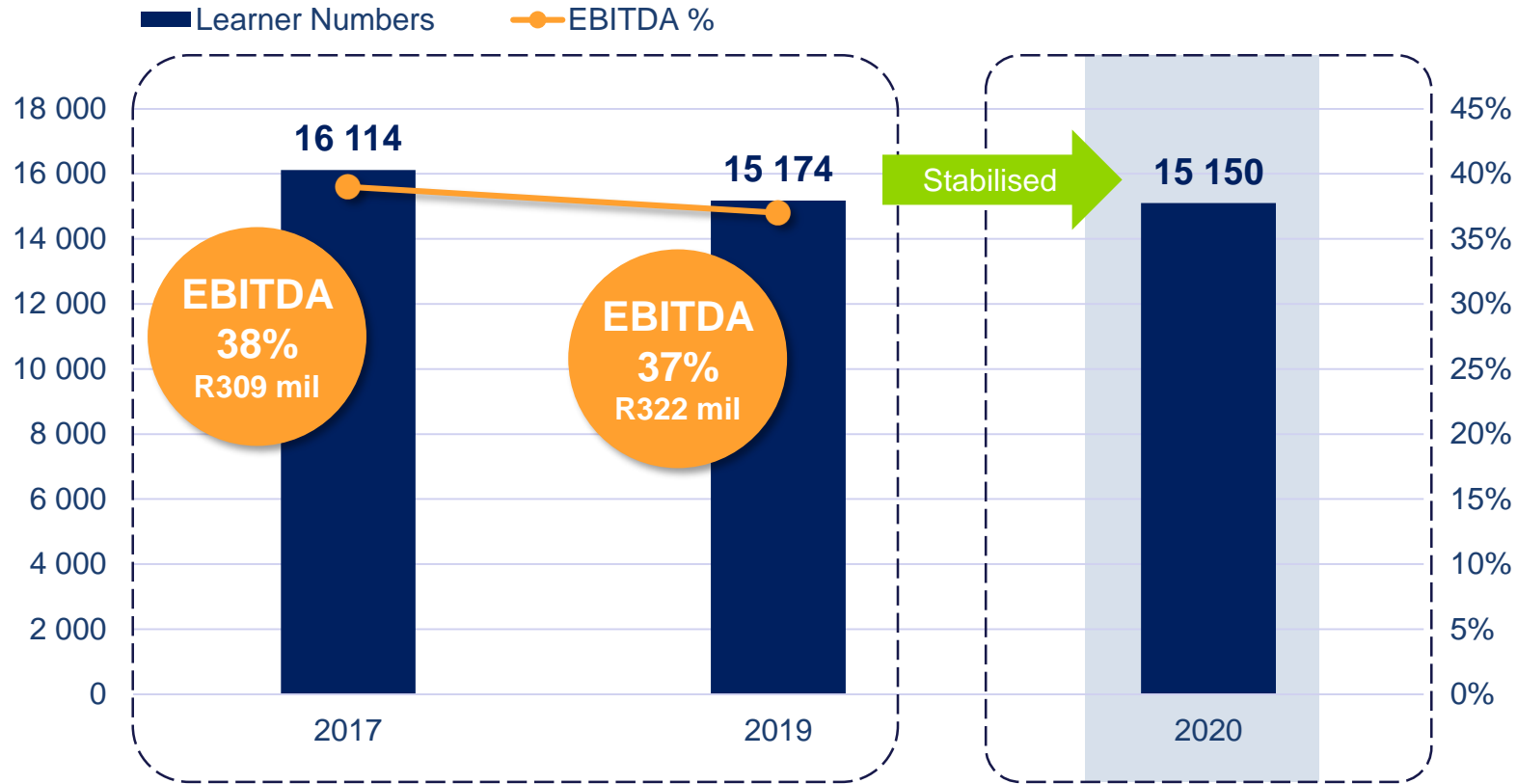
COST OF GROWTH (2017 – 2019 SCHOOLS)



Number of campuses **+22** (2016: 48)
 Number of schools **+52** (2016: 114)

Note: Financed with debt – thus the growth in long-term debt for the last three years

PRESSURES ON CERTAIN HIGHER-FEE CAMPUSES



Number of campuses = 9

Stabilised due to:

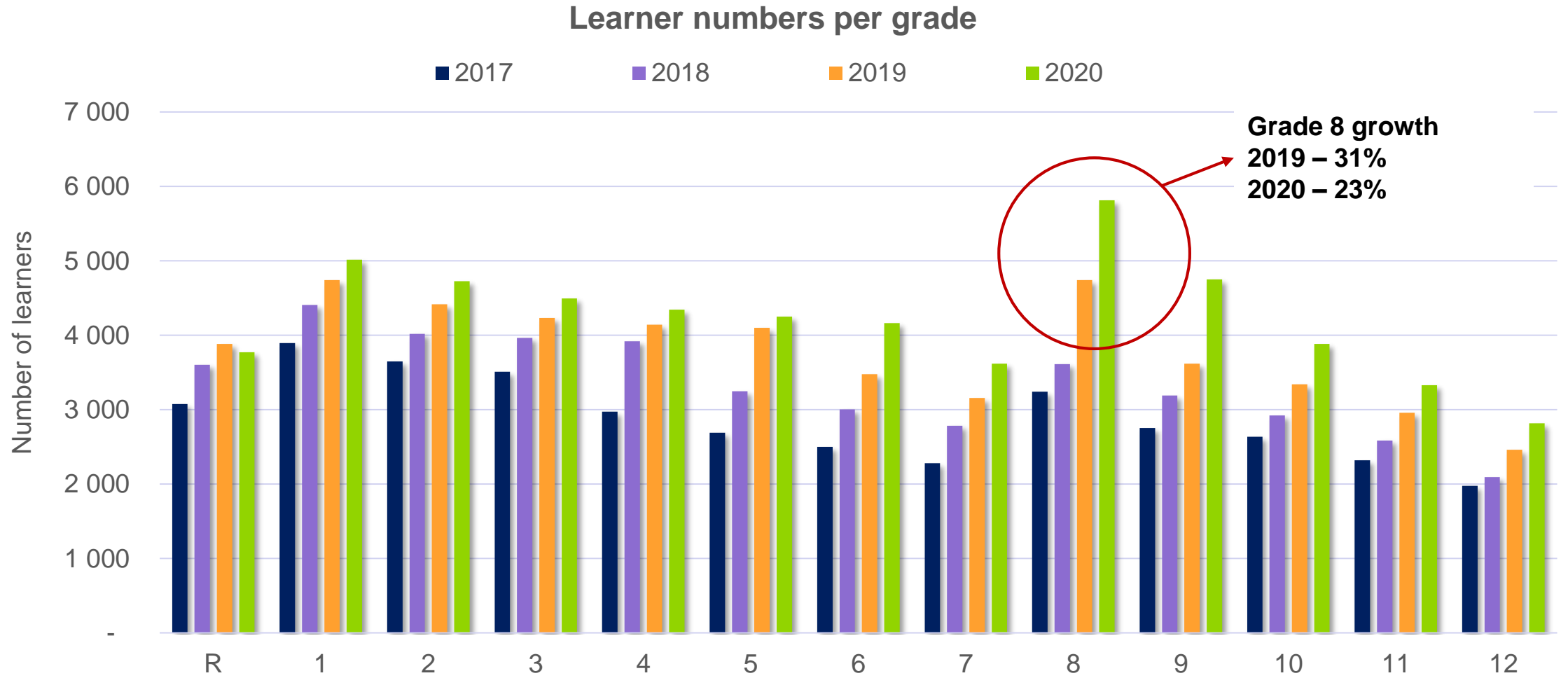
- Restructuring of fees
- Enhanced academic, sport and culture offering
- Realignment of roles and responsibilities
- Improved efficiencies throughout

Schools are set for growth

Lower than expected growth due to:

- Economic pressure
- Emigration
- Competition entered into school feeder areas

LEARNERS PER GRADE



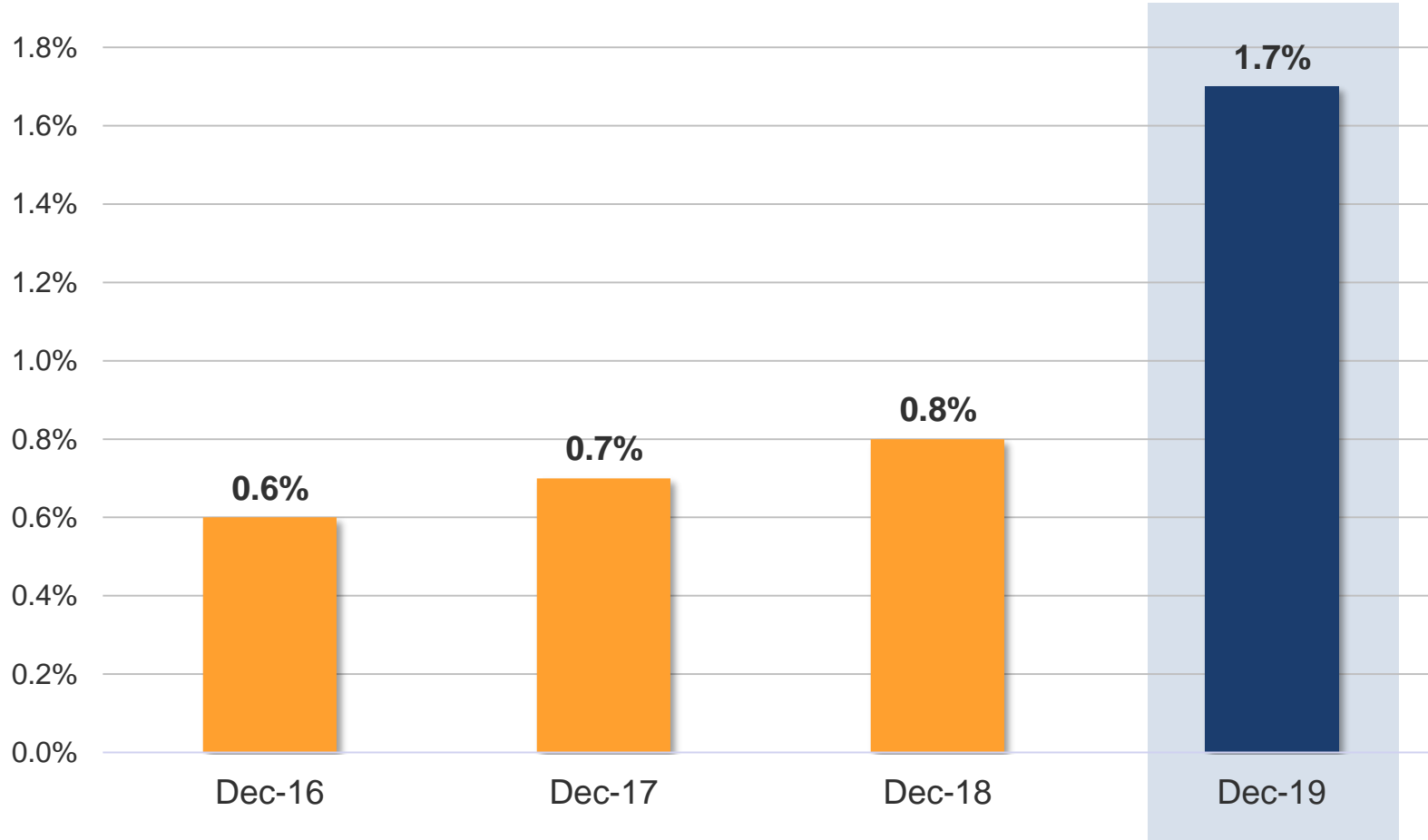
LEARNER NUMBERS

	Dec 2017	Dec 2018	Dec 2019	Jan 2020
Net organic joiners (existing schools)	7.5%	5.8%	5.0%	7.1%
Joiners greenfield schools	2.6%	1.1%	3.0%	0.8%
Total organic growth	10.1%	6.9%	8.0%	7.9%
Acquisitive growth		3.9%	2.9%	0.7%
Intra-year movement*	(1.7%)	1.1%	1.1%	1.7%
Growth in learner numbers	8.3%	11.8%	12.0%	10.3%
Leavers (excluding Grade 12)	21.4%	18.0%	18.3%	

***Note:**

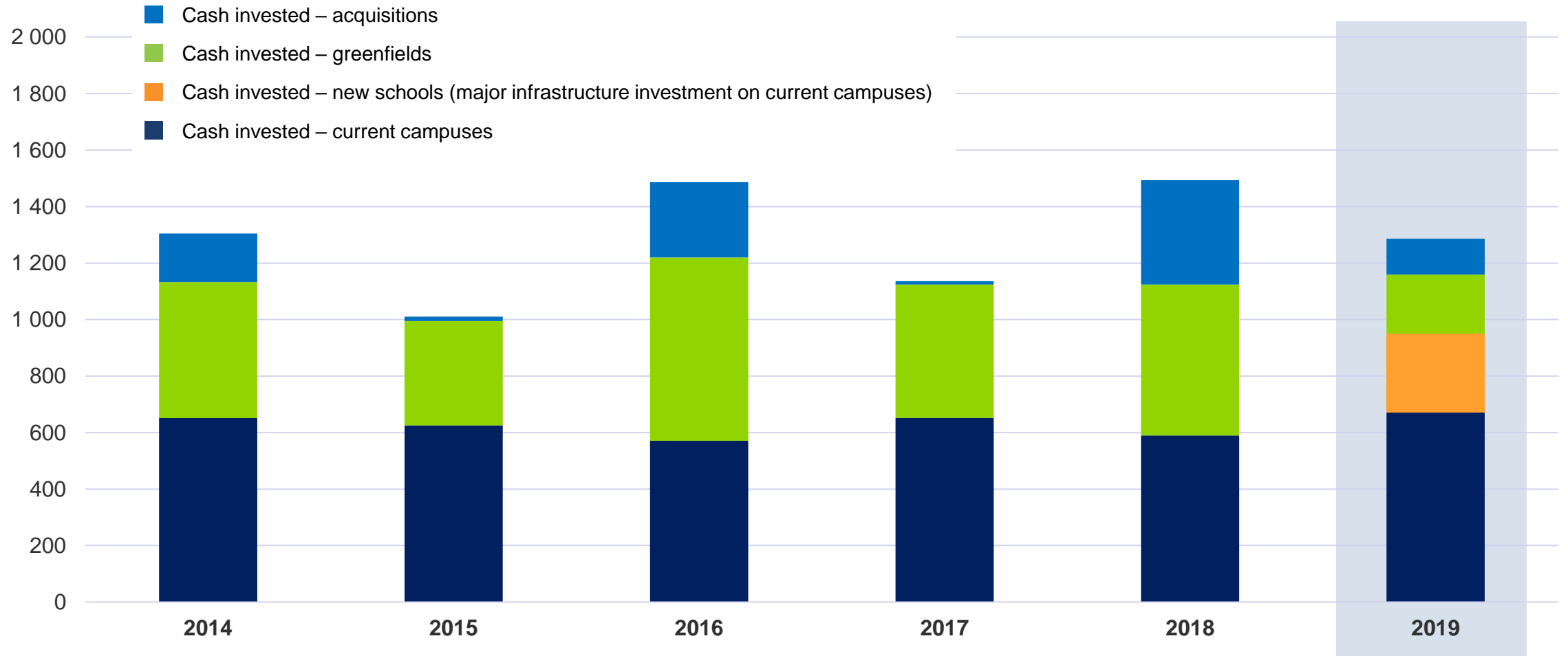
- 2017 to 2019 full year
- 2020 includes February 2020

BAD DEBTS AS % OF REVENUE

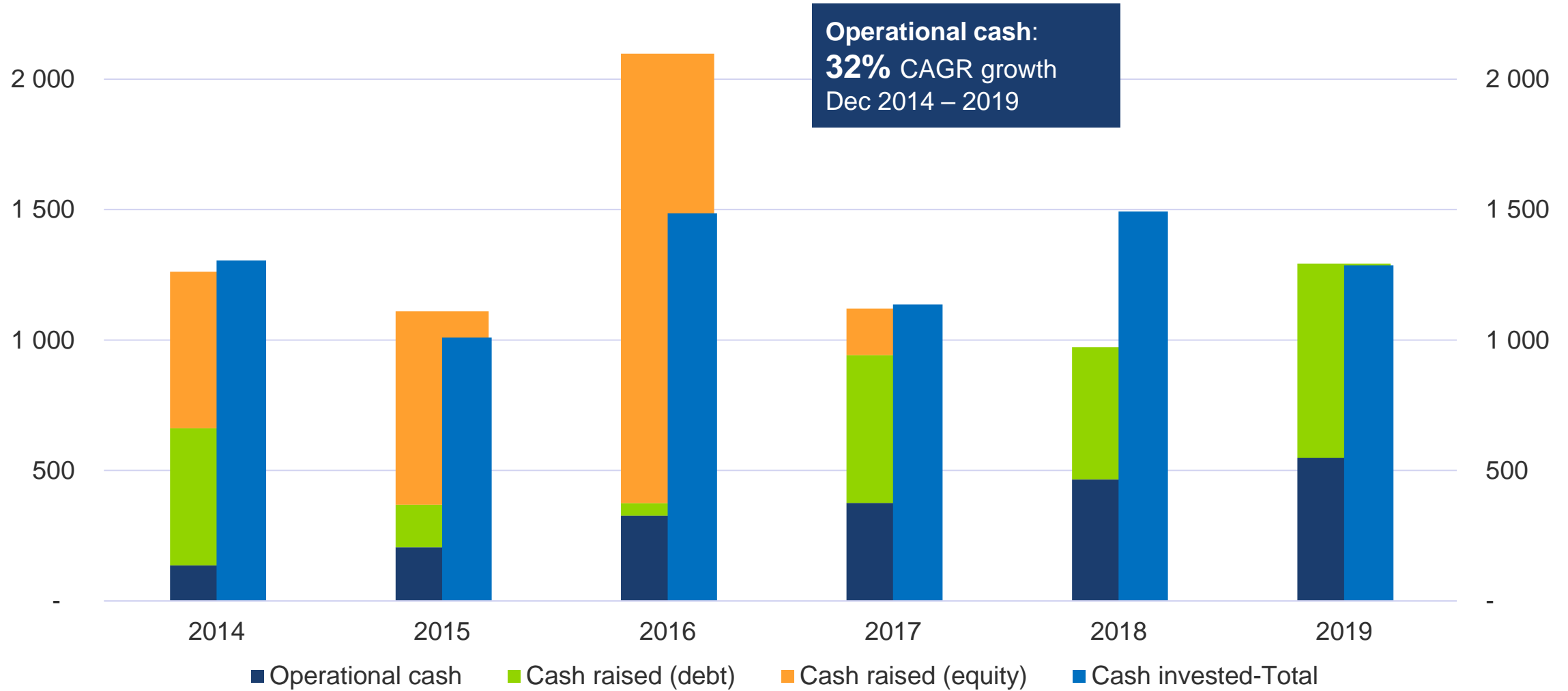


- Focus on learner retention
- Centralise debtors collection process
- Higher debt provision percentage (allowed arrear accounts back into school)
- Increased bad debt percentage acceptable

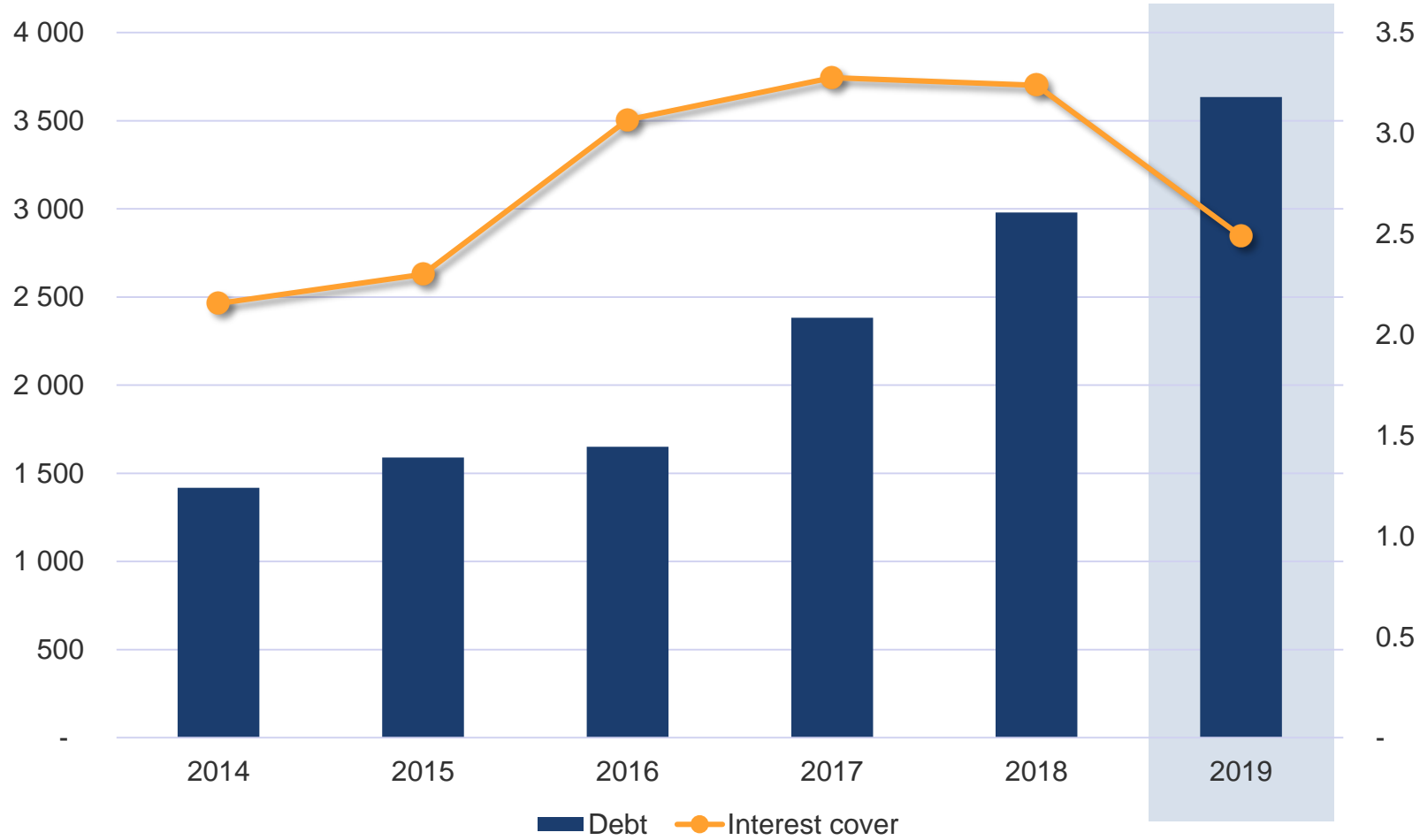
CAPITAL INVESTMENT (1)



CAPITAL INVESTMENT (2)



DEBT AND INTEREST COVER



- Interest cover = EBITDA/Interest
- Covenant is 1.75x (ave could have been R1.5bn higher before reaching covenant levels)
- EBITDA = cashflow as no cash tax expense (5% wear and tear allowance)

- Capital investment will slow down
- Peak debt within 12-24 months then interest expense trend will reverse

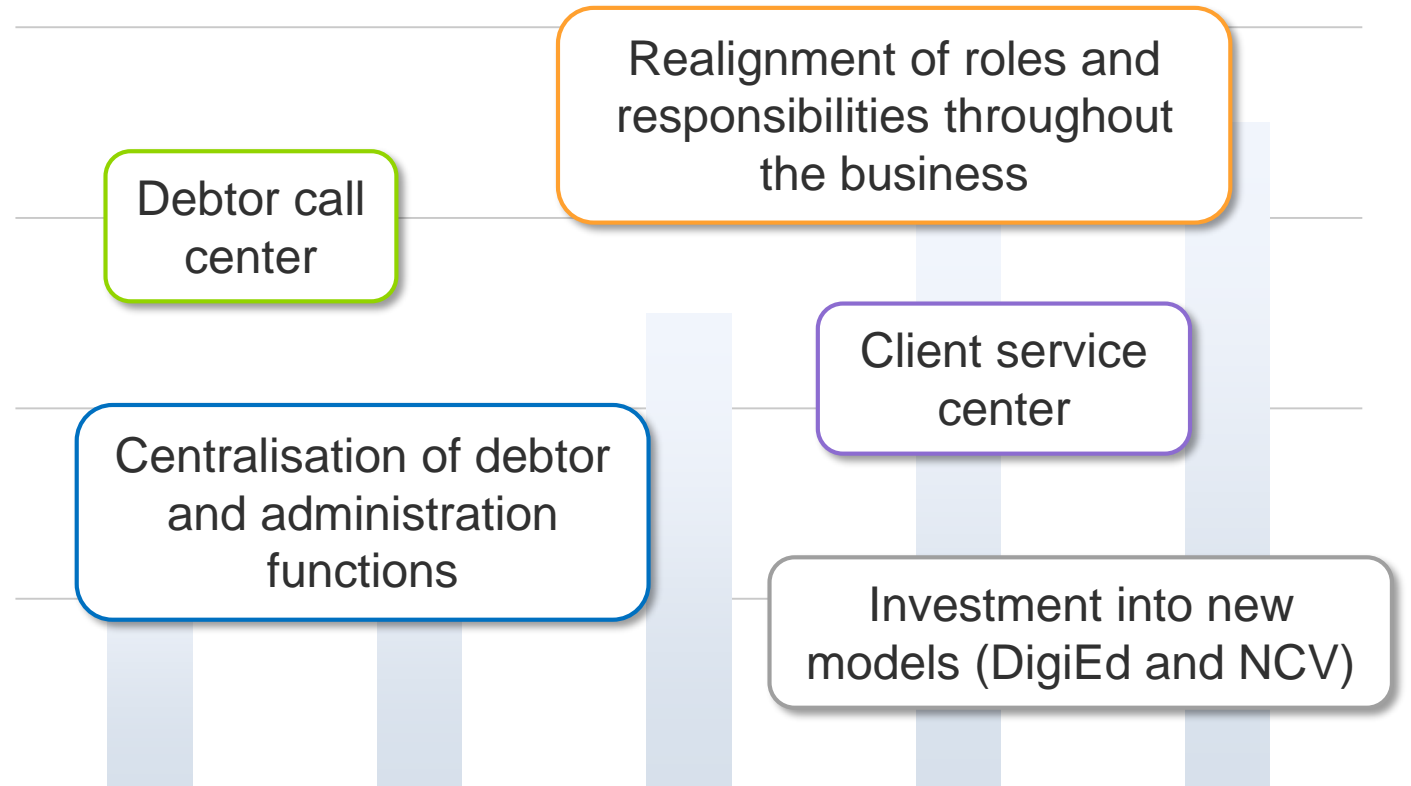
CURRO HEAD OFFICE

Purpose



To consolidate non-core functions to ensure schools can focus on quality teaching and the holistic educational development of the child (curriculum, sport and culture).

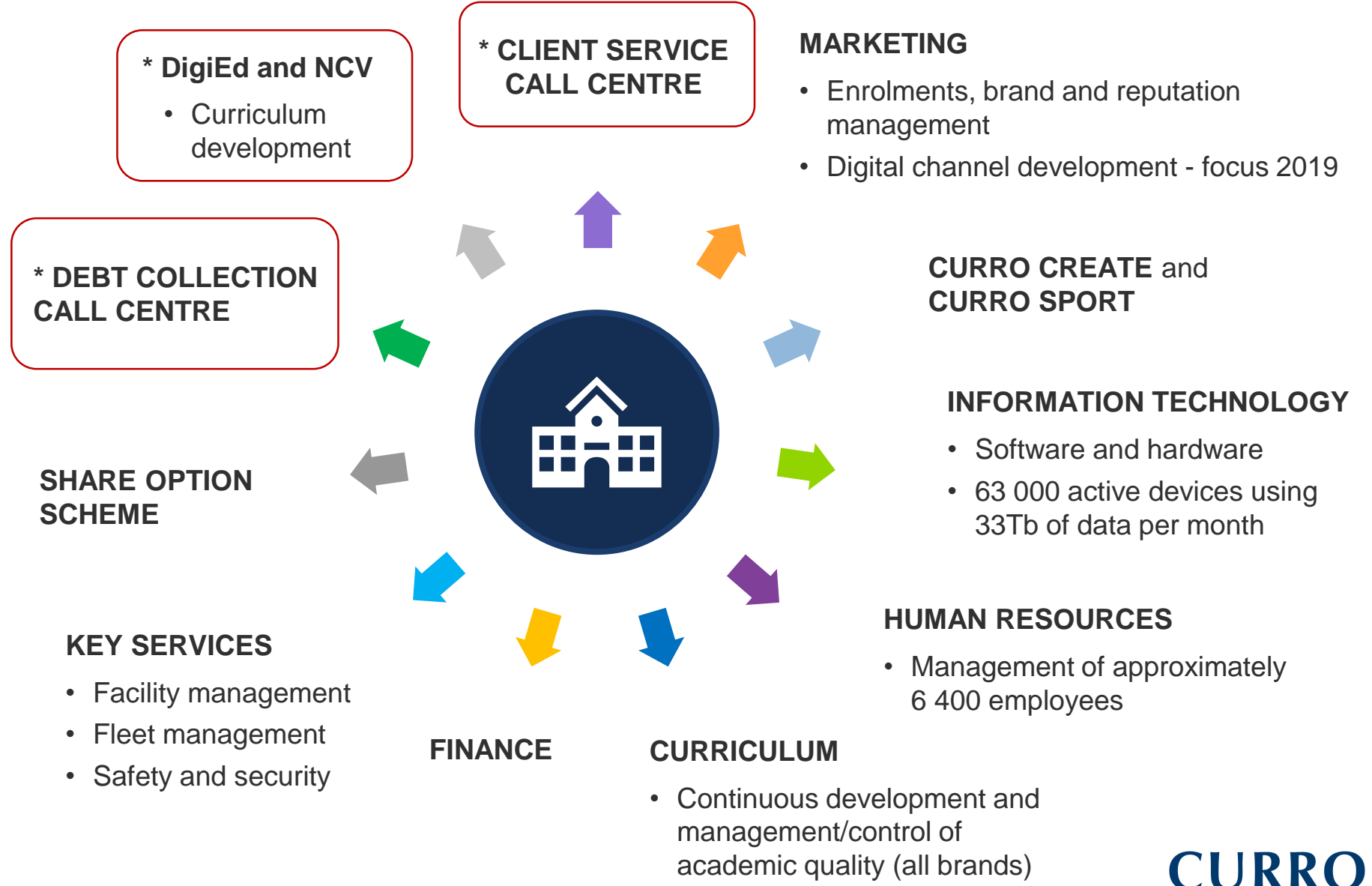
Growth in 2019 expenses:



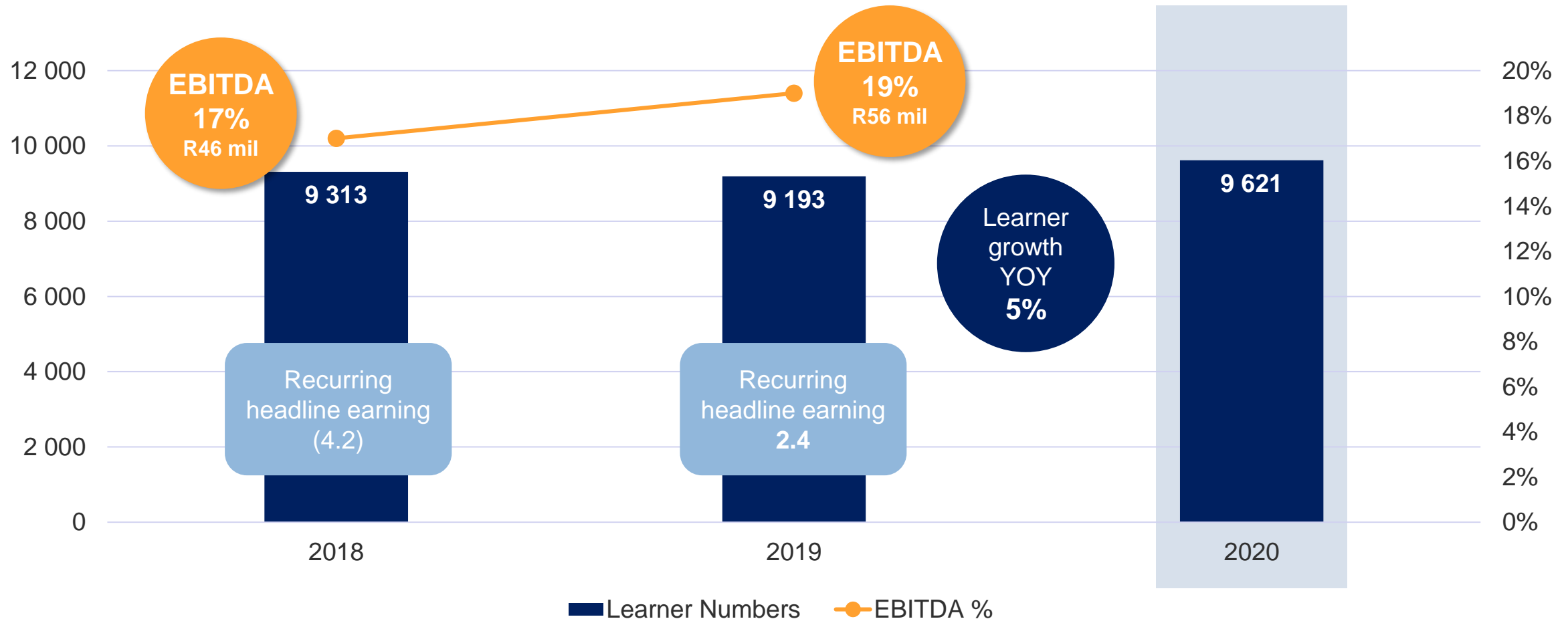
CURRO HEAD OFFICE

Continued focus on consolidation to ensure that we optimise and unlock efficiencies throughout the business; poised for growth with a much stronger customer-centric orientation.

* Started in 2019



MERIDIAN – LEARNER NUMBER HISTORY



2019 Non-recurring – amortisation of Meridian Newcastle
 Additional interest charged on Junior debt

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In conclusion

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IN CONCLUSION

1**2019 in summary**

- Affordability – the consumer is under financial pressure
- Bad debt within norm; continuous focus on rehabilitation and retention of debtors
- Increased focus to enhance gross profit % (increase learner/teacher ratio)
- New campuses built or acquired since 2017 – growing quicker through J-curve
- Economic pressure on higher fee schools
- Positive cash flow



IN CONCLUSION

2

Focus 2020

- Capital only to be invested into current schools managed by Curro as at 1 January 2020, to accommodate rapid increase in the high school learner numbers
- Continue to look for attractive acquisition opportunities
- Delivery and enhancement of quality education (academic, sport and culture)
- Consolidation of non-core functions



IN CONCLUSION

- 3 We have a portfolio of schools for various market segments, i.e. choice in quality education
- 4 We have invested as well as consolidated the business during 2019 to create scale for future growth
- 5 Encouraging growth in learner numbers in Jan/Feb 2020 indicates a demand for the Curro portfolio
- 6 Still relatively young company, growing into maturity (in 2011 we had 12 campuses, 4 200 learners)
- 7 Slowdown in capital investment – debt to peak in 12 to 24 months
- 8 Fixed assets (at cost) of R9.6 billion with debt of R3.6 billion



Curro is a **long-term** player – a place of growth in a challenging economy.

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THANK YOU

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