

# CURRO

## 2016 Results Presentation



# CURRO

# Curro Holdings presenters



**Dr Chris van der Merwe**  
Chief Executive Officer



**Andries Greyling**  
Chief Operating Officer



**Bernardt van der Linde**  
Chief Financial Officer

# Agenda

- Organisational changes
- Financial results
- Company overview
  - Schools
  - Tertiary
- Growth
- Final thoughts



The video is accessible on the Curro website



# Introduction

**CURRO** is an educational company that focusses on *school education*



The **tertiary market** has also become very attractive



- Education businesses have different elements
- Focus and expertise should be given to both businesses separately
- Tertiary business will be separated from Curro in the medium term

# Organisational changes

Chris van der Merwe

- Intricately involved in both businesses as strategic leader
- Non-executive designated Chair of Curro
- Chair of Embury

Day-to-day  
responsibilities  
of businesses



## CURRO

CEO – **Andries Greyling**

- COO
- Joined Curro in 2010 and intricately involved in the business

CFO – **Bernardt van der Linde**

- CFO of Curro since 2011



CEO – **Johan Human**

- Co-founder of Embury

CFO – **Samara Totaram**

- Executive CEO of Meridian
- Long history in PSG

# Our journey

1998

Curro  
founded

2009

PSG became  
a 50%  
partner



Learners  
2 059

2011

Listed on  
the AltX



Learners  
5 557

2012

Listed on  
the JSE's  
main board

Acquired  
Embury  
Institute of  
Teacher  
Education

2013

Commenced  
with Meridian  
Schools

2015

Curro  
Academy  
Schools  
launched



Learners  
35 970

2016

Expanded  
vision for  
Embury  
announced





**Curro's vision  
is to make  
independent  
school  
education  
*accessible to*  
more learners  
throughout  
*South Africa***

**Financial**  
*Results*

**CURRO**



# Superior financial elements in the business model

- High growth
- Strong visibility
- High margins and operating leverage
- Significant free cash flow
- Relative resilience
- Outstanding returns on investment





# Key objectives

1

Profitable growth

2

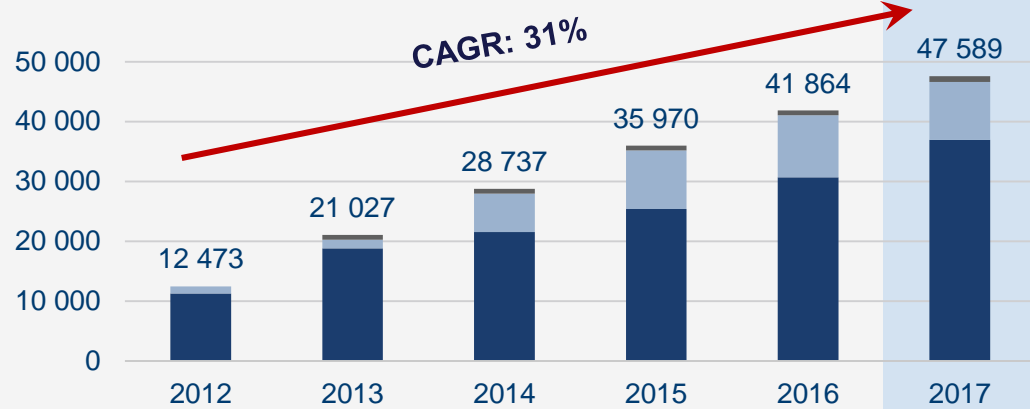
Improve EBITDA margin – goal 40%

3

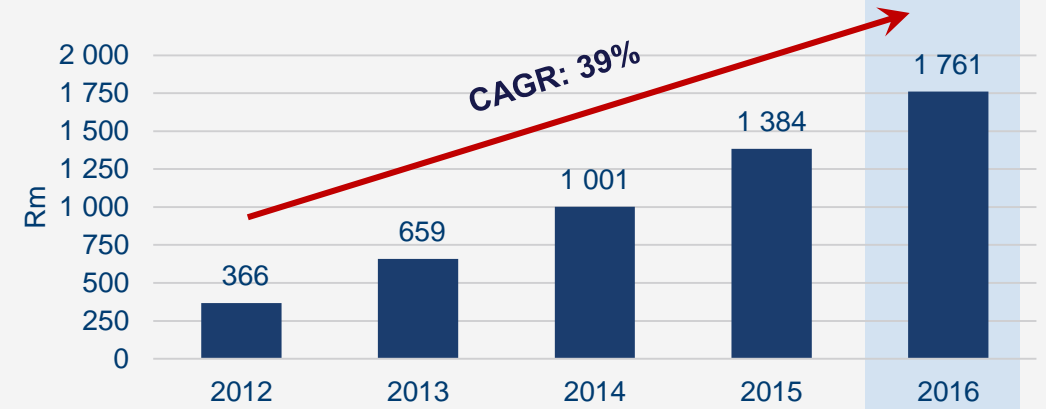
Attractive capital returns

# Strong track record of financial and operating performance

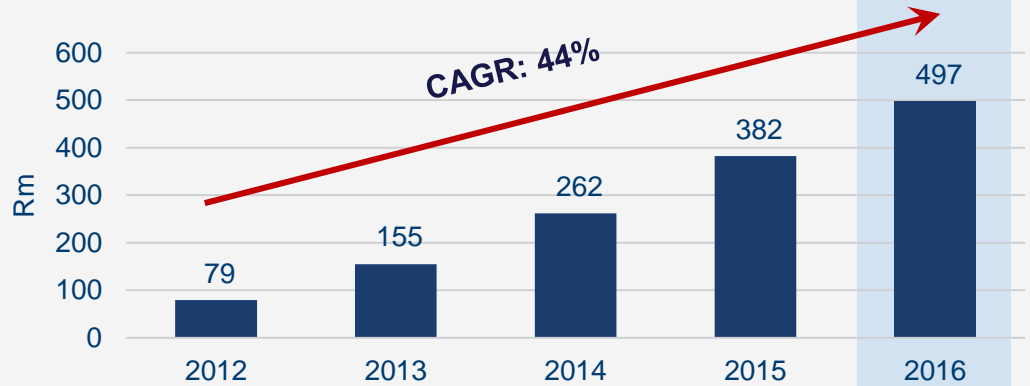
## Learner numbers



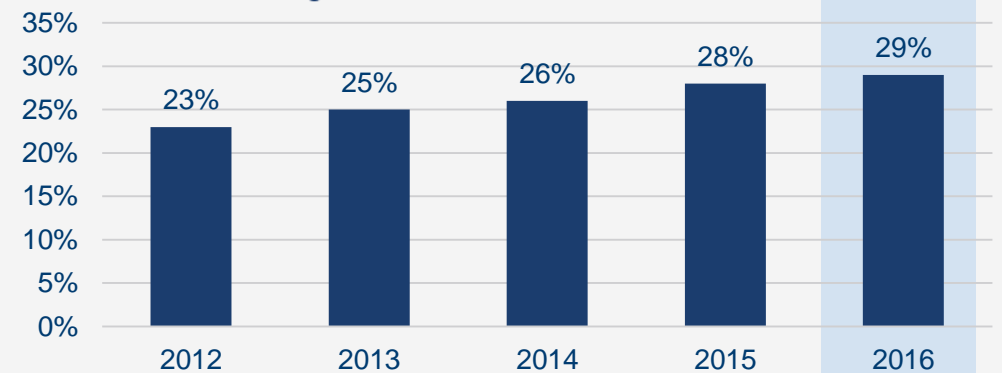
## Revenue



## EBITDA schools



## EBITDA margin schools



# Growth statistics

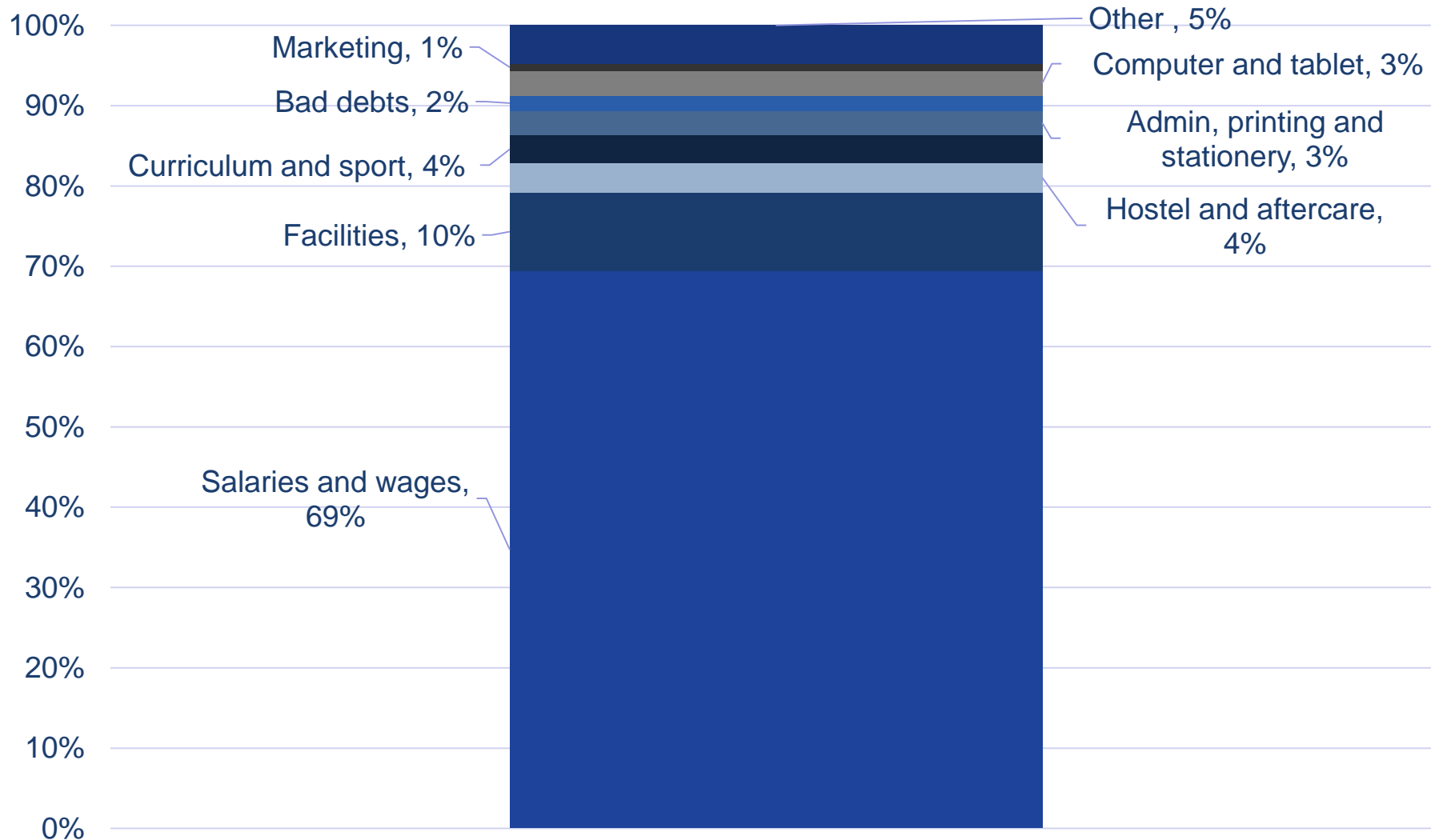
	2015	2016	% change (2015-2016)
Number of campuses	42	<b>49</b>	17%
Learner numbers	35 970	<b>43 183</b>	20%
Revenue full year (Rm)	1 384	<b>1 761</b>	27%
Schools EBITDA	382	<b>497</b>	30%
EBITDA	292	<b>387</b>	33%
Net finance cost	91	<b>68</b>	(25)%
Headline earnings	100	<b>169</b>	69%
HEPS	28.3	<b>43.9</b>	55%

# J-Curve (School evolution)

	Number at 31		Learner numbers (Dec)			Growth			Schools EBITDA			Growth			EBITDA margin			Eventual Capacity			
	Camp uses	Schools	2014	2015	2016	13/14	14/15	15/16	2014	2015	2016	13/14	14/15	15/16	2014	2015	2016	2014	2015	2016	
<b>Developed schools</b>	<b>33</b>	<b>80</b>	<b>14,645</b>	<b>20,694</b>	<b>24,699</b>	<b>38%</b>	<b>41%</b>	<b>19%</b>	<b>111</b>	<b>174</b>	<b>258</b>	<b>113%</b>	<b>57%</b>	<b>49%</b>	<b>23%</b>	<b>23%</b>	<b>27%</b>	<b>40%</b>	<b>40%</b>	<b>42%</b>	
<i>2009 and before #</i>	<i>3</i>	<i>8</i>	<i>3,100</i>	<i>3,332</i>	<i>3,470</i>	<i>5%</i>	<i>7%</i>	<i>4%</i>	<i>31</i>	<i>37</i>	<i>44</i>	<i>28%</i>	<i>20%</i>	<i>20%</i>	<i>28%</i>	<i>28%</i>	<i>29%</i>	<i>79%</i>	<i>84%</i>	<i>88%</i>	
2010	2	6	1,994	2,120	2,232	22%	6%	5%	17	24	31	107%	42%	29%	25%	29%	33%	62%	66%	69%	
<i>2011</i>	<i>6</i>	<i>16</i>	<i>3,721</i>	<i>4,337</i>	<i>4,567</i>	<i>26%</i>	<i>17%</i>	<i>5%</i>	<i>25</i>	<i>40</i>	<i>52</i>	<i>259%</i>	<i>62%</i>	<i>30%</i>	<i>19%</i>	<i>23%</i>	<i>26%</i>	<i>39%</i>	<i>45%</i>	<i>47%</i>	
2012	2	6	1,362	1,618	1,788	36%	19%	11%	8	15	19	309%	82%	24%	17%	23%	25%	40%	48%	53%	
<i>2013</i>	<i>4</i>	<i>11</i>	<i>3,645</i>	<i>4,922</i>	<i>5,757</i>	<i>81%</i>	<i>35%</i>	<i>17%</i>	<i>37</i>	<i>68</i>	<i>93</i>	<i>238%</i>	<i>83%</i>	<i>37%</i>	<i>32%</i>	<i>38%</i>	<i>41%</i>	<i>37%</i>	<i>50%</i>	<i>59%</i>	
2014	4	8	823	1,271	1,531		54%	20%	(7)	1	3		Na	433%	(32%)	2%	2%	12%	19%	22%	
<i>2015</i>	<i>8</i>	<i>19</i>		<i>3,094</i>	<i>4,767</i>				-	<i>(10)</i>	<i>17</i>					<i>(13%)</i>	<i>13%</i>		<i>20%</i>	<i>31%</i>	
2016	4	6			587						(1)						(2%)			10%	
<b>Acquired schools</b>	<b>16</b>	<b>35</b>	<b>14,092</b>	<b>15,276</b>	<b>18,484</b>	<b>35%</b>	<b>8%</b>	<b>21%</b>	<b>151</b>	<b>212</b>	<b>244</b>	<b>47%</b>	<b>40%</b>	<b>15%</b>	<b>30%</b>	<b>33%</b>	<b>30%</b>	<b>72%</b>	<b>75%</b>	<b>73%</b>	
<i>2012 and before</i>	<i>8</i>	<i>17</i>	<i>6,483</i>	<i>6,851</i>	<i>6,884</i>	<i>7%</i>	<i>6%</i>	<i>0%</i>	<i>97</i>	<i>121</i>	<i>130</i>	<i>27%</i>	<i>23%</i>	<i>8%</i>	<i>36%</i>	<i>38%</i>	<i>36%</i>	<i>68%</i>	<i>72%</i>	<i>72%</i>	
2013	2	3	5,690	5,779	5,541	29%	2%	(4%)	45	53	52	70%	16%	(1%)	29%	30%	28%	74%	75%	71%	
<i>2014</i>	<i>2</i>	<i>5</i>	<i>1,919</i>	<i>2,046</i>	<i>2,441</i>		<i>7%</i>	<i>19%</i>	<i>9</i>	<i>35</i>	<i>43</i>		<i>288%</i>	<i>26%</i>	<i>12%</i>	<i>28%</i>	<i>29%</i>	<i>82%</i>	<i>84%</i>	<i>85%</i>	
2015 and 2016	4	10	-	600	3,618						18									81%	69%
Property rental and royalties										(3)	(5)										
<b>Total</b>	<b>49</b>	<b>115</b>	<b>28,737</b>	<b>35,970</b>	<b>43,183</b>	<b>37%</b>	<b>25%</b>	<b>20%</b>	<b>262</b>	<b>382</b>	<b>497</b>	<b>69%</b>	<b>45%</b>	<b>30%</b>	<b>26%</b>	<b>28%</b>	<b>29%</b>	<b>51%</b>	<b>50%</b>	<b>52%</b>	

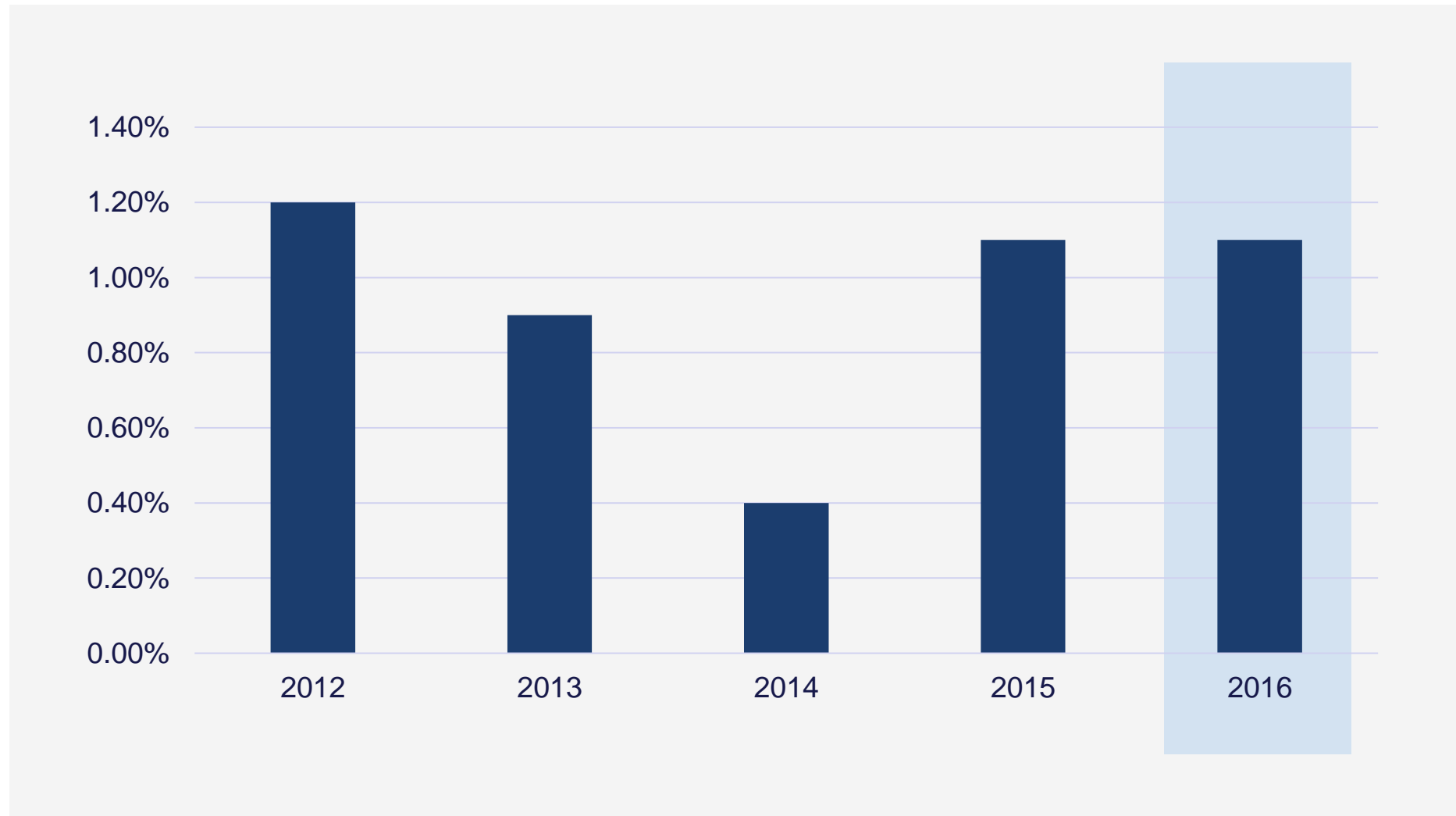
# Maximum class size of 20

# High margins and operating leverage



Operating leverage

# Bad debts





# Cash flow for the year

	2015	2016	
<b>EBITDA</b>	<b>292</b>	<b>387</b>	<b>33%</b>
Working capital movements	(44)	81	
Other	13	13	
<b>Cash from operations</b>	<b>261</b>	<b>481</b>	
Tax	(9)	(8)	
Net finance costs	(90)	(69)	
<b>Net cash from operating activities</b>	<b>162</b>	<b>404</b>	<b>149%</b>
<b>Investments</b>	<b>(1,030)</b>	<b>(1,700)</b>	<b>65%</b>
Existing campuses	(646)	(571)	
New campuses	(369)	(649)	
Acquisitions	(15)	(266)	
Embury		(214)	
<b>Financing</b>	<b>904</b>	<b>1,772</b>	<b>96%</b>
Equity	742	1,722	
Net debt	162	50	
<b>Cash surplus</b>	<b>36</b>	<b>476</b>	

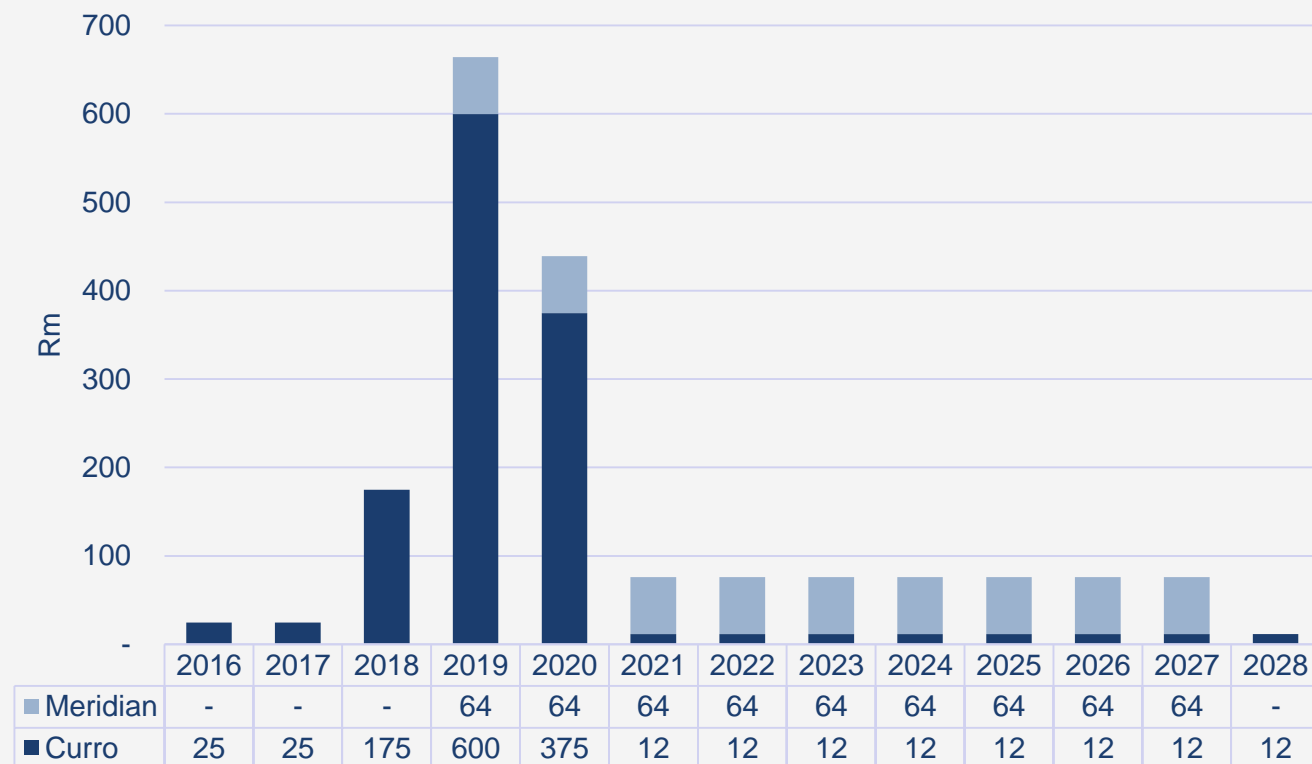
R67m  
more  
prepayments  
in 2016

# Debt and gearing

	2015	2016
<b>Debt</b>	<b>1,589</b>	<b>1,623</b>
Curro	998	1,044
Meridian	591	579
<b>Equity</b>	<b>3,081</b>	<b>4,964</b>
Debt/Equity	52%	33%
Debt/Equity (excl. Meridian)	32%	21%
<b>ISCR</b>	<b>2.4</b>	<b>3.7</b>
ISCR (excl. Meridian) >1.75x	5.1	8.1

Increase gearing over medium term to **50%** debt and **50%** equity

Debt maturity profile



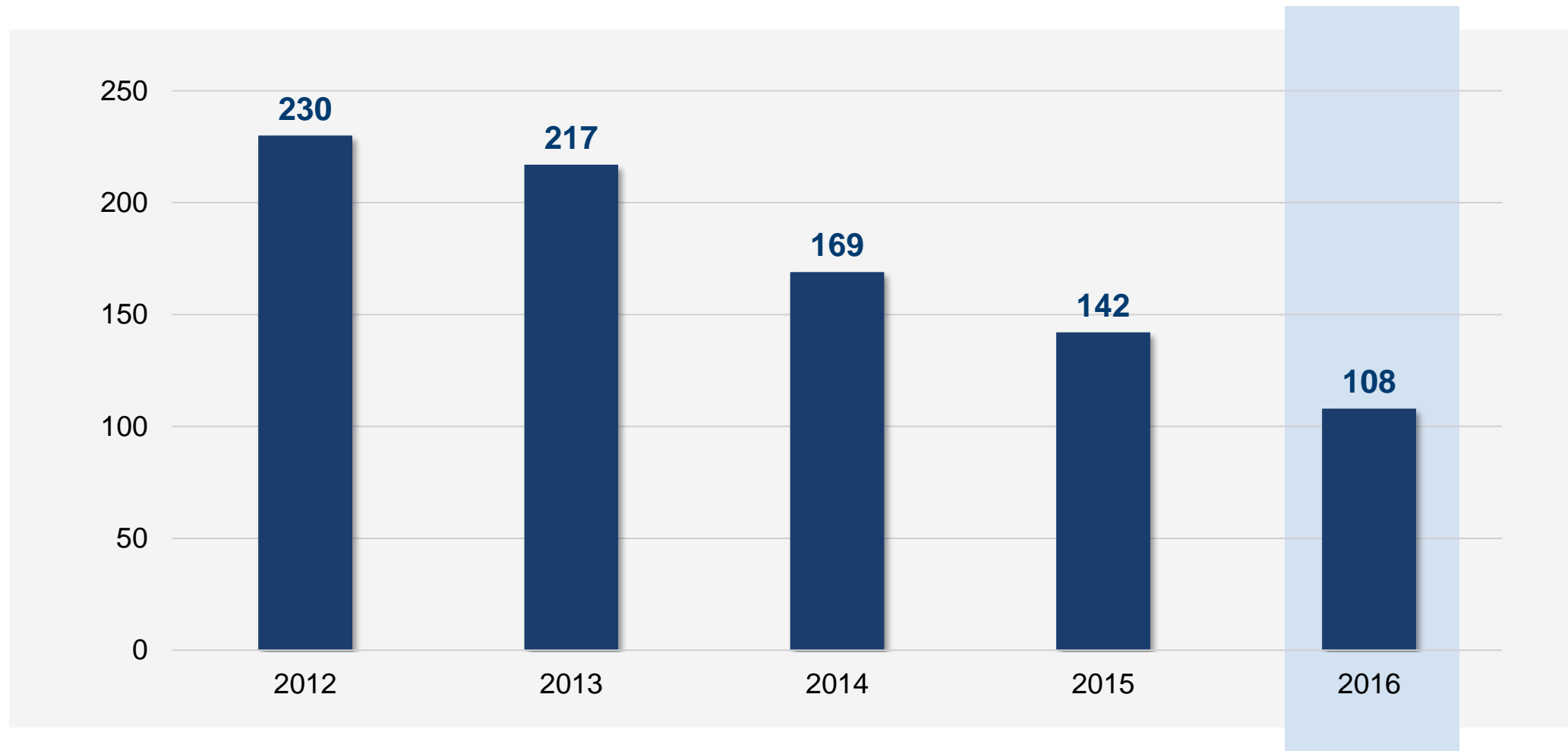




**Well-gearred  
to make  
use of  
opportunities**



# PE ratio



# CAGR of 46% since listing June 2011







Focus on  
delivering  
solid  
long-term  
*results*



**Company**  
*overview*

**CURRO**

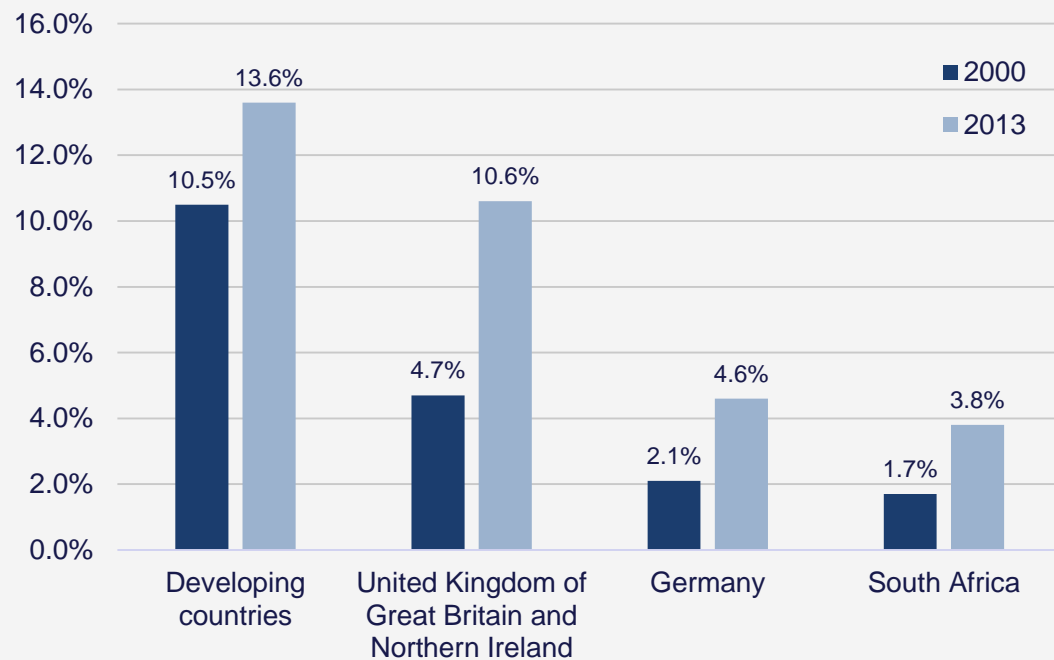


Schools

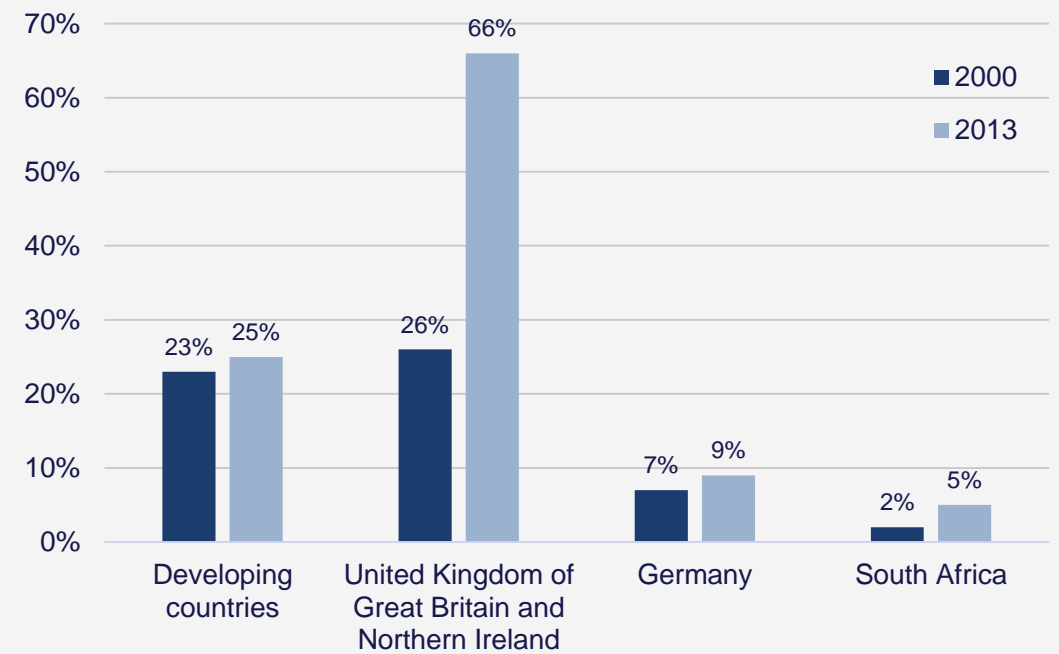
# The *global* market

## Percentage of enrolment in independent institutions (%)

### Primary education



### Secondary education



# The market

## ANALYSIS OF SOUTH AFRICAN SCHOOL SECTOR

There are three large operators in the independent school sector of which CURRO is one

+25 691  
schools In SA

12 814 473  
learners

4.4%

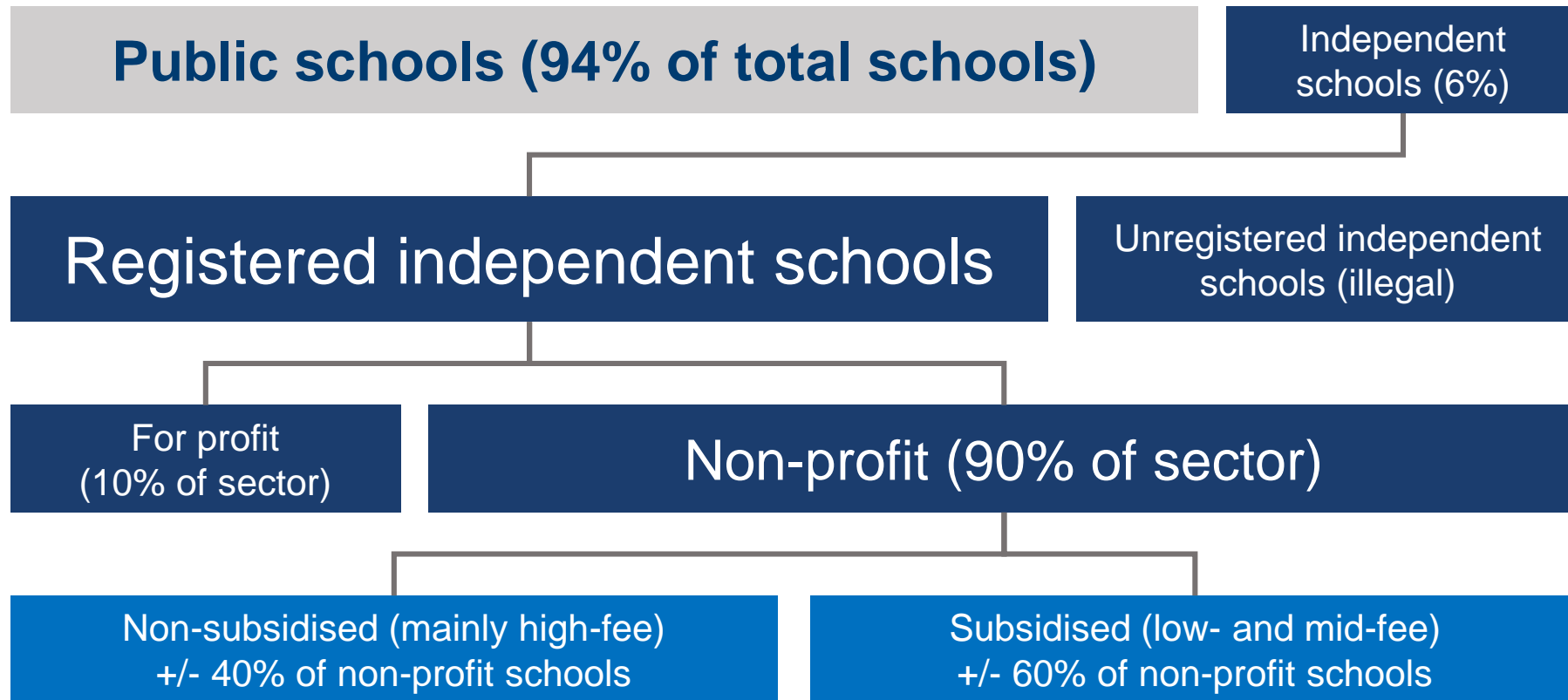
of school-going children  
accommodated by  
independent schools

566 194  
learners in  
independent  
schools

The **global trend** for independent school numbers indicate that independent schools are moving towards making up **20%** of the total number of schools.

If South Africa follows this trend there is **huge potential** for many more independent schools to be developed.

# The market



Source: ISASA



# SA market potential

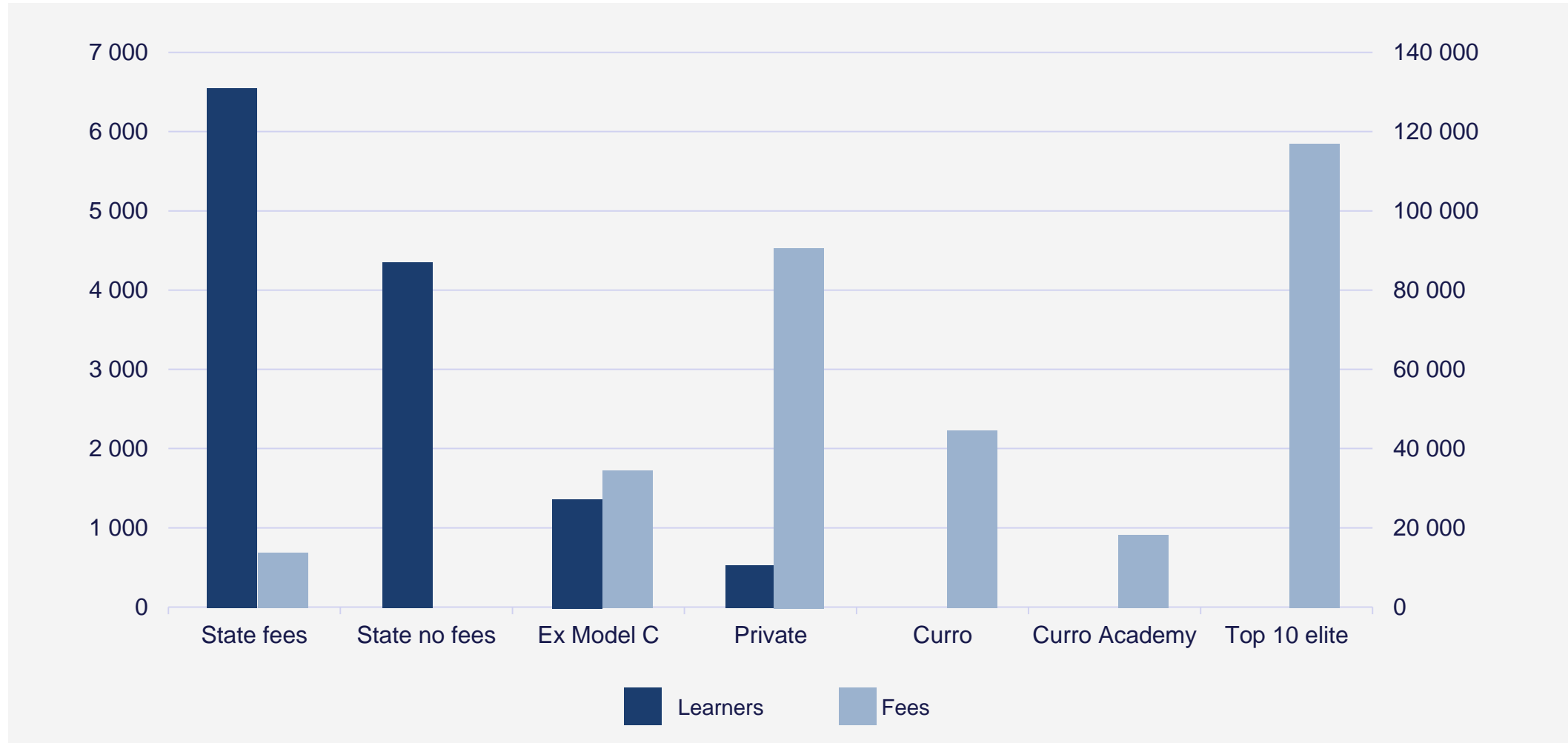
<b>LSM (Living Standards Measurement) analysis</b>	
SA learners	12 814 473
% population that can afford private education	9%
Learners that can afford private education	1 203 430
Current learners in private education	566 194
<b>Theoretical remaining learners</b>	<b>637 236</b>
<b>Schools required assuming 1 500 learners/school</b>	<b>424.82</b>

<b>Medical scheme analysis</b>	
Beneficiaries age 5-20	2 083 407
GEMS and Keycare	(538 720)
Excl. GEMS and Keycare	1 544 687
Beneficiaries age 19-20	(289 629)
Excl. beneficiaries age 19-20	1 255 058
Current learners in private education	566 194
<b>Theoretical remaining learners</b>	<b>688 864</b>
<b>Schools required assuming 1 500 learners/school</b>	<b>459</b>

Source: J.P.Morgan estimates



# The market



Source: J.P.Morgan estimates

# Barriers to replication



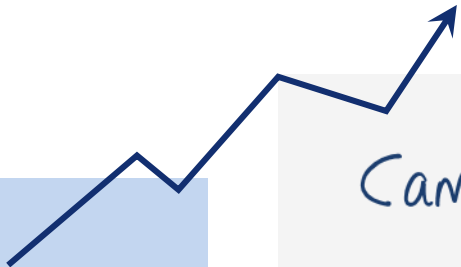
- National brands
- Various pricing levels
- Real estate
- Capital intensiveness
- Academic track record
- Learner persistence
- Intellectual capital on campus planning and development










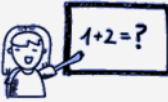
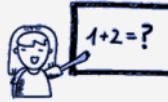
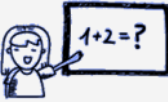
# Snapshot

100% private pay

Fee increases of 10%  
per annum

Largest for profit school  
group in South Africa



	2015	2016	2017
Campuses	 42	 47	 54
Schools	 101	 110	 127
Learners	 35 970	 41 864	 47 589
Educators	 2 339	 2 595	 2 734

**Building a**  
*national*  
*brand*

**CURRO**



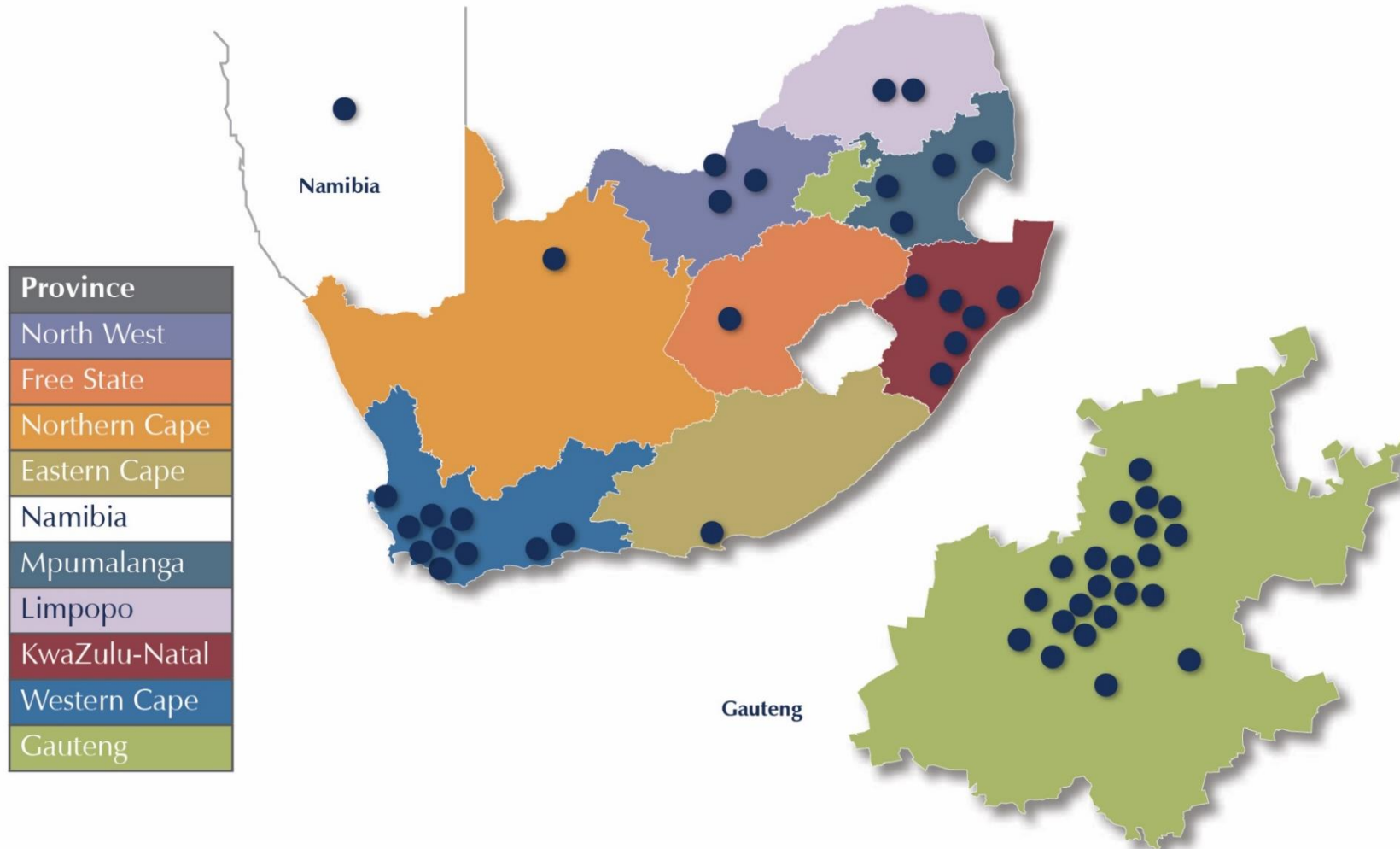
# Curro Holdings brands

Building a national schools brand



Supermarkets				
Hospitals				
Vehicles				
Schools				None before. Curro has now established itself as a national brand.


# Curro footprint



Future expansion

- **Focus on urban areas**
  - Gauteng
  - Cape Town
  - Durban
- **Rest of Africa**
  - Established schools
  - Partnership

# Our products

<b>CURRO</b> School	<b>CURRO</b> Select School	<b>CURRO</b> <b>MERIDIAN</b> Academy School      School	<b>CURRO</b> Castle	
<b>31</b> campuses	<b>6</b> campuses	<b>12</b> campuses	<b>4</b> campuses	<b>1</b> campus
<b>27 178</b> learners	<b>5 114</b> learners	<b>13 500</b> learners	<b>1 030</b> learners	<b>978</b> learners
<b>R3 700</b> avg. monthly fees	<b>R5 000</b> avg. monthly fees	<b>R1 500 – R2 500</b> avg. monthly fees	<b>R3 200</b> avg. monthly fees	<b>R3 600</b> avg. monthly fees
<b>Balanced</b> curriculum	<b>Balanced</b> curriculum	<b>Academic</b> curriculum	<b>Balanced</b> curriculum	<b>Academic</b> curriculum
<b>25</b> maximum class size	<b>25</b> maximum class size	<b>35</b> maximum class size	<b>25</b> maximum class size	<b>70</b> maximum class size
<b>3 – 18</b> ages (yrs)	<b>3 – 18</b> ages (yrs)	<b>5 – 18</b> ages (yrs)	<b>0 – 5</b> ages (yrs)	<b>18+</b> ages (yrs)





Making our  
schools a  
*preferred*  
choice

# Our elements



**Academics**



**Co-curricular**








**Facilities**






Primary focus of  
the parent



# Outstanding academic outcomes for our IEB learners

	2014	2015	2016
 Number of learners	637	724	877
 Pass rate	99%	99%	99%
 University exemption	82%	82%	84%
 Learners with an A aggregate	7%	8%	9%
 Average >60%	66%	69%	70%

# Outstanding academic outcomes for our NSC learners

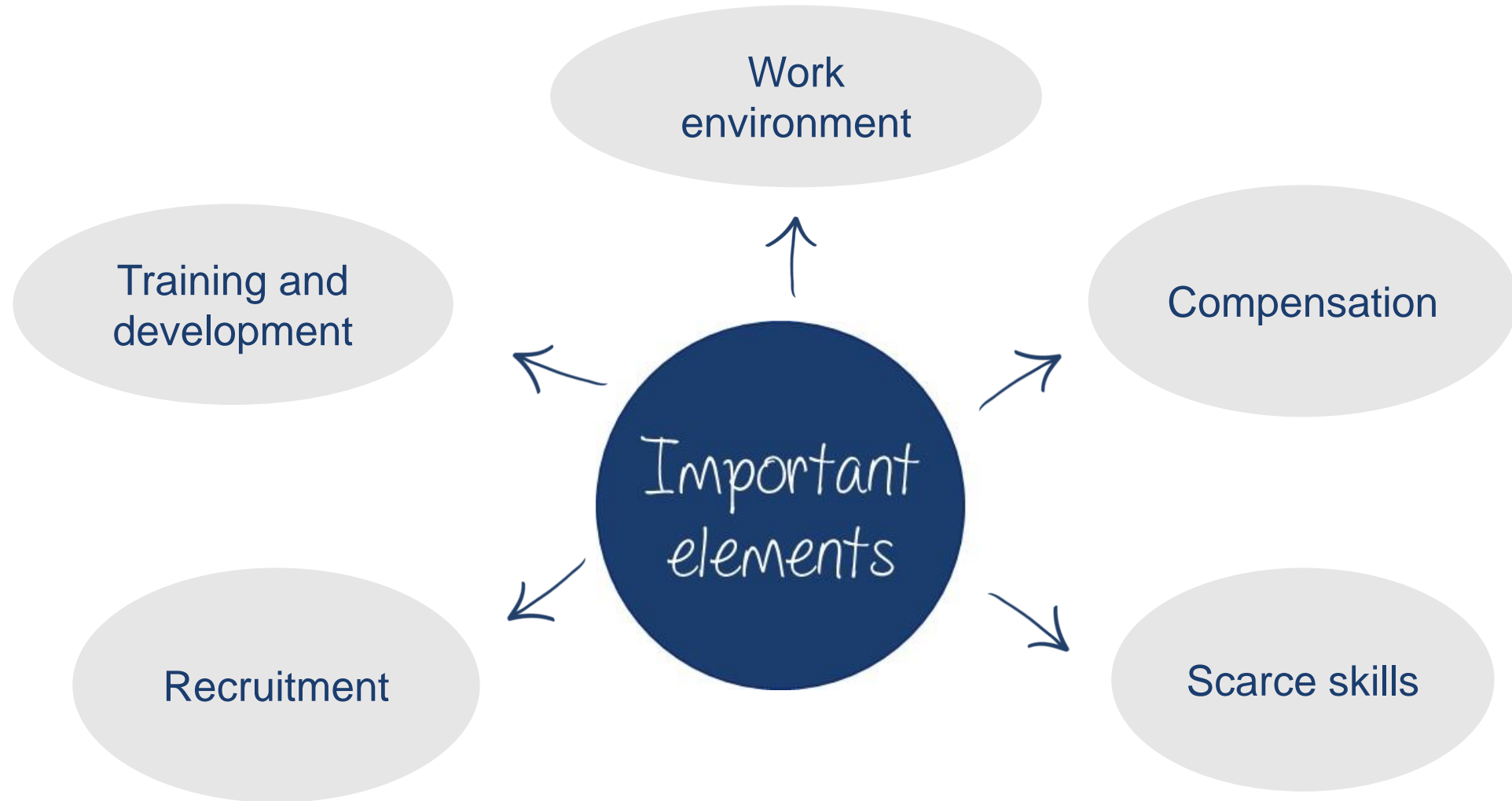
	2014	2015	2016
 <b>Number of learners</b>	488	708	773
 <b>Pass rate</b>	90%	98%	93%
 <b>Learners with a diploma or degree exemption pass</b>	73%	90%	79%
 <b>Learners with an A aggregate</b>	2%	3%	1%
 <b>Average &gt;60%</b>	30%	43%	30%

# Recruit, retain and develop highest quality educators

High-quality educators are the most important factor for excellent outcomes at school level



# Important elements



Growth

CURRO



# Focussed capital allocation targets

## Same school expansion

Increase capacity by 15% per year

Target of 20+% yield over total project



## New builds

7 per year

25% IRR



## Acquisitions

1 – 2 per year

Various multiples





# Same school *expansion*

- Building capacity onto existing schools
- Improve facilities
- Predictable enrolment and margin improvement
- Lowest risk





# Planned same school expansion for 2017

## 204 classrooms over 11 schools to be added:

- Wilgeheuwel Academy: **40** classrooms
- Roodeplaat: **30** classrooms
- Soshanguve: **24** classrooms
- Hermanus: **20** classrooms
- Sitari: **20** classrooms
- Mahikeng: **16** classrooms
  
- Windhoek: residence
- Heuwelkruin: residence

# 2017 Developments

**R800m**

of total investment  
into *existing campuses*



- Classrooms
- Additional land
- Sports facilities
- Swimming pools and AstroTurfs
- Residences
- Cultural facilities
- IT

**16 campuses**

More than *R20m*



- Bloemfontein
- Century City
- Hillcrest
- Heuwelkruin
- Hermanus
- Langebaan
- Mahikeng
- Rivonia
- Secunda
- Serengeti
- St Dominics Newcastle
- Soshanguve
- Thatchfield
- Wilgeheuwel
- Waterstone College
- Windhoek

# New builds

All facilities owned

TARGET IRR **25%+**



9

## New schools opened in 2017

Curro Waterfall Primary • Curro Century City  
• Curro Krugersdorp High School • Academy  
Wilgeheuwel (*Castle to High School*) • Academy  
Clayville Primary • Curro Rivonia (*Castle and  
Primary*)

9

## New schools in 2018

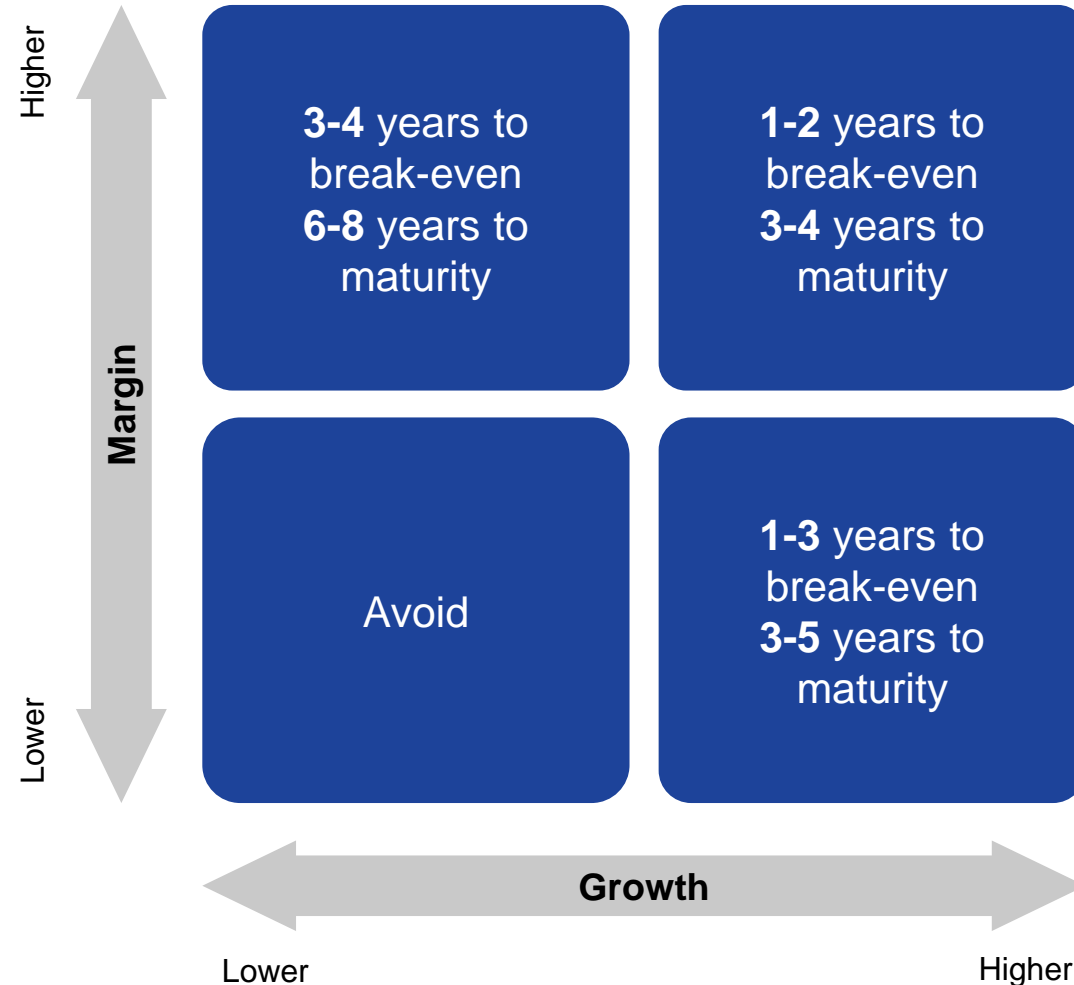
Academy Mamelodi (Primary and High) • Curro  
Academy Riverside (Primary) • Curro  
Sunningdale (Castle and Primary) • Curro  
Roodeplaar High School • Curro Sitari High  
School • Castle Turffontein • Castle Uitzicht



# New builds matrix

Average break-even utilisation: **20-30%**

Avg. EBITDA margin of Curro schools at maturity: **35-45%**



# Curro Academy Clayville





# Curro Academy Wilgeheuwel





# Curro Waterfall



# Robust and active pipeline

Campuses



**47** +7

**54** +5

**59** +7

**66** +7

**73** +7

2016

2017

2018

2019

2020



**110** +17

**127** +9

**136** +17

**153** +17

**170** +17

Schools



# Acquisitions

- Target quality schools
- Buyer in fragmented market
- Systematic pre-acquisition plan
- Low risk market entry strategy
- Variable multiples depending on growth and capacity utilisation

*15 campuses (37 schools)  
acquired since 2000*

- Aurora
- Woodhill College
- Waterstone College



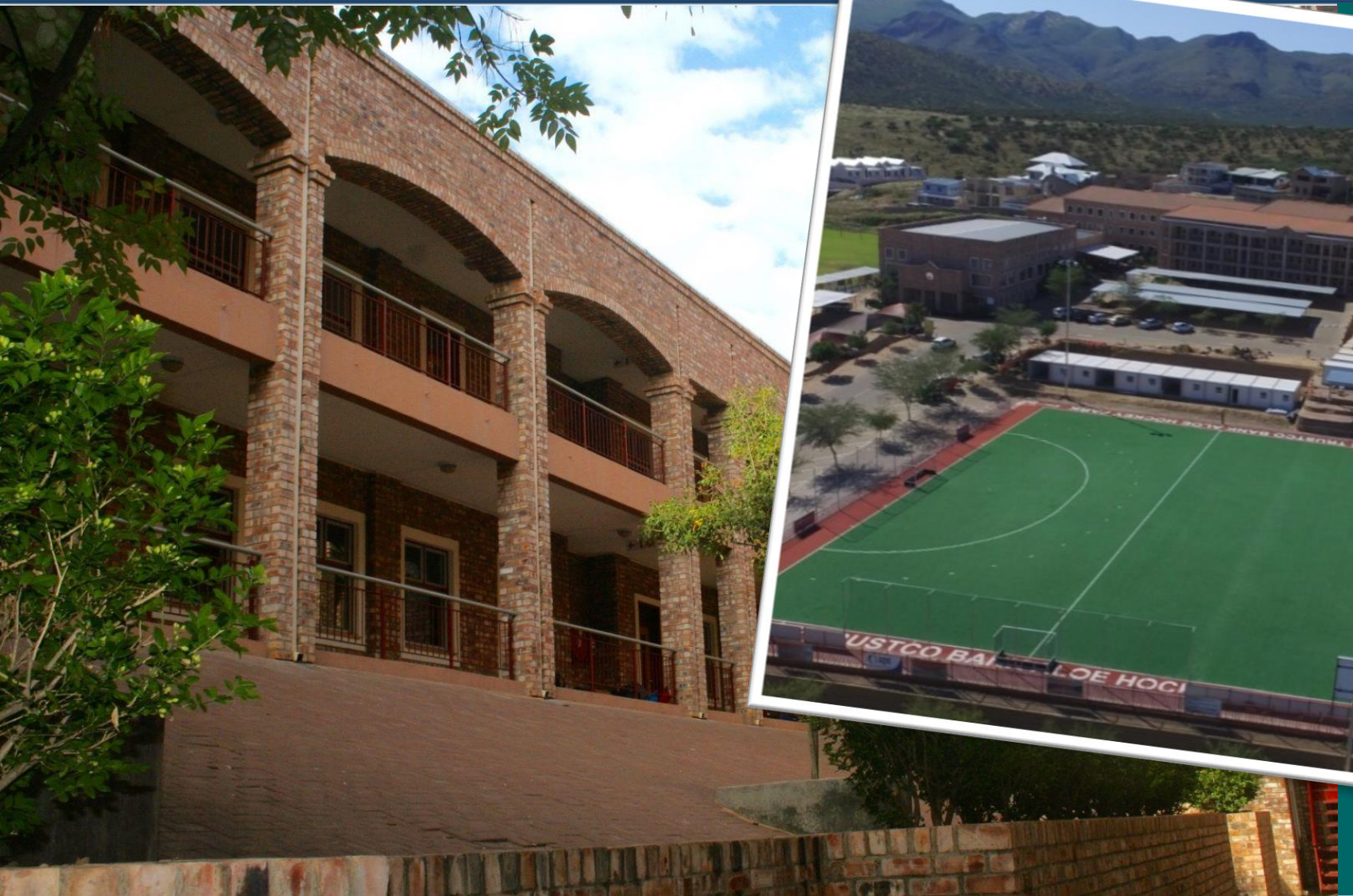


# Building Blocks





# Windhoek Gymnasium





# St Conrad's Christian College (Curro Klerksdorp)





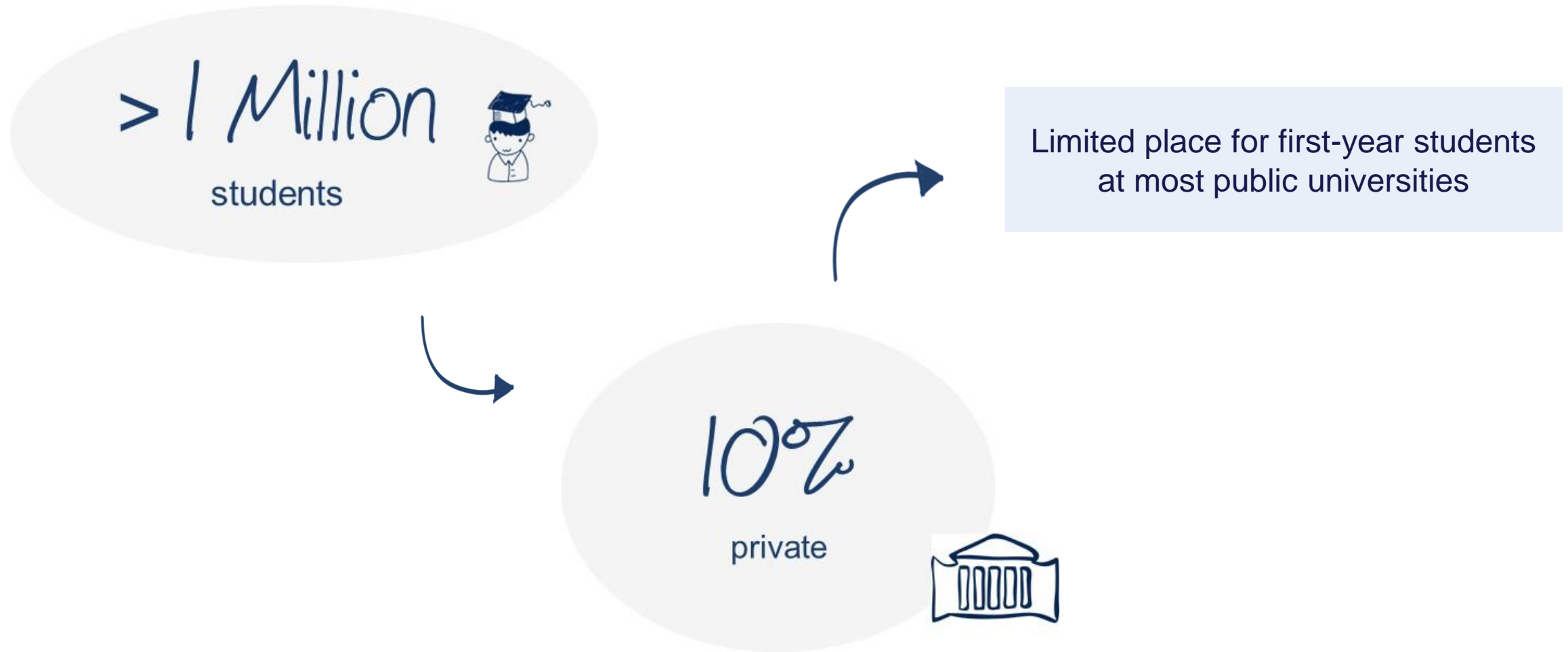
*Tertiary*  
**business**

**CURRO**

**We have  
expanded the  
vision of the  
tertiary  
business**



# The market



# Organic growth

Tertiary education



## EMBURY INSTITUTE FOR HIGHER EDUCATION



Heading towards  
Curro Institute for  
Higher Education

Expansion of  
Durban campus

New campus at  
Waterfall Estate  
(Johannesburg)

Acquire campus  
at Montana  
(Pretoria)

Growth in  
accredited courses  
(BCom, BSc, BA)



Distance  
learning  
opportunity



# Acquisitive growth



## Botswana BA ISAGO

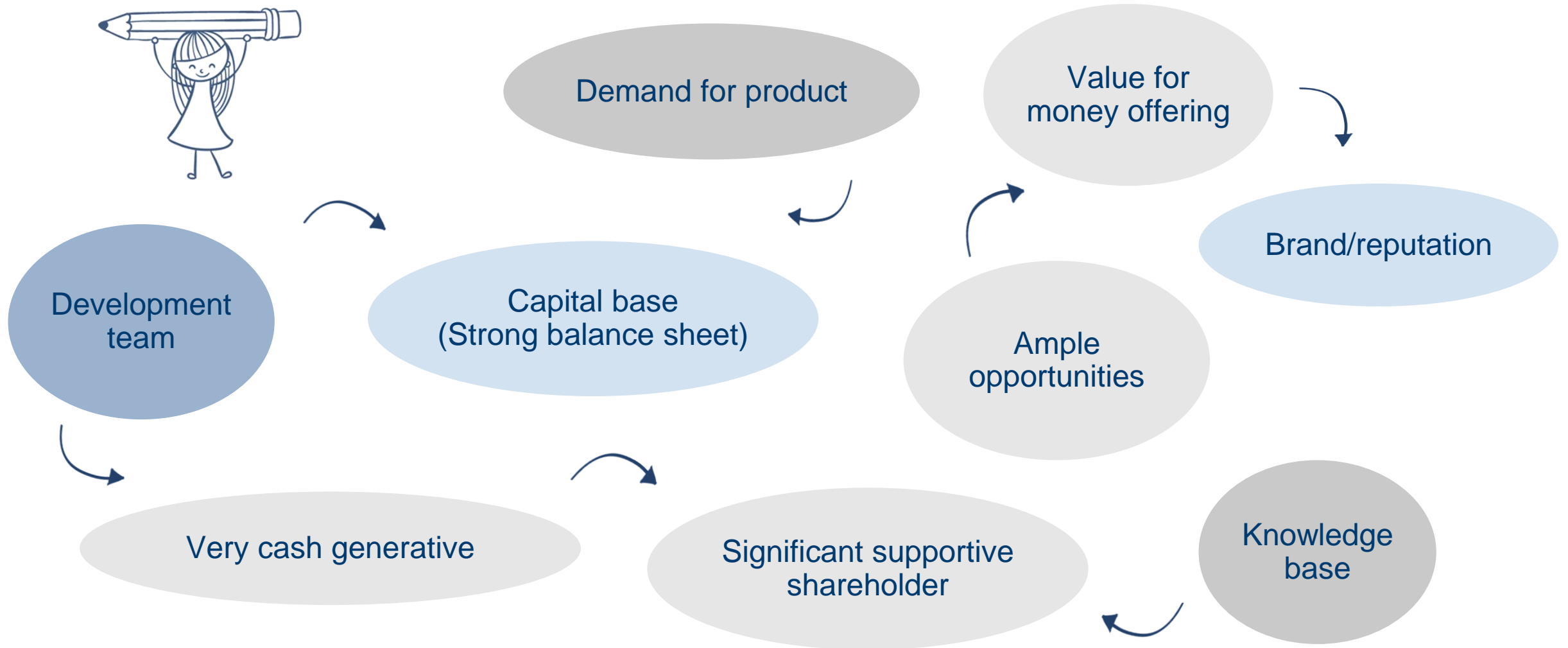
- More than 3 000 learners
- Leading BCom university
- Government support students
- Acquired 50%

Number of other  
acquisitions in the offing

**Final**  
thoughts

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# Competitive advantage





**Building a  
brand that  
*benefits all*  
**South  
Africans****





Thank  
you

**CURRO**