

Results for the six months
ended 30 June 2020

CURRO



#Learners2Leaders

LEARNER NUMBERS

FROM 57 173 TO 59 967

↑ **5%**

REVENUE

FROM R1 480M TO R1 590M

↑ **7%**

EBITDA

FROM R415M TO R466M

↑ **12%**

RECURRING HEPS

FROM 37.1 CENTS TO 40.5 CENTS

↑ **9%**

HEPS

FROM 50.0 CENTS TO 38.7 CENTS

↓ **23%**



'AN INVESTMENT IN
KNOWLEDGE PAYS
THE BEST INTEREST!'

— BENJAMIN FRANKLIN

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | % Change | Unaudited 30 Jun 2020 6 months R million | Unaudited 30 Jun 2019 6 months R million | Audited 31 Dec 2019 12 months R million |
|---|-------------|---|---|--|
| Revenue from contracts with customers (note 3) | 7% | 1 590 | 1 480 | 2 944 |
| Expected credit losses on financial assets* | 486% | (82) | (14) | (37) |
| Operating expenses* | (1%) | (1 042) | (1 051) | (2 214) |
| Earnings before interest, taxation, depreciation and amortisation (EBITDA) | 12% | 466 | 415 | 693 |
| – Schools' EBITDA | 11% | 546 | 491 | 873 |
| – Head office's EBITDA | 5% | (80) | (76) | (180) |
| Depreciation and amortisation | 23% | (112) | (91) | (187) |
| Earnings before interest and taxation (EBIT) | 9% | 354 | 324 | 506 |
| Interest income | 35% | 23 | 17 | 36 |
| Profit on sale of property, plant and equipment | n/a | –** | 1 | 2 |
| Gain on bargain purchase | n/a | – | 28 | 27 |
| Impairment of property, plant and equipment | n/a | (73) | – | (104) |
| Impairment of goodwill | n/a | (10) | – | – |
| Finance costs | 25% | (158) | (126) | (279) |
| Profit before taxation (PBT) | (44%) | 136 | 244 | 188 |
| Taxation | 650% | (45) | (6) | (1) |
| Profit for the period (PAT) | (62%) | 91 | 238 | 187 |
| Other comprehensive income: | | | | |
| Net fair value loss on cash flow hedges | 560% | (66) | (10) | (13) |
| Foreign currency translation adjustments | n/a | 5 | (1) | – |
| Total comprehensive income | (87%) | 30 | 227 | 174 |
| Profit attributable to: | | | | |
| Owners of the parent | (60%) | 93 | 234 | 202 |
| Non-controlling interest | n/a | (2) | 4 | (15) |
| | (62%) | 91 | 238 | 187 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | (86%) | 32 | 223 | 189 |
| Non-controlling interest | n/a | (2) | 4 | (15) |
| | (87%) | 30 | 227 | 174 |

* Restated to reflect expected credit losses on financial assets on face of statement of comprehensive income pursuant IAS 1 disclosure requirements

** Balances less than R500 000 are displayed as RNil in million rounding

| | % Change | Unaudited 30 Jun 2020 6 months R million | Unaudited 30 Jun 2019 6 months R million | Audited 31 Dec 2019 12 months R million |
|--|-------------|---|---|--|
| Reconciliation of headline and recurring headline earnings: | | | | |
| Earnings attributable to owners of the parent | | 93 | 234 | 202 |
| Adjusted for: | | | | |
| Profit on sale of property, plant and equipment | –** | – | –** | (2) |
| Gain on bargain purchase | – | – | (28) | (27) |
| Impairment of property, plant and equipment | 73 | – | – | 104 |
| Impairment of goodwill | 10 | – | – | – |
| Non-controlling interest | – | – | – | (6) |
| Taxation | (16) | – | – | (18) |
| Headline earnings | (23%) | 160 | 206 | 253 |
| Reversal of deferred tax liability | – | – | (53) | (53) |
| Retrenchment cost net of taxation | – | – | – | 7 |
| Acquisition cost on business combinations | 10 | – | – | – |
| Other | – | – | – | 5 |
| Taxation | (3) | – | – | – |
| Recurring headline earnings | 9% | 167 | 153 | 212 |
| EBITDA margin | | 29% | 28% | 24% |
| Schools' EBITDA margin | | 34% | 33% | 30% |
| Earnings per share (cents) | | | | |
| – Basic | (60%) | 22.5 | 56.9 | 49.0 |
| – Diluted | (60%) | 22.5 | 56.8 | 49.0 |
| Headline earnings per share (cents) | | | | |
| – Basic | (23%) | 38.7 | 50.0 | 61.1 |
| – Diluted | (23%) | 38.7 | 50.0 | 61.1 |
| Recurring headline earnings per share (cents) | 9% | 40.5 | 37.1 | 51.0 |
| Number of shares in issue (millions) | | | | |
| – Basic | | 412.1 | 412.1 | 412.1 |
| – Diluted | | 412.1 | 412.3 | 412.1 |
| Weighted average number of shares in issue (millions) | | | | |
| – Basic | | 412.1 | 412.1 | 412.1 |
| – Diluted | | 412.1 | 412.3 | 412.1 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited 30 Jun 2020 R million | Unaudited 30 Jun 2019 R million | Audited 31 Dec 2019 R million |
|--|---------------------------------------|---------------------------------------|-------------------------------------|
| ASSETS | | | |
| Non-current assets | 10 203 | 9 445 | 9 913 |
| Property, plant and equipment | 9 024 | 8 423 | 8 870 |
| Right-of-use assets | 326 | 194 | 200 |
| Goodwill | 563 | 552 | 565 |
| Other intangible assets | 281 | 254 | 265 |
| Other financial assets | 5 | 14 | 5 |
| Deferred tax assets | 4 | 8 | 8 |
| Current assets | 879 | 512 | 529 |
| Inventories | 10 | 8 | 14 |
| Current tax receivable | 1 | 6 | 2 |
| Other financial assets | 30 | 22 | 34 |
| Trade receivables (note 4) | 254 | 162 | 180 |
| Other receivables | 165 | 79 | 128 |
| Investment in money market funds | 231 | 13 | 57 |
| Cash and cash equivalents | 188 | 222 | 114 |
| Non-current assets held for sale | 43 | – | 43 |
| Total assets | 11 125 | 9 957 | 10 485 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | 5 403 | 5 413 | 5 405 |
| Share capital (note 5) | 4 733 | 4 733 | 4 733 |
| Reserves | (58) | (1) | (4) |
| Retained income | 728 | 681 | 676 |
| Non-controlling interest | 8 | 38 | 11 |
| Total equity | 5 411 | 5 451 | 5 416 |
| LIABILITIES | | | |
| Non-current liabilities | 4 796 | 3 983 | 4 446 |
| Other financial liabilities at amortised cost | 3 814 | 3 174 | 3 653 |
| Other financial liabilities at fair value (note 6) | 74 | 21 | 27 |
| Deferred tax liabilities | 584 | 572 | 557 |
| Lease liabilities | 312 | 201 | 195 |
| Contract liabilities | 12 | 15 | 14 |
| Current liabilities | 918 | 523 | 623 |
| Other financial liabilities at amortised cost | 196 | 26 | 84 |
| Other financial liabilities at fair value (note 6) | 44 | – | – |
| Current tax payable | – | – | 1 |
| Lease liabilities | 33 | – | 20 |
| Trade and other payables | 194 | 136 | 186 |
| Contract liabilities (mainly prepaid school fees) | 309 | 271 | 214 |
| Development and acquisitions payables | 43 | 17 | 19 |
| Bank overdraft | 99 | 73 | 99 |
| Total liabilities | 5 714 | 4 506 | 5 069 |
| Total equity and liabilities | 11 125 | 9 957 | 10 485 |
| Net asset value per share (cents) | 1 311 | 1 322 | 1 312 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited 30 Jun 2020 6 months R million | Unaudited Restated* 30 Jun 2019 6 months R million | Audited Restated* 31 Dec 2019 12 months R million |
|---|---|--|---|
| Balance at the beginning of the period | 5 416 | 5 272 | 5 272 |
| Total comprehensive income | 32 | 223 | 189 |
| Dividends paid | (42) | (49) | (49) |
| Non-controlling interest | (2) | 4 | (23) |
| Other | 7 | 1 | 27 |
| Balance at the end of the period | 5 411 | 5 451 | 5 416 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | % Change | Unaudited 30 Jun 2020 6 months R million | Unaudited Restated* 30 Jun 2019 6 months R million | Audited Restated* 31 Dec 2019 12 months R million |
|---|-------------|---|--|---|
| Cash flows from operating activities | | | | |
| Cash generated from operations | 15% | 474 | 411 | 714 |
| Tax paid | n/a | – | (4) | (13) |
| Net finance cost | (4%) | (105) | (109) | (204) |
| Working capital movements – operations | n/a | (14) | (18) | (23) |
| Net cash generated from operating activities | – | 355 | 280 | 474 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (40%) | (259) | (431) | (1 069) |
| Sale of property, plant and equipment | – | 1 | 1 | 9 |
| Purchase of intangible assets | 13% | (35) | (31) | (56) |
| Business combinations | (98%) | (2) | (97) | (123) |
| Development and acquisition investment | n/a | (7) | 67 | (7) |
| Other investing activities | n/a | (171) | (1) | (46) |
| Net cash utilised in investing activities | (4%) | (473) | (492) | (1 292) |
| Cash flows from financing activities | | | | |
| Proceeds from other financial liabilities | 144% | 1 150 | 472 | 1 701 |
| Repayment of other financial liabilities | 494% | (914) | (154) | (908) |
| Dividends paid to company shareholders | (14%) | (42) | (49) | (49) |
| Principal elements of lease payments | n/a | (3) | – | (3) |
| Net cash from financing activities | (29%) | 191 | 269 | 741 |
| Cash and cash equivalents movement for the period | 28% | 73 | 57 | (77) |
| Cash and cash equivalents at the beginning of the period** | (84%) | 15 | 92 | 92 |
| Effect of foreign exchange rate | n/a | 1 | – | – |
| Cash and cash equivalents at the end of the period**^ | (40%) | 89 | 149 | 15 |

* Restated to align with the annual financial statements (refer to note 8)

** Includes cash and cash equivalents as well as the bank overdraft on the statement of financial position

^ Curro has additional liquid resources amounting to R231m (31 Dec 2019: R57m; 30 Jun 2019: R13m) available in the form of its money market investments

| | % Change | Unaudited 30 Jun 2020 6 months R million | Unaudited 30 Jun 2019 6 months R million | Audited 31 Dec 2019 12 months R million |
|--|-------------|---|---|--|
| Learner numbers | 5% | 59 967 | 57 173 | 57 597 |
| – Curro | 5% | 50 438 | 47 988 | 48 404 |
| – Meridian | 4% | 9 529 | 9 185 | 9 193 |
| Revenue | 7% | 1 590 | 1 480 | 2 944 |
| – Curro | 8% | 1 437 | 1 331 | 2 655 |
| – Meridian | 3% | 153 | 149 | 289 |
| Schools' EBITDA | 11% | 546 | 491 | 873 |
| – Curro | 12% | 506 | 453 | 809 |
| – Meridian | 5% | 40 | 38 | 64 |
| Net head office expenditure | 5% | (80) | (76) | (180) |
| – Curro | 8% | (77) | (71) | (172) |
| – Meridian | (40%) | (3) | (5) | (8) |
| EBITDA margin | | 29% | 28% | 24% |
| – Curro | | 30% | 28% | 24% |
| – Meridian | | 24% | 21% | 19% |
| Recurring headline earnings | 9% | 167 | 153 | 212 |
| – Curro | 22% | 173 | 142 | 230 |
| – Meridian* | n/a | (6) | 11 | (18) |
| Recurring headline earnings per share (cents) | 9% | 40.5 | 37.1 | 51.0 |
| – Curro | 22% | 42.0 | 34.4 | 55.4 |
| – Meridian* | n/a | (1.5) | 2.7 | (4.4) |
| Earnings per share (cents) | (60%) | 22.5 | 56.9 | 49.0 |
| – Curro | (56%) | 24.0 | 54.2 | 56.0 |
| – Meridian | n/a | (1.5) | 2.7 | (7.0) |
| Total assets | 12% | 11 125 | 9 957 | 10 485 |
| – Curro | 12% | 10 393 | 9 239 | 9 791 |
| – Meridian | 2% | 732 | 718 | 694 |
| Total liabilities | 27% | 5 714 | 4 506 | 5 069 |
| – Curro | 34% | 4 997 | 3 721 | 4 396 |
| – Meridian | (9%) | 717 | 785 | 673 |
| Net asset value per share (cents) | (1%) | 1 311 | 1 322 | 1 312 |

* Included in the Meridian results is an interest charge of R25 million (Dec 2019: R43 million) to shareholders in proportion to their shareholding.

1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements for the six months ended 30 June 2020 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 Listings Requirements of the 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, B van der Linde, CA(SA) CFA.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are materially consistent with those of the annual financial statements for the year ended 31 December 2019 except for the amendments to The Conceptual Framework for Financial Reporting, IAS1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in accounting Estimates and Errors and IFRS 3 Business Combinations. For a full list of standards and interpretations which have been applied, we refer you to the 31 December 2019 annual financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 30 Jun 2020 6 months R million | 30 Jun 2019 6 months R million | 31 Dec 2019 12 months R million |
|---|--------------------------------------|--------------------------------------|---------------------------------------|
| Included in revenue from contracts with customers: | | | |
| Registration and tuition fees | 1 646 | 1 439 | 2880 |
| Other income | 55 | 63 | 118 |
| Hostel fees | 35 | 33 | 65 |
| Aftercare fees | 39 | 39 | 76 |
| Bus income | 19 | 17 | 35 |
| Discounts granted | (204) | (111) | (230) |
| Personnel | (42) | (36) | (74) |
| Bursaries | (35) | (32) | (63) |
| COVID-19 | (60) | – | – |
| Other* | (67) | (43) | (93) |
| | 1 590 | 1 480 | 2 944 |

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

4. TRADE RECEIVABLES

| | 30 Jun 2020 R million | 30 Jun 2019 R million | 31 Dec 2019 R million |
|--------------------------------|--------------------------|--------------------------|--------------------------|
| Gross receivables | 407 | 208 | 249 |
| Expected credit loss provision | (153) | (46) | (69) |
| Net trade receivables | 254 | 162 | 180 |

5. SHARE CAPITAL

The authorised ordinary share capital was increased from 600 million to 800 million no par value shares during the period under review.

6. CASHFLOW HEDGES

| | 30 Jun 2020 R million | 30 Jun 2019 R million | 31 Dec 2019 R million |
|---|--------------------------|--------------------------|--------------------------|
| Fixed-for-variable interest rate swap liabilities | 118 | 21 | 27 |

The interest rate swap agreements are valued as the present value of the estimated future cash flows based on observable yield curves, representing a Level 2 fair value measurement for financial reporting purposes.

7. BUSINESS COMBINATION

Effective 1 January 2020, Curro acquired the entire business operations and properties of The King's School Linbro Park in Gauteng for a total purchase consideration of R34 million combined.

| | R million |
|--|-----------|
| The following assets and liabilities were recognised: | |
| Property, plant and equipment | 38 |
| Intangible assets | 1 |
| Trade and other receivables | 2 |
| Cash and cash equivalents | 1 |
| Deferred tax liability | (10) |
| Trade and other payables | (3) |
| Total identifiable net assets | 29 |
| Goodwill | 5 |
| | 34 |
| Consideration paid | |
| Cash | 3 |
| Outstanding consideration payable | 31 |
| | 34 |
| Net cash outflow on acquisition | |
| Cash consideration paid | (3) |
| Cash and cash equivalents acquired | 1 |
| | (2) |

8. RECLASSIFICATION OF PRIOR PERIOD FIGURES

Deferred/contingent purchase consideration paid pursuant to business combinations entered into and development payables were previously incorrectly classified as operating cash flows, which have been reclassified as investing cash flows as well as dividends paid to company shareholders previously incorrectly classified as operating cash flows, which has been reclassified as financing cash flows in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Such reclassification had no impact on previously reported assets, liabilities, equity, or profitability; however, it had the following impact on the condensed consolidated statement of cash flows:

| | Jun 2019 R million | Change R million | Jun 2019 (restated) R million |
|---|-----------------------|---------------------|-------------------------------------|
| Impact on the consolidated statement of cash flows for the period ended 30 June 2019 | | | |
| Cash generated from operating activities | | | |
| Working capital movements – operations | (18) | – | (18) |
| Working capital movements – investments | 67 | (67) | – |
| Dividends paid to company shareholders | (49) | 49 | – |
| Net cash generated from operating activities | – | (18) | (18) |
| Cash flow from investing activities | | | |
| Development and acquisition investment | – | 67 | 67 |
| Net cash flow from investing activities | – | 67 | 67 |
| Cash flow from financing activities | | | |
| Dividends paid to company shareholders | – | (49) | (49) |
| Net cash flow from financing activities | – | (49) | (49) |
| | Dec 2019 R million | Change R million | Dec 2019 (restated) R million |
| Impact on the consolidated statement of cash flows for the year ended 30 December 2019 | | | |
| Cash generated from operating activities | | | |
| Working capital movements – operations | (23) | – | (23) |
| Working capital movements – investments | (7) | 7 | – |
| Net cash generated from operating activities | (30) | 7 | (23) |
| Cash flow from investing activities | | | |
| Development and acquisition investment | – | (7) | (7) |
| Net cash flow from investing activities | – | (7) | (7) |

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 | | Learner numbers | | | Growth | | Schools' EBITDA (R million) | | | Growth | | Schools' EBITDA margin | | | Built capacity utilised | | | Eventual capacity utilised | | |
|---|------------------|------------|-----------------|---------------|---------------|------------|-----------|-----------------------------|------------|------------|------------|------------|------------------------|------------|------------|-------------------------|------------|------------|----------------------------|------------|------------|
| | 2020 | 2020 | 2018 | 2019 | 2020 | 18/19 | 19/20 | 2018 | 2019 | 2020 | 18/19 | 19/20 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Developed | 52 | 121 | 31 872 | 35 747 | 37 710 | 12% | 5% | 248 | 296 | 343 | 19% | 16% | 33% | 34% | 35% | 63% | 65% | 63% | 47% | 46% | 45% |
| 2009 and before* | 4 | 9 | 3 872 | 4 130 | 4 010 | 7% | (3%) | 37 | 42 | 50 | 15% | 19% | 34% | 35% | 40% | 82% | 85% | 82% | 71% | 73% | 71% |
| 2010 | 2 | 6 | 2 205 | 2 215 | 2 193 | – | (1%) | 20 | 25 | 27 | 23% | 8% | 35% | 41% | 41% | 75% | 75% | 74% | 55% | 55% | 55% |
| 2011 | 5 | 15 | 4 177 | 4 429 | 4 147 | 6% | (6%) | 34 | 37 | 46 | 9% | 24% | 32% | 32% | 38% | 59% | 63% | 59% | 50% | 53% | 50% |
| 2012 | 2 | 6 | 1 978 | 1 891 | 1 918 | (4%) | 1% | 17 | 15 | 17 | (11%) | 13% | 33% | 29% | 31% | 75% | 72% | 73% | 59% | 56% | 57% |
| 2013 | 4 | 12 | 6 445 | 6 357 | 6 186 | (1%) | (3%) | 70 | 70 | 82 | (1%) | 17% | 45% | 42% | 48% | 74% | 73% | 71% | 64% | 64% | 65% |
| 2014 | 4 | 9 | 2 169 | 2 343 | 2 246 | 8% | (4%) | 9 | 11 | 13 | 30% | 18% | 20% | 23% | 25% | 56% | 56% | 52% | 44% | 47% | 46% |
| 2015 | 8 | 19 | 6 216 | 6 494 | 6 568 | 4% | 1% | 26 | 39 | 38 | 50% | (3%) | 24% | 31% | 29% | 63% | 65% | 66% | 47% | 49% | 50% |
| 2016 | 4 | 8 | 1 681 | 1 905 | 1 510 | 13% | (21%) | 20 | 26 | 19 | 30% | (27%) | 39% | 41% | 30% | 45% | 49% | 39% | 32% | 36% | 29% |
| 2017 | 3 | 8 | 2 499 | 3 143 | 3 594 | 26% | 14% | 21 | 29 | 38 | 40% | 31% | 41% | 41% | 44% | 72% | 91% | 78% | 40% | 51% | 58% |
| 2018 | 4 | 8 | 630 | 1 107 | 1 303 | 76% | 18% | (5) | 4 | – | n/a | (100%) | (40%) | 17% | 2% | 19% | 33% | 39% | 10% | 17% | 20% |
| 2019 | 7 | 13 | – | 1 733 | 3 345 | – | 93% | (1) | (1) | 19 | – | n/a | – | (4%) | 31% | – | 43% | 74% | – | 17% | 32% |
| 2020 | 5 | 8 | – | – | 690 | – | – | – | – | (6) | – | – | – | – | (84%) | – | – | 16% | – | – | 7% |
| Acquired schools | 24 | 56 | 18 819 | 21 426 | 22 257 | 14% | 4% | 167 | 196 | 216 | 17% | 10% | 34% | 33% | 35% | 83% | 80% | 76% | 69% | 66% | 67% |
| 2012 and before | 7 | 17 | 7 007 | 7 261 | 7 411 | 4% | 2% | 80 | 82 | 78 | 1% | (5%) | 38% | 38% | 37% | 76% | 79% | 76% | 61% | 64% | 65% |
| 2013** | 2 | 2 | 3 855 | 3 684 | 3 729 | (4%) | 1% | 17 | 17 | 20 | (1%) | 18% | 25% | 26% | 32% | 78% | 74% | 75% | 78% | 74% | 75% |
| 2014 | 2 | 6 | 2 742 | 2 763 | 2 555 | 1% | (8%) | 40 | 41 | 35 | 1% | (15%) | 41% | 39% | 38% | 96% | 85% | 79% | 80% | 80% | 74% |
| 2015 and 2016 | 5 | 14 | 4 147 | 4 468 | 5 113 | 8% | 14% | 25 | 32 | 46 | 27% | 44% | 24% | 27% | 36% | 100% | 99% | 80% | 74% | 71% | 67% |
| 2018 | 3 | 6 | 1 068 | 1 881 | 1 918 | 76% | 2% | 5 | 20 | 27 | 304% | 35% | 29% | 38% | 43% | 70% | 82% | 81% | 52% | 56% | 64% |
| 2019 | 4 | 8 | – | 1 369 | 1 156 | – | (16%) | – | 4 | 9 | – | 125% | – | 11% | 19% | – | 52% | 67% | – | 44% | 59% |
| 2020 | 1 | 3 | – | – | 375 | – | – | – | – | 1 | – | – | – | – | 12% | – | – | 55% | – | – | 39% |
| Non-recurring costs | | | | | | | | – | – | (10) | | | | | | | | | | | |
| Property rental, royalties and other*** | | | | | | | | (6) | (1) | (3) | | | | | | | | | | | |
| Total | 76 | 177 | 50 691 | 57 173 | 59 967 | 13% | 5% | 409 | 491 | 546 | 20% | 11% | 33% | 33% | 34% | 69% | 70% | 67% | 54% | 52% | 51% |

Acquired schools indicate 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.

** Learner number losses at Northern Academy.

*** No rental expense pursuant to the adoption IFRS 16 with effect from 1 January 2019.

KEY RATIOS

| | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2019 | 30 Jun 2020 |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Number of campuses | 51 | 58 | 70 | 76 |
| Number of schools | 127 | 139 | 166 | 177 |
| Number of learners | 45 870 | 51 305 | 57 597 | 59 967 |
| Average number of learners per campus | 899 | 885 | 823 | 789 |
| Number of employees | 5 369 | 5 628 | 6 076 | 6 325 |
| Number of teachers | 2 778 | 2 945 | 3 230 | 3 466 |
| Learner/teacher ratio | 17 | 17 | 18 | 17 |
| Building size (m ²) | 598 194 | 656 081 | 700 946 | 707 492 |
| Land size (ha) | 444 | 514 | 536 | 542 |
| Capital invested (R million) | 1 192 | 1 373 | 1 246* | 292 |
| – Existing campuses (R million) | 652 | 590 | 910 | 278 |
| New | 612 | 549 | 878 | 267 |
| Replacement | 40 | 41 | 32 | 11 |
| – New campuses (R million) | 472 | 534 | 209 | 12 |
| – Acquisitions (R million) | 12 | 369 | 127 | 2 |
| – Stadio (R million) | 56 | (120) | – | – |

* Figure adjusted from R1 285 million previously reported to exclude the other investing activities

Overview of results

Despite tough and uncertain times brought about by the coronavirus (COVID-19) pandemic, Curro's operations and results for the six months ended 30 June 2020 were satisfactory under the circumstances.

For the first quarter (3 months until the end of March 2020) Curro traded above expectations in terms of learner number growth and fee collections. Learner numbers were 9% higher (from December 2019 to January 2020) and fee collections 24% higher compared to the same period in the prior year.

The advent of the COVID-19 pandemic led to the temporary closure of schools from 18 March 2020 until 1 June 2020, when a phased return of learners commenced. During the lockdown schooling was facilitated through remote learning, predominantly using the Microsoft Teams platform. While learner numbers for primary and high schools were negatively impacted, nursery schools in particular saw a material decline in learner numbers as it is not a compulsory phase of schooling.

| Learner numbers | Jun 2019 | % change | Jan 2020 | % change | Jun 2020 | Jun 2019 to Jun 2020 % change |
|-----------------|---------------|------------|---------------|-------------|---------------|-------------------------------------|
| Nursery school | 7 757 | (2%) | 7 634 | (24%) | 5 787 | (25%) |
| Primary school | 32 223 | 7% | 34 476 | (2%) | 33 832 | 5% |
| High school | 17 193 | 20% | 20 588 | (1%) | 20 348 | 18% |
| Total | 57 173 | 10% | 62 698 | (4%) | 59 967 | 5% |

For the period under review, learner numbers increased by 5% from 57 173 to 59 967 and revenue by 7% from R1 480 million to R1 590 million compared to the same period in 2019. The school fee increase of 15% from 2019 to 2020 was offset by the increase in discounts from 7.5% of revenue to 12.6% of revenue. This includes a once-off COVID-19 related discount of R60 million (3.8% of revenue).

Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 11% from R491 million to R546 million for the period under review, with EBITDA (i.e. after head office expenditure) increasing by 12% from R415 million to R466 million for the period under review.

The EBITDA margin increased to 29% from 28% in the comparative period of the prior year. Over the period, costs were reduced and operating expenditure was lower due to the national lockdown. However, bad debts increased significantly from R14 million for the interim period in 2019 to R82 million in 2020.

The increase in depreciation and amortisation is mainly as a result of curriculum and IT development costs, as well as additional IFRS 16 Leases. Higher average borrowings led to an increase in finance costs that was somewhat offset by lower effective interest rates.

Recurring headline earnings and recurring headline earnings per share increased by 9% from R153 million to R167 million and from 37.1 cents to 40.5 cents. Non-recurring acquisition costs incurred during the period have been added back to arrive at recurring headline earnings.

Headline earnings and headline earnings per share decreased by 23% from R206 million to R160 million and from 50.0 cents to 38.7 cents. This was because of a once-off deferred tax reversal recognised in the prior year interim period.

The impairment of property, plant and equipment and goodwill amounted to R83 million which contributed to a 60% decrease in earnings per share from 56.9 cents to 22.5 cents.

Online school

Curro is committed to making quality education more accessible to learners in southern Africa. Curro has therefore developed and launched an online school in the midst of the pandemic which provides remote teaching and learning for learners from Grade 4 to Grade 9. As at the end of July 2020, Curro had more than 400 learners enrolled in Curro Online.

Investments and expansion

Conservative capital management remains at the order of the day and there are no greenfield projects planned for this year. For the period under review R278 million was invested on completion of projects already commenced in 2019 and replacement of moveable assets. The group plans to invest a further R600 million to create capacity in schools (mainly 2019 greenfield schools) where growth continues and the acquisition of land that was committed to before the onslaught of the COVID-19 pandemic. Acquisitions is not included in the aforementioned amount.

Balance sheet and funding

During April 2020, Curro obtained 3-year bullet funding of R1 billion to refinance R838 million of existing funding at an interest rate 30 basis points lower than before.

On 18 June 2020, Curro announced a partially underwritten non-renounceable rights offer to the value of R1.5 billion. The proceeds will be used for potential acquisition opportunities and to proactively decrease debt due to the current uncertain economic environment. The additional capital will ensure that Curro continues to stay well within its debt funding covenants.

During July 2020, GCR Ratings affirmed Curro's national scale issuer credit ratings of BBB+(ZA) and A2(ZA), for the long term and short term respectively, with a stable outlook.

Dividend

No interim dividend was declared for the period under review (30 June 2019: Nil).

Outlook for the remainder of the year

Revenue

- School fee income is expected to reduce in line with lower learner numbers, especially in respect of nursery schools.
- COVID-19 related discounts of approximately R12 million has already been incurred after 30 June 2020; however, no further specific COVID-19 related discounts are expected.

Expenses

- As schools are now operational, operating expenses excluding bad debts are expected to normalise considering prior year expenses adjusted for growth.
- Although the collection of school fees has seen some improvement from a low point reached in April 2020, it is still not at the same levels as per the pre-COVID-19 period. It remains difficult to estimate the bad debt expense for the full year.
- The proceeds of the rights offer, expected at the beginning of September 2020, will reduce finance costs in the second half of the year.

Prospects

The primary objective for Curro remains to increase capacity utilisation of its existing facilities. Structural changes facing the industry, where the market remains subdued, will be addressed by converting nursery schools to primary schools and assisted learning facilities.

Since the re-opening of schools in June 2020, enrolments for this year have exceeded those in the comparative period of the prior year.

We are confident that Curro will continue to navigate its operations during the short-term uncertainty as the fundamentals of the business remain sound.

On behalf of the board



SL Botha
Chairperson
19 August 2020



AJF Greyling
Chief Executive Officer

STATUTORY AND ADMINISTRATION

Directors: SL Botha** (Chairperson), ZL Combi**, AJF Greyling (CEO), ZN Mankai**, T Molefe**, PJ Mouton*, SWF Muthwa**, D Ramaphosa**, B van der Linde (CFO)***, CR van der Merwe*

* Non-executive

** Independent non-executive

*** Changes to Curro Executive Leadership

Shareholders are referred to the announcement released on SENS on 25 June 2020 where shareholders were advised that Mr B van der Linde, the current chief financial officer and an executive director of the Company, has been promoted to Executive: Business Operations, with effect from 1 January 2021 and that Mr C Loubser, the current chief executive officer of the Holdspport group, will succeed Mr B van der Linde as chief financial officer of Curro, effective 1 January 2021, and will be appointed as an executive director on such date.

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 sponsor: PSG Capital

Joint independent sponsor: UBS South Africa

Company secretary: R Botha

Curro Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1998/025801/06

JSE share code: COH

ISIN: ZAE000156253

("Curro" or "the Company" or "the Group")

Announcement date: 19 August 2020



CURRO



#Learners2Leaders