



CURRO

**Results for the
year ended
31 December
2021**

Andries Greyling and Cobus Loubser
23 February 2022





CURRO

Business overview

Andries Greyling





AGENDA

- ▶ **Review of 2021**
- ▶ **2022 – the year ahead**
- ▶ **Strategic focus**
- ▶ **Conclusion**

HIGHLIGHTS OF THE YEAR ENDED 31 DECEMBER 2021

AVERAGE LEARNER NUMBERS

From 60 777 to 66 447

 **9%**

REVENUE

From R3 094m to R3 543m

 **15%**

CASH GENERATED FROM OPERATING ACTIVITIES

From R514m to R767m

 **49%**

EBITDA

From R686m to R789m

 **15%**

RECURRING HEADLINE EARNINGS

From R179m to R245m

 **37%**

RECURRING HEPS

From 38.0 cents to 40.9 cents

 **8%**

DIVIDEND

Payable on 22 March 2022

8.2c

REVIEW OF 2021 (1)

- ▶ Curro's **educational offering continued**, despite the impact of COVID-19
- ▶ Curro's average number of **learners increased by 9.3%** to 66 447
- ▶ Revenue **increased by 14.5%** to R3 543 million (2020: R3 094 million)
- ▶ Management maintained **tight operational discipline**
- ▶ Cash generated from operating activities **increased by 49%** to R767million (2020: R514 million)
- ▶ Declared gross **dividend of 8.2 cents** per share

REVIEW OF 2021 (2)



This year's matriculants were the first group to face two consecutive years of learning through the COVID-19 pandemic; these severe challenges were translated into opportunities to accomplish the extraordinary.

Grade 12 class of 2021

IEB



1 774 learners



31 Curro campuses

NSC



1 196 learners



13 Curro Academies, Meridian and Assisted Learning

REVIEW OF 2021 (3)

Challenges continued into 2021

Extramural activities were **disrupted** and/or cancelled during the year

Ancillary revenue remained below pre-COVID-19 levels

The **ratios of discounts** and expected credit losses to gross fees improved from the previous year

Municipal and energy costs increased by more than general inflation

Operating costs were higher, because schools were open throughout 2021 without the same government relief as in the previous year

REVIEW OF 2021 (4)

- Our stringent focus on **disciplined collections** and a tougher stance on **overdue accounts** resulted in higher terminations
 - Difficult to exit learners during the year
 - Sophisticated processes to reduce leavers
- Our strategy to grow learners will assist in filling existing capacity
- We made **substantial progress in our strategies to reduce staff costs** with the rollout of Curro Choice and other initiatives during 2021 and we expect this to gather momentum in 2022

FINANCIAL ACHIEVEMENT

		2011	2014	2018	2019	2020	2021
Campuses	#	12	32	58	70	76	76
Schools	#	24	80	138	166	177	178
Learners	#	4 200	28 737	51 305	57 597	60 777	66 447
Revenue	R'm	166	1 001	2 496	2 944	3 094	3 543
EBITDA	R'm	10	192	627	693	686	789
<i>EBITDA Margin</i>	<i>%</i>	<i>6%</i>	<i>19%</i>	<i>25%</i>	<i>24%</i>	<i>22%</i>	<i>22%</i>
Cumulative capital invested	R'm	574	3 813	8 979	10 265	10 915	11 844
Cash generated from operations	R'm	7	247	388	474	514	767

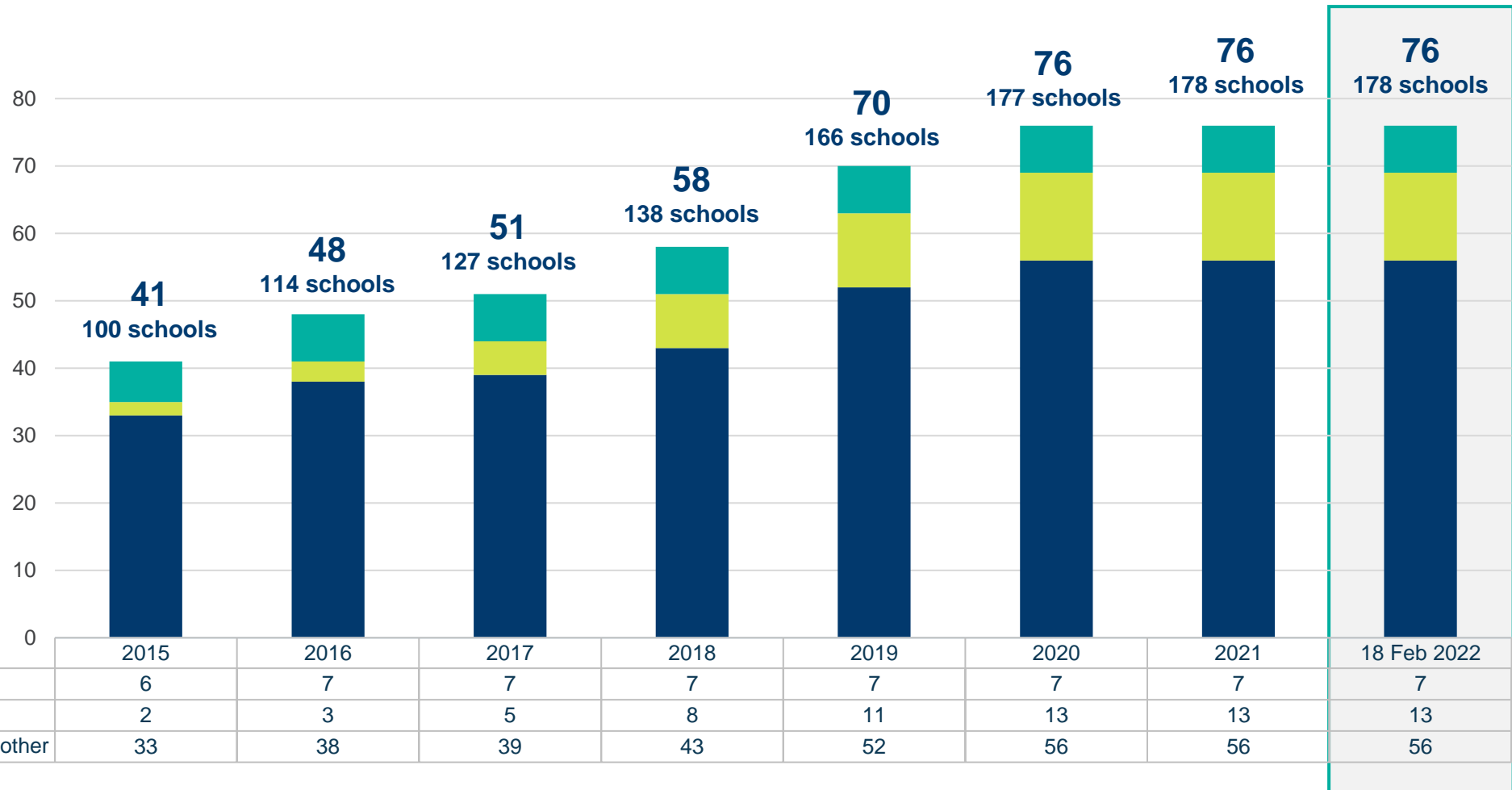


CURRO

**2022
THE YEAR
AHEAD**



NUMBER OF CAMPUSES



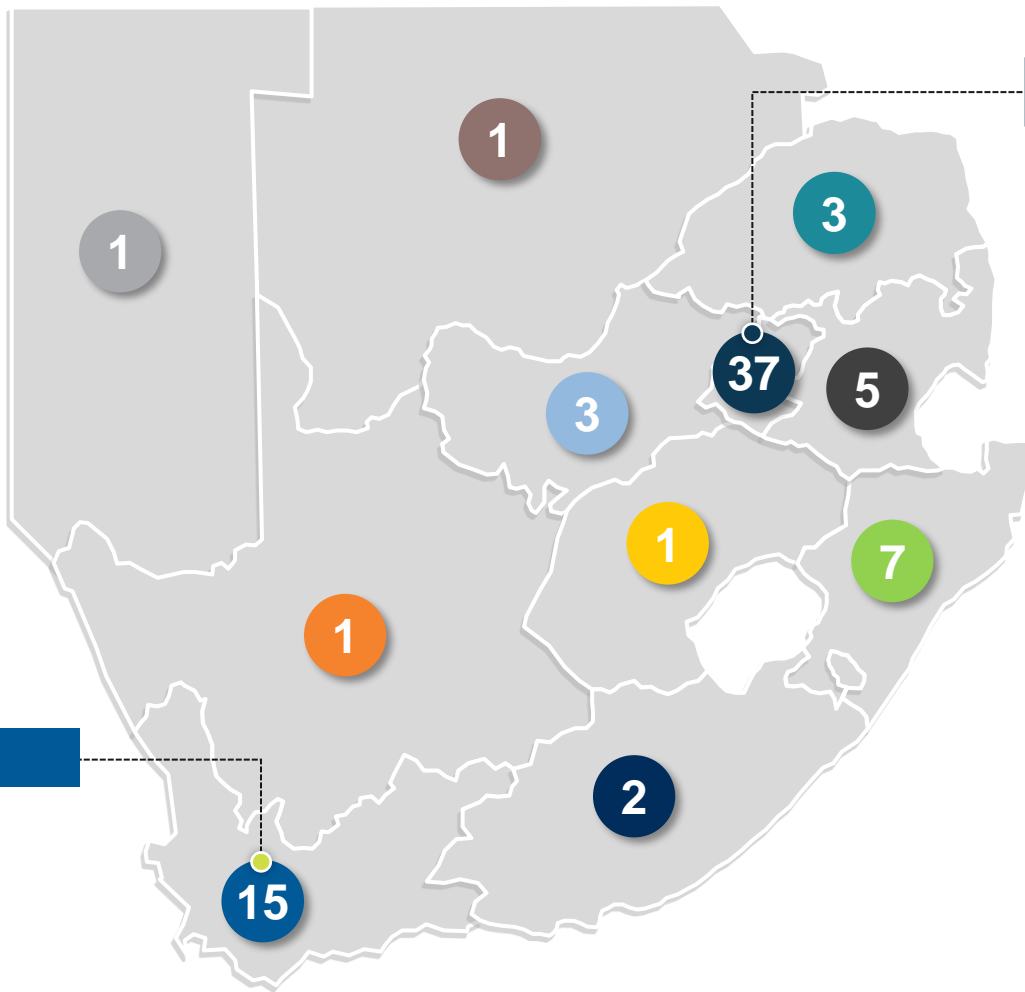
The campuses and schools presented are as at the end of each period presented

CURRO FOOTPRINT (Campuses February 2022)



CURRO
Durbanville
High School

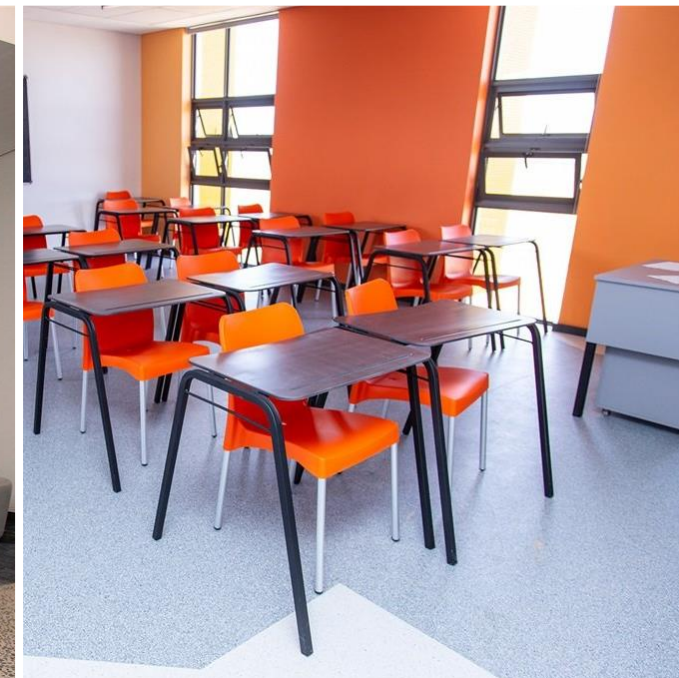
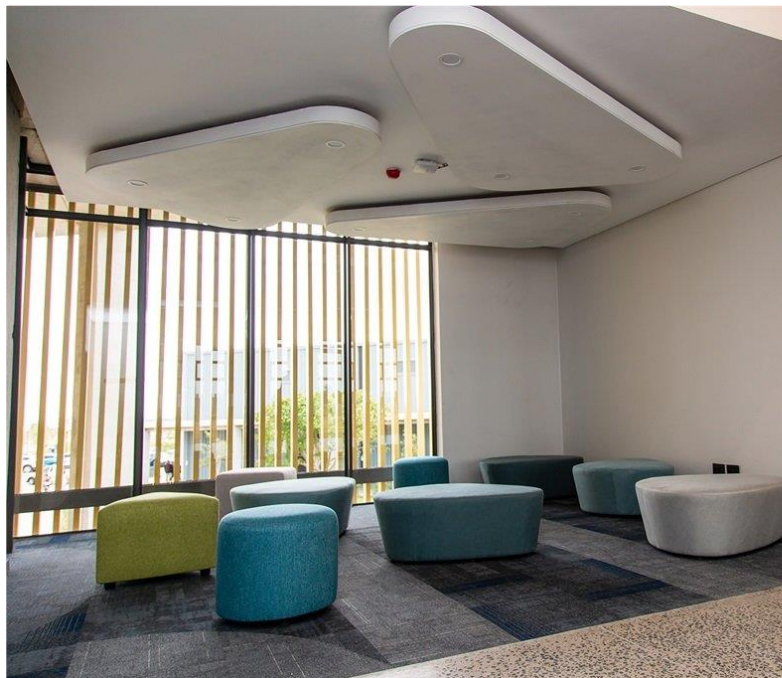
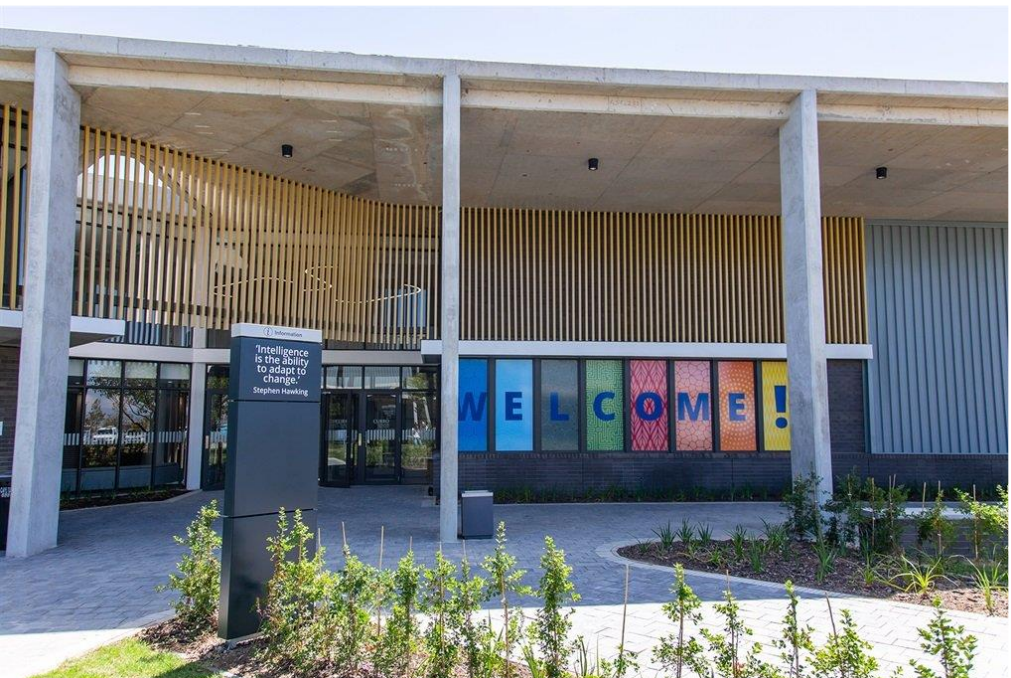
WESTERN CAPE



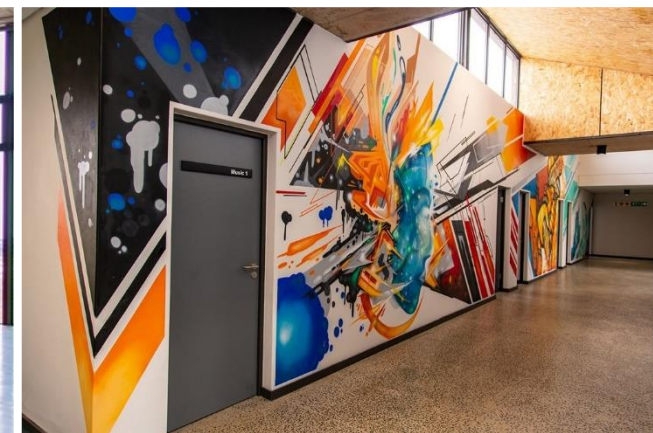
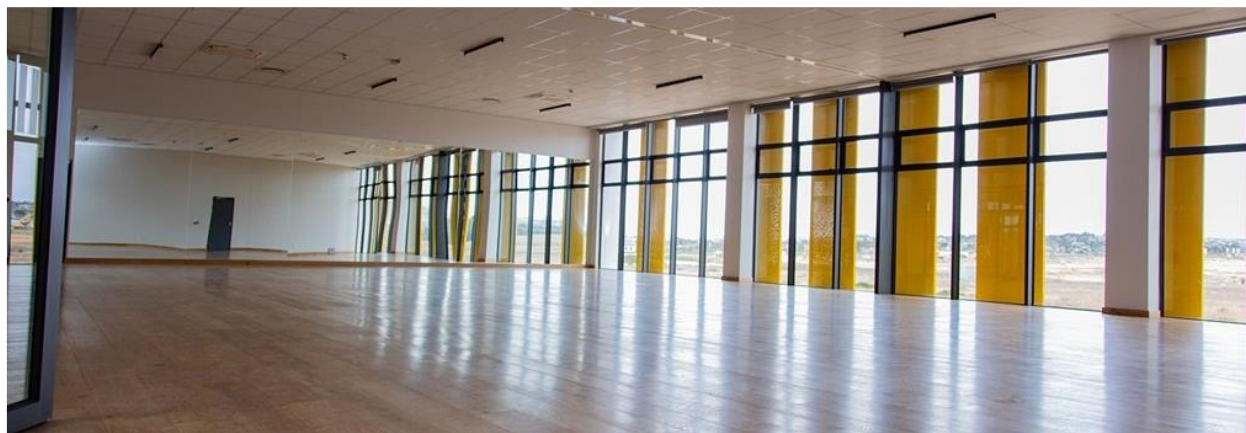
GAUTENG



CURRO DURBANVILLE HIGH SCHOOL



CURRO
Durbanville
High School



HERONBRIDGE COLLEGE



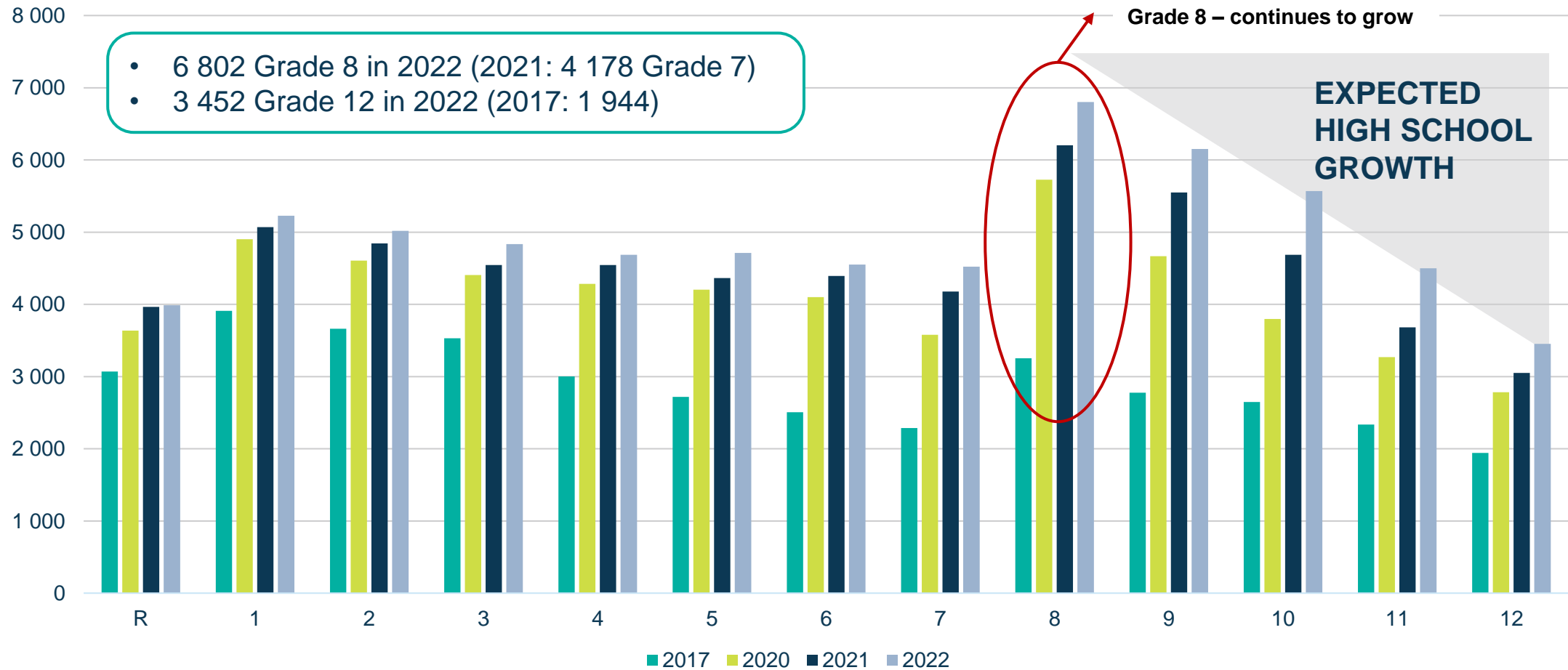
HeronBridge
COLLEGE

Educating young South Africans with Heart

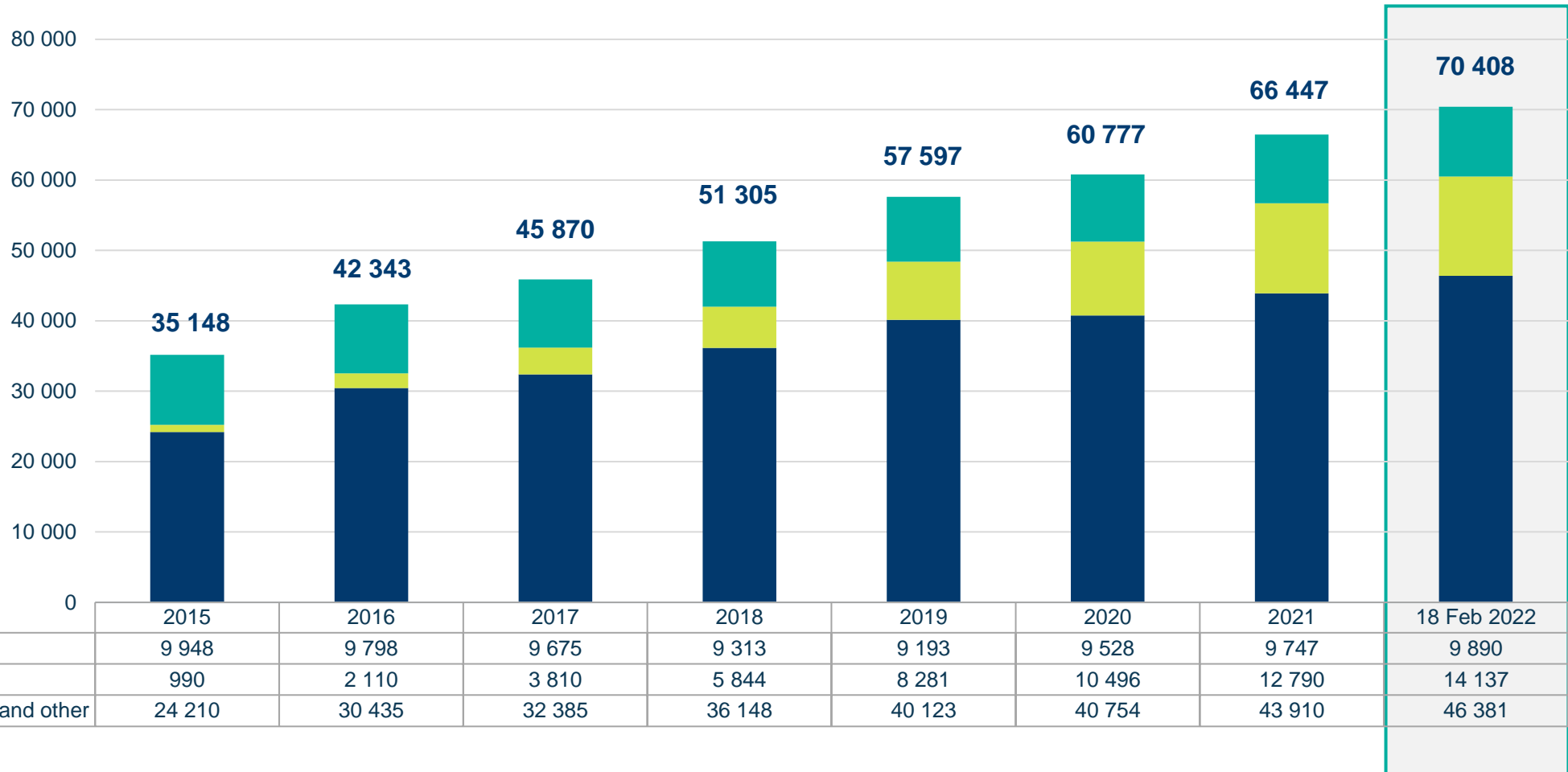


LEARNERS PER GRADE

Expansion in high school, based on rollover from Grade 8 to Grade 12



LEARNER NUMBER GROWTH



The learner numbers presented are the average learners for the year, except for the numbers as at 18 February 2022.



2022 – THE YEAR AHEAD

- ▶ Gradual recovery of ancillary revenue expected
- ▶ Continued focus on margin growth
 - Fee increases
 - Operating cost control
- ▶ Focus on utilisation of cash and capital
- ▶ Resolution of municipal cost disputes
- ▶ Optimisation of digital content delivery
 - Wider subject choice offering



CURRO

STRATEGIC FOCUS



STRATEGIC FOCUS



CONSOLIDATE

- Realign where necessary
 - Limit exposure in preschools (babies to 3 years old)
 - Exit non-profitable schools
- Focus on operating leverage
 - Annual cost and capital focus to grow margin and return on capital
 - Fill capacity
- Financial prudence and reorganisation where required



EXPANSION

- Fill capacity at existing schools as grades phase in
- Investment in digital offering to reduce fixed cost base at schools
- Capital allocated to growing and performing schools



OPPORTUNITIES

- Expansion of digital models
 - Curro Choice
 - DigiEd
- Consider attractive opportunities
 - Quality assets at attractive prices
 - Infrastructure at substantial discounts to replacement value with growth and cost-saving potential

DRIVE ANNUAL GROWTH IN OPERATING MARGIN AND RETURN ON ASSETS

STRATEGIC PROGRESS

Clear stance on vaccination
to ensure that we can return
to a new normal

**Enhanced safety and
security** at our schools

**Manage municipal
costs**

Committed to **affordable,
quality education**



Extensive subject choice:
Offer high school learners' options for
personalised learning

**Optimising capacity, further
investment in IT infrastructure**

New financial systems

**Concerted collection
efforts**



CURRO

Financial commentary

Cobus Loubser

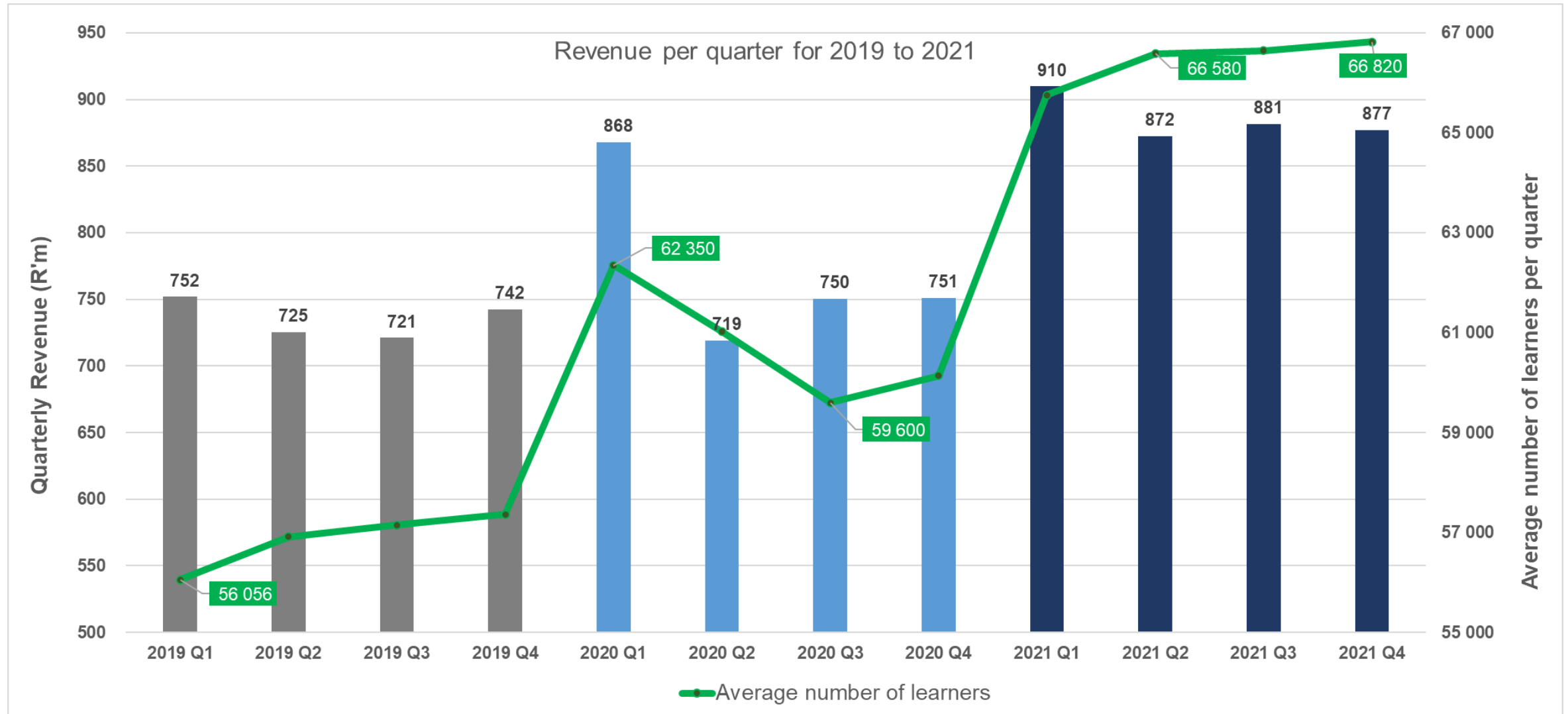




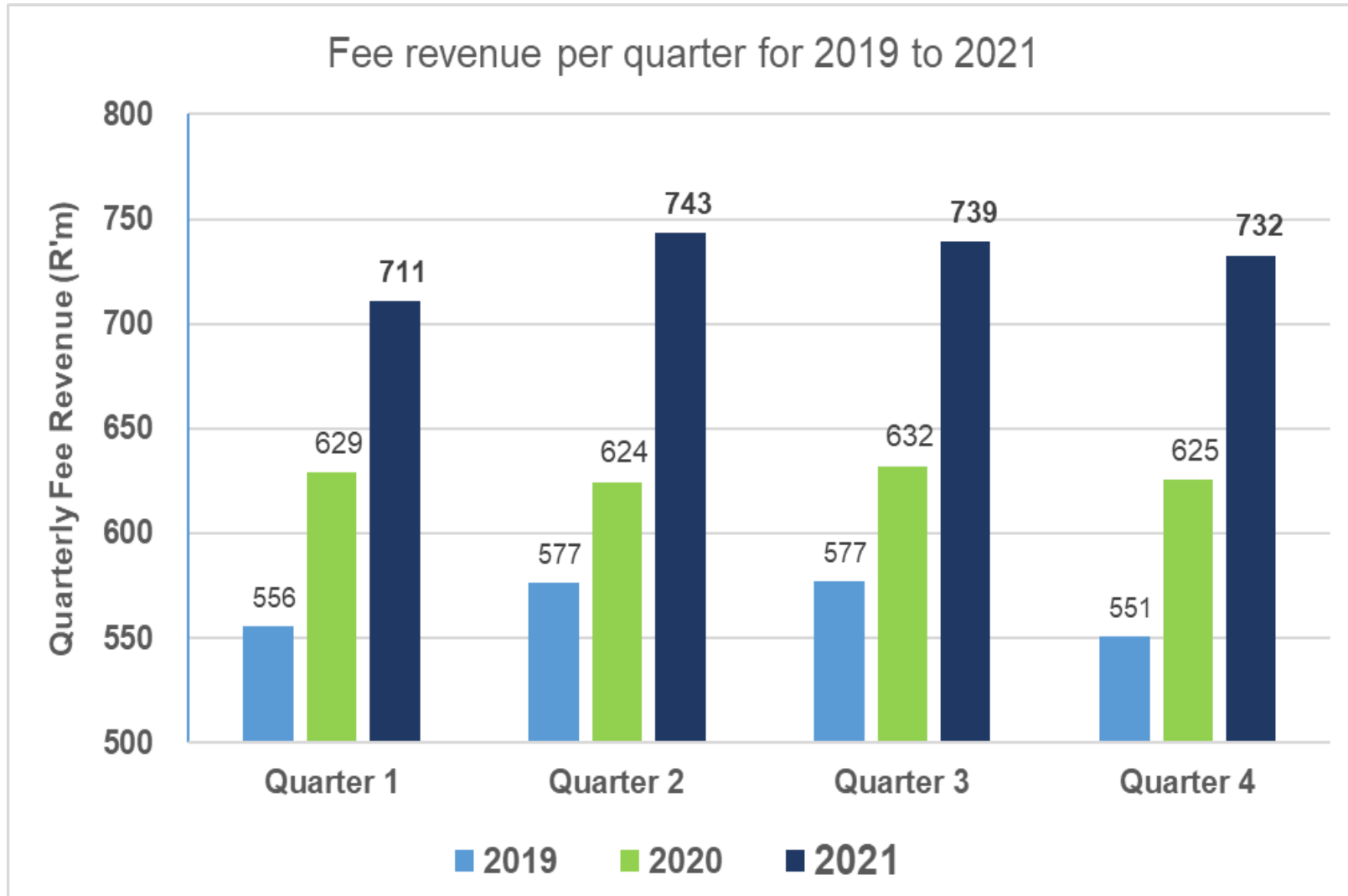
AGENDA

- ▶ Revenue
- ▶ Operating expenses
- ▶ Trade receivables
- ▶ Earnings
- ▶ Capital structure and capex

REVENUE AND LEARNER GROWTH



RESILIENT GROWTH IN FEE REVENUE

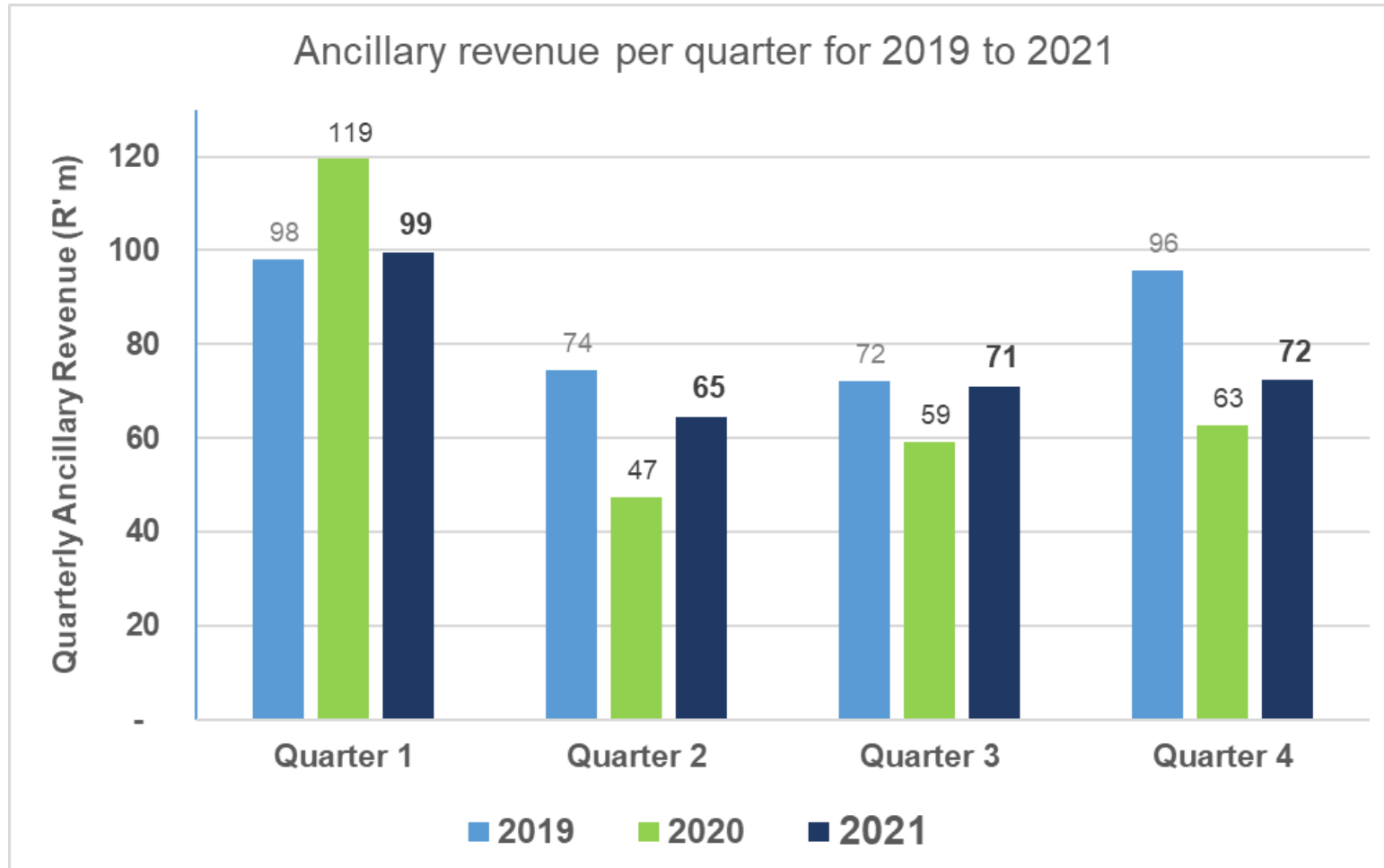


- Strong learner growth in 2021, with weighted average learner numbers up 9% on 2020.
- Total revenue increased by 15% as a result of learner growth coupled with fee increases
- Fee revenue increased by 12% in 2021 on 2020.

Fee revenue consists of registration and tuition fees, net of discounts granted.

ANCILLARY REVENUE

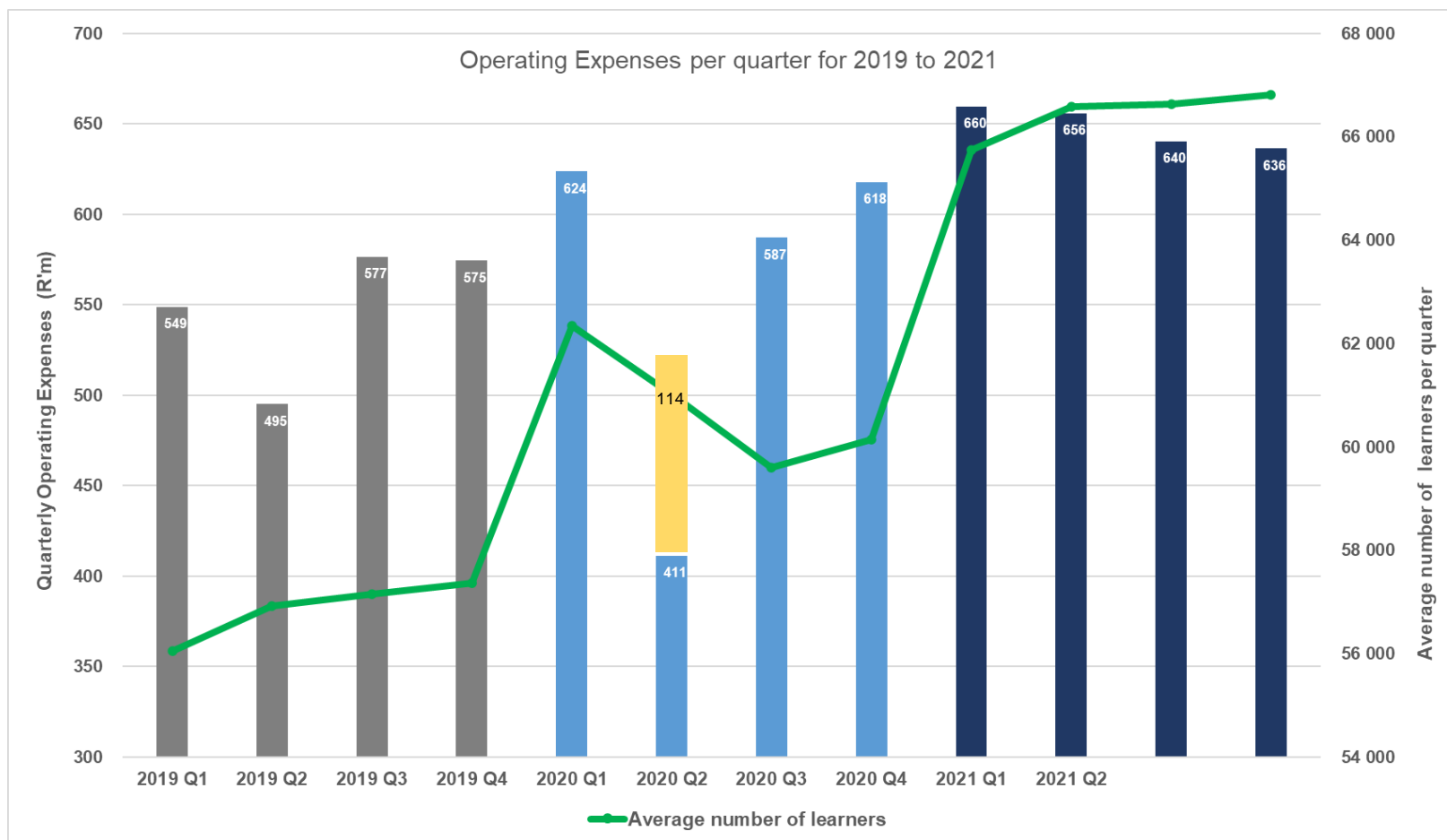
- Ancillary revenue is recovering gradually but still constrained



- Ancillary revenue consists of the non-tuition fee revenue lines, being rentals, boarding school fees, other income, aftercare fees, bus income etc
- Ancillary revenue increased by 6% from 2020 and was more consistent but is still below normal activity
- Increase in ancillary income lags growth in learners: 15% increase in learners since 2019 but total ancillary revenue in 2021 was still 10% lower than ancillary revenue for 2019.

OPERATING EXPENSES (1)

- Schools closed in second quarter of 2020, resulting in estimated cost savings of cR114m in 2020
- Fully operational in the second half of 2020 and in 2021.

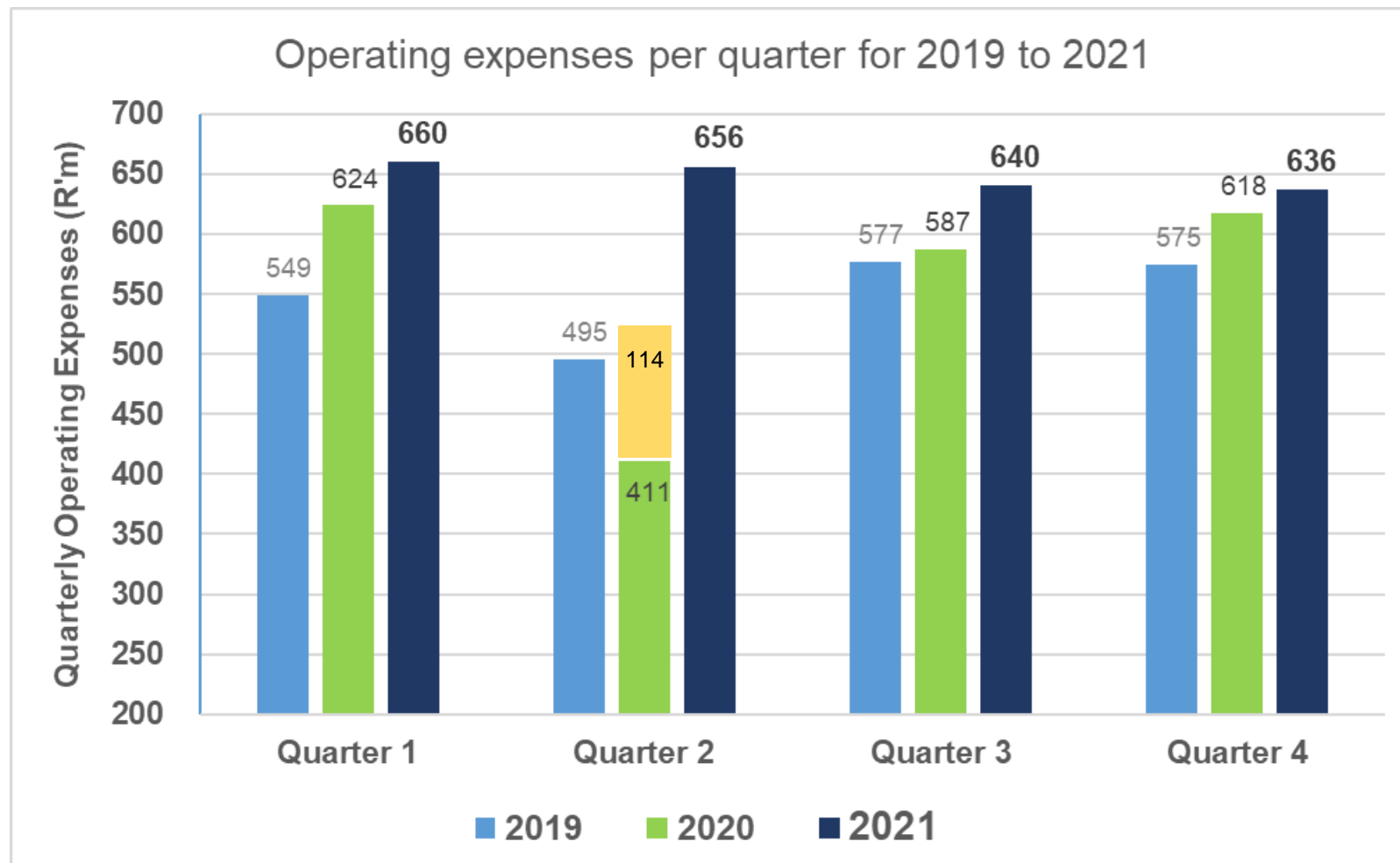


- Operating costs increased by 16% on 2020 and by 10% if the estimated savings due to the school closures in 2020 are taken into account.
- Overall, costs were well managed and contained relative to growth
- Costs increased by 18% from 2019, compared to a 15% increase in learners and 29% increase in fee income.

Note: Operating expenses in the adjacent graph include employee costs, but exclude depreciation

OPERATING EXPENSES (2)

- Savings in second quarter of 2020 has base effect when comparing to 2021



- Base effect: Curro had cost savings of cR114m in second quarter of 2020 in response to effect of national lockdown, including TERS received.
- Costs managed relentlessly, more consistent phasing.
 - No salary increases in 2021
 - Extra-curricular activities still restricted
- Facility costs (water, electricity and municipal rates) increased by 7% to R308m in 2021 (2020: R289m) but still 46% higher than 2019.

Note: Operating expenses in the adjacent graph include employee costs, but exclude depreciation

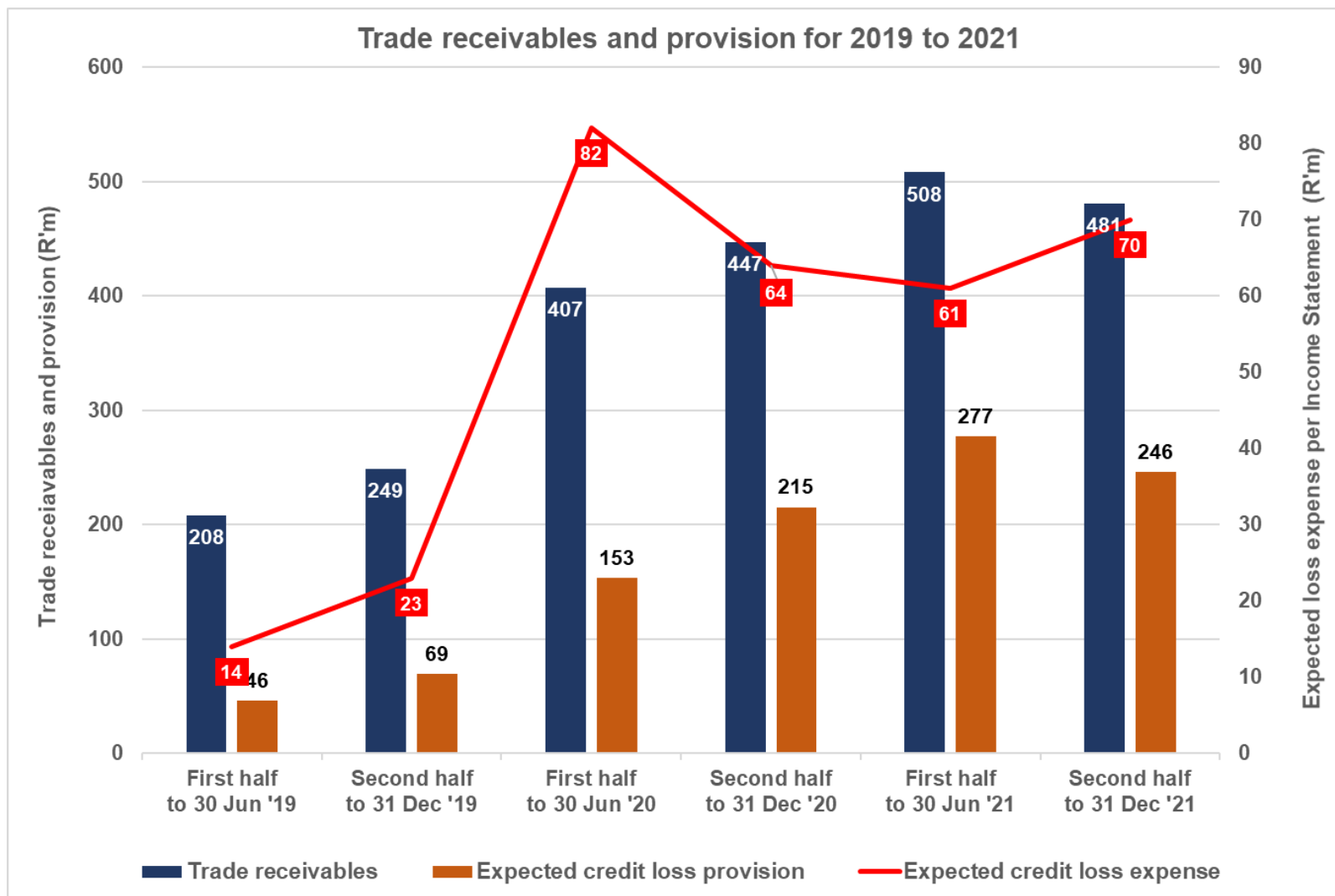
TRADE RECEIVABLES (1)

- Gross receivables increased to R481 million (2020: R447 million)
- Aging improved meaningfully due to enhanced debt collection process
- Less tolerant of overdue accounts with quicker engagement to improve learner retention
- IFRS 9 effect: receivable balances retained longer, wrote off oldest R100m (was fully provided)

(R'm)	Less than 90 days	91 - 180 days	181 - 360 days	361 - 540 days	More than 540 days	Total
31 December 2021						
Gross trade receivables	92	52	85	65	187	481
Loss provision	(3)	(5)	(27)	(38)	(173)	(246)
<i>Expected loss rate</i>	3,3%	9,6%	31,8%	58,5%	92,5%	51,1%
31 December 2020						
Gross trade receivables	68	55	139	58	127	447
Loss provision	(3)	(8)	(51)	(35)	(118)	(215)
<i>Expected loss rate</i>	4,4%	14,5%	36,7%	60,3%	92,9%	48,1%

- Firm approach on overdue accounts resulted in higher collections and improved aging of accounts
- Prudent credit loss provision methodology:
 - Full balance of each account is allocated under its oldest aging category
 - Recognises risk that the full balance may not be collected

TRADE RECEIVABLES (2)

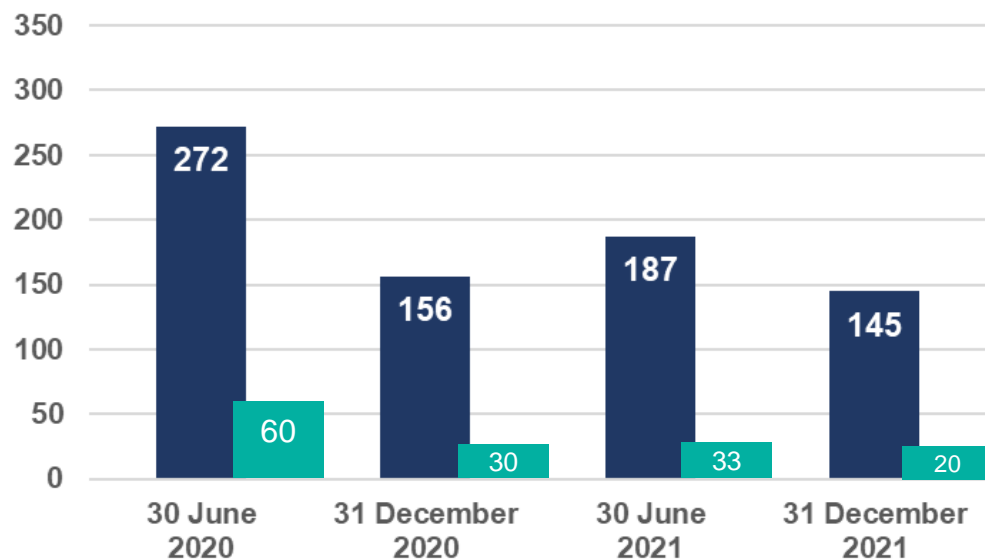


- Gross receivables increased by 8% to R481m (2020: R447m).
- The expected credit loss provision increased by R31m in 2021
- Loss provision is at 51% of gross receivable (2020: 48%)
- Collections of overdue accounts improved in general, with the aging and quality of the active book in particular improving.

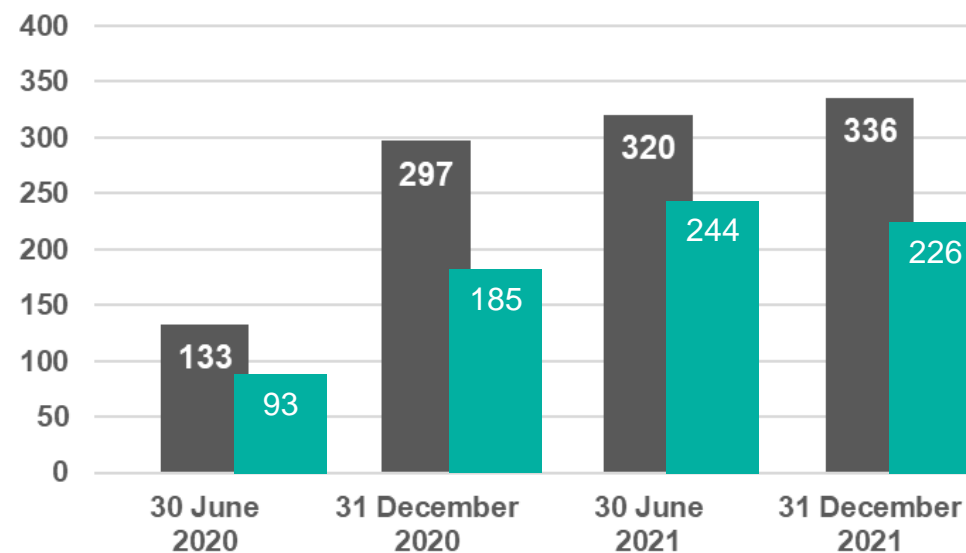
TRADE RECEIVABLES (3)

- Receivables are split between **Active** (learners still in schools) and **Inactive** (learners who left Curro).
- The aging and quality of the Active book has improved over the last 12 months.
- Nonperforming portion of debtors book mainly relates to Inactive book, with concerted efforts to recover this.

Active Debtors Book and Provision (R'm)



Inactive Debtors Book and Provision (R'm)



Earnings per share

	Year to 31 December 2020 Cents	Year to 31 December 2021 Cents	Var %
Recurring headline earnings per share (RHEPS)	38.0	40.9	7.6%
Headline earnings per share (HEPS)	36.4	40.9	12.4%
Earnings/(Loss) per share (EPS)	(6.5)	43.3	<i>Not meaningful</i>

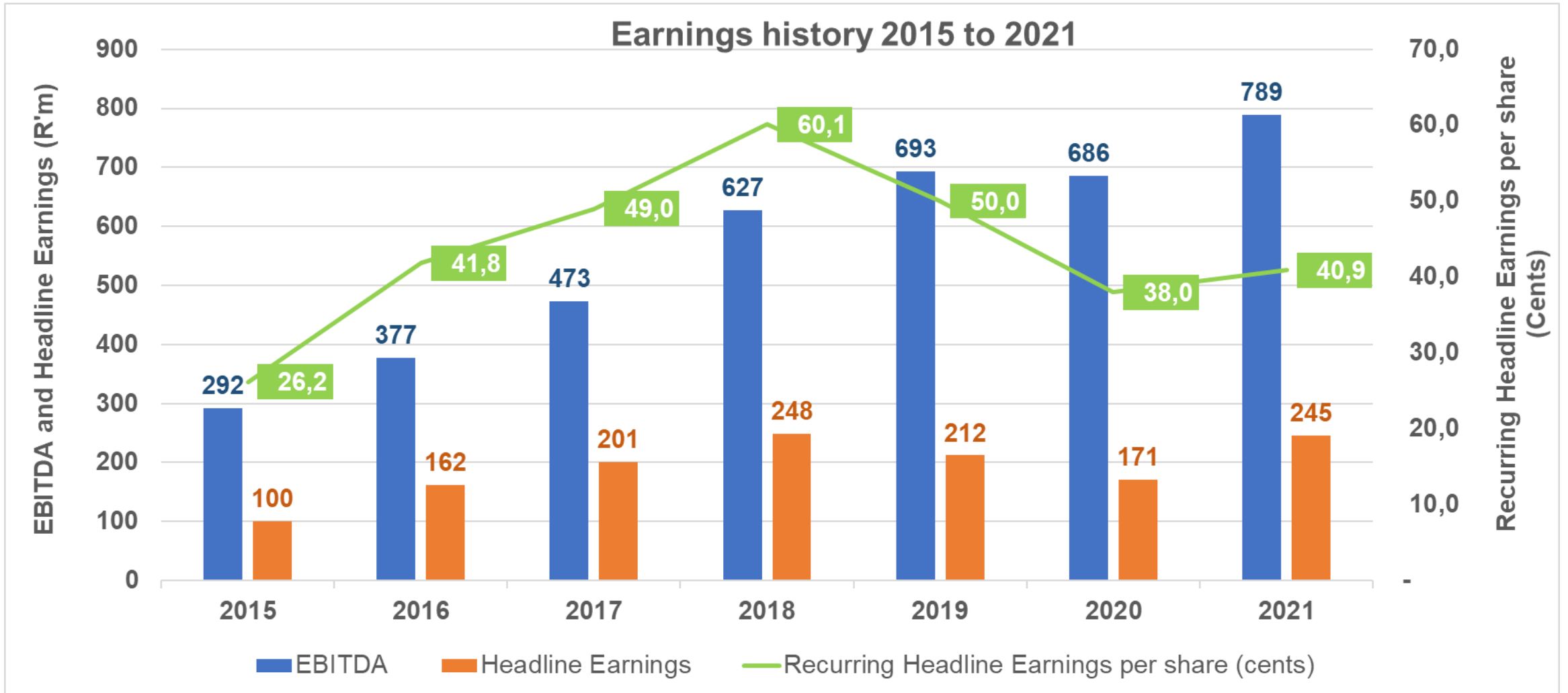
DIFFERENCE BETWEEN EPS, HEPS AND RHEPS

In evaluating these results, the following matters should be considered:

- **2021 Earnings ***
 - Dilutive effect of rights offer in the previous year, with 27% more weighted average shares in issue in 2021 compared to last year
 - EPS include a gain on bargain purchase of R14 million.
- **Base effect in 2020 Earnings ***
 - EPS included impairments of R207 million. This is added back for calculation of HEPS, and accounts for the key difference between HEPS and EPS
 - HEPS included a non-recurring acquisition cost of R8 million.

** All amounts are disclosed net of the tax effect*

EARNINGS HISTORY



CAPITAL STRUCTURE

▶ Debt

- Interest-bearing debt, net of cash and money market investments, reduced by R1.1 billion from June 2020 to December 2021, funded by the rights issue proceeds.
- Cash generated from operating activities increased by 49% to R767m (2020: R514m)
- Net finance cost for 2021 reduced by R53m to R170m (2020: R223m)
- Medium-term capex and acquisitions to be funded from operational cashflows and debt

▶ Rights issue

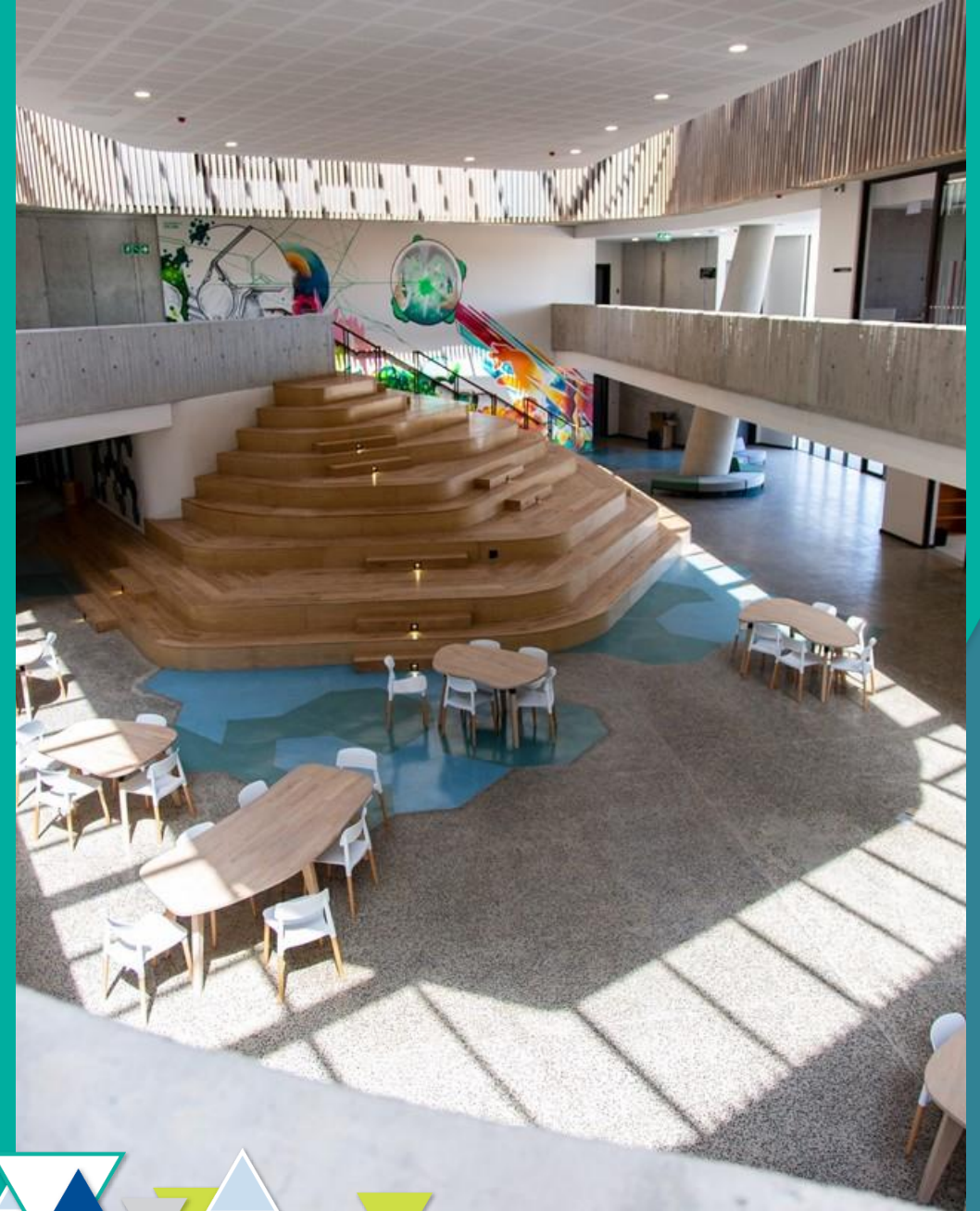
- R1.5 billion raised in September 2020 reduced debt but dilutive effect on earnings per share
- 2021: 597,961,595 shares in issue (2020: 470,998,749 weighted number of shares in issue)

▶ Dividend

- Gross dividend of 8.20 cents per share (6.56 cents after 20% dividend withholding tax) payable on 22 March 2022

CAPEX

- ▶ Invested R929 million in the business in 2021 (2020: R650m)
 - Construction of new Curro Durbanville high school campus at Phesantekraal
 - Expand capacity and replace moveable assets
- ▶ Primary objective remains increased capacity utilisation of existing facilities
- ▶ Plans to invest R1.1 billion in 2022, including acquisition cost of HeronBridge College (deferred from 2021).



Curro Durbanville High School



CURRO

CONCLUSION



CONCLUSION



We will stay cautious – economy will remain volatile, we need to gear accordingly



Our school models are healthy and serve meaningful market segments



Our business is agile and capable, and our value proposition remains strong



We have the capability to provide quality education through any mode of delivery to the learners of southern Africa



Cost and capital expenditure managed



Focused on utilising our platform to optimise our service delivery



Focused on driving effectiveness and efficiencies



Focus on delivering quality education remains non-negotiable



CURRO

QUESTIONS?





CURRO

THANK YOU



CURRO

LIBRARY



CURRO PRODUCT ROADMAP

1998 to
2012

Curro, Select, Curro Castle

Enriched curriculum, wide variety of sports, cultural and extramural activities, superior facilities, IEB examination

START

2013 to
2015

Meridian and Academy

Enriched curriculum, focussed sports and cultural activities, cost-sensitive, NSC examination



2019

Assisted learning and NCV

Assisted learning: high-quality academic intervention, teaching styles adapted to suit learner needs, CAPS curriculum, NSC examination

NCV: Runs parallel to Grade 12, high-standard, skills-focussed allowing learners to specialise from a school-going age

CURRO DigiEd

Innovative, technologically-advanced, project-based learning through e-learning tools and videos, teachers/tutors provide one-on-one assistance as needed.



2019/
2022

Curro Online

High-quality curriculum, home-based with teacher touchpoints throughout the day.

Extended subject choices

Curro offers every high school learner the opportunity to broaden subject choice with e-learning option.

New concept high school

Major redesign of physical spaces to complement digital learning.



SUMMARY OF KEY INDICATORS

		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	% Difference	5-year CAGR
Campuses	#	41	48	51	58	70	76	76	0%	10%
Schools	#	100	114	127	138	166	177	178	1%	9%
Average learners	#	35 148	42 343	45 870	51 305	57 597	60 777	66 447	9%	7%
% of built capacity	%		69%	70%	69%	70%	69%	70%		
Revenue	Rm	1 345	1 714	2 099	2 496	2 944	3 094	3 543	15%	13%
Schools EBITDA	Rm	375	487	594	772	873	886	1 013	14%	13%
EBITDA	Rm	292	377	473	627	693	686	789	15%	13%
EBITDA Margin	%	21%	22%	23%	25%	24%	22%	22%		
Net interest expense	Rm	91	70	78	138	243	223	170	(24%)	26%
HEPS (Recurring)	Cents	26.2	41.8	49	60.1	51	38	40.9	8%	(2%)
Learner/teacher ratio	#	15	17	17	17	18	18	19	6%	1%
Capital invested	Rm	1 010	1 486	1 136	1 493	1 246	650	929	43%	(15%)
Cumulative capital invested	Rm	4 864	6 350	7 486	8 979	10 265	10 915	11 844	9%	11%
Total building size	m ²	449 067	558 683	598 194	656 081	700 946	713 084	772 251	8%	5%

* Adjusted for the bonus element contained in the rights issue concluded during September 2020.

J-CURVE – 31 December 2021

	Campuses		Schools			Learner numbers			Growth		School's EBITDA (R'million)			Growth		EBITDA margin			Build capacity utilised			Eventual capacity utilised		
	2021	2021	2019	2020	2021	19/20	20/21	2019	2020	2021	19/20	20/21	2019	2020	2021	2019	2020	2021	2019	2020	2021			
Developed schools	51	120	35 902	38 333	42 965	7%	12%	527	533	622	1%	17%	30%	28%	29%	65%	64%	67%	46%	45%	57%			
2009 & before	4	9	4 143	4 116	4 230	(1%)	3%	73	84	85	15%	2%	31%	35%	32%	85%	85%	85%	74%	73%	71%			
2010	2	6	2 213	2 229	2 199	1%	(1%)	43	43	48	–	10%	36%	34%	35%	75%	75%	61%	55%	56%	61%			
2011	5	15	4 440	4 218	4 247	(5%)	1%	71	79	72	10%	(9%)	31%	33%	29%	63%	60%	61%	53%	50%	57%			
2012	2	6	1 889	1 940	2 089	3%	8%	27	23	30	(14%)	31%	26%	22%	26%	72%	73%	78%	56%	58%	72%			
2013	4	12	6 341	6 262	6 295	(1%)	1%	126	130	137	4%	5%	39%	40%	40%	73%	72%	68%	63%	63%	66%			
2014	4	9	2 371	2 338	2 553	(1%)	9%	19	16	16	(18%)	2%	20%	16%	14%	57%	54%	71%	48%	47%	66%			
2015	7	17	6 517	6 645	6 992	2%	5%	65	50	64	(23%)	29%	26%	19%	22%	65%	67%	66%	49%	50%	60%			
2016	4	8	1 952	1 631	1 831	(16%)	12%	46	25	28	(46%)	11%	37%	22%	23%	50%	42%	47%	37%	31%	42%			
2017	3	8	3 143	3 600	3 917	15%	9%	54	65	68	20%	5%	38%	40%	36%	91%	79%	75%	51%	58%	64%			
2018	4	8	1 137	1 331	1 663	17%	25%	9	1	4	(89%)	352%	19%	2%	7%	34%	40%	48%	18%	21%	44%			
2019	7	13	1 756	3 347	4 629	91%	38%	(6)	33	61	–	87%	(11%)	25%	32%	44%	74%	80%	17%	32%	43%			
2020	5	9	–	676	2 320	–	243%	–	(16)	8	–	–	–	(71%)	10%	–	16%	49%	–	10%	27%			
2021	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–			
Acquired schools	25	58	21 695	22 444	23 482	3%	5%	354	370	400	5%	8%	30%	31%	30%	81%	77%	78%	67%	67%	70%			
2012 & before	7	17	7 261	7 491	8 017	3%	7%	151	137	171	(9%)	25%	36%	33%	37%	79%	77%	82%	64%	66%	77%			
2013	2	2	3 670	3 709	3 673	1%	(1%)	30	32	35	6%	8%	23%	27%	23%	74%	75%	79%	74%	75%	79%			
2014	2	6	2 756	2 597	2 404	(6%)	(7%)	71	66	53	(6%)	(20%)	35%	35%	28%	85%	80%	69%	80%	75%	69%			
2015 & 2016	5	14	4 940	5 128	5 091	4%	(1%)	56	77	76	36%	(1%)	21%	27%	25%	87%	80%	77%	65%	67%	71%			
2018	3	6	1 899	1 960	2 029	3%	4%	39	47	54	21%	16%	36%	40%	42%	83%	82%	84%	63%	65%	59%			
2019	4	8	1 169	1 181	1 356	1%	15%	7	13	16	86%	29%	16%	21%	22%	79%	69%	70%	68%	60%	52%			
2020	1	3	–	378	615	–	63%	–	(2)	(1)	–	–	–	(9%)	(6%)	–	55%	85%	–	39%	52%			
2021	1	2	–	–	297	–	–	–	–	(4)	–	–	–	–	(21%)	–	–	65%	–	–	65%			
Non-recurring costs								–	(10)	–														
Property rental, royalties and other								(8)	(7)	(9)														
Total Developed & Acquired	76	178	57 597	60 777	66 447	6%	9%	873	886	1 013	1%	14%	30%	29%	29%	70%	69%	70%	52%	51%	60%			



CURRO