

HEADLINE EARNINGS*

From R113m to R138m

↑22%

HEPS*

From 27.6 cents to 33.6 cents

↑22%

EBITDA*

From R255m to R335m

↑31%

REVENUE*

From R1 051m to R1 242m

↑18%

*From continuing operations

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	change	Unaudited 30 Jun 2018 6 months R million	Unaudited Restated* 30 Jun 2017 6 months R million	Audited 31 Dec 2017 12 months R million
Continuing operations				
Revenue	18%	1 242	1 051	2 099
Operating expenses	14%	(907)	(796)	(1 626)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	31%	335	255	473
– Schools' EBITDA	27%	402	316	594
– Head office EBITDA	10%	(67)	(61)	(121)
Depreciation and amortisation	18%	(79)	(67)	(131)
Earnings before interest and taxation (EBIT)	36%	256	188	342
Interest income	19%	31	26	41
Profit on sale of property, plant and equipment		–	1	12
Share of profits of associate		1	–	1
Finance costs	51%	(104)	(69)	(119)
Profit before taxation (PBT)	26%	184	146	277
Taxation	32%	(50)	(38)	(75)
Profit for the period (PAT)	24%	134	108	202
Discontinued operations				
Loss from discontinued operations		–	(3)	(4)
Profit for the period (PAT)	28%	134	105	198
Other comprehensive income:				
Net fair value profit/(loss) on cash-flow hedges		5	(3)	(13)
Total comprehensive income	36%	139	102	185
Profit attributable to:				
Owners of the parent	24%	138	111	209
Non-controlling interest	28%	(4)	(6)	(11)
Total comprehensive income attributable to:				
Owners of the parent	32%	143	108	196
Non-controlling interest	36%	(4)	(6)	(11)
Reconciliation of headline earnings:				
Earnings attributable to owners of the parent		138	111	209
Adjusted for:				
Profit on sale of property, plant and equipment		–	(1)	(12)
Headline earnings	25%	138	110	197
– From continuing operations	22%	138	113	201
– From discontinued operations		–	(3)	(4)
EBITDA margin	27%	27%	23%	23%
Schools' EBITDA margin	33%	31%	28%	
Earnings per share (cents)				
– Basic	24%	33.6	27.2	51.0
– Diluted	24%	33.5	27.1	50.8
Headline earnings per share (cents)	25%	33.6	26.9	48.1
– From continuing operations	22%	33.6	27.6	49.0
– From discontinued operations		–	(0.7)	(0.9)
Diluted headline earnings per share (cents)	25%	33.5	26.8	48.0
– From continuing operations	22%	33.5	27.5	48.9
– From discontinued operations		–	(0.7)	(0.9)
Number of shares in issue (millions)				
– Basic		412.1	407.2	412.1
– Diluted		412.9	408.9	413.5
Weighted average number of shares in issue (millions)				
– Basic		412.1	407.2	408.9
– Diluted		412.9	408.9	410.4

*Previous figures were restated to reflect discontinued operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Jun 2018 R million	Unaudited 30 Jun 2017 R million	Audited 31 Dec 2017 R million
ASSETS			
Non-current assets	7 936	6 928	7 276
Property, plant and equipment	7 219	6 241	6 660
Goodwill	481	437	397
Intangible assets	192	212	169
Investment in associate	13	11	12
Other financial assets	31	27	38
Current assets	407	502	808
Inventories	1	6	3
Current tax receivables	2	2	2
Other financial assets	6	3	125
Trade receivables	76	43	66
Other receivables	50	30	41
Cash and cash equivalents	272	418	571
Total assets	8 343	7 430	8 084
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent	5 169	5 091	5 019
Share capital	4 733	4 556	4 733
Reserves	25	28	14
Retained income	411	507	272
Non-controlling interest	(19)	(17)	(23)
Total equity	5 150	5 074	4 996
LIABILITIES			
Non-current liabilities	2 774	2 009	2 717
Loans and other financial liabilities	2 310	1 658	2 342
Deferred tax	464	351	375
Current liabilities	419	347	371
Loans and other financial liabilities	34	27	40
Trade and other payables	146	126	169
Prepaid school fees and deposits	215	177	135
Development and acquisitions payables	24	17	27
Total liabilities	3 193	2 356	3 088
Total equity and liabilities	8 343	7 430	8 084
Net asset value per share (cents)	1 249	1 246	1 226

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 Jun 2018 6 months R million	Unaudited 30 Jun 2017 6 months R million	Audited 31 Dec 2017 12 months R million
Balance at the beginning of the period	4 996	4 964	4 964
Total comprehensive income	139	102	185
Issue of shares	–	–	177
Share issue costs	–	–	(1)
Stadio unbundling	–	–	(345)
Other	15	8	16
Balance at the end of the period	5 150	5 074	4 996

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	change	Unaudited 30 Jun 2018 6 months R million	Unaudited 30 Jun 2017 6 months R million	Audited 31 Dec 2017 12 months R million
Learner numbers	10%	50 691	45 890	45 870
– Curro	14%	41 356	36 288	36 205
– Meridian	(3%)	9 335	9 602	9 665
Revenue	18%	1 242	1 051	2 099
– Curro	20%	1 102	915	1 828
– Meridian	3%	140	136	271
Schools' EBITDA	27%	402	316	594
– Curro	30%	372	287	540
– Meridian	3%	30	29	54
Net head office expenditure	10%	(67)	(61)	(121)
– Curro	11%	(61)	(55)	(110)
– Meridian	0%	(6)	(6)	(11)
EBITDA margin		27%	23%	23%
– Curro		28%	25%	24%
– Meridian		17%	17%	16%
Headline earnings	25%	138	110	197
Schools	22%	138	113	201
– Curro	17%	150	128	232
– Meridian	N/a	(12)	(15)	(31)
Stadio		–	(3)	(4)
Headline earnings per share (cents)	25%	33.6	26.9	48.1
Schools	22%	33.6	27.6	49.0
– Curro	17%	36.6	31.4	56.6
– Meridian	N/a	(3.0)	(3.8)	(7.6)
Stadio		–	(0.7)	(0.9)
Earnings per share (cents)	24%	33.6	27.2	51.0
Schools	20%	33.6	27.9	51.9
– Curro	15%	36.6	31.7	59.5
– Meridian	N/a	(3.0)	(3.8)	(7.6)
Stadio		–	(0.7)	(0.9)
Total assets	12%	8 343	7 430	8 084
Schools	16%	8 343	7 181	8 084
– Curro	17%	7 632	6 525	7 381
– Meridian	8%	711	656	703
Stadio		–	249	–
Total liabilities	36%	3 193	2 356	3 088
Schools	50%	3 193	2 131	3 088
– Curro	69%	2 400	1 421	2 315
– Meridian	12%	793	710	773
Stadio		–	225	–
Net asset value per share (cents)		1 249	1 246	1 226

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	change	Unaudited 30 Jun 2018 6 months R million	Unaudited 30 Jun 2017 6 months R million	Audited 31 Dec 2017 12 months R million
Cash generated from operations	31%	342	262	489
Tax paid	N/a	(7)	–	(8)
Net finance cost	74%	(73)	(42)	(77)
Working capital movements – operations	76%	37	21	(27)
Working capital movements – investments	N/a	(3)	(74)	(64)
Net cash generated from operating activities	77%	296	167	313
Net cash utilised in investing activities	40%	(681)	(487)	(1 192)
Net cash from financing activities	N/a	86	32	891
Net cash outflow from Stadio unbundling	N/a	–	–	(147)
Cash and cash equivalents movement for the period		(299)	(288)	(135)
Cash and cash equivalents at the beginning of the period		571	706	706
Cash and cash equivalents at the end of the period		272	418	571

KEY RATIOS

	31 Dec 2015	31 Dec 2016	31 Dec 2017	30 Jun 2018
Number of campuses	41	48	51	57
Number of schools	100	114	127	139
Number of learners	35 130	42 343	45 870	50 691
Average number of learners per campus	857	882	899	889
Number of employees	3 886	4 723	5 369	5 710
Number of teachers	2 290	2 546	2 778	2 976
Learner/teacher ratio	15	17	17	17
Building size (m ²)	447 221	540 799	598 194	631 287
Land size (ha)	359	423	444	465
Capital investment (R million)	1 022	1 700	1 192	681
– Current campuses (R million)	638	571	652	213
– New campuses (R million)	369	649	472	253
– Acquisitions (R million)	15	266	12	215
– Stadio (R million)	–	214	56	–

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.

	Number at 30 Jun 2018		Learner numbers					Growth					EBITDA** (R million)			Growth			EBITDA margin			Eventual capacity		
	Campuses	Schools	2016	2017	2018	16/17	17/18	2016	2017	2018	16/17	17/18	2016	2017	2018	16/17	17/18	2016	2017	2018	2016	2017	2018	
Developed schools	40	98	24 344	28 315	31 872	16%	13%	131	179	243	37%	36%	27%	29%	33%	42%	45%	45%						
2009 and before*	4	9	3 818	3 897	3 872	2%	(1%)	23	29	36	26%	24%	26%	30%	33%	81%	83%	82%						
2010	2	6	2 216	2 254	2 205	2%	(2%)	15	20	20	33%	0%	32%	37%	35%	69%	70%	68%						
2011	5	15	4 134	4 098	4 177	(1%)	2%	27	29	33	7%	14%	30%	30%	31%	46%	46%	46%						
2012	2	6	1 764	1 904	1 978	8%	4%	9	14	17	56%	21%	24%	30%	32%	53%	57%	59%						
2013	4	12	5 651	6 149	6 445	9%	5%	47	55	69	17%	25%	41%	40%	44%	58%	63%	65%						
2014	4	8	1 506	1 833	2 169	22%	18%	2	3	8	50%	167%	8%	9%	19%	22%	27%	32%						
2015	8	19	4 730	5 748	6 216	22%	8%	9	19	25	111%	32%	14%	21%	23%	30%	37%	40%						
2016	4	8	525	1 179	1 681	125%	43%	(1)	7	19	N/a	171%	(9%)	26%	38%	9%	20%	28%						
2017	3	8	–	1 253	2 499	–	99%	–	3	21	–	600%	–	14%	41%	–	23%	46%						
2018	4	7	–	–	630	–	–	–	–	(5)	–	–	–	–	(42%)	–	–	9%						
Acquired schools	17	41	16 209	17 575	18 819	8%	7%	123	144	165	17%	15%	33%	33%	33%	78%	75%	73%						
2012 and before	7	17	6 847	6 919	7 007	1%	1%	68	76	78	12%	3%	36%	39%	38%	71%	72%	72%						
2013***	2	2	4 701	4 253	3 855	(10%)	(10%)	25	19	17	(24%)	(11%)	34%	28%	25%	78%	71%	64%						
2014	2	6	2 425	2 618	2 742	8%	5%	23	30	40	30%	33%	31%	35%	40%	85%	92%	95%						
2015 and 2016	4	13	2 236	3 785	4 147	69%	10%	7	19	25	171%	32%	19%	22%	24%	92%	72%	79%						
2018	2	3	–	–	1 068	–	–	–	–	5	–	–	–	–	25%	–	–	52%						
Property rental and royalties								(5)	(7)	(6)														
Total	57	139	40 553	45 890	50 691	13%	10%	249	316	402	27%	27%	30%	31%	33%	51%	53%	53%						

Note:

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.

** Schools' EBITDA

*** Learner number losses at Northern Academy.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements for the six months ended 30 June 2018 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 2017, except for the mandatory adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which became effective 1 January 2018. The adoption of IFRS 9 and IFRS 15 did not have a significant impact on the amounts recognised or disclosed in the condensed consolidated interim financial statements.

3. BUSINESS COMBINATIONS

Effective 1 March 2018, Curro acquired Dot's Learning Centre and on the 1st April 2018, Curro acquired Cooper College including Magic Beings.

	R million
The following assets and liabilities were recognised:	
Property, plant and equipment	176
Intangible assets	4
Trade and other receivables	10
Cash and cash equivalents	1
Deferred tax liabilities	(47)
Trade and other payables	(10)
Non-controlling interest	(8)
Total identifiable net assets	126
Goodwill	94
	<u>220</u>
Total purchase consideration	
Cash consideration paid	(216)
Deferred purchase consideration	(4)
	<u>(220)</u>
Net cash outflow on acquisition	
Cash consideration paid	(216)
Cash acquired	1
	<u>(215)</u>

4. CASH-FLOW HEDGES

R million	Jun 2018	Jun 2017	Dec 2017
Fixed-for-variable interest rate swap liabilities	9	3	17

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.

5. EVENTS AFTER THE REPORTING PERIOD

The previously announced acquisition of the operations and property of Baobab Primary School (Gaborone, Botswana) became effective on 1 July 2018.

6. FINANCIAL ASSISTANCE

Notice is hereby given, in terms of section 45(5)(a) of the Companies Act, No. 71 of 2008, as amended ("the Act"), that the board of directors of Curro ("the Board"), at a meeting of the Board held on 13 August 2018, resolved that the Company will provide financial assistance to its subsidiary Campus and Property Management Company (Pty) Ltd ("CAPMAC") to the value of R256 million, for purposes of repaying a portion of the higher interest rate carrying debt in the Meridian venture. The R256 million will be provided in the form of interest free subordinated junior debt between the Company and CAPMAC. The primary source of the approved financial assistance is Curro's current bank debt and facilities. The resolution by the Board was taken pursuant to the authority granted to the Board by shareholders at Curro's annual general meeting held on 4 June 2018. In accordance with section 45 of the Act, the Board is satisfied and acknowledges that immediately after providing such financial assistance, Curro would satisfy the solvency and liquidity test provided for in section 4 of the Act and that the terms of the financial assistance are fair and reasonable to Curro.

REVIEW OF RESULTS

The Board is pleased to present solid results for the six months ended 30 June 2018 in the year that Curro celebrates its 20th birthday. With more than 50 000 learners in 57 campuses across Southern Africa, Curro remains committed to providing quality independent school education to an ever-increasing number of learners throughout Southern Africa.

Learner numbers

	Dec 2017	Jun 2018	% increase
Organic growth Acquisitions	45 870	49 623 1 068	8%
Total	45 870	50 691	10%

Financial results

For the comparative period to 30 June 2017, Stadio which was unbundled to shareholders on 3 October 2017, has been disclosed as a discontinued operation.

For the period ended 30 June 2018, learner numbers increased by 10% from 45 890 to 50 691, increasing revenue by 18% from R1 051 million in 2017 to R1 242 million.

Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 27% from R316 million in 2017 to R402 million for the period under review, with EBITDA increasing by 31% from R255 million to R335 million. The major improvement in the EBITDA margin from 23% to 27% is due to increased efficiencies and capacity utilisation.

Finance costs increased by 51% from R69 million to R104 million as a result of long-term interest bearing debt increasing from R1 658 million to R2 310 million.

Headline earnings from continuing operations increased by 22% from R113 million to R138 million during the reporting period. Headline earnings per share from continuing operations increased by 22% from 27.6 cents to 33.6 cents.

Meridian

The shareholders have resolved to recapitalise the business to redeem expensive interest-bearing debt. Curro is a 65% shareholder in Meridian and will invest R256 million. This will significantly improve the profitability of this venture and will have a positive impact on Curro going forward.

New campuses and expansions

Curro will invest R400 million in six new campuses at Curro Vanderbijlpark and Edenvale, Curro Academies at Parkdene (Boksburg), Protea Glen (Soweto) and Savanna City (Johannesburg), as well as a Curro Castle at Burgundy Estate (Cape Town).

Major expansion projects are underway at Curro Brackenfell, Building Blocks, Curro Heritage House (previously Curro Embury) and Windhoek Gymnasium. The estimated investment for expansion and replacement of assets is R700 million.

Curro has acquired Baobab Primary School (Gaborone, Botswana), Cooper College (Douglasdale, Gauteng) and Dot's Learning Centre. Further acquisitions are being explored.

Balance sheet and funding

Curro has a strong balance sheet. The increasing cash generation improves the Group's ability to service debt, which will be the preferred method of funding going forward. Interest service cover ratio for Curro (EBITDA/Net Finance costs (including capitalised interest)) was at 3.5 times which is well ahead of internal targets. Gearing levels (debt/equity) increased from 33% to 45% but will continue to be conservatively managed.

Directorate

Effective 10 August 2018, Zandile Nangamso (Nan) Mankai was appointed to the Curro Board as an independent non-executive director. Nan has been appointed as a member of the audit and risk committee.

Dividends

No dividend was declared for the period under review.

Prospects

The Board believes Curro is well positioned for growth and remains optimistic about its long-term prospects.

On behalf of the board



SL Botha
Chairperson

14 August 2018



AJF Greyling
Chief Executive Officer

STATUTORY AND ADMINISTRATION

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

* Non-executive

** Independent non-executive

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

Transfer secretaries: Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Corporate adviser and sponsor: PSG Capital

Company Secretary: IWM Isdale

CURRO

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")



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