# RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Percentage change	Unaudited 30 Jun 2017 6 months R million	Unaudited 30 Jun 2016 6 months R million	Audited 31 Dec 2016 12 months R million
Revenue	24%	1 085	872	1 761
Operating expenses	24% 26%	(831)	(661)	(1 374)
Earnings before interest,	2070	(031)	(001)	(1 5/ 4)
depreciation and				
amortisation (EBITDA)	20%	254	211	387
– Operational EBITDA	24%	322	259	497
– Head office EBITDA	42%	(68)	(48)	(110)
Depreciation and amortisation	35%	(70)	(52)	(108)
Earnings before interest and taxation (EBIT)	16%	184	159	279
Investment revenue	50%	27	18	59
Gain from bargain purchase	5070		-	15
Share of profits of associates*		_*	_	1
Impairment		-	_	(11)
Finance costs	(12%)	(69)	(78)	(127)
Profit before taxation (PBT)	43%	142	99	216
Taxation	95%	(37)	(19)	(48)
Profit for the period (PAT)	31%	105	80	168
Other comprehensive income:				
Net fair value loss on cash-flow	(000)		(10)	
hedges, after taxation	(83%)	(3)	(18)	(21)
Total comprehensive income	65%	102	62	147
Profit attributable to:	/			
Owners of the parent	37%	111	81	172
Non-controlling interest	500%	(6)	(1)	(4)
Total comprehensive income attributable to:	31%	105	80	168
Owners of the parent	71%	108	63	151
Non-controlling interest	500%	(6)	(1)	(4)
	65%	102	62	147
Reconciliation of headline earnings:				
Earnings attributable to owners of the parent	37%	111	81	172
Adjusted for:				11
Impairment Gain from bargain purchase		_	_	11 (15)
(Profit)/loss on disposal of property,		-	_	(15)
plant and equipment		(1)	-	1
Headline earnings	36%	110	81	169
EBITDA margin		23%	24%	22%
Operational EBITDA margin		30%	30%	29%
Earnings per share (cents)				
– Basic	24%	27.2	22.0	44.7
– Diluted Headline earnings per	25%	27.1	21.6	44.5
share (cents)				
– Basic	22%	26.9	22.0	43.9
– Diluted	24%	26.8	21.6	43.7
Number of shares in issue (millions)				
– Basic		407.2	389.3	407.2
– Diluted		408.9	395.6	408.8
Weighted average number of shares in issue (millions)				
– Basic		407.2	370.2	384.7
– Diluted		408.9	376.5	386.3
-				

\* Balances less than R500 000 are displayed as Nil in million rounding.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Jun 2017 6 months R million	Unaudited 30 Jun 2016 6 months R million	Audited 31 Dec 2016 12 months R million
ASSETS			
Non-current assets	6 928	5 344	6 509
Property, plant and equipment*	6 275	4 778	5 875
Goodwill	437	397	428
Intangible assets	178	147	167
Investment in associate	11	9	11
Other financial assets	27	13	28
Current assets	502	1 101	812
Inventories	6	6	10
Current tax receivable	2	5	7
Other financial assets*	3	-	4
Trade receivables**	43	37	29
Other receivables**	30	14	56
Cash and cash equivalents	418	1 039	706
Total assets	7 430	6 445	7 321
EQUITY			
Equity attributable to equity holders of parent	5 091	4 209	4 976
Share capital	4 556	3 885	4 556
Reserves	28	28	23
Retained income	507	296	397
Non-controlling interest	(17)	(9)	(12)
Total equity	5 074	4 200	4 964
LIABILITIES			
Non-current liabilities	2 009	1 895	1 942
Loans and other financial liabilities	1 658	1 640	1 624
Deferred tax	351	255	318
Current liabilities	347	350	415
Loans and other financial liabilities	27	36	27
Trade and other payables	126	105	126
Prepaid school fees and deposits	177	155	171
Development and acquisition payables**	17	54	91
Total liabilities	2 356	2 245	2 357
Total equity and liabilities	7 430	6 445	7 321
Net asset value per share (cents)	1 246	1 079	1 222

\* In the current year, management reclassified R240 million of other financial assets to property, plant and equipment with respect to the year ended 31 December 2016 in the condensed consolidated statement of financial position. The reclassification had no effect on the condensed consolidated statement of financial position in the previous year other than to appropriately reflect the nature of the underlying transaction, which has changed since December 2016.

\*\* Trade and other receivables was separated into trade receivables and other receivables, and development payables was grouped with the acquisition payables with respect to the comparative year, 30 June 2016. The reclassification had no effect on the condensed consolidated statement of financial position other than to disclose the figures more appropriately.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 Jun 2017 6 months R million	Unaudited 30 Jun 2016 6 months R million	Audited 31 Dec 2016 12 months R million
Balance at the beginning of the period	4 964	3 081	3 081
Total comprehensive income	102	62	147
Issue of shares	-	1 070	1 749
Share issue costs	-	(20)	(27)
Other	8	7	14
Balance at the end of the period	5 074	4 200	4 964

### CONDENSED CONSOLIDATED SEGMENTAL REPORT

CONDENSED	CONSOLIDATED	STATEMENT	OF CASH FLOWS
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	Percentage change	Unaudited 30 Jun 2017 6 months R million	Unaudited 30 Jun 2016 6 months R million	Audited 31 Dec 2016 12 months R million
Learner numbers	14%	47 002	41 393	43 183
– Curro – Meridian – Stadio	20% (6%) 32%	36 288 9 602 1 112	30 286 10 267 840	32 545 9 798 840
Revenue	24%	1 085	872	1 761
– Curro – Meridian – Stadio	28% 4% 26%	915 136 34	714 131 27	1 461 252 48
Operational EBITDA	24%	322	259	497
– Curro – Meridian – Stadio	34% (19%) (33%)	287 29 6	214 36 9	424 62 11
Net head office expenditure	42%	(68)	(48)	(110)
– Curro – Meridian – Stadio	25% 50% 100%	(55) (6) (7)	(44) (4) -	(99) (11) -
EBITDA margin		23%	24%	22%
– Curro – Meridian – Stadio		25% 17% (3%)	24% 24% 33%	22% 20% 23%
Headline earnings*	36%	110	81	169
– Curro – Meridian – Stadio	64% 275% Na	128 (15) (3)	78 (4) 7	173 (12) 8
Headline earnings per	222/	26.0		12.0
share (cents)*	22%	26.9	22.0	43.9
– Curro – Meridian – Stadio	47% 245% Na	31.4 (3.8) (0.7)	21.3 (1.1) 1.8	45.0 (3.2) 2.1
Earnings per share (cents)*	24%	27.2	22.0	44.7
– Curro – Meridian – Stadio	49% 245% Na	31.7 (3.8) (0.7)	21.3 (1.1) 1.8	45.8 (3.2) 2.1
Total assets	15%	7 430	6 445	7 321
– Curro – Meridian – Stadio	18% 3% (2%)	6 525 656 249	5 551 639 255	6 390 679 252
Total liabilities	5%	2 356	2 245	2 357
– Curro – Meridian – Stadio	5% 7% (3%)	1 421 710 225	1 347 666 232	1 414 718 225
Net asset value per share (cents)	15%	1 246	1 079	1 222

	Percentage change	Unaudited 30 Jun 2017 6 months R million	Unaudited 30 Jun 2016 6 months R million	Audited 31 Dec 2016 12 months R million
Cash generated from operations	20%	262	218	399
Tax paid	(100%)	-	(4)	(8)
Net finance cost	(30%)	(42)	(60)	(68)
Working capital movements	Na	(53)	49	81
Net cash generated from operating activities	(18%)	167	203	404
Net cash utilised in investing activities	(8%)	(487)	(529)	(1 700)
Net cash from financing activities	(97%)	32	1 134	1 771
Cash and cash equivalents movement for the period		(288)	808	475
Cash and cash equivalents at the beginning of the period		706	231	231
Cash and cash equivalents at the end of the period		418	1 039	706

# **KEY RATIOS**

Number of schools      80      101      115      127        Number of schools      80      101      115      127        Number of learners      28 737      35 970      43 183      47 002        Average number of learners      -      -      -      -        per campus      871      856      881      870        Number of employees      3 128      3 969      4 806      5 494        Number of educators      1 905      2 339      2 595      2 844        Learner/educator ratio      15      15      17      17        Building size (m²)      392 314      449 067      558 683      578 803        Land size (ha)      298      359      434      444        Capital investment (R million)      1 305      1 022      1 700      487        - Current campuses (R million)      651      638      571      295		31 Dec 2014	31 Dec 2015	31 Dec 2016	30 Jun 2017
Number of learners      28 737      35 970      43 183      47 002        Average number of learners      -      -      -      -      -      -      -      -      -      02      -      -      -      02      -      -      -      043 183      47 002      -      -      -      02      -      -      02      -      -      -      02      -      -      -      043 183      47 002      -      -      -      -      043 183      -      47 002      - <td>Number of campuses</td> <td>33</td> <td>42</td> <td>49</td> <td>54</td>	Number of campuses	33	42	49	54
Average number of learners      871      856      881      870        Number of employees      3 128      3 969      4 806      5 494        Number of educators      1 905      2 339      2 595      2 844        Learner/educator ratio      15      15      17      17        Building size (m²)      392 314      449 067      558 683      578 803        Land size (ha)      298      359      434      444        Capital investment (R million)      1 305      1 022      1 700      487        - Current campuses (R million)      651      638      571      295	Number of schools	80	101	115	127
per campus      871      856      881      870        Number of employees      3 128      3 969      4 806      5 494        Number of educators      1 905      2 339      2 595      2 844        Learner/educator ratio      15      15      17      17        Building size (m²)      392 314      449 067      558 683      578 803        Land size (ha)      298      359      434      444        Capital investment (R million)      1 305      1 022      1 700      487        – Current campuses (R million)      651      638      571      295	Number of learners	28 737	35 970	43 183	47 002
Number of employees      3 128      3 969      4 806      5 494        Number of educators      1 905      2 339      2 595      2 844        Learner/educator ratio      15      15      17      17        Building size (m²)      392 314      449 067      558 683      578 803        Land size (ha)      298      359      434      444        Capital investment (R million)      1 305      1 022      1 700      487        - Current campuses (R million)      651      638      571      295	Average number of learners				
Number of educators      1 905      2 339      2 595      2 844        Learner/educator ratio      15      15      17      17        Building size (m²)      392 314      449 067      558 683      578 803        Land size (ha)      298      359      434      444        Capital investment (R million)      1 305      1 022      1 700      487        - Current campuses (R million)      651      638      571      295	per campus	871	856	881	870
Learner/educator ratio      15      15      17      17        Building size (m²)      392 314      449 067      558 683 <b>578 803</b> Land size (ha)      298      359      434 <b>444</b> Capital investment (R million)      1 305      1 022      1 700 <b>487</b> - Current campuses (R million)      651      638      571 <b>295</b>	Number of employees	3 128	3 969	4 806	5 494
Building size (m²)      392 314      449 067      558 683 <b>578 803</b> Land size (ha)      298      359      434 <b>444</b> Capital investment (R million)      1 305      1 022      1 700 <b>487</b> – Current campuses (R million)      651      638      571 <b>295</b>	Number of educators	1 905	2 339	2 595	2 844
Land size (ha)      298      359      434      444        Capital investment (R million)      1 305      1 022      1 700      487        – Current campuses (R million)      651      638      571      295	Learner/educator ratio	15	15	17	17
Capital investment (R million)      1 305      1 022      1 700      487        - Current campuses (R million)      651      638      571      295	Building size (m <sup>2</sup> )	392 314	449 067	558 683	578 803
- Current campuses (R million) 651 638 571 <b>295</b>	Land size (ha)	298	359	434	444
	Capital investment (R million)	1 305	1 022	1 700	487
– New campuses (R million) 482 369 649 159	– Current campuses (R million)	651	638	571	295
- New campuses (K minori) 402 505 045 135	– New campuses (R million)	482	369	649	159
– Acquisitions (R million) 172 15 266 12	- Acquisitions (R million)	172	15	266	12
– Stadio (R million) – – 214 <b>21</b>	– Stadio (R million)		-	214	21

\* Headline earnings, earnings per share (EPS) and headline earnings per share (HEPS) for segmental reporting purposes have been adjusted for the comparative periods, the six months ending 30 June 2016 and the year ended 31 December 2016. The headline earnings, EPS and HEPS for the group remained unchanged as per the audited financial statements for the year ended 31 December 2016.

# J-CURVE

The table below illustrates the J-curve effect from the	ewly established schools to more mature scho	ols by age. All amounts are as at 30 June.
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	Number at 30	) Jun 2017	Lear	ner num	bers	Gro	wth	Ops EBIT	DA** (R r	nillion)	Gro	wth	EBIT	DA marg	gin	Event	ual capa	city
	Campuses	Schools	2015	2016	2017	15/16	16/17	2015	2016	2017	15/16	16/17	2015	2016	2017	2015	2016	2017
Developed schools	38	91	20 734	24 344	28 315	17%	16%	89	132	179	49%	35%	23%	28%	30%	40%	42%	45%
2009 and before*	3	8	3 313	3 422	3 443	3%	1%	19	23	28	23%	22%	29%	30%	33%	84%	86%	87%
2010	2	6	2 131	2 216	2 254	4%	2%	12	15	20	26%	33%	29%	32%	38%	66%	69%	70%
2011	6	16	4 382	4 530	4 552	3%	-	20	28	31	40%	11%	23%	27%	28%	45%	47%	47%
2012	2	6	1 599	1 764	1 904	10%	8%	8	9	14	17%	56%	23%	23%	31%	48%	53%	57%
2013	4	12	4 918	5 651	6 149	15%	9%	34	48	55	41%	15%	37%	42%	40%	50%	58%	63%
2014	4	8	1 267	1 506	1 833	19%	22%	1	2	3	120%	50%	5%	9%	8%	19%	22%	27%
2015	8	19	3 124	4 730	5 748	51%	22%	(5)	9	19	n/a	111%	(14%)	14%	21%	20%	30%	37%
2016	4	7	-	525	1 179	-	125%	-	(1)	7	-	n/a	-	(14%)	25%	-	9%	20%
2017	5	9	-	-	1 253	-	-	-	-	3	-	-	-	-	14%	-	-	23%
Acquired schools	16	36	15 351	17 049	18 687	11%	10%	117	131	150	12%	14%	35%	30%	32%	75%	73%	73%
2012 and before	8	17	6 890	6 847	6 919	(1%)	1%	64	69	76	7%	10%	39%	36%	39%	72%	71%	72%
2013	2	3	5 795	5 5 4 1	5 365	(4%)	(3%)	31	33	25	5%	(25%)	33%	34%	24%	75%	71%	69%
2014	2	5	2 066	2 425	2 618	17%	8%	19	23	30	23%	30%	30%	31%	35%	84%	85%	92%
2015 and 2016	4	11	600	2 2 3 6	3 785	273%	69%	3	7	19	138%	176%	23%	19%	23%	81%	92%	72%
Property rental and royalties								(1)	(4)	(7)								
Total	54	127	36 085	41 393	47 002	15%	14%	205	259	322	27%	24%	29%	30%	30%	50%	51%	53%

Note: Learner numbers refer to as at the end of June annually. Acquired schools indicates the year the school was incorporated in Curro. All acquired schools have been established for at least more than 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 or Academy schools. \*\* Ops EBITDA refers to operational EBITDA



# NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial information for the six months ended 30 June 2017 has 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 to 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 report has been prepared using accounting policies that comply with IFRS which are consistent in all material respects with those applied in the financial statements for the year ended 31 December 2016. The results have not been reviewed or audited by the Company's auditor. The condensed consolidated interim results 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 adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016. For a full list of standards and interpretations that have been adopted, we refer you to our 31 December 2016 annual financial statements.

#### 3. BUSINESS COMBINATIONS

Effective 1 January 2017, Curro acquired the business operations and property of Eco Kidz.

#### 4. EVENTS AFTER THE REPORTING PERIOD

On 7 July 2017, Curro raised R150 million through the issue of 3.4 million ordinary shares, in terms of a general authority to issue shares for cash.

#### **RESULTS COMMENTARY**

Curro provides education to more than 47 000 learners across 127 schools (54 campuses) throughout southern Africa.

The schools' business enjoyed continued revenue and margin growth against the comparative period in 2016. Curro performed well overall, despite the seven Meridian campuses, operating in the rural lower-fee market, experiencing pressure as a result of lower learner numbers compared to the previous year.

The tertiary business experienced growth with the acquisition of two businesses and good progress has been made with respect to the unbundling and separate listing of Stadio Holdings (Stadio) on the JSE. The group results have been presented with the school business and the tertiary business reflected separately.

#### Financial results

Consolidated revenue has increased by 24% from R872 million to R1 085 million, in line with growth in learner numbers and fee increases.

Operational EBITDA has increased by 24% from R259 million to R322 million. The margin remained at 30% despite the negative growth from Stadio and Meridian. The tougher economic conditions have led to an increase in net bad debts written off, representing 1.6% of turnover as opposed to 0.9% of turnover in the prior comparative period.

Stadio's EBITDA (including head office expenditure) has decreased from R9 million to a R1 million EBITDA loss due to corporate costs incurred in establishing and operating the head office component required for its pending separation as well as acquisition related transaction costs.

The capital raised in the second half of 2016 and not yet deployed, has resulted in a decrease in the net interest expense from R60 million to R42 million.

The effective tax rate has increased from 19% to 26% due to the reduced permanent tax difference arising from the capital contribution made to the share incentive trust.

Consolidated headline earnings increased by 36% from R81 million to R110 million, with HEPS increasing by 22% from 22.0 cents to 26.9 cents.

Schools' headline earnings increased by 53% from R74 million to R113 million, with HEPS increasing by 37% from 20.2 cents to 27.6 cents.

#### Dividend

No dividend was declared for the period.

#### Investment activity

For the year, the schools' business of Curro is investing:

- R600 million in construction for the following new schools: – Curro Academy Mamelodi in Pretoria East, Gauteng
- Curro Academy Manelour In Tetoria Last, Gauteng
  Curro Academy Riverside near Diepsloot, Gauteng
- Curro Academy Sandown in Sunningdale, Cape Town
- Curro Castle Oakdene in Turffontein, Gauteng
- Curro Castle Uitzicht in Durbanville, Cape Town
- Curro Roodeplaat High School, Pretoria, Gauteng
- Curro Sitari High School, Somerset West, Cape Town

R900 million in expansion and capital investment replacement at existing schools.

As was previously announced on SENS, Stadio has acquired a 100% stake in AFDA and a 74% stake in Southern Business School (SBS). The SBS acquisition, however, is subject to certain conditions precedent. The total committed acquisition value is R540 million, with the additional investment into the three Embury campuses totalling R130 million.

# Funding

An additional R150 million of equity was raised through a general issue of shares for cash. Curro will be refinancing existing debt to the value of R850 million with cheaper funding of which the interest rates are approximately 80 bps lower than current interest rates. Current and new debt financiers have also committed more than R2 billion in funding for future expansion needs. Curro will utilise up to R1.2 billion of new funding for the remainder of the year.

Stadio will fund its acquisitions with the proceeds of a rights issue planned for later in the year, with Curro providing the bridging financing until such time.

# Stadio

Curro acquired Embury Institute for Higher Education Proprietary Limited (Embury) in 2012. Having an accredited teacher training institution was considered a strategic asset at the time. Recently, the opportunity in the broader tertiary market has become more apparent and, to focus on both the schools' and tertiary businesses separately, it was decided to unbundle and list Stadio. Stadio will become the holding company for a number of tertiary businesses, which will include Embury and the above-mentioned acquisitions.

Stadio will list at the end of September 2017. A pre-listing statement will be released in due course containing comprehensive information about the business.

#### **Change in Auditor**

To ensure sufficient alignment with Curro Holdings' holding company, PSG Group Ltd, and with due regard to the requirement of Mandatory Audit Firm Rotation (MAFR), shareholders are hereby advised that a decision has been taken for Curro Holdings to change its external auditors to Pricewaterhouse Coopers Inc. with immediate effect. The Company extends its sincere appreciation to Deloitte & Touche for their services as auditors over the years.

#### Directorate

Former COO Andries Greyling has replaced Chris van der Merwe as CEO of Curro from 1 July 2017, when Chris became CEO of Stadio. Chris will remain as a non-executive director and strategic adviser to the board of Curro.

#### Prospects

The fundamentals for the education sector remain strong and, over time, shareholders will be rewarded for the significant investment made.

On behalf of the board.

**SL Botha** Chairperson

15 August 2017

#### STATUTORY AND ADMINISTRATION

Directors: SL Botha\*\* (Chairperson), ZL Combi\*\*, AJF Greyling (CEO), HG Louw (CIO), PJ Mouton\*, SWF Muthwa\*\*, B Petersen\*\*, B van der Linde (CFO), CR van der Merwe\* \* Non-executive

\*\* Independent non-executive

Registered office: 38 Oxford Street, Durbanville, 7550

Transfer secretaries: Computershare Investor Services (Pty) Ltd Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Corporate adviser and sponsor: PSG Capital



**AJF Greyling** Chief Executive Officer

