



CURRO

2020 ANNUAL RESULTS

Andries Greyling

17 March 2021

#Learners2Leaders



AGENDA



Review of 2020



A confident start to 2021



Commentary on results for 2020



Strategic focus



Conclusion

Annexures: Library of historical information

- *History since 2011*
- *Number of learners and campuses*
- *Key indicators*
- *J-Curve*

CURRO

2020 FINANCIAL YEAR



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2020 FINANCIAL YEAR – START

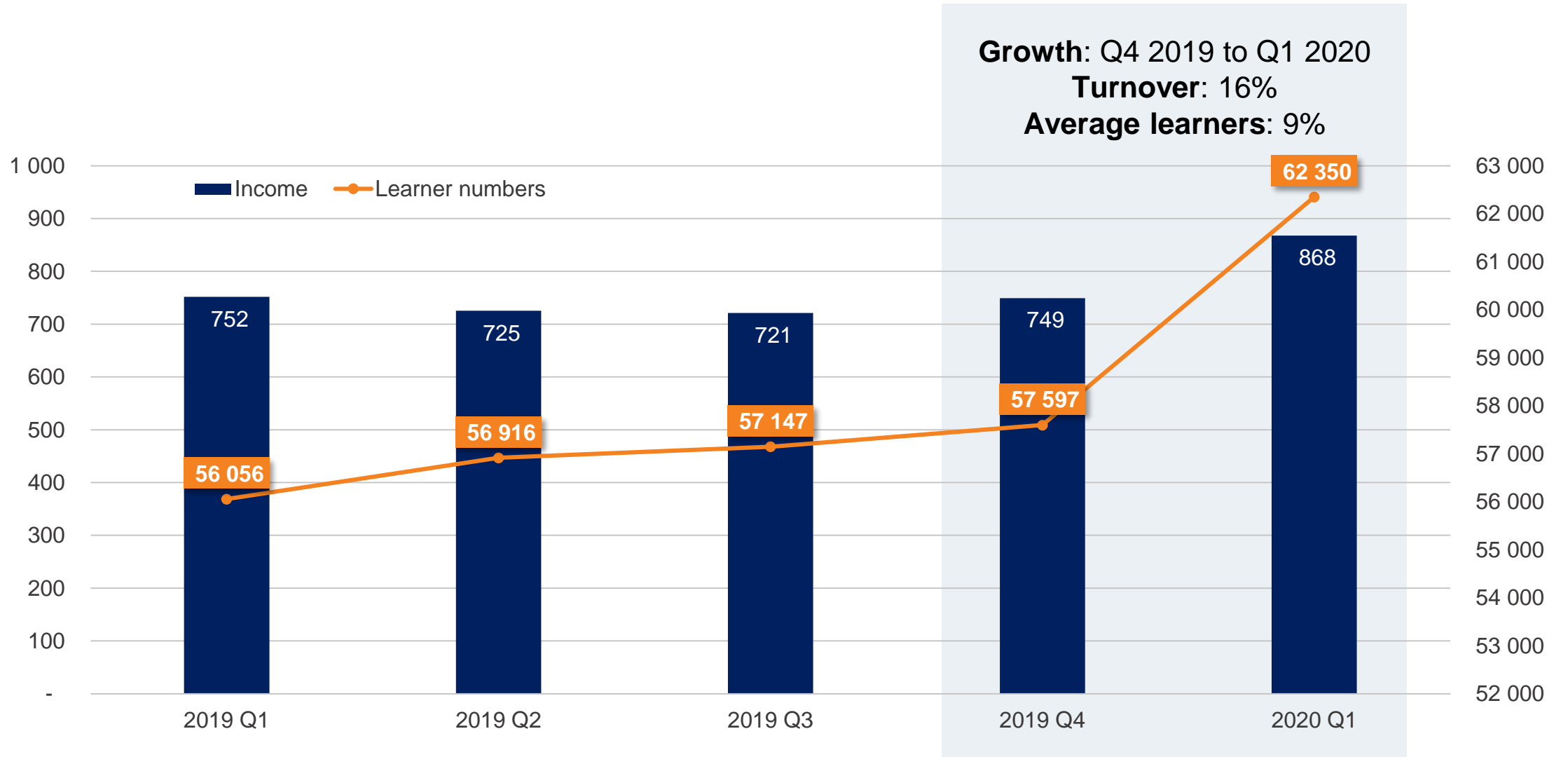
Learner number growth **9%** ↑
Turnover growth **16%** ↑
Collections/cashflow **24%** ↑

COVID-19
Lockdown
26 March 2020

Growth in all models, including challenging schools.



STRONG LEARNER GROWTH



Note: The learner numbers represent the weighted average for each quarter



2020 FINANCIAL YEAR – HARD LOCKDOWN

Negatives

- Decline in learner numbers (specifically in preschool market)
- Ancillary revenue (aftercare, bus income, rental and boarding) down
- Discounts to support parents
- Bad debt risk increased across all models
- Fixed-cost business – negative impact on margin

Positives

- Entrepreneurial spirit and depth of talent and skill
- Remote learning offering proved successful
- Launched Curro Online
- Able to support staff financially
- COVID-19 Relief Fund – assist parents





2020 FINANCIAL YEAR – REOPENING

Negatives

- Incurred higher COVID-19 related costs and ensured alignment to Government regulations
- Offered full ancillary services to fewer learners
- Further decline in learner numbers (stabilised in Quarter 4)
- Higher bad debt provision
- Pressure on margins due to high fixed cost base

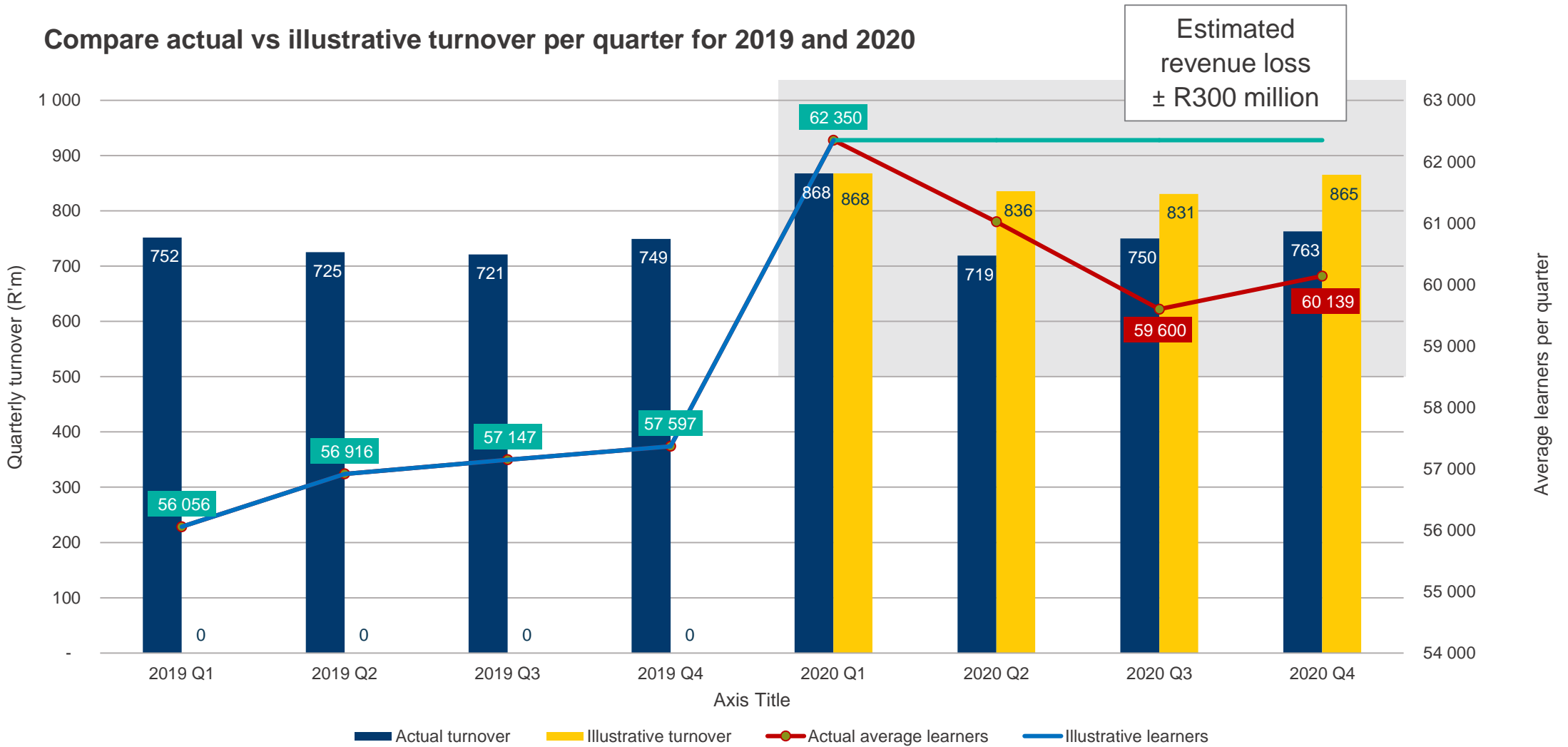
Positives

- Learning and teaching continued successfully
- Innovative digital marketing and branding campaigns
- Improved Grade 12 results in both IEB and NSC examinations



ACTUAL VERSUS ILLUSTRATIVE TURNOVER

Compare actual vs illustrative turnover per quarter for 2019 and 2020





MANAGING THROUGH THE PANDEMIC (1)

SAFEGUARD OUR FUTURE BUSINESS

- ▶ Put people first (learners, staff, parents)
- ▶ Minimise reduction in learner numbers
- ▶ Maintain academic quality
- ▶ Reduce expenses
- ▶ Reduce and delay capital projects
- ▶ Exit non-profitable offerings

MANAGING THROUGH THE PANDEMIC (2)

STAFF	PARENTS	LEARNERS	BUSINESS
Staff paid in full, increases (October 2020), 13th cheques	Discounts	Remote and hybrid learning solutions, E-sport, virtual arts and culture implemented	Cut capital expenditure from R1.1 billion in February 2020 to R650 million Temporary classrooms (until 2021 learner numbers confirmed)
Realigned staff structures	COVID-19 Relief Fund	Educational standards maintained; curriculum milestones reached	Consolidated/refocused non-profitable pre-schools and closed 1 non-profitable school
Learner:teacher ratio at end 2020 in line with 2019 but it took time to manage it back to that level	Ensured teacher access, additional support (data, equipment)	Excellent Grade 12 results	Incurred cost to protect business
Focus on staff wellbeing, in partnership with Momentum Wellness	COVID-19 protocols in place	Leverage capabilities to offer Curro Online	Material increase in municipal charges (recovery under way) Embark on consultative and reconciliation process with council – outstanding credits
PPE, COVID-19 protocols in place		PPE, COVID-19 protocols in place	Work with government to set standards and protocols to keep schools open
Retrenched staff (non-core positions, limited teachers)	WE BELIEVE ALL ACTIONS CONTRIBUTED TO A CONFIDENT START IN 2021		Operational cashflow R514 million, up 8.4%
			Six new campuses (11 schools opened in 2020) – first year EBITDA loss R18 million
			Rights offer: Raise capital (R1.5 billion) for future acquisitions, expansions, strengthen the balance sheet and reduce debt Growth in # shares (dilution in HEPS) <ul style="list-style-type: none"> • 2019 – 412 million • 2020 – 471 million (weighted average) • 2021 – 598 million

CURRO

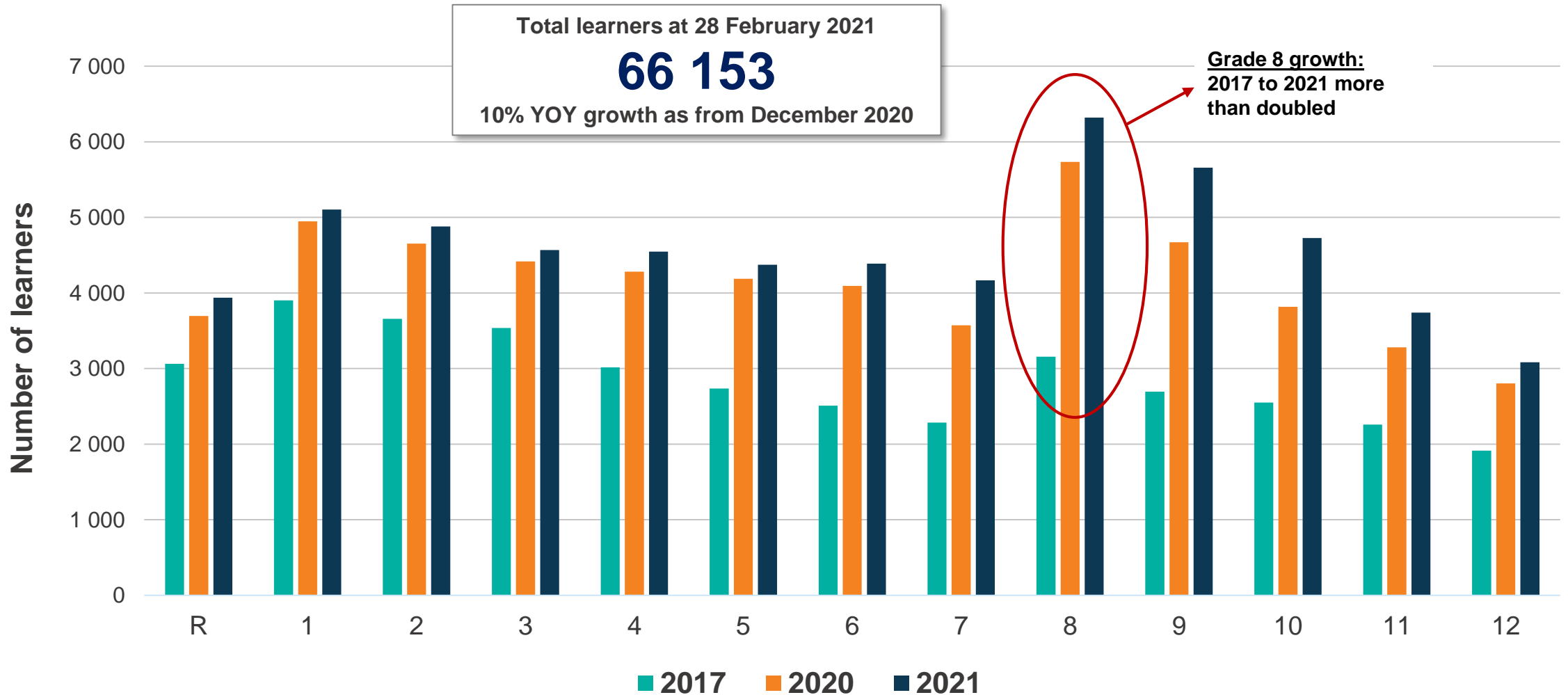
2021 FINANCIAL YEAR



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LEARNERS PER GRADE

Like-for-like organic growth of 12% at beginning of 2021, double the average since 2017





CONFIDENT START TO 2021

OPENING OF SCHOOLS

- Successfully re-opened all schools on 13 January 2021 and again 1 February 2021, after further engagement with Government
- Adhering to strict COVID-19 protocols, protecting learners, staff and parents

LEARNER NUMBERS

-
- Castle numbers peaked at \pm 8 000 learners in December 2019; currently at \pm 6 000 learners after exiting the youngest end of the market (babies to three years old)
 - Terminated \pm 3 200 learners due to outstanding accounts in January 2021
 - Exceeded 66 000 learners at 28 February 2021
 - Record enrolments in February and March 2021
 - Average learners per campus 870 versus 800 in 2020



CONFIDENT START TO 2021

MATRIC RESULTS

Independent Examinations Board (IEB)

- 1 525 learners wrote the 2020 IEB examination
- 99.5% pass rate
- 86% Bachelor's Degree (BD) with the rest qualifying for other tertiary studies
- 70% of learners achieved a C and above average

National Senior Certificate (NSC)

- 1 060 learners wrote the 2020 NSC examination
- 95% pass rate
- All qualified for some form of tertiary education

Five schools wrote Matric examinations for the first time

In total 300 more learners wrote the Matric examinations in 2020 compared to 2019

Results in both examinations were better than in prior years

National Certificate Vocational (NCV) will write finals in 2021



CONFIDENT START TO 2021

ACQUISITION

- St George's Preparatory in Gqeberha / Port Elizabeth (300 learners)
 - Continuously evaluating various opportunities
-

OTHER ACHIEVEMENTS

- Curro Online launched during lockdown – currently 600 learners enrolled
- Launched Curro Choice – offering wider range of subjects through digital innovation



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2020 ANNUAL RESULTS

Financial commentary

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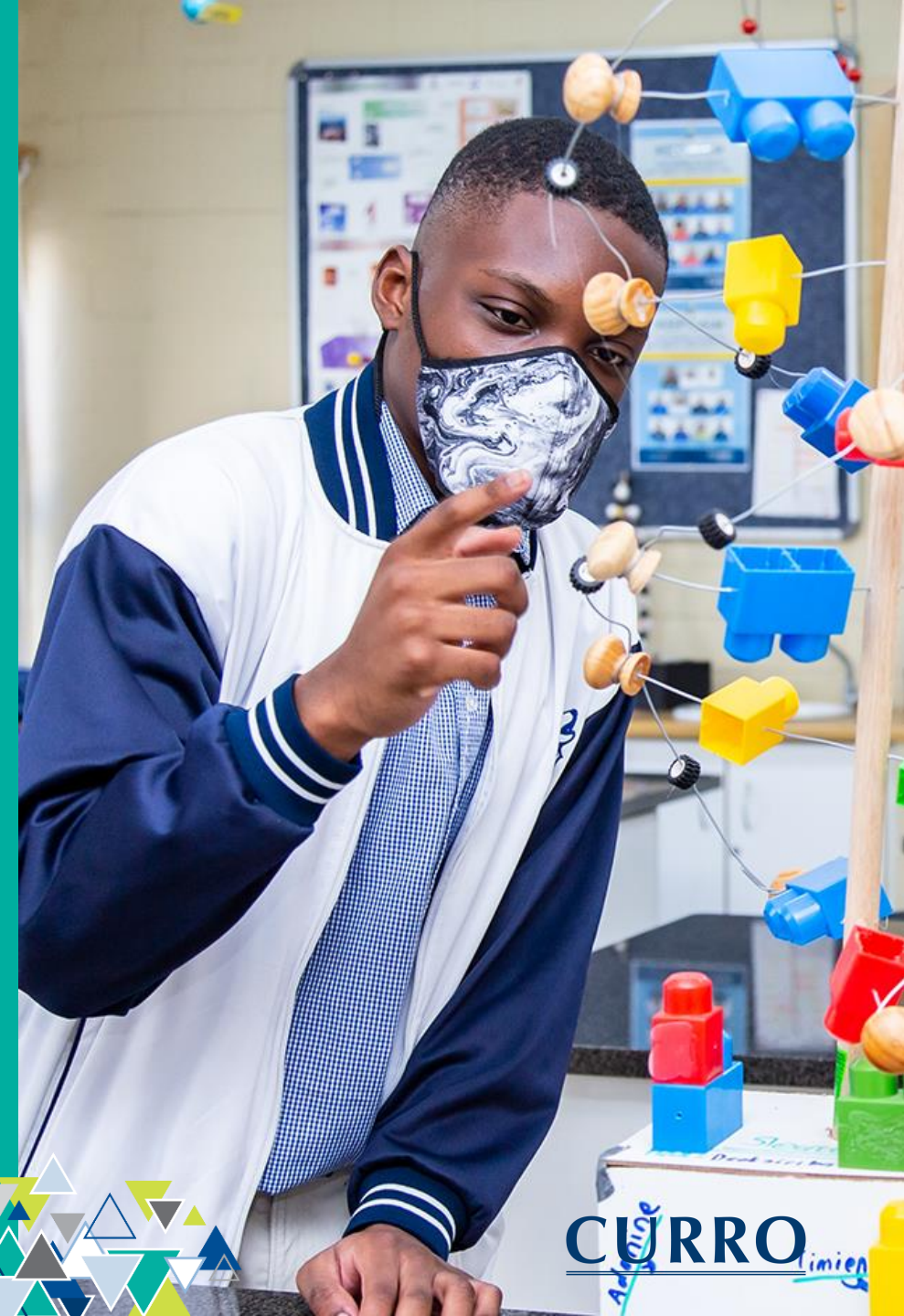


AGENDA

-  **Highlights for 2020**
-  **Drivers of 2020 earnings**
-  **Operating leverage**
-  **Impairments**
-  **Trade receivables**
-  **Capital structure and capex**

HIGHLIGHTS FOR 2020

- ▶ Average learners 6% higher
- ▶ Revenue increased by 5%
- ▶ EBITDA 1% lower than last year
- ▶ Recurring HEPS decreased 24% to 38 cents
- ▶ Successful R1.5 billion rights offer





Earnings per share

	2020 cents	Var %	2019 * cents
Recurring headline earnings per share (RHEPS)	38.0	(24.0%)	50.0
Headline earnings per share (HEPS)	36.4	(39.2%)	59.9
Earnings per share (EPS)	(6.5)	(113.5%)	48.0

* Restated for the year ended 31 December 2019 to account for the bonus effect of the rights offer



DIFFERENCE BETWEEN EPS, HEPS AND RHEPS

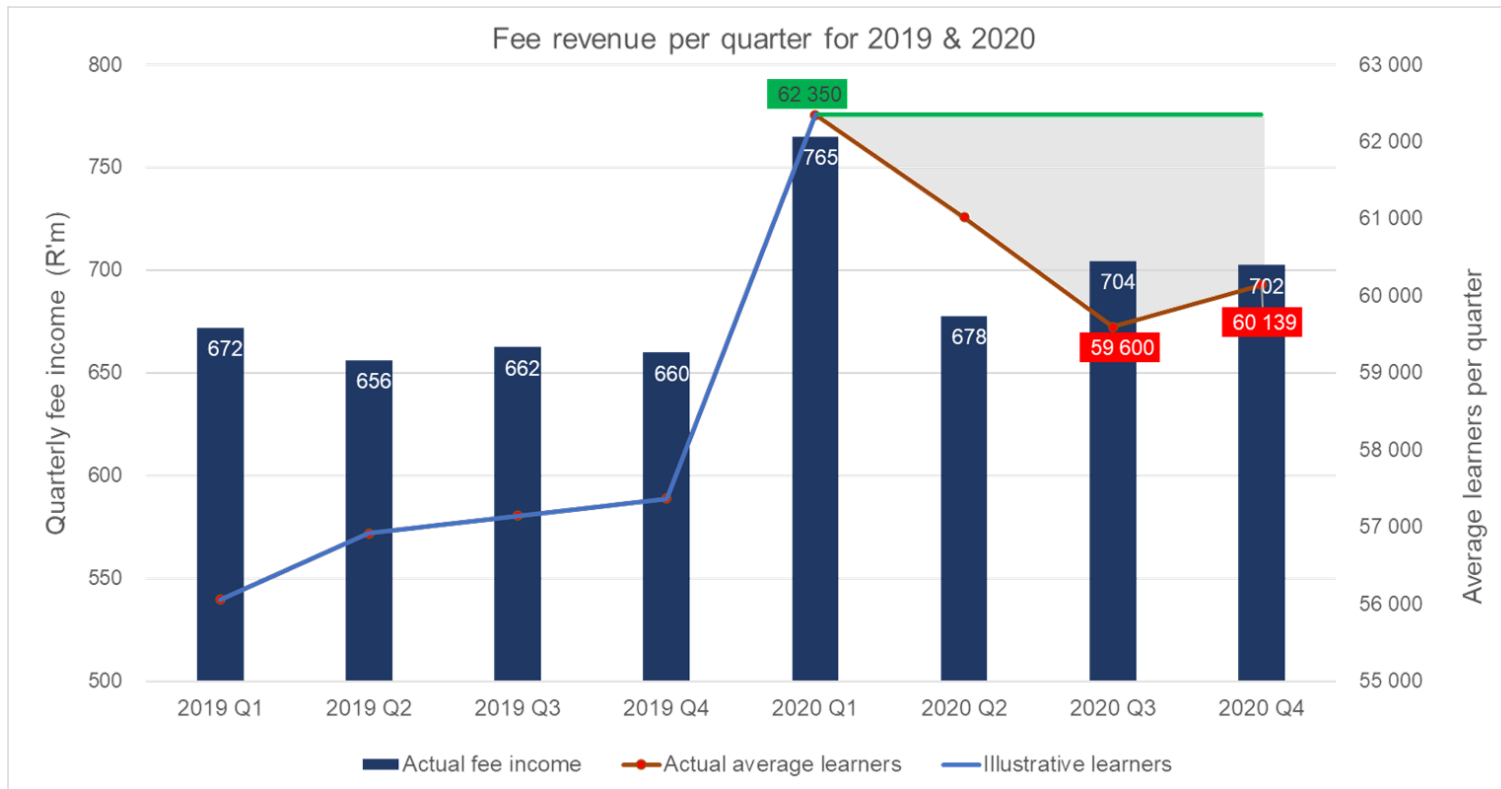
In evaluating these results, the following matters should be considered:

- **2020 Earnings ***
 - EPS includes impairments of R207 million. This is added back for calculation of HEPS, and accounts for the key difference between HEPS and EPS
 - Provision for bad debt expense was R78 million higher than previous year
 - High operating leverage
- **Base effect in 2019 Earnings ***
 - EPS included a bargain purchase gain of R27 million and impairments of R85 million
 - HEPS included a non-recurring tax reversal (a profit) of R53 million

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

OPERATING LEVERAGE – FEE REVENUE

- Curro had 4.1% less learners on average in the second half relative to the first half of the year
- Fee revenue was R36 million lower in the second half than the first half despite improvement in discounts granted
- Estimated that Curro’s revenue could have been ± R300 million higher for the year had it not been for the negative impact of the COVID-19 pandemic and the associated national lockdown

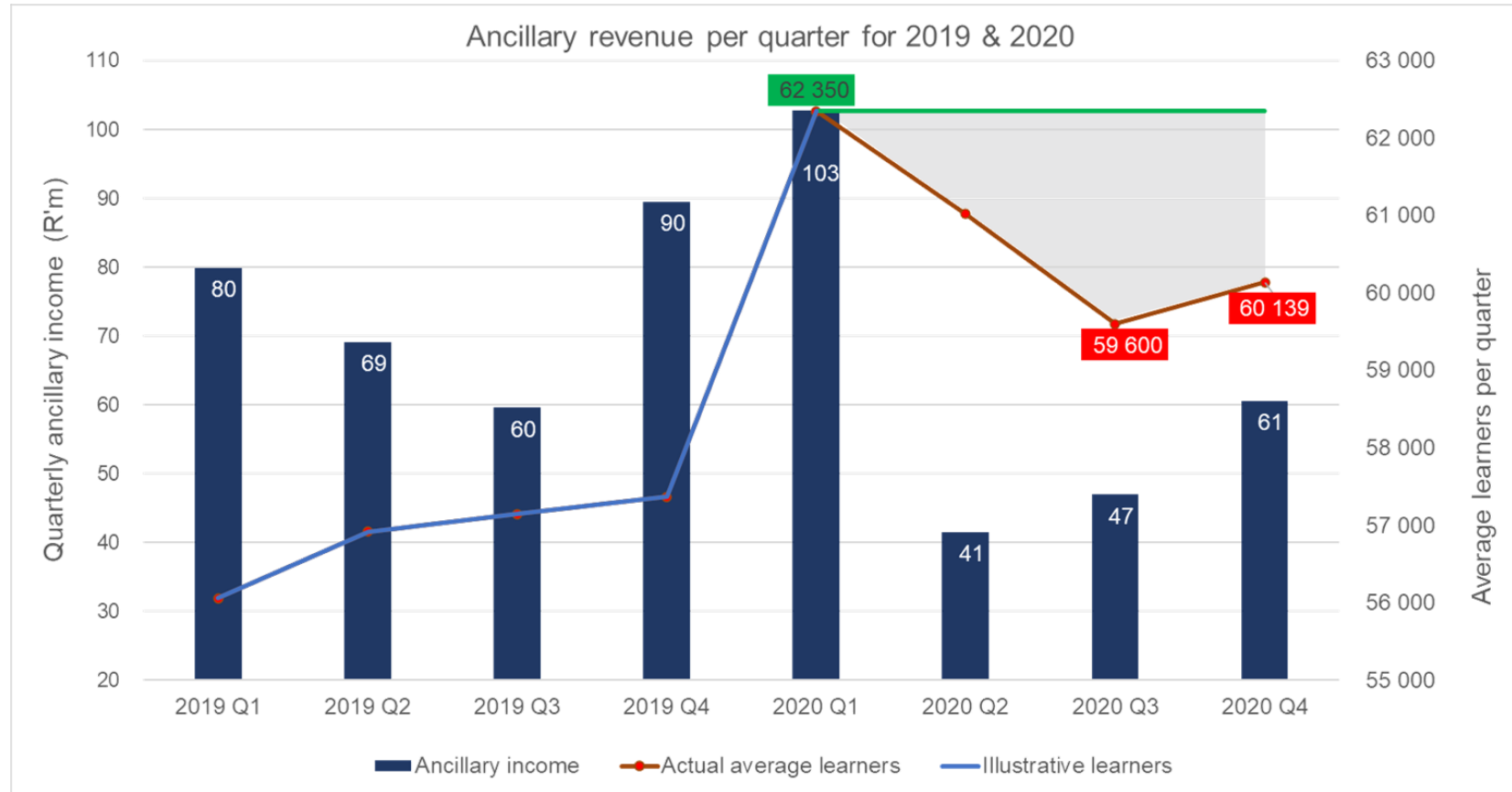


- Good learner growth in 2019 and strong start in Q1 2020 as Curro reached 62 350 average learners in first quarter of 2020
- Average learners reduced to 59 600 in the third quarter, then recovered slightly

Note: Ancillary revenue consists of the non-tuition fee revenue lines, being other income, hostel fees, aftercare fees, bus income, etc.

OPERATING LEVERAGE – ANCILLARY REVENUE

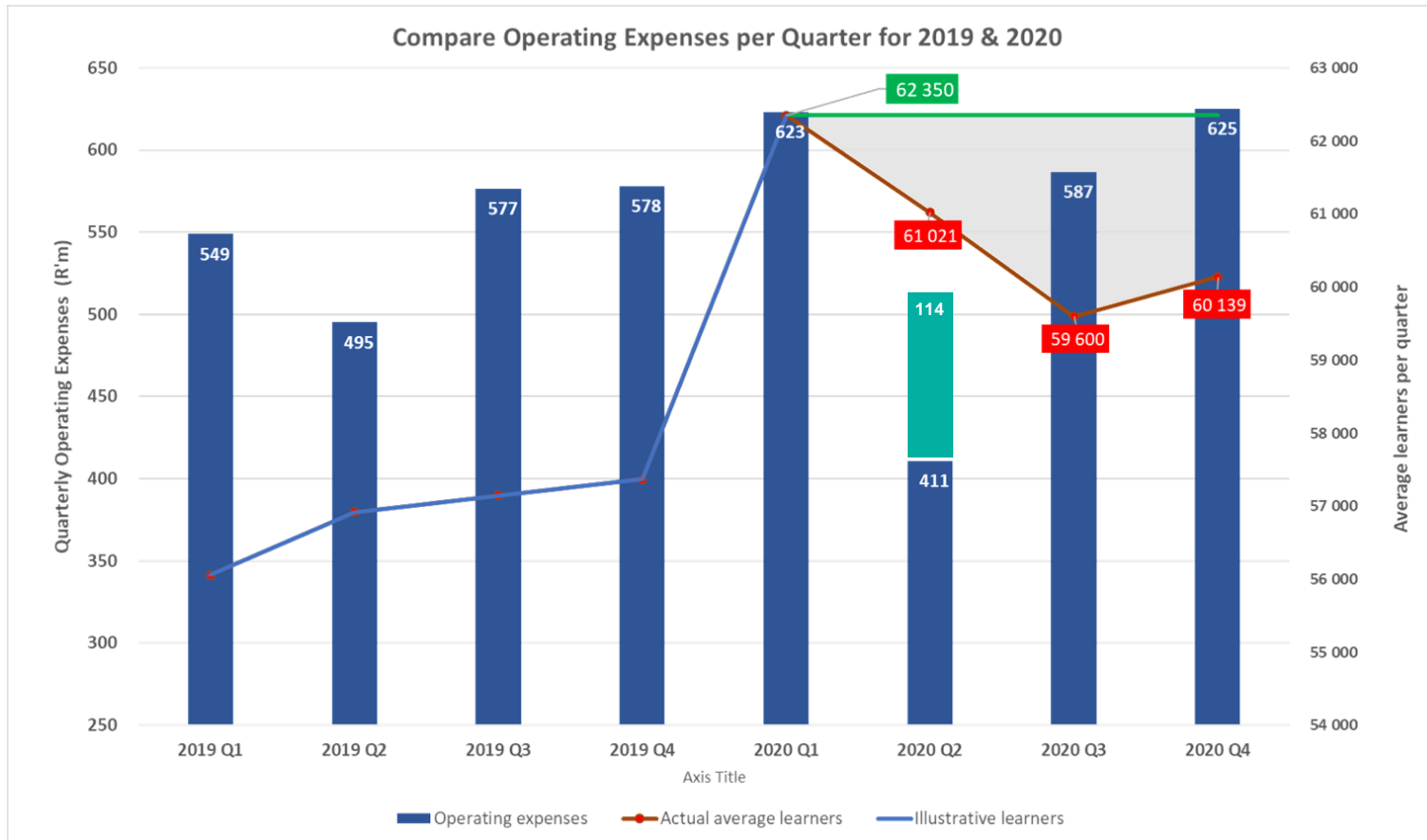
- Ancillary revenue is 32% lower in last nine months of 2020 compared to prior year



- Ancillary revenue consists of the non-tuition fee revenue lines, being other income, hostel fees, aftercare fees, rentals, bus income etc
- Average learners reduced from average 62 350 learners in Q1 to average 59 600 learners in the Q3, then recovered slightly
- Ancillary revenue improved gradually in second half of 2020 as learners returned to schools but still below normal activity

OPERATING LEVERAGE – EXPENSES

- Other operating expenses (excluding salaries and depreciation) increased by 8% compared to average learner growth of 6%



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

- Good learner growth in 2019 and strong start in first quarter of 2020 determined staff model
- Savings in second quarter in response to effect of national lockdown on revenue and activity, including TERS received
- Activity normalised gradually in second half of 2020 as learners returned to schools
- Facility costs (water, electricity and municipal rates) increased by 37% in 2020 to R292 million (2019: R213 million)
- Other operating expenses reduced by 7% if the effect of facility costs is excluded



IMPAIRMENTS

- Impairment tests required under IFRS:
 - Review of the business plans for schools
 - Discount future cashflows to present value at Curro's WACC of 13.74% (FY19:13.29%)
 - If present value lower than carrying value of the school, reduce book value accordingly
 - Recognise an impairment expense in the income statement
- Impairment cost of R265 million in 2020 (2019: R104 million)*
 - Impairments relate to eight campuses and two plots of land
 - These schools have lower expected yields over the medium-term than Curro's cost of capital, thus the impairment due to lower-yielding school assets
 - Aggregate impairments in 2019 and 2020 of R369 million*, remaining carrying value of these assets is R635 million
- Impairment charges included in calculation of EPS but are added back for purposes of the calculation of HEPS and accordingly account for the key difference between HEPS and EPS

* Amounts are gross before tax

TRADE RECEIVABLES (1)

- Curro tolerated higher levels of overdue accounts to retain learners where possible
- IFRS 9 effect: receivable balances retained longer
- Gross receivables increased by 80% to R447 million at year-end (2019: R249 million)
- Overdue debt exacerbated by the impact of COVID-19
- Enhanced debt collection process and adjusted the credit loss provision methodology

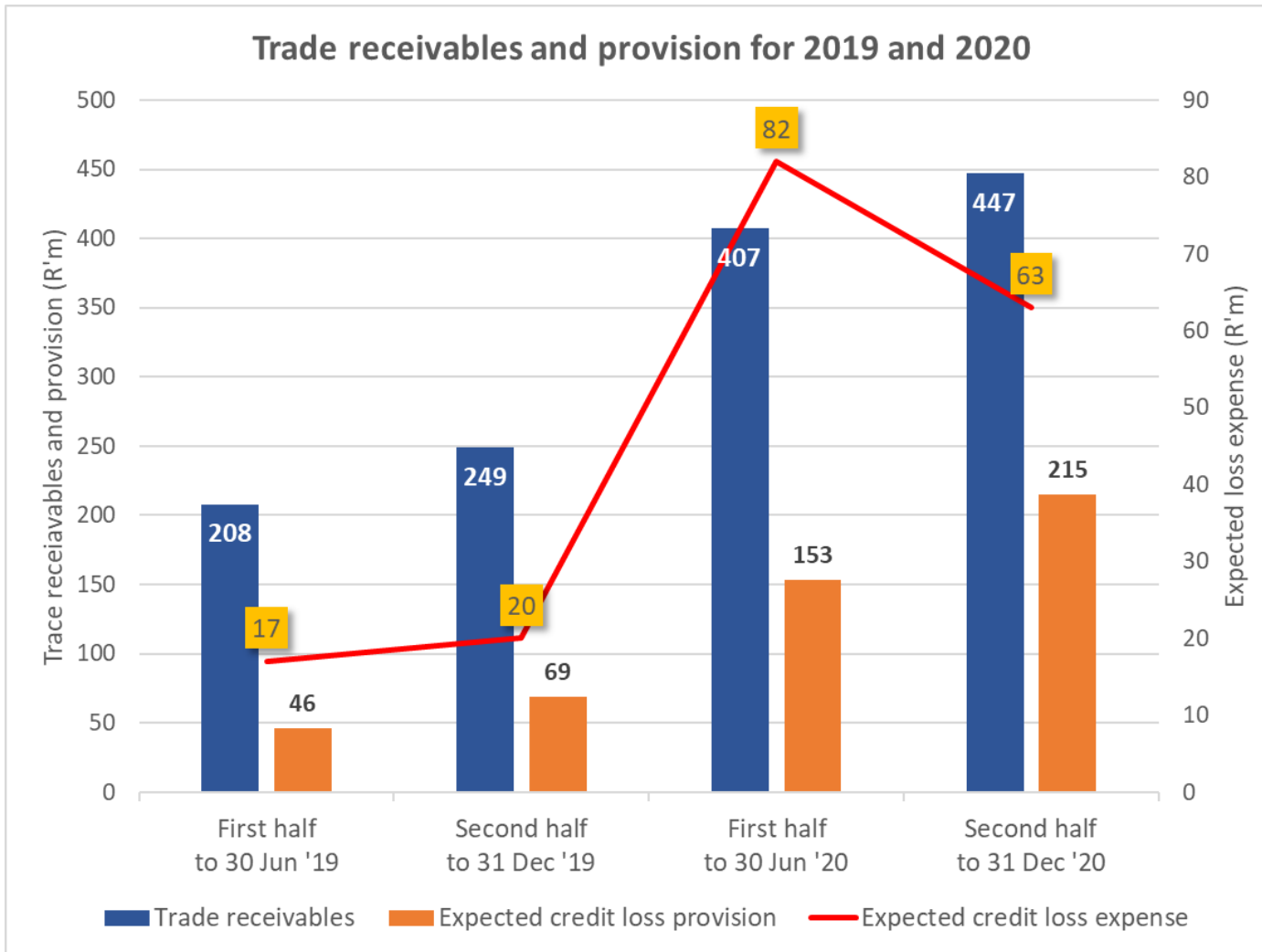
2020	less than 90 days	91 to 180 days	181 to 360 days	361 to 540 days	more than 540 days	Total
Gross trade receivables	68	55	139	58	127	447
Loss Provision	(3)	(8)	(51)	(35)	(118)	(215)
<i>Expected loss rate</i>	4,4%	14,5%	36,7%	60,3%	92,9%	48,1%

2019	Current	31 to 60 days	61 to 90 days	more than 90 days	Total
Gross trade receivables	54	31	24	140	249
Loss Provision	(8)	(6)	(5)	(50)	(69)
<i>Expected loss rate</i>	14,8%	19,4%	20,8%	35,7%	27,7%

- Full balance of each account now allocated under its oldest aging category
- Aging categories for 2020 not comparable with 2019, which was on an invoiced-date basis
- New categorisation better recognises risk that the full balance may not be collected

* Excerpt from the annual financial statements for 2020

TRADE RECEIVABLES (2)



- Gross receivables increased by 63% in the first half of 2020 from prior year
- Accordingly, the expected credit loss provision was increased by R82 million in the first half and a further R63 million in the second half for a total of R145 million (Increase from prior year is R78 million net of the tax effect)
- Loss provision at 48% of gross receivable (2019: 28%)
- Tougher stance on overdue accounts
- Collections of overdue accounts over the four months from November 2020 to February 2021 are higher than the prior comparable period, despite the delayed start to the 2021 school year and further national lockdown restrictions



CAPITAL STRUCTURE

- **Rights offer** of R1.5 billion successfully completed in September 2020
 - Curro had 597,961,595 shares in issue at year-end (2019: 412,087,989 shares)
 - Dilutive effect: Weighted average number of shares to calculate earnings per share for 2020 was 470,998,749 (2019: 420,384,587 shares)
- **Debt**
 - Repaid R1.1 billion of debt with the rights offer proceeds which helped strengthen the balance sheet, achieve savings in finance costs and enables Curro to pursue attractive acquisition opportunities
 - Finance cost in the fourth quarter of 2020 reduced to cR40 million, being half of the R79 million finance cost in the fourth quarter of 2019
 - Medium-term capex and acquisitions to be funded from operational cashflows and debt
- **Dividend**
 - Dividend suspended to preserve cash and fund growth prospects
 - Dividend policy will be re-evaluated at the end of this year

CAPEX

- Reduced planned capex for the year to conserve cash from budgeted R1 billion
- Invested R650 million in the business (2019: R1.3 billion)
 - Mainly completed projects started in 2019 to expand capacity and replace moveable assets
 - Converted certain nursery schools to primary schools and assisted learning facilities
- Primary objective remains increased capacity utilisation of existing facilities
- Plans to invest R1.1 billion in 2021



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2021 STRATEGIC FOCUS

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STRATEGIC FOCUS



CONSOLIDATE

- Strengthen executive team, appointment of COO and new CFO
- Realign business where necessary
 - Limit exposure in preschools (babies to 3 years old)
 - Exit non-profitable schools (already closed one school)
- 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

- Capital allocation to grow schools, limit capital spend on under performing schools
 - Investment in digital offering to reduce fixed cost base at schools
- Fill capacity at existing schools as grades phase in



OPPORTUNITIES

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

DRIVE ANNUAL GROWTH IN OPERATING MARGIN AND RETURN ON ASSETS

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CONCLUSION



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CONCLUSION

- ▶ **Rehabilitate aged accounts to retain customers**
- ▶ **Utilise existing capacity**
- ▶ **Drive efficiencies**
- ▶ **Pursue attractive acquisitions**
- ▶ **Enhance product and deliver quality education**



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THANK YOU



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CURRO PRODUCT ROADMAP

1998 to
2012

Curro, Select, Curro Castle

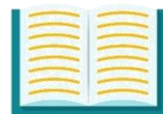
Enriched curriculum, wide variety of sports, cultural and extramural activities, superior facilities, IEB examination

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/
2020

Curro Online

Alternative to mainstream schooling, high-quality curriculum, home-based with teacher touchpoints throughout the day, designed for the parent who has limited time to supervise home-schooling.




Curro Choice

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



HISTORY SINCE 2011

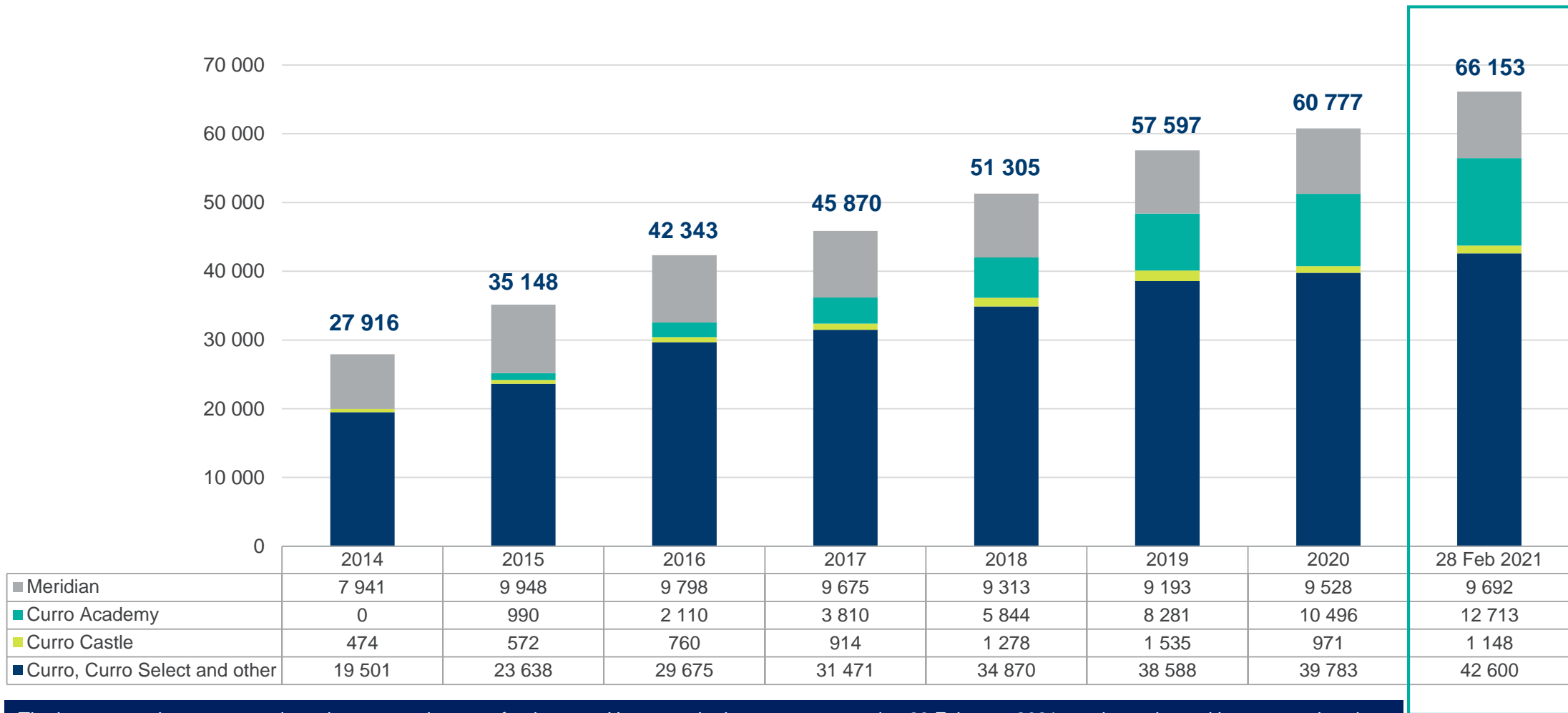
Curro listed on the JSE in June 2011

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	28 Feb** 2021	9-year CAGR
 Campuses	12	22	26*	32*	41	48	51	58	70	76	76	23%
 Schools	24	61	72	80	100	114	127	138	166	177	178	25%
 Average learners	4 200	12 473	21 027	28 737	35 148	42 343	45 870	51 305	57 597	60 777	66 153	35%

* Includes Embury Institute for Teacher Education in 2013 and 2014 campuses

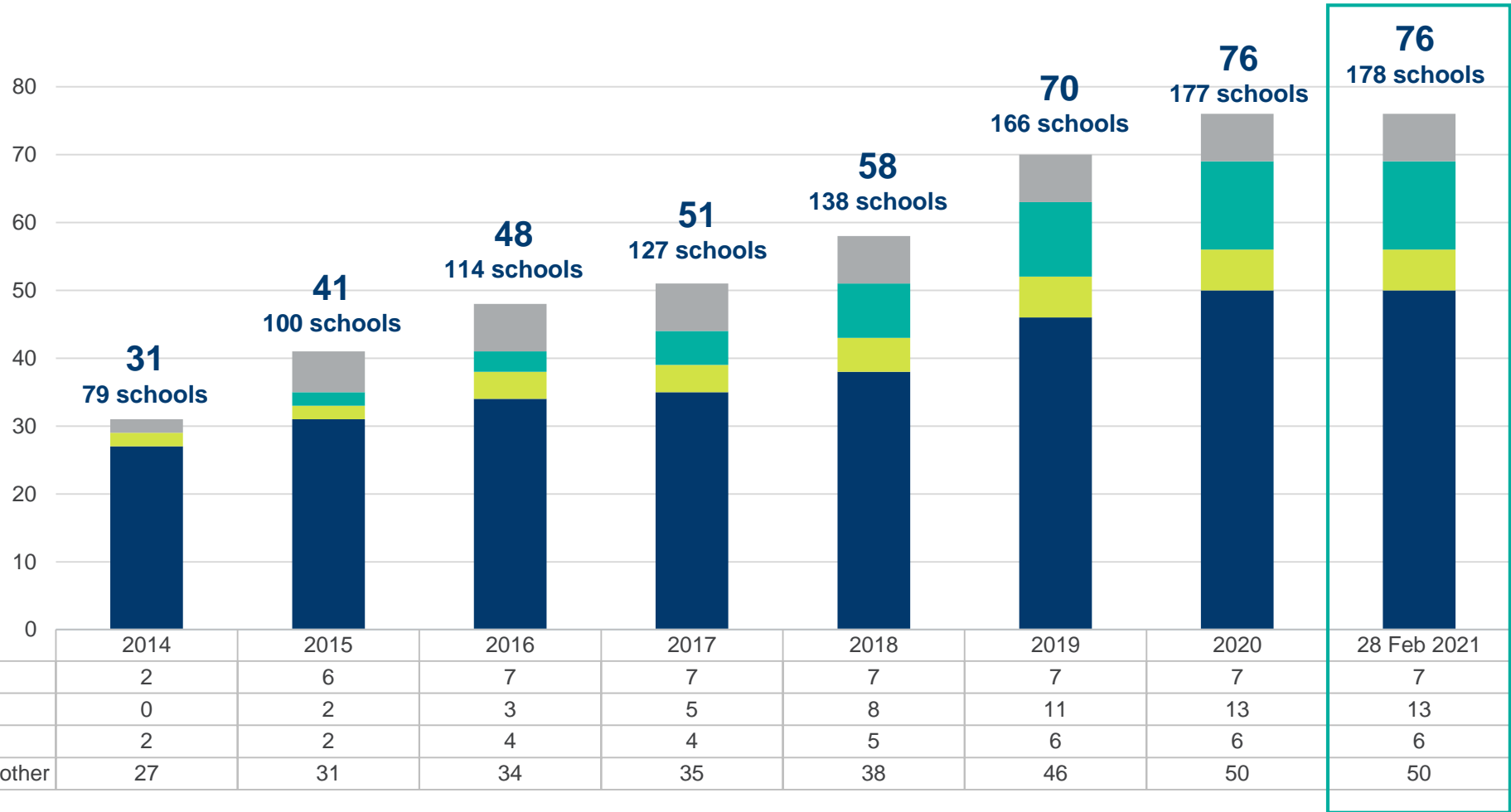
** Learners enrolled at 28 February 2021, not the average

AVERAGE NUMBER OF LEARNERS



The learner numbers presented are the average learners for the year. However, the learners presented at 28 February 2021 are the registered learners at that date

NUMBER OF CAMPUSES



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

KEY INDICATORS

		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	% Difference	5Yr CAGR
Campuses	#	41	48	51	58	70	76	9%	13%
Schools	#	100	114	127	138	166	177	7%	12%
Average learners	#	35 148	42 343	45 870	51 305	57 597	60 777	6%	12%
% of built capacity	%		69%	70%	69%	70%	69%		
Revenue	Rm	1 345	1 714	2 099	2 496	2 944	3 094	5%	18%
Schools EBITDA	Rm	375	487	594	772	873	886	1%	19%
EBITDA	Rm	292	377	473	627	693	686	-1%	19%
EBITDA Margin	%	21%	22%	23%	25%	24%	22%		
Net interest expense	Rm	91	70	78	138	243	223	-8%	20%
HEPS (Recurring)	Cents	26.2	41.8	49	60.1	51	38	-25%	8%
Learner/teacher ratio	#	15	17	17	17	18	18	0%	4%
Capital invested	Rm	1 010	1 486	1 136	1 493	1 246	650	-48%	-8%
Cumulative capital invested	Rm	4 864	6 350	7 486	8 979	10 265	10 915	6%	18%
Total building size	m ²	449 067	558 683	598 194	656 081	700 946	713 084	2%	10%

J-CURVE – December 2020

	Campuses	Schools	Average learner numbers		Growth		Schools' EBITDA (R million)		Growth		Schools' EBITDA margin		Built capacity utilised		Eventual capacity utilised	
	2020	2020	2019	2020	18/19	19/20	2019	2020	18/19	19/20	2019	2020	2019	2020	2019	2020
Developed	52	121	35 902	38 333	13%	7%	527	533	14%	1%	30%	28%	65%	64%	46%	45%
2009 and before*	4	9	4 143	4 116	7%	(1%)	73	84	14%	15%	31%	35%	85%	85%	74%	73%
2010	2	6	2 213	2 229	–	1%	43	43	10%	-	36%	34%	75%	75%	55%	56%
2011	5	15	4 440	4 218	7%	(5%)	71	79	9%	10%	31%	33%	63%	60%	53%	50%
2012	2	6	1 889	1 940	(4%)	3%	27	23	(21%)	(14%)	26%	22%	72%	73%	56%	58%
2013	4	12	6 341	6 262	(1%)	(1%)	126	130	(1%)	4%	39%	40%	73%	72%	63%	63%
2014	4	9	2 371	2 338	10%	(1%)	19	16	12%	(18%)	20%	16%	57%	54%	48%	47%
2015	8	19	6 517	6 645	5%	2%	65	50	25%	(23%)	26%	19%	65%	67%	49%	50%
2016	4	8	1 952	1 631	16%	(16%)	46	25	24%	(46%)	37%	22%	50%	42%	37%	31%
2017	3	8	3 143	3 600	26%	15%	54	65	42%	20%	38%	40%	91%	79%	51%	58%
2018	4	8	1 137	1 331	77%	17%	9	1	–	(89%)	19%	2%	34%	40%	18%	21%
2019	7	13	1 756	3 347	–	91%	(6)	33	–	–	(11%)	25%	44%	74%	17%	32%
2020	5	8	–	676	–	–	–	(16)	–	–	–	(73%)	–	25%	–	10%
Acquired schools	24	56	21 695	22 444	14%	5%	354	370	9%	5%	30%	31%	80%	77%	67%	67%
2012 and before	7	17	7 261	7 491	4%	3%	151	137	(1%)	(9%)	36%	33%	79%	77%	64%	66%
2013**	2	2	3 670	3 709	(4%)	1%	30	32	–	6%	23%	27%	74%	75%	74%	75%
2014	2	6	2 756	2 597	–	(6%)	71	66	1%	(6%)	35%	35%	85%	80%	80%	75%
2015 and 2016	5	14	4 940	5 128	19%	4%	56	77	20%	36%	24%	31%	87%	80%	65%	67%
2018	3	6	1 899	1 960	6%	3%	39	47	63%	21%	36%	40%	83%	82%	63%	65%
2019	4	8	1 169	1 181	–	1%	7	13	–	86%	9%	13%	79%	69%	68%	60%
2020	1	3	–	378	–	–	–	(2)	–	–	–	(9%)	–	55%	–	39%
Non-recurring costs							–	(10)								
Property rental, royalties and other***							(8)	(7)								
Total	76	177	57 597	60 777	12%	6%	873	886	13%	1%	30%	29%	70%	69%	52%	51%



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