

1H25 Results – offering value relative to its peers

- ADvTECH's 1H25 results were marginally below our expectations, but a solid set of numbers. Normalised HEPS was up 16% to 113c, driven by 10% revenue growth (education revenue up 13%) and improving margins in all divisions, a consistent trend over the past few years. A 45c (+18%) dividend per share was declared, a 40% payout ratio (39%), likely to increase to 50% for the full year and remaining at that level in FY26E as investment continues.
- As is the norm, the student numbers published were those included in the FY24 results announcement, namely Feb 2025. SA Schools saw a 4% rise in student numbers with Tertiary up 14%. Management indicated that student numbers remained stable during 1H25 with the impact of emigration at lower levels. Rest of Africa (RoA) schools recorded 40% growth in students, impacted by the Flipper acquisition - 3.5% organic growth. RoA growth should accelerate as Flipper has already achieved 5% growth since acquisition, additional capacity is being added to Crawford Kenya and Regis Runda adds 1 000 students with immediate capacity of 2 000.
- The average SA Schools student fee increased by 6.4%, a level we believe is sustainable for the year. RoA experienced a 6.6% drop in its average student fee as a result of Flipper that was acquired with a tiered pricing structure starting at considerably lower levels to where the offering is being repriced. Flipper is at capacity with 800 students on the waiting list and therefore repricing should be accommodated. The Tertiary average fee dropped 0.9% as student growth is significantly higher in the more affordable Rosebank College versus Varsity College. Management indicated a 5% revenue growth impact from the mix change, a trend set to continue in FY26E but at a lower rate.
- SA School margins widened from 20.3% to 20.6%, as expected, with further scope for improvement. RoA margins widened from 28.7% to 29.4%, but down on FY24's 32.4%, impacted by Flipper. RoA margins should recover considerably in FY26E. Tertiary margins widened slightly to 25.9% but below FY24's 26.6%, dragged down by the investment into Ghana (circa 0.5% impact) and ongoing investment into university status, distance learning and IT systems. We anticipate flat margins in Tertiary for FY25E, widening in FY26E.
- Strong cash generation has seen net debt (excl lease liabilities) fall from R189m to R32m. Traditionally debt levels rise in 2H as income received in advance declines and capex rises. Capex was R327m in 1H25, we anticipate it to rise to R942m in FY25E as the Sandton campus nears completion. We see capex remaining at similar levels in FY26E as RoA schools are expanded, distance learning centres are rolled out, a further build out of Pinnacle College Raslouw and SA school expansion that is planned for FY27E.
- Gross debtors as % of education revenue declined from 14.4% to 13.1%. The credit loss ratio is at 3% (3.6% in 1H24) of education revenue, whilst provision coverage is at 48% (49% in FY24).
- We revise our FY25E and FY26E normalised HEPS down slightly from 239.5c (+18%) and 272.9c (+14%) to 233.4c (+15%) and 270.7c (+16%). This puts the stock on a 12m fwd. PE of 13.3x, below its 14.8x 5-year average and a 40% discount to STADIO despite achieving a considerably higher ROE. The R13/share offer price for Curro puts it on a 12m forward 15.1x P/E. The mid-point of our DCF valuation range is R42/share (R40.75). We remain positive on the group's prospects.

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Analyst

Sven Thordsen, CFA
+44 (0) 752 367 6780

sthordsen@anchorsb.co.za

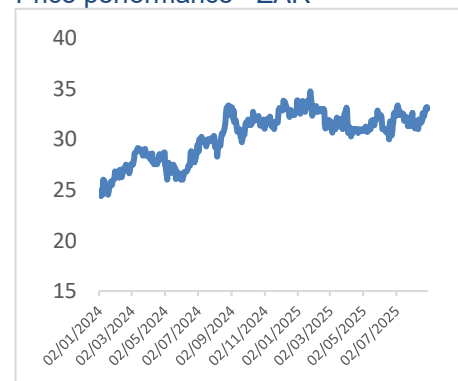
Price (27/08/2025): R33.20

Market cap R18409mn

Shares in issue 555mn

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Price performance - ZAR



Source: FactSet

Figure 1 Financial Summary – R'm

Year Ending	FY2021 A	FY2022 A	FY2023 A	FY2024 A	FY2025 F	FY2026 F	FY2027 F
Income Statement							
Sales	5,917	6,961	7,860	8,521	9,446	10,483	11,558
<i>Sales growth (%)</i>	<i>7.6%</i>	<i>17.6%</i>	<i>12.9%</i>	<i>8.4%</i>	<i>10.9%</i>	<i>11.0%</i>	<i>10.3%</i>
Education revenue	4,899	5,553	6,179	6,969	7,973	8,936	9,933
<i>% Change</i>	<i>5.3%</i>	<i>13.4%</i>	<i>11.3%</i>	<i>12.8%</i>	<i>14.4%</i>	<i>12.1%</i>	<i>11.2%</i>
Staff Costs	-2,418	-2,601	-2,899	-3,256	-3,609	-3,984	-4,381
<i>% Change</i>	<i>7.0%</i>	<i>7.6%</i>	<i>11.4%</i>	<i>12.3%</i>	<i>10.8%</i>	<i>10.4%</i>	<i>10.0%</i>
Operating costs	-1,182	-1,316	-1,461	-1,590	-1,742	-1,861	-1,977
<i>% Change</i>	<i>9.9%</i>	<i>11.3%</i>	<i>11.0%</i>	<i>8.9%</i>	<i>9.5%</i>	<i>6.9%</i>	<i>6.2%</i>
Credit loss charge	-117	-257	-170	-195	-215	-250	-278
<i>% of education revenue</i>	<i>2.4%</i>	<i>4.6%</i>	<i>2.7%</i>	<i>2.8%</i>	<i>2.7%</i>	<i>2.8%</i>	<i>2.8%</i>
EBITDA	1,423	1,678	1,962	2,226	2,516	2,824	3,119
<i>% growth</i>	<i>13.3%</i>	<i>18.0%</i>	<i>16.9%</i>	<i>13.5%</i>	<i>13.0%</i>	<i>12.3%</i>	<i>10.5%</i>
<i>EBITDA Margin (%)</i>	<i>24.0%</i>	<i>24.1%</i>	<i>25.0%</i>	<i>26.1%</i>	<i>26.6%</i>	<i>26.9%</i>	<i>27.0%</i>
EBIT	1,108	1,333	1,577	1,791	2,032	2,305	2,578
Education EBIT	1,070	1,244	1,471	1,689	1,935	2,202	2,470
<i>EBIT Margin (%)</i>	<i>18.7%</i>	<i>19.1%</i>	<i>20.1%</i>	<i>21.0%</i>	<i>21.5%</i>	<i>22.0%</i>	<i>22.3%</i>
<i>EBIT Margin Education business (%)</i>	<i>21.8%</i>	<i>22.4%</i>	<i>23.8%</i>	<i>24.2%</i>	<i>24.3%</i>	<i>24.6%</i>	<i>24.9%</i>
Profit before tax	959	1,174	1,389	1,581	1,837	2,124	2,420
Net profit	679	842	998	1,152	1,335	1,544	1,759
Net profit post minorities	665	805	951	1,105	1,294	1,501	1,714
Normalised Earnings	656	790	950	1,109	1,294	1,501	1,714
<i>% Change</i>	<i>35.1%</i>	<i>20.4%</i>	<i>20.3%</i>	<i>16.7%</i>	<i>16.7%</i>	<i>16.0%</i>	<i>14.2%</i>
Headline EPS, ZAc	121.6	146.5	174.2	202.2	233.4	270.7	309.1
Normalised EPS, ZAc	121.5	145.7	174.2	202.5	233.4	270.7	309.1
<i>% Change</i>	<i>35.4%</i>	<i>20.0%</i>	<i>19.5%</i>	<i>16.2%</i>	<i>15.3%</i>	<i>16.0%</i>	<i>14.2%</i>
DPS, Zac	50.0	60.0	87.0	101.0	116.7	135.3	170.0
<i>Payout ratio (%)</i>	<i>41%</i>	<i>41%</i>	<i>50%</i>	<i>50%</i>	<i>50%</i>	<i>50%</i>	<i>55%</i>
Balance Sheet							
Cash and Cash equivalents	245	355	381	509	575	566	734
Current assets (ex – cash)	376	495	549	653	717	810	878
Net Fixed assets	5,035	5,528	5,912	6,685	7,143	7,557	8,011
Intangible assets	1,728	1,710	1,685	1,800	1,800	1,764	1,729
Investments	17	25	11	52	12	12	12
Other assets	666	815	931	1,077	1,125	1,176	1,228
Total assets	8,067	8,928	9,470	10,777	11,373	11,885	12,591
Debt	1,791	1,746	1,555	1,797	1,425	800	250
Lease liabilities	758	953	1,130	1,357	1,488	1,603	1,726
Current liabilities	908	1,102	1,106	1,205	1,288	1,400	1,506

Year Ending	FY2021 A	FY2022 A	FY2023 A	FY2024 A	FY2025 F	FY2026 F	FY2027 F
Other liabilities	200	177	180	239	216	250	285
Total liabilities	3,658	3,976	3,972	4,598	4,417	4,053	3,766
Shareholders' equity	4,377	4,906	5,450	6,145	6,937	7,889	8,927
Minorities	32	46	49	34	36	38	40
Total shareholders' equity	4,409	4,951	5,498	6,179	6,973	7,927	8,966
<i>BVPS - ZAR</i>	<i>8.0</i>	<i>8.9</i>	<i>9.9</i>	<i>11.1</i>	<i>12.6</i>	<i>14.3</i>	<i>16.2</i>
<i>ROCE</i>	<i>16.8%</i>	<i>19.0%</i>	<i>20.9%</i>	<i>21.5%</i>	<i>22.4%</i>	<i>24.2%</i>	<i>25.8%</i>
<i>RoE</i>	<i>15.9%</i>	<i>16.9%</i>	<i>18.2%</i>	<i>19.0%</i>	<i>19.7%</i>	<i>20.1%</i>	<i>20.3%</i>

Cash Flow

Reported net profit	665	805	951	1,105	1,294	1,501	1,714
Change in net working capital	118	52	-57	-15	66	69	87
Interest paid	-158	-168	-190	-201	-195	-182	-159
Dividends paid	-224	-321	-415	-590	-599	-691	-790
Other adjustments	274	250	257	147	172	109	16
Cash flow from operations	898	939	962	1,036	1,337	1,496	1,659
Net Capex	-304	-677	-644	-952	-942	-933	-994
<i>Capex/sales (%)</i>	<i>5.1%</i>	<i>9.7%</i>	<i>8.2%</i>	<i>11.2%</i>	<i>10.0%</i>	<i>8.9%</i>	<i>8.6%</i>
Other investing cash flows	1	-13	0	-76	-7	29	28
Cash flow from investing	-303	-690	-644	-1,028	-948	-904	-966
Equity raised/(bought back)	10	4	-16	-36	5	5	5
Net increase/(decrease) in borrowings	-451	-50	-190	225	-240	-511	-427
Other financing cash flows	123	223	337	508	511	596	687
Cash flow from financing	-542	-144	-284	107	-323	-601	-525
Net cash flow	53	105	34	115	66	-9	168
Free cash flow	957	721	870	829	1,139	1,380	1,552
Repayment of lease liabilities	-94	-98	-78	-82	-88	-95	-103
Net Free cash flow	863	623	793	747	1,050	1,285	1,449

Valuation Summary

Valuation metrics

Share Price- Zac	1,755	1,818	2,544	3,320	3,320	3,320	3,320
P/E (Underlying) -x	14.4	12.5	14.6	16.4	14.2	12.3	10.7
P/BV -x	2.2	2.0	2.6	3.0	2.6	2.3	2.1
EV/Sales - x	3.5	3.0	2.7	2.5	2.2	2.0	1.8
EV/EBITDA -x	14.8	12.5	10.7	9.4	8.3	7.4	6.7
EV/EBIT - x	18.9	15.8	13.3	11.7	10.3	9.1	8.1
FCF Yield	8.9%	6.2%	5.6%	4.1%	5.7%	7.0%	7.9%
Dividend Yield	2.8%	3.3%	3.4%	3.0%	3.5%	4.1%	5.1%

Net Debt	2,304	2,343	2,304	2,644	2,339	1,836	1,242
Debt/Equity	0.52	0.47	0.42	0.43	0.34	0.23	0.14
Net Debt (excl lease liabilities)	1,546	1,391	1,174	1,287	850	234	-484
Debt/Equity (excl lease liabilities)	0.35	0.28	0.21	0.21	0.12	0.03	-0.05

Source: FactSet, ASB Research

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