

ADvTECH Interim Results Analyst Presentation Transcript - 26 August 2025

Geoff Whyte

Good morning and welcome to everyone. Before I get into the presentation, I just wanted to introduce our new COO, John Sikiotis. John is with us this morning. He joined us on the 1st of August and brings a wealth of leadership experience to the company. Our Property, IT, and African Schools divisions will report to him, but his primary focus will be on business development across the group. John's appointment significantly strengthens our senior executive team and I am delighted to have him on board.

Getting into the results, just for context, this is a reminder of the major brands in our portfolio across three divisions. I'd just point out the addition of Flipper to this chart and the new logos for Abbotts, The Bridge and Rosebank International. The new Rosebank iconography was developed for our new university in Ghana, but we will also be adapting it, over time, for use in SA.

Then moving to the high-level financials for the half year: We'll get into these in more detail as we move through the slides.

Revenue is up 10%, Operating Profit is up 14 %, to just under a billion-rand, Operating Margin increased to 21%, HEPS is up 15%, and normalised earnings per share is up 16%. There is also an 18% increase in the dividend to 45 cents.

This is a snapshot of the current shape of the business in terms of revenue and operating profit. As you can see from the chart, 84% of our revenue, and 95% of our profit now comes from the education business. And within education, we're also pivoting, over time, towards our tertiary division, which now contributes 51% of operating profit versus 44% from schools in total.

Running through performance at divisional level, Schools South Africa revenue was up 11% for the period, with operating profit up 12%, and then, driven by a combination of organic growth and the Flipper acquisition, Schools Rest of Africa grew revenue by 31% and operating profit by 34%. Tertiary revenue and operating profit were up 13%, and 14% respectively, and for reasons I'll come back to later, we had a marginal decline in resourcing revenue and operating profit, down 5%, and 2% respectively.

Recapping our 2025 enrolments for the total group: Enrolments this year are running up by a very healthy 13% and that breaks down into increases of 11% in schools, and 14% in tertiary. And looking at the compound annual growth rates, you'll note that we increased enrolments this year well ahead of the five-year trends in both divisions. Looking at the further breakdown of the 11% Schools growth: in

South Africa, enrolments are up by 4%, and in the Rest of Africa, we're up by 40%. Looking at the compound annual growth rates, we're also seeing consistently strong growth over a five-year period.

Breaking down the 14% tertiary enrollment growth, our contact student numbers were up 11% year on year, whilst in distance, we were up 40%.

You'll recall from our strategy day that growth in distance is a strategic imperative and you'll also note the acceleration here, ahead of our five-year compound annual growth rates in total and on both splits.

Although we are pleased to report such strong numbers, as I guided at our full year results presentation, the outperformance of Rosebank [College] and Distance at lower fee points, has a mix impact on revenue of just under 5%. Just for reference, Rosebank [College] and distance fees are about a third of what we charge for contact in Varsity College and Vega.

Moving on to more detail on our financial performance. This slide gives the five-year context for the 10% revenue and 14% operating profit increase that I shared earlier. And looking at the Compound Annual Growth Rates (CAGRs), I just point out the consistency of our delivery, with revenue and operating profit compounding over five years at 13% and 18% respectively.

Looking at the group level operating margin, we've moved up to 21% from 20.2% for the same period last year, driven by operating leverage efficiencies and a favourable mix shift towards our higher margin education businesses. Then just looking at the bottom left block on this chart, I'd also just mention that our margin improvement is net of significant investments into people, systems and facilities, to strengthen our brands.

Then looking at the high-level margin breakdown between education and resourcing, there have been positive shifts in both divisions, climbing to 23.8%, and 6.5% respectively. And then breaking down the 23.8% education margin, schools improved from 21.3% to 21.8%, whilst the tertiary division increased from 25.8% to 25.9%. It's worth noting that the tertiary number is being tempered by about half a percent by our university investment in Ghana. Then further breaking down the schools numbers, South Africa posted an improvement from 20.3% to 20.6%, whilst rest of Africa increased by 0.7% to 29.4%.

And then contextualising the normalised earnings per share (NEPS) growth of 16% I shared up front, with the compound annual growth rates. As you can see, NEPS is compounding over five years at 20%, and has more than doubled since 2021.

And then looking at NEPS growth in US dollars, the business is up 19%, versus the comparable period last year. And if we look at the CAGR, it's compounding in dollars over five years at 13%.

And then going into more detail on the Schools Division. This slide summarises our major brands. We're currently in four countries with 119 schools, just short of 46 000 students. These numbers exclude the recently announced Regis Runda acquisition in Kenya, which will add three schools, and around 1 000 students.

Looking at the Schools Division in total, revenue is up by 13%, versus the comparable period last year, to just over 2 billion, whilst operating profit is up by 16%, to R437million. Looking at the CAGRs over five years, we're compounding at 14% on revenue, and 19% on operating profit. And moving to schools South Africa, revenue is up 11%, with operating profit up 12%, and looking at the CAGRs, again, we're seeing consistently strong numbers over five years.

Moving on to Rest of Africa Schools, as covered earlier, revenue and operating profit are up 31%, and 34% respectively. And looking at the picture over five years, our international division is growing well and now making a significant contribution to group operating profit. And on the back of accelerating growth in our Rest of Africa business, we are strengthening our regional management team. I just wanted to share the forward international school structure, where most of the roles in this chart have already been filled. As I cover on this slide, the key objectives for this team are delivering superior academic outcomes, optimising systems, hiring and retaining the best teachers, integrating teaching and learning technology, and driving enrolment growth.

I just wanted to expand on a couple of appointments to new positions that have recently been created. And the first is Germari Eksteen, who's been appointed as Marketing Director of International Schools. Germari is an internal appointment, having been our Niche Schools Marketing Manager from 2019 until her recent promotion.

The second new position, Godfrey Odhiambo, who's been appointed as General Manager of Makini Schools, which has hit a certain level of scale that requires a senior manager to be in place. Godfrey is an experienced and well qualified external hire who will take over operational management of the Makini brand, starting in about six weeks.

And then moving on to Real Estate and Acquisitions - a quick update on our new Pinnacle College at Ridgeview. It opened in January and is trading in line with expectations. And then an update on our expansion of Crawford International in Nairobi where we are increasing student capacity from 900 to 1 300. This work is nearing completion in time for the new academic year.

And then an update on Flipper, which, as you may recall, we acquired in November last year. Adding Ethiopia to our international operation is a good fit with our existing mid-fee African model. We've spoken about the acquisition price, and the internal funding previously, but as a reminder, these are five well-established schools in Addis Ababa, with a strong academic reputation.

We bought this group understanding that there was surging market demand and that's proven to be the case. Enrolments have grown 5% since acquisition, which is a short space of time. And in terms of the integration and progress there, significant investment is being made into IT, teaching and learning, support systems, and academic training for staff. The school, slightly uncomfortably, is now running at 100% of capacity, and we have an 800 plus waiting list, which is a good problem in one way, but we're working hard, and urgently, to acquire additional sites to accommodate that demand.

In Ethiopia, fees are typically paid up front, which is a great model, and 97% of first term fees have already been collected, so things are going well. When we enter a new country and a new market, relationships with government, the regulator, and the Parent Teacher Association are very important, and these are all progressing well.

Then a little bit about Regis Runda in Nairobi. We recently acquired the operational assets of Regis Runda Academy which again is a good fit with our existing African mid fee model. We're going to immediately bring this under the Makini brand. The acquisition price was R172 million, which was internally funded.

This school is in a great location, in a trade zone that we're not currently in with Makini or Crawford as I'll show you in a second. We have 1000 students currently in the school, but immediate capacity to accommodate 2 000, so significant headroom for growth. Ultimate capacity is 3 000. We will invest straight away to upgrade facilities and academic support systems - and we'll also introduce the high demand Cambridge curriculum next year. We assumed operational control of Regis last Wednesday, the 20th of August, and just for context, we paid about two thirds of the cost of a new Pinnacle school in South Africa, so this is looking like a very positive acquisition for the group.

And then just to contextualise geographically, we've got the five Makini campuses in the middle of Nairobi. We have Crawford to the north at Tatu City, and Regis Runda is in that new trade zone I mentioned, but very well positioned to accommodate expansion. And then an investment in the Makini and Ngong Road site, where we upgraded the facilities in June. We've added new astroturf, multi-purpose sports fields, and we now have the best sports facilities in the area by a significant margin.

And then on building capacity, this is a slide we always include. Our utilisation of built, and ultimate capacity is stable year-on-year at 83% and 71% respectively, and we're happy with those numbers.

And then moving on to the Tertiary Division. This slide summarises the major brands in the tertiary part of the group. We currently run 34 campuses, with just over 60 000 students. And as you can see on the slide here, we have a comprehensive range of qualifications on offer, from skills development to PhDs. I would just mention in passing that we're moving from paper-based teaching materials at Oxbridge, on the bottom left of this slide, to a fully digital platform that should improve the student experience and also deliver operational efficiencies.

As you can see from this chart, investment in pursuit of university accreditation is accelerating. We're driving radical shifts in the number of our staff with Doctorates and Masters degrees through recruitment and the provision of study bursaries for existing staff.

If you look at the numbers on the top left there, staff with Doctorates is up by 175% over three years to 242, and staff with Masters has climbed by around the same percentage to 1 355. Our per capita research output now ranks amongst the public universities, which is a big shift, and postgraduate degrees now account for 8% of our enrolments.

We are the only private institution in Varsity College with a DHET-accredited research journal, that is now well established and 7 faculties have been created to deliver 140 qualifications, spanning Higher Certificates all the way through to PhDs. We've got university partnerships established in both Africa and Europe and our average minimum time degree completion rates, we believe, are nearly 20% better than the public universities, which is obviously an important metric for both students and parents.

We have also invested in impactful community engagement, establishing law clinics, as one example, across South Africa. In terms of qualifications, we've added 17 degree level qualifications since 2022, with 24 more in preparation. And those of you with good memories will note that there's been a big shift from the last presentation in terms of the number of accredited degrees, and the strength of our pipeline. We are very ready to become a university, but frustratingly, government still hasn't published final criteria, despite the original court order compelling them to do so by the 16th of August, 2022. It's quite remarkable that they still haven't been finalized. We are looking at all our options to compel government to comply, and I wouldn't rule out further legal action.

Recapping the high-level tertiary numbers, revenue is up 13%, affected to a degree by the mix shift I mentioned earlier and, despite significant investments to prepare for university status and to

strengthen our brands, operating profit is up 14%. Then looking at the compound annual growth rates, revenue and operating profit are compounding at 12%, and 15% respectively, over five years.

Doing a quick recap on Real Estate and Acquisitions, these are some new renderings of our new university campus in Grayston drive in Sandton. Just as a reminder, we will be relocating the Varsity College Sandton and Vega Bordeaux campuses to the new site. This is an investment of just under R420 million over two years.

It's a huge land area and will double current capacity in Phase 1 to 9 000 students, but actually we can accommodate many more students over time. We've got lots of space to expand and building work is progressing in line with expectation - so things are going well on this very exciting project.

Then the Rosebank College relocation in Cape Town, we have just had our official opening. It's a prime, central location and a really fantastic building. It's doubled our capacity from 3 000 to 6 000 students and it's also allowed us to significantly enhance both the teaching and learning facilities and the social and recreational options for students.

We've also incorporated a new contact centre for Distance Learning students which, as those of you with good memories will recall, is a strategic imperative across all our Rosebank campuses. Then looking at Rosebank College in Braamfontein, this mega campus build is progressing well and will increase capacity from 11 500 to 15 000 students.

And then moving to Rosebank International University College in Ghana. I'd just note that we're opening as a university in Ghana but still waiting for university criteria to be published in South Africa. This development adds Ghana to our Rest of Africa operation and extends the Rosebank brand outside of SA for the first time. We think we have a very advantaged fee price point, undercutting the established international universities, but offering a great experience and product to local students. We've established that there is strong demand in the market for quality tertiary education. There is a similar kind of shortfall in public places to what we see in South Africa. Our capacity in phase one here is 1 500, we've had great support from the Ghanaian government and the timelines are all on track in terms of buildings, accreditation and marketing. And here are some hot off the press photographs from the grand opening held at the end of last week with great representation from the academic fraternity and government in Ghana.

And then moving on to Resourcing, just a couple of points here. The unexpected closure of USAID has had a negative impact on our Rest of Africa business. Around 10% of our client base, which is NGOs and the charity organisations that they support, was impacted by the sudden withdrawal of their funding, which pretty much happened overnight. But despite that setback, the business delivered a

credible performance. We are focused on securing new contracts, and our margin improved slightly over the period.

And some other good news. It's a tiny part of the business, but the South African Resourcing business has returned to profitability through a right-sizing exercise and a focus on efficiencies and cost management. Recapping numbers, revenue is down 5%, and operating profit down 2%, but with some strong underlying compound annual growth rates. And with that summary, I will hand over to Hannes to talk through some of the other financial numbers.

Hannes Boonzaier

Good morning from my side to the audience, as well as the investor community online. I want to start with a graph we had in March, and just our progression on the South African schools enrolment. And I'm just going to cover it from both sides, where we started in 2024, and ended in 2025.

It's important to note that we have matric leavers, and that's a given every year, but you then have to compare those matric leavers to the joiners that you get every year, and as you can see, it more than three times makes up for that. The difficult part that we're looking at is more that middle section in terms of the emigration and financial leavers.

I must note, in 2025 we've not really experienced the trends that we've seen in 2024, and it's actually going much better on this side, so maybe everybody that's left, has left or semigrated. And then there's other leavers who are leaving for various reason, such as product or personal reasons, which I think we can work on. So if one had to just look at a scenario where you have a slight improvement in the economy, we can drive a bit better on emigration and financial, as well as our own efforts in terms of the other leavers. I've just done a scenario where if these 5 000 students, you reduce them by a third, that would give us a 7% increase in South African enrolment. If it reduces by 50%, it will be a 12% increase in South African enrolment. So little tweaks and work lie ahead for us, but exciting to work on these opportunities. To confirm, our current student numbers mid-year are still on track with regards to what we've noted in March.

My next point, just on the debtors, this is all displayed on page 13 of the long-form announcement. I've put it all on one slide. So just to go through it, at the top line is our revenue growth over the last four years, then also the progression of our gross debtors, and then also the progression of our loss allowance. So if you look at it, over the period, we've grown our debtors by 11%, as well as the revenue. But I think notably for the 2025 year, we've had 10% growth in revenue with only a 3% growth in debtors, which already starts indicating that there is quite a big improvement on our debtors book.

Linked to that as well, the loss allowance has also decreased from the prior year. So if you cast your eye to the bottom line, our loss allowance percentage, standing as at 30 June, is at 47.6% and 49.5%, and then the ratio of revenue to debtors has also improved, the best in the last four years.

I ascribe this to a lot of work that we've done on the financial controls, the debtors controls and especially the impact that we've seen on the tertiary side. I think a lot of those systems and controls are being implemented at school level, and we'll still continue to see the benefit of that coming through in the last six months of the year.

But another element that I also want to ascribe to is there's been a concerted effort in the last year to define our products, to define our marketing. And I think it already starts with when you enrol a student, that a student knows what is the culture and the ethos that they're signing up for, and once you have a client that meets that expectation, I think the payment term starts from there. So credit to the whole group for pulling together in terms of defining our products, even at campus level.

Then just from the cash flow from operations, this is the pure business side, excluding the working capital, which I'll get to just now, continues to grow in line with our earnings growth over time and notably, a 14% increase for the period, year-on-year. And I think it will continue going through that for the full year. If we add the working capital movement, which, of course bumps the numbers up by nearly R1 billion in each of the years, we see an 18% increase in the cash generated by operating activities, and then we compare that now to our net borrowing situation. So as at year end, we were sitting with R600 million worth of borrowings, but R570 million worth of cash. Now obvious question is, why don't you just offset that, but that's a link to our strategy of also keeping Africa cash in Africa. So approximately R475 million of that cash balance is sitting in the Africa operations, R125 million in the resourcing business, but nearly R370 million is sitting in our Nairobi, Kenya operations awaiting the Regis acquisition, as well as the expansion that we've had for the Crawford business. I think the strategy is working well. We probably didn't get the timing right on Regis. If it were earlier, I think the picture compared to 2024 would have been exactly the same, where last year this time, we were in a net borrowing situation of R189 million.

I think always an important factor that we do consider, is how we are doing on the capital that we've invested, and what do we invest it on. And as we are transitioning from ROFE to ROIC, and I'll speak a little bit about that, I just still wanted to put down the historic trend that we've seen, and a great performance over the last four years, by nearly increasing ROFE by 50%, from the 2020 base that we were at up to 2024. These, of course, the prior year numbers being annual numbers, and the current 2025 number is only a six month period, but I do want to give guidance that that R327 million is probably going to be in line with what we've seen in the prior year due to the capex program that we have. Listed there at the bottom, especially on the Grayston opportunity and some of the Pinnacles

that we also completed during the year. I'll get to the Capex split a little bit later on, but it's important to note that the Grayston opportunity, as mentioned by Geoff, R420 million, but split over two years, so there is an incremental R200 million extra this year in the tertiary split.

So looking at the ROFE, the demand from the market has been that we should maybe consider not just the return on our assets, but we should also consider, how do we actually fund a lot of those acquisitions, and hence we've moved over to the return on invested capital, which I think has been a good metric for the group, to consider going forward. And the reason for that is that every day, when we face new projects, we can either finance internally through borrowings, or we can finance through a lease. And we will consider what is the best outcome for that going forward into the future for that specific project. Keeping in mind, of course, the brand ambitions, whereby sometimes it is great to have that lease signed up because its immediate, less capital, immediate revenue linked to it, but as you can see with the Grayston opportunity, we wanted to get a more specialised building that we can own. In the long term, ROIC will be our metric to measure, and end of the year, hopefully that graph keeps improving, which I do think will be the case, considering the growth in our earnings, and the static capex noted.

On the capital expenditure and a question I get a lot again, is just confirming that we probably only spend 35% to 40% in this first six-month period. A lot of the bigger physical capex projects only comes to fruition in the next three to four months, and therefore you will start seeing that number increasing significantly towards the year end, compared to when there is a need to spend money on demand at the moment, and therefore you see the R110 million spent on IT, furniture, etc., because that's students and demand, that it needs to be met in a February, March situation. Again, the continuous maintenance capex, I think, on all our properties, in schools and tertiary, is probably sitting at about R350 million a year. And then our continuous capex, which has been a static number for the last two, three years, it's probably R700 million, R750m million, which we will continue to invest in, to make our properties desirable, because we can see the effect that has on students, and just in the social media that promotes the properties quite a lot.

So the dividends, always a difficult one to motivate, after you've mentioned the cash generation that we've had. I think we must firstly, maybe just take a bow, because, you know, in a current economic situation, a group that can increase its dividend by 18% is a great achievement. And I think we're proud of that, at 45 cents. We continue to evolve to the two times dividend cover and are confident that that it will be met as at year-end, considering our current cash resources, as well as the projections. I get a lot of questions on *"but why aren't you increasing the dividend a lot more?"*. And I just want to remind all of us that the dividend cover is a long-term view that we want to give guidance to and I think there's quite a lot of projects that we are considering at this stage, maybe not disclosed yet to the market, but

in 2026, we will disclose it, whereas a lot of our capital expenditure projects could be increasing, and we're keeping that in mind with our two times dividend cover for the year.

Then just a progression over the past couple of years on how the dividend has grown. I think, firstly, as with the NEPs, that doubled, a great achievement from 2021, when you paid a combined dividend of 50 cents, up to 100 cents in 2024. Might be difficult to repeat that performance again. Maybe we can relax on the dividend payout, but our objective is still to continue to grow the dividend in line with the growth of the business, and that will definitely be something that we're looking at, as there are many opportunities, as I mentioned, that we do have and need to consider long term. We don't want to fluctuate our dividend cover up and down on the short term. I'm going to be back for questions.

Geoff Whyte

Thanks, Hannes. Just a couple of slides to finish off. This is a reminder of our forward vision, which hopefully we are today demonstrating progress against. We've set out to lead in every market segment in which we choose to operate and to become the employer of choice in the Education and Resourcing sectors.

Then in terms of our strategic imperatives, we'll go into more detail on progress at the full year, but in the meantime, a reminder of the areas we're focused on:

The addition of new high demand tertiary qualifications, which I covered earlier, is accelerating. The work to simplify our brand structures also continues. A lot of great work is being done on optimising our brand propositions and Marketing - and also delivery of those brand propositions. Our investment to secure university status is also in fantastic shape. In our African operations, we continue to expand successfully and are making good progress in terms of aggressively growing distance tertiary, as exemplified by the 40% year-on-year increase in enrolments I covered earlier. We also remain focused on further extending academic advantage across all our brands, in terms of delivery at both schools and tertiary levels.

And then just in terms of prospects, the South African demographic and supply and demand tailwinds continue, especially in tertiary.

Strong demand for quality education persists, I think that the 'joiners' number on the slide that Hannes just shared demonstrates that very well. We are the leaders in teaching and learning across the African continent. We are strengthening the organisation. We also have growing scale and expertise in Africa, and it's great to have John Sikiotis on board as our new COO.

Hannes just covered our strong cash generation, which continues, and our sound balance sheet, and we are very focused on extending competitive advantage across the group. That sets us up, with appropriate caution on the dividend, to invest with confidence in areas of opportunity and puts us in a good position to maintain our growth trajectory.

So that's it from a presentation point of view. If I could maybe just invite Hannes to come back, and we will take some questions.

Simon Sylvester

Morning. Simon Sylvester from Rezco. If you could just maybe unpack the gap between enrolment growth and revenue growth in this period. I know you mentioned sometimes there's some mixed shifts, but it doesn't seem like that's enough. Obviously, there's acquisitions in Africa, fee inflation, but could you just kind of unpack more detail, was there a lagging effect in the revenue growth still to come through from the high enrolments, or what's happening there?

Hannes Boonzaaier

As you saw the 13% combined enrolment growth as we published in March, we do have a 10% enrolment growth. I just want to come back to Geoff's approximate 5% on the tertiary mix. I think that's important to consider. Then we also have a reduction in the revenue on the resourcing international/resourcing Africa revenue, and then again, upside again, on the Flipper International acquisition that's come on board. That combined, together with inflation, gives you the 10%, but the biggest impact is notably the mix in the tertiary side, which is significant considering the size of our business, and then the Resourcing International.

Simon Sylvester

Maybe just some comments on fee inflation.

Hannes Boonzaaier

Fee inflation across the schools, I think was between 5.5% and 6%, and I think we mirrored about the same on tertiary.

Geoff Whyte

Thanks, Simon.

Question

Online question, can you talk a little bit more about the distance learning contact center, and why it matters in your test distance learning execution?

Geoff Whyte

Okay, from our Rosebank perspective, we have a number of distance students who don't have access to the internet or devices, so we are putting contact centers into our existing facilities. And over time, we'll build some stand-alone facilities, where we don't actually have an operation in some of the rural areas, so that those students are able to come in, have access to advice and the internet. We think that's an important part of unlocking the rapid growth that we're targeting in distance tertiary.

Simon Sylvester

I think at the Strategy Day, you spoke about kind of unifying the branding in tertiary in South Africa. I just wanted to see if there was an update there, is there a link to getting university status, or is it something that you want to do, kind of independently?

Geoff Whyte

We are making progress in terms of our brand structures, and we'll be making some announcements in that regard soon.

Online Question

It's a question on the VAT changes in the draft Taxation Laws Bill. Have you worked out what impact that might have on your school's business?

Geoff Whyte

You should be answering this question, given that you looked into it for us.

Hannes Boonzaaier

We notably knew that the question was definitely going to come up, and we've recently engaged with our tax specialist.

Now, for me being new to the industry, it was interesting to note that the legislation about a year ago, included tertiary on this specific ruling and it has been taken out because it's probably so difficult to apply it into tertiary, knowing that many of the state universities are so big, and are VAT-able entities. And the latest legislation is very specific that it applies to schools only. I think, in our preliminary view as The IIE, our main operating entity, being a dual schools and tertiary entity, it's going to be difficult to apply it where we would need to de-register completely for VAT, because we've got all the universities in there as well.

I think also, we've always applied a very cautionary input VAT principle, where a lot of our educational input costs, we haven't claimed the input VAT, and neither claimed it on any of the revenue that we've charged on the schools side. There are small items like the rental out of school halls, etc. For us, we

cannot see that this can be properly applied to The IIE at this stage. If it is going to be de-registration of the VAT component, that means that the revenue from January where we do charge VAT will just fall away. It shouldn't have an impact, but at this stage, our likelihood of it being applicable to The IIE looks very minimal.

Khumo

Morning. This is Khumo from FNB. I just have a couple of questions on just expansion in Rest of Africa. I know you guys look at a few metrics when it comes to expansion, a macro view is one of them. Since you guys somewhat target the same kind of student when it comes to your schools and tertiary, I know you guys have schools in, you know, Kenya and Ethiopia, but there aren't any tertiary institutions there. And you've got a tertiary institution in Ghana, but no school there. Just on expansion, can we expect a tertiary institution in the likes of Ethiopia and Kenya, and likewise, a school in Ghana.

Geoff Whyte

So this is going back to our Strategy Day. What we laid out there is that we would like to develop in those four countries of operation, premium schools using the Crawford brand, the mid-fee school, which is Flipper, the Gaborone International School, Makini model, and a University. We will look to expand Rosebank University into those other territories and to take the schools into Ghana, but we want to scale those three brands in the four countries.

Khumo

And then lastly, when it comes to acquisitions of schools, what do you guys look at? Maybe just give us investors an insight as to what metrics you look at, just so that you know that you guys aren't overpaying, or, how do you know that you're buying something at a discount or a premium?

Geoff Whyte

Didier gave Hannes a whole coaching day on this when he joined us. I don't know if you want to cover that.

Hannes Boonzaaier

When you look at the capital, we've got to see, well, if it's in South Africa, what does it really cost, and compared to say, in Africa. That's why Geoff made a comment just now on Regis Runda, looking at the capital and what we bought, compared to what we would have built a Pinnacle in South Africa, that's definitely one.

I think break-even point, extremely important, payback period, extremely important. But I think overriding all of that, which area are you going into, which brand is applicable in that area, considering the LSM that's in there, and can you build a school that is scalable. There's quite a lot of qualitative

information that even gets to the proposition before we even get to the financial metrics to make sure that it is feasible for us. And I think that's the challenge, that's the art, that's in the brands, that they know what their brand can deliver and what type of market it can speak to.

Geoff Whyte

Go for it Yusuf.

Online Question

Okay. The question is, can we expect tertiary and schools in Africa specifically to grow capacity enrolments at a similar pace in the longer term, or, you know, what other opportunities may be at a slower pace in future?

Geoff Whyte

We are aggressively looking for opportunities to acquire both more space for expansion on existing sites, and to enter new trade zones, the way we have with Regis. It's a bit difficult to predict exactly the path of that, but we are looking hard and hope to continue the momentum that we've built to date.

Kwame

Okay, this is Kwame from Longmark Securities. Sorry, I'm just going to go back to that fee enrolment revenue-mix question. So, if I see your Rest of Africa schools, enrolments grew by 40%, but then your revenue only went up by 30%, so I know there's a currency issue and probably a mix. Can you please just unpack that for us. Then also just sort of give us a sense of how you think of pricing, in terms of price growth in your various countries?

Geoff Whyte

If we answer the second one first, you know, we're looking to increase fees broadly in line with inflation, that's what we're targeting. There is an opportunity for higher fees where we introduce the Cambridge curriculum, the kind of UK syllabus, which can give us another kick.

In terms of the organic growth in the African schools, it was 4% on enrolments, and the balance was made up of the Flipper acquisition. And then you've got the mixed change into more of mid-fee, which is what the Flipper school is, relative to the mix of Crawford at a higher fee. So there's a mixed shift there. So it's a combination, I think, of organic and acquisitive growth and the mix on fee level, that's driving the number that you mentioned. I don't know if you want to add to that, Hannes.

Hannes Boonzaier

Yes, I got a question like that yesterday as well, so we've got the number. On our organic basis, the revenue increased by 15% organic, apples for apples, and the operating profit 25%, so the delta you're

seeing is the Flipper acquisition. And notably also, there are some, you know, initial cost that's gone into it with regards to settling it down for the first six months, but organically 15% and 25% on the two metrics.

Question

This question is almost a follow up to that. How do you protect yourselves from foreign currency exposure in the African operations?

Hannes Boonzaaier

I think we're also a business that is mostly incurring all our revenue and costs in-country and at this stage, we are funding our acquisitions also in-country. We've not had too much foreign exposure in terms of that. And I think that strategy has paid off in the past and will continue to do so.

If you were perhaps a retailer where your profit margin is 5%, you would, of course, have a bigger exposure on your products moving up and down. But, I mean, in an educational environment, your biggest cost is the salaries of the teachers in-country, and we kind of hedged with the revenue and the costs in-country.

Geoff Whyte

I think just building on that, as we increase our portfolio into more countries with bigger operations, then, you know, it becomes more about swings and roundabouts, than exposure to significant shifts in one country of operation.

Online Question

Maybe one last question on Ghana. I think the schools of your new term or semester start in September. So how has the enrolment been going in terms of like the numbers confirmed?

Geoff Whyte

I haven't got an immediate update for you, but that whole operation is in line with expectation and going well.

Online Question

There's a question on the impact of USAID caps, which impacted the resourcing business. Is there a chance that this impact could also be felt in the schools and tertiary businesses, potentially on enrolments in the new year?

Geoff Whyte

We're not anticipating any impact on the other businesses from that. The shift has already happened and affected our Africa resourcing business, and we haven't seen an impact in either schools or the fledging operation in Ghana.

Khumo

Just last two questions from my side, you guys don't have a capacity issue, so you guys don't struggle to fill your schools. So how will the university status, how will that impact your financials?

Geoff Whyte

So I'm not quite sure what you're asking.

Khumo

So, I mean, one would assume that it's easy to assume that when you guys achieve university status, students will flock to your schools, but you guys don't have a capacity issue. You guys don't struggle to fill your schools, and most of your schools are trading near full capacity, and as a result, you have to expand, and, you know, your Rosebank Colleges, you need to build Mega campuses for Varsity College. So how will the impact of a university status, how will that impact your income statement?

Geoff Whyte

Okay, well, I mean, I think having university status will be positive for enrolments. It's difficult to say exactly what that number would be. I think conservatively, we've looked at an incremental 1% compounding over a number of years, on the existing enrolment numbers.

The capacity issue, it's much easier to expand capacity in line with demand in the tertiary side, because you're not limited by the four walls around a school. We can flex capacity as required, and university status will be positive. The extent of that positive impact is hard to predict, but I'm sure it will be positive.

Khumo

Okay, no, thanks, that helps. Then lastly, the new Varsity College campuses, is that on track and on budget?

Geoff Whyte

Yep, progressing well, and going to be magnificent from both a teaching and learning perspective, and also in terms of the recreational facilities, but all on track.

Any other questions? Okay, okay, well, let's close it there. Oh, we've got one more.

Cornelius

Cornelius Makhari, MetaBridge Capital. I just want to follow up on the Rest of Africa. Your margins are much better there. And so the question is, how sustainable, and what's the competitive landscape, like for in countries like Kenya, is the market more fragmented? Why are the margins higher and do you expect the competition to come in and reduce prices, I mean, how sustainable is it going forward?

Geoff Whyte

The key driver of our higher margins is that teacher costs in those African markets are about 20% lower than South Africa. So that's the key driver. There is competition, but we have some very strong brands.

We're working on strengthening our competitive advantage. One of those areas of strength is our expertise in offering the Cambridge curriculum, but we continually work to build greater strength into our brands, to compete effectively. But you've got strong economic growth, you've got growth of the middle class, you've got urbanisation. The underlying drivers demands are very strong.

Late rush of questions, excellent.

Online Question

One more question came in. You've mentioned you've done a lot of work in getting university status and also improving brand propositions. What impact will that have on credit losses, as a percentage of revenue?

Geoff Whyte

I think the work that we've done strengthens our offer. It's helping us to gain market share. I think it positions us well for university status when the criteria are finally published. As Hannes covered earlier, our debtor management and credit losses, I think, are being managed very well, so I think we'll take that in our stride and be delighted to take the upside on enrolments.

Okay, great. Thank you all. Please don't forget the gift pack. Join us for a coffee and something to eat, but thanks very much for coming through. Thanks very much.

ENDS