Advtech

ANCHOR STOCKBROKERS

1H26 Results – positioned for robust growth

- Advtech's 1H26 results were in line with expectations, a robust result with no major concerns. Normalised HEPS was up 16% to 131c, driven by 8% revenue growth (education revenue up 13%) and improving margins in all divisions, a consistent trend over the past few years. A 53c (+18%) DPS was declared.
- As is the norm, the student numbers published were those included in the FY25 results announcement, namely Feb 2026. SA Schools saw a 1.4% rise in student numbers with Tertiary up 17%. Management indicated that student numbers remained largely stable during 1H26. Rest of Africa (RoA) schools recorded 14% growth in students. impacted by the Runda acquisition. We forecast total student number growth of 12% in FY26E, 8% in FY27E.
- The average SA Schools student fee increased by 6.4%, above the circa 5.5% fee increase as stronger growth was seen in high school students at higher fees. Student growth was negatively impacted by weaker growth in pre-primary years and a general prioritisation of high school over primary school by cost conscious parents. There is a focus on improving primary school enrolments for 2027. Student retention rates were higher than in prior periods.
- RoA experienced a 5.3% drop in its average student fee due to a change in its mix of students. Flipper's tiered pricing structure is replaced in the September 2026 intake, which will be positive for average fees. Makini Runda has seen enrolments up 21% since acquisition and has obtained approval for the Cambridge Curriculum, a positive for student numbers and average fees.
- The Tertiary average fee dropped 1.4% as student growth remains higher in the more affordable Rosebank International (RI) versus Emeris. We anticipate the mix impact to continue into FY27E but at a lower rate. We expect student numbers to remain fairly stable into 2H – RI has a 2H intake but its small and will be offset by leavers from Emeris and RI.
- Resourcing negatively impacted group revenue with its 15% decline, with both SA and RoA declining. RoA continues to be negatively impacted by the closure of USAID, around 10% of its client base beforehand. Both operations remain profitable with the operating margin up from 6.5% to 6.8%.
- Gross debtors as % of education revenue declined from 13.1% to 12.2%. The credit loss ratio is at 2.6% (3% in 1H25) of education revenue, whilst provision coverage is at 47% (48% in 1H25). On the back of new systems, collections have improved, particularly in RI, with Emeris still to be migrated.
- Group operating margins improved from 21% to 22%, driven by all divisions. SA School margins widened from 20.6% to 20.9%, RoA from 29.4% to 30.1%, and Tertiary from 25.9% to 26.4%, despite a 0.3% drag from its investment in Ghana. The outlook for Tertiary margins is positive as its investment into capacity is realised through strong student number growth.
- Net debt (excl lease liabilities) rose from R32m to R130m, in part due to a R250m share buyback. Operationally debt levels rise in 2H as income received in advance declines and capex rises. Capex was R403m in 1H26, we forecast R1140m in FY26E as capacity is increased across the divisions.
- We revise our FY26E and FY27E normalised HEPS up from 270c (+14%) and 308c (+14%) to 275c (+16%) and 318c (+16%). This puts the stock on a 12m fwd. PE of 16.8x, a 35% discount to STADIO. Curro was acquired on a fwd. 15.1x P/E. A blended P/E of STADIO and Curro equates to 20.5x. We forecast an impressive 21.8% ROE in FY26E. The mid-point of our DFCF valuation range is R57/share (R52). We remain positive on the group's prospects.

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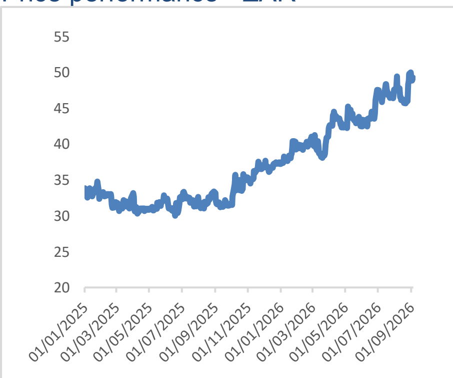
Price (04/09/2026):	R49.25
Market cap	R27038mn
Shares in issue	549mn

Price performance - ZAR



Source: FactSet

Figure 1 Financial Summary – R'm

Year Ending	FY2023 A	FY2024 A	FY2025 A	FY2026 F	FY2027 F	FY2028 F
Income Statement						
Sales	7,860	8,521	9,330	10,175	11,311	12,589
Sales growth (%)	*12.9%*	*8.4%*	*9.5%*	*9.1%*	*11.2%*	*11.3%*
Education revenue	6,179	6,969	7,866	8,857	9,928	11,136
% Change	*11.3%*	*12.8%*	*12.9%*	*12.6%*	*12.1%*	*12.2%*
Staff Costs	-2,899	-3,256	-3,627	-3,978	-4,457	-4,998
% Change	*11.4%*	*12.3%*	*11.4%*	*9.7%*	*12.0%*	*12.1%*
Operating costs	-1,461	-1,590	-1,820	-2,062	-2,299	-2,518
% Change	*11.0%*	*8.9%*	*14.4%*	*13.3%*	*11.5%*	*9.5%*
Credit loss charge	-170	-195	-159	-168	-189	-212
% of education revenue	*2.7%*	*2.8%*	*2.0%*	*1.9%*	*1.9%*	*1.9%*
EBITDA	1,962	2,226	2,539	2,903	3,236	3,624
% growth	*16.9%*	*13.5%*	*14.1%*	*14.3%*	*11.5%*	*12.0%*
EBITDA Margin (%)	*25.0%*	*26.1%*	*27.2%*	*28.5%*	*28.6%*	*28.8%*
EBIT	1,577	1,791	2,038	2,330	2,630	2,963
Education EBIT	1,471	1,689	1,945	2,240	2,537	2,866
EBIT Margin (%)	*20.1%*	*21.0%*	*21.8%*	*22.9%*	*23.3%*	*23.5%*
EBIT Margin Education business (%)	*23.8%*	*24.2%*	*24.7%*	*25.3%*	*25.6%*	*25.7%*
Profit before tax	1,389	1,581	1,834	2,122	2,413	2,759
Net profit	998	1,152	1,327	1,530	1,737	1,987
Net profit post minorities	951	1,105	1,288	1,496	1,701	1,948
Normalised Earnings	950	1,109	1,297	1,496	1,701	1,948
% Change	*20.3%*	*16.7%*	*17.0%*	*15.3%*	*13.7%*	*14.6%*
Headline EPS, ZAc	174.2	202.2	235.8	274.5	318.0	364.3
Normalised EPS, ZAc	174.2	202.5	236.1	274.5	318.0	364.3
% Change	*19.5%*	*16.2%*	*16.6%*	*16.2%*	*15.9%*	*14.6%*
DPS, Zac	87.0	101.0	118.0	137.2	159.0	182.2
Payout ratio (%)	*50%*	*50%*	*50%*	*50%*	*50%*	*50%*
Balance Sheet						
Cash and Cash equivalents	381	509	345	408	527	550
Current assets (ex – cash)	549	653	606	719	783	870
Net Fixed assets	5,912	6,685	7,470	8,036	8,787	9,511
Intangible assets	1,685	1,800	1,776	1,740	1,706	1,671
Investments	11	52	5	12	12	12
Other assets	931	1,077	1,095	1,143	1,194	1,247
Total assets	**9,470**	**10,777**	**11,297**	**12,060**	**13,009**	**13,861**
Debt	1,555	1,797	1,554	1,800	1,600	1,150
Lease liabilities	1,130	1,357	1,440	1,523	1,640	1,765
Current liabilities	1,106	1,205	1,328	1,466	1,573	1,712
Other liabilities	180	239	250	231	262	300
Total liabilities	**3,972**	**4,598**	**4,572**	**5,020**	**5,075**	**4,927**

Year Ending	FY2023 A	FY2024 A	FY2025 A	FY2026 F	FY2027 F	FY2028 F
Shareholders' equity	5,450	6,145	6,720	7,016	7,939	8,973
Minorities	49	34	5	5	5	5
Total shareholders' equity	**5,498**	**6,179**	**6,725**	**7,021**	**7,944**	**8,978**
BVPS - ZAR	*9.9*	*11.1*	*12.2*	*13.0*	*14.7*	*16.6*
ROIC	*15.7%*	*16.4%*	*16.8%*	*18.0%*	*19.0%*	*19.9%*
RoE	*18.2%*	*19.0%*	*20.1%*	*21.8%*	*22.7%*	*23.0%*
Cash Flow						
Reported net profit	**951**	**1,105**	**1,288**	**1,496**	**1,701**	**1,948**
Change in net working capital	-57	-15	195	69	91	108
Interest paid	-190	-201	-212	-208	-217	-204
Dividends paid	-415	-590	-660	-690	-777	-911
Other adjustments	257	147	116	87	40	-55
Cash flow from operations	**962**	**1,036**	**1,387**	**1,444**	**1,615**	**1,797**
Net Capex	-644	-952	-968	-1,140	-1,357	-1,385
Capex/sales (%)	*8.2%*	*11.2%*	*10.4%*	*11.2%*	*12.0%*	*11.0%*
Other investing cash flows	0	-76	-171	22	28	26
Cash flow from investing	**-644**	**-1,028**	**-1,139**	**-1,117**	**-1,329**	**-1,358**
Equity raised/(bought back)	-16	-36	-35	-510	5	5
Net increase/(decrease) in borrowings	-190	225	-241	329	-84	-325
Other financing cash flows	337	508	566	607	688	815
Cash flow from financing	**-284**	**107**	**-370**	**-263**	**-168**	**-416**
Net cash flow	**34**	**115**	**-122**	**64**	**118**	**23**
Free cash flow	**870**	**829**	**1,259**	**1,241**	**1,294**	**1,575**
Repayment of lease liabilities	**-78**	**-82**	**-76**	**-82**	**-89**	**-96**
Net Free cash flow	**793**	**747**	**1,183**	**1,159**	**1,205**	**1,479**
Valuation Summary						
Share Price- Zac	2,544	3,275	4,925	4,925	4,925	4,925
P/E (Underlying) -x	14.6	16.2	20.9	17.9	15.5	13.5
P/BV -x	2.6	2.9	4.0	3.8	3.3	3.0
EV/Sales - x	3.8	3.5	3.2	2.9	2.6	2.4
EV/EBITDA -x	15.2	13.4	11.7	10.2	9.2	8.2
EV/EBIT - x	18.8	16.6	14.6	12.8	11.3	10.0
FCF Yield	5.6%	4.1%	4.4%	4.4%	4.5%	5.6%
Dividend Yield	3.4%	3.1%	2.4%	2.8%	3.2%	3.7%
Net Debt	2,304	2,644	2,649	2,915	2,713	2,365
Debt/Equity	0.42	0.43	0.39	0.42	0.34	0.26
Net Debt (excl lease liabilities)	1,174	1,287	1,210	1,392	1,073	600
Debt/Equity (excl lease liabilities)	0.21	0.21	0.18	0.20	0.14	0.07

Source: FactSet, ASB Research

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