GCR RATINGS

RATING ANNOUNCEMENT

GCR place Curro Holdings Limited's ratings of $A_{(ZA)}$/ $A1_{(ZA)}$ on Positive Outlook due to improving gearing metrics and stronger liquidity

Rating action

Johannesburg, 20 May 2025 – GCR Ratings (GCR) has affirmed the long and short-term national scale issuer ratings assigned to Curro Holdings at $A_{(ZA)}$ and $A1_{(ZA)}$ respectively, with the Outlook revised to Positive from Stable.

Rated entity	Rating class	Rating scale	Rating	Outlook/Watch
Curro Holdings Limited	Long Term Issuer Short Term Issuer	National National	$A_{(ZA)}$ $A1_{(ZA)}$	Positive Outlook

Rating rationale

The Positive Outlook on Curro Holdings Limited's ratings (Curro or the group) reflects the increased maturity of its portfolio of schools, which continues to provide resilience to cash flows despite the challenging operating environment. As a result, key gearing metrics continue to improve, whilst the recent debt refinancing has strengthened liquidity. Curro maintains a solid competitive position as one of the largest independent school groups in South Africa. As the portfolio has matured, Curro has enhanced its reputation for quality academics, as well as cultural and sporting activities.

Curro continues to face a challenging operating environment, with growth in learners constrained by affordability issues affecting a large portion of its target market. The group reported 1% growth in learners between February 2023 and February 2024, but the number of total learners decreased at the beginning of the 2025 academic year, as there were fewer new joiners. Market pressure was further evidenced by the deterioration of the debtors book, as total debtor related costs rose to 4.3% in 2024, from 3.3% previously. Curro expects the debtors book to improve going forward due to stricter debtors enforcement measures and enrolment criteria.

Total revenue rose 8% to ZAR5.1 billion for the financial year to 31 December 2024 (USD278 million), supported by a 5.5% increase in fees per learner and higher ancillary income. Nevertheless, this is below inflation as Curro is cognisant of the need to balance fees against affordability constraints. Positively, the group continues to benefit from the economies of scale inherent in the business model, even if learner numbers have been stagnant. Property-related cost escalations remain high, but staff costs rose by a lesser 6%, supporting 9% growth in EBITDA to ZAR934 million in 2024, equating to a slightly higher EBITDA margin of 24.7% (2023: 24.5%; 2022: 22.3%). As the school portfolio matures and as additional learners enrol, GCR expects Curro's EBITDA margin to increase incrementally, given the economy of scale benefits inherent in the business model, albeit unlikely to reach the 30% target level over the medium-term.

Our assessment of Curro's leverage profile has strengthened due to firmer gearing metrics and a more diverse capital structure. To this end, while gross debt was unchanged at ZAR3.7 billion in 2024 (including finance leases), net debt to EBITDA improved to 2.9x (2023: 3.2x; 2022: 3.x), whilst net interest coverage increased to 3.9x (2023: 3.8x; 2022: 3.9x). In May 2025, Curro concluded a large debt refinance package. This ZAR2.4 billion package extended the previous limit by ZAR400 million, raising total debt facilities to ZAR3.7 billion, and widening the pool of funders. Term debt was refinanced into new secured 4 and 5-year notes, and new 2 and 3-year revolving facilities were added. Accordingly, the closest debt maturity is now in December 2027. The additional funding capacity is intended for acquisitions, as free cash flow is expected to exceed capex requirements. Even if the additional debt is utilised, GCR expects gearing ratios to continue to improve on the back of earnings growth.

Strong cash generation, combined with debt refinancing has strengthened Curro's liquidity profile, with a GCR liquidity coverage ratio of 1.6x over 24 months. Strong cash flows are expected to be sufficient to cover all operating requirements and budgeted capex of around ZAR660 million, whilst the unutilised debt capacity of around ZAR700 million is available for expansion and acquisitions. However, our liquidity assessment is somewhat constrained by the high asset encumbrances. In addition, we expect Curro to return excess cash to shareholders through higher dividends and/or further share buybacks, thereby limiting the liquidity buffer.

Outlook statement

The Positive Outlook reflects GCR's expectation that, notwithstanding economic pressures, earnings will continue to increase as Curro's portfolio of schools matures, translating into stronger cash flows. With lower capex projected, this should translate into a further strengthening of gearing metrics, whilst stronger liquidity management is expected to continue to be demonstrated.

Rating triggers

A positive rating action would be considered on the back of 1) strong earnings accretion and widening in the EBITDA margin 2) continued strong cash generation in excess of capex 3) further improvement in gearing levels on a sustained basis and 4) sustained high liquidity coverage.

Negative rating action would be considered if 1) earnings deteriorate and the EBITDA margin drops below 20%, 2) the group increases its gearing levels, resulting in a deterioration in leverage metrics and 3) liquidity coverage reduces to below 1.25x.

Analytical contacts

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
GCR Criteria for Rating Corporate Entities, May 2024
GCR Rating Scales Symbols and Definitions, May 2023
GCR's Country Risk Score report, May 2025
GCR's SA Corporate Sector Risk Score report, March 2024

Ratings history

Curro Holdings Limited					
Rating class	Review	Rating scale	Rating class	Outlook	Date
Long Term Issuer	Initial	National	BBB-(ZA)	Stable	May 2013
Short Term Issuer	Initial	National	A3(ZA)		
Long Term Issuer	Last	National	A(ZA)	Stable	May 2024
Short Term Issuer	Last	National	A1 (ZA)		

Risk score summary

Rating Components & Factors	Score
Operating environment	**14.00**
Country risk score	7.00
Sector risk score	7.00
Business profile	**0.50**
Competitive position	0.50
Sustainability	0.00
Financial profile	**(0.75)**
Earnings	0.50
Leverage & cash flow	(0.75)
Liquidity	(0.50)
Comparative profile	**0.00**
Group support	0.00
Peer comparison	0.00
Total Risk Score	**13.75**

Glossary

Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.
Upgrade	The rating has been raised on its specific scale.

Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity. The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- The audited financial results to 31 December 2024
- Five years of comparative audited numbers
- Results presentation for the financial year ended 31 December 2024
- Detailed facility breakdown post the May 2025 refinance
- Integrated Annual Report as at 31 December 2024

- Covenant Compliance Certificates and calculations as at 31 December 2024
- ZAR18.41/USD exchange rate at 15 May 2025: https://www.bloomberg.com/markets/currencies