



Preliminary Results for the year ended 31 December 2017

SUMMARISED CONSOLIDATED SEGMENTAL REPORT for the year ended 31 December 2017

R'm	Percentage increase/ (decrease)	31 December 2017	31 December 2016
Revenue	22%	4 086.9	3 353.1
Schools	14%	1 866.3	1 643.7
Tertiary	26%	1 580.2	1 252.5
Resourcing	40%	644.3	460.9
Intra group revenue		(3.9)	(4.0)
Operating profit before interest	5%	640.1	608.1
Schools	(13%)	298.9	345.4
– Trading operating profit	3%	330.0	321.0
– Fraud adjustments		(31.1)	24.4
Tertiary	44%	321.4	223.3
Resourcing	59%	32.1	20.2
Litigation settlement		–	23.5
Litigation costs		–	(2.3)
Corporate action costs		(12.3)	(2.0)
Property, plant and equipment and proprietary technology systems	26%	3 575.9	2 834.0
Schools	24%	2 727.3	2 193.6
Tertiary	33%	841.0	632.8
Resourcing	0%	7.6	7.6
Earnings per share (cents)	(3%)	69.1	70.9
Headline earnings per share (cents)	(3%)	69.2	71.1
Normalised earnings per share (cents)	20%	75.8	63.3

Please view the full results and commentary on our website www.advtech.co.za

COMMENTARY Overview

The directors are pleased to announce good operational results for the year ending 31 December 2017 with the business continuing its trend of strong performance in line with the growth strategy. Both the tertiary and resourcing divisions performed exceptionally well, as evidenced by significant increases in revenue and operating profit, whilst the schools division results were somewhat muted. The benefit of the group's diversified portfolio is reflected in its strength and resilience as evidenced by the 22% revenue increase to R4.1 billion (2016: R3.4 billion) and trading operating profit by 20% to R671 million (2016: R560 million). Trading operating margins, however, narrowed marginally from 16.8% to 16.4% due to the decrease in school division's margins as they brought new capacity into use that has not yet been filled, partially offset by an improvement in the tertiary division margins.

As previously stated, the restructuring of the finance and administrative functions in the schools division led to the uncovering of incidents of fraud amounting to R48.1 million, perpetrated by a financial manager in the division over a three year period starting in 2015. These activities resulted in an overstatement of revenue, an understatement of costs and the theft of cash. The cash component amounts to R5.0 million. In aggregate, the misstatements and cash loss amount to R48.1 million resulting in a R35.5 million after taxation impact on the reported figures for the period as reflected below:

	12 months to 31 Dec 2015 R'm	12 months to 31 Dec 2016 R'm	6 months to 30 Jun 2017 R'm	6 months to 31 Dec 2017 R'm	Total amount R'm
Revenue overstated	–	(9.3)	(5.1)	(2.5)	(16.9)
Expenses understated (including the cash loss of R5.0 million)	(6.7)	(15.1)	(2.9)	(6.5)	(31.2)
Operating profit overstated	(6.7)	(24.4)	(8.0)	(9.0)	(48.1)
Taxation effect	1.9	6.6	2.0	2.1	12.6
Profit after taxation effect	(4.8)	(17.8)	(6.0)	(6.9)	(35.5)

The correction of the fraud for the preceding two years as well as the current year has been accounted for in the 2017 financial results.

The summarised consolidated statement of profit or loss presented below reflects the trading results by removing the effect of the fraud relating to 2015 and 2016 from the 2017 financial year. The 2016 trading profit has been adjusted downwards to account for the overstatement caused by the fraud relating to that year and by excluding the benefit of the settlement of the long standing litigation matter.

Summarised consolidated statement of profit or loss from trading activities for the year ended 31 December 2017

R'm	Percentage increase	31 Dec 2017	31 Dec 2016
Revenue	23%	4 096.2	3 343.8
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	19%	826.5	692.7
Operating profit before interest	20%	671.2	560.2
Net finance costs paid		(99.1)	(87.2)
Interest received		3.9	12.6
Finance costs		(103.0)	(99.8)
Profit before taxation	21%	572.1	473.0
Taxation		(169.5)	(140.4)
Profit for the year	21%	402.6	332.6

The higher average net borrowings, due to the acceleration in capital expenditure in the year, resulted in net finance costs increasing. Trading profit for the year increased by 21% while, due to a marginal increase in the weighted average number of shares in issue, the normalised earnings per share increased by 20% to 75.8 cents (2016: 63.3 cents).

Cash generated by operating activities increased by 23% to R859 million. Together with financing inflows of R313 million, this has enabled the investments and capex of R919 million and payment of financing costs of R99 million, taxation of R175 million and dividends of R186 million. The debtors' book continues to be well managed and the increase in trade and other receivables was primarily as a result of deposits on capital projects and VAT refunds due, which have been received subsequent to year end.

The table below illustrates the enrolment growth in the last three years, and highlights the continued growth in 2018.

Enrolments	Feb 2015	Feb 2016	Feb 2017	% increase	Feb 2018	% increase
Schools*	22 877	24 199	26 713	10%	27 408	3%
Tertiary full qualifications	24 332	29 138	33 463	15%	36 136	8%
Total	47 209	53 337	60 176	13%	63 544	6%
Other tertiary**					28 931	
Total enrolment numbers					92 475	

* The 2017 school enrolment numbers include Elkanah House acquisition.

** Oxbridge Academy and the University of Africa have a continual enrolment cycle throughout the year. Enrolments as at 31 December 2017.

ADvTECH operates 117 education sites (2016: 98) including 89 schools (2016: 78) and 28 tertiary campuses (2016: 20).

Declaration of final dividend no 17

In considering the dividend, the board has decided to increase the dividend cover further in order to balance the need to preserve cash to fund the investment pipeline while also rewarding shareholders based on the current performance.

The board is pleased to announce the declaration of a final gross dividend of 19.0 cents (2016: 19.0 cents) per ordinary share in respect of the year ended 31 December 2017. This brings the full year dividend to 34.0 cents (2016: 32.5 cents) per share.

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend taxation (DT) rate is 20%. The net amount per share payable to shareholders who are not exempt from DT is 15.2 cents per share, while it is 19.0 cents per share to those shareholders who are exempt from DT.

There are 544.4 million ordinary shares in issue; the total dividend amount payable is R103.4 million.

The salient dates applicable to the dividend referred to above are as follows:

	2018
Declaration of dividend	Friday, 16 March
Last day to trade in order to participate in the dividend	Tuesday, 10 April
Trading commences ex-dividend	Wednesday, 11 April
Record date	Friday, 13 April
Payment date	Monday, 16 April

Share certificates may not be dematerialised and rematerialised between Wednesday, 11 April 2018 and Friday, 13 April 2018, both days inclusive.

Prospects

We continue to see numerous opportunities, both in South Africa and the rest of the continent, and the group remains in a strong position to pursue its ambitious yet considered organic and acquisitive growth strategy.

Our tertiary and resourcing divisions continue to perform well while significant change is being implemented at the schools division to sharpen market focus and drive operational efficiencies to enable the division to return to a high level of performance.

New market segments and new product offerings are continuously being explored, while in our core markets we expect organic and greenfield growth to continue despite increased competition and challenging economic conditions. These factors, we believe, will further enhance our business performance.

On behalf of the board

Chris Boule Chairman
Roy Douglas Chief executive officer
Didier Oesch Group financial director

19 March 2018

This shortform announcement, which is the responsibility of ADvTECH's directors, is only a summary of information in the full announcement and does not contain full or complete details. Any investment decisions by shareholders and/or investors should be based on consideration of the full announcement published on SENS on Monday, 19 March 2018, and also published on the group's website at www.advtech.co.za as a whole. Copies of the full announcement may be requested from ADvTECH's group investor relations at investorrelations@advtech.co.za.

SCHOOLS

Our brands in the rest of Africa

TERTIARY DIVISION

Our brands in the rest of Africa

RESOURCING DIVISION

Our brands in the rest of Africa