

# Annual Financial Results

for the year ended 31 December 2010

**LIVE**

**LIVE**

**BREAKING NEWS**

**JAPAN**

10:57 AM  
MOSKOW  
**RT**

**STRONG 8.9 QUAKE SHAKES NORTH-EAST,  
TSUMAMI SENDS WATER SURGING INLAND**











**The Star**  
**BOY WONDER FOUND**  
 Nine-year-old stumbles on significant new species

**MALEMA lets rip ...**  
 Who had nothing to do with the 'Bafana' fiasco?

**Cape Argus**  
**'2010 will draw crime'**  
 New Metro Police chief says tourists will be soft targets

**AWB vows to avenge leader**

**SATURDAY Star**  
**MALEMA GAGGEL**  
 'Killing of Terre Blanche stirs passions'

**The Star**  
**AWB vows to avenge leader**

**The Star**  
**MUGGERS PARADISE**  
 Metro cops can't stop 'sitting duck' attacks on main Joburg road

**The Star**  
**BREAD PRICE TO RISE AGAIN**

**PRETORIA NEWS**  
**AWB man loses cool on TV**  
 Had to be restrained after flying into fit of rage over 'interruptions' by political analyst

**PRETORIA NEWS**  
**Six held in R10m drug bust**  
 Raid and arrests follow tip-off from woman raped by gang

**The Star**  
**Zip it, Zuma orders Malema**  
 ANC members told: 'shoot' ...

**Cape Argus**  
**'2010 will draw crime'**  
 New Metro Police chief says tourists will be soft targets

**Verve**  
**The Star**  
**R2bn school library crisis**  
 Group says lack of facilities at heart of literacy, numeracy failures

**Daily News**  
**R40m housing scandal**  
 Internal KZN probe finds numerous flaws

**CAPE TOWN**  
**Stop using us as voting cattle, Vavi tells ANC**

**Sowetan**  
**BREAD ROBBERY**  
 The poor face even more hardship as new steep bread prices bite ...

**Cape Argus**  
**Rates increase what we'll pay**  
 City budget to give relief to the poor

**World Cup worry as Rooney is injured**

**Picard & REBEL**

**Sunday Times**  
**New national exams for SA school kids**  
 Grades 3, 6 and 9 to write common exams

**Market in worst free fall since '87**

**Market in worst free fall since '87**

**BREAD ROBBERY**

- ▼ Strategic
- ▼ Operations
- ▼ Financial highlights
- ▼ Financial analysis
- ▼ Prospects
- ▼ Questions



# STRATEGIC ISSUES





*“We want to have a country where millions more South Africans have decent employment opportunities, which has a modern infrastructure and a vibrant economy and where the quality of life is high...We all have a responsibility to work hard to make this a reality.”*

President Jacob Zuma, State of the Nation Address  
11 February 2011

*“The challenge of local education is to draw all areas of excellence towards the waves of economic development that cannot as yet be seen.”*

Peter Vale, UJ

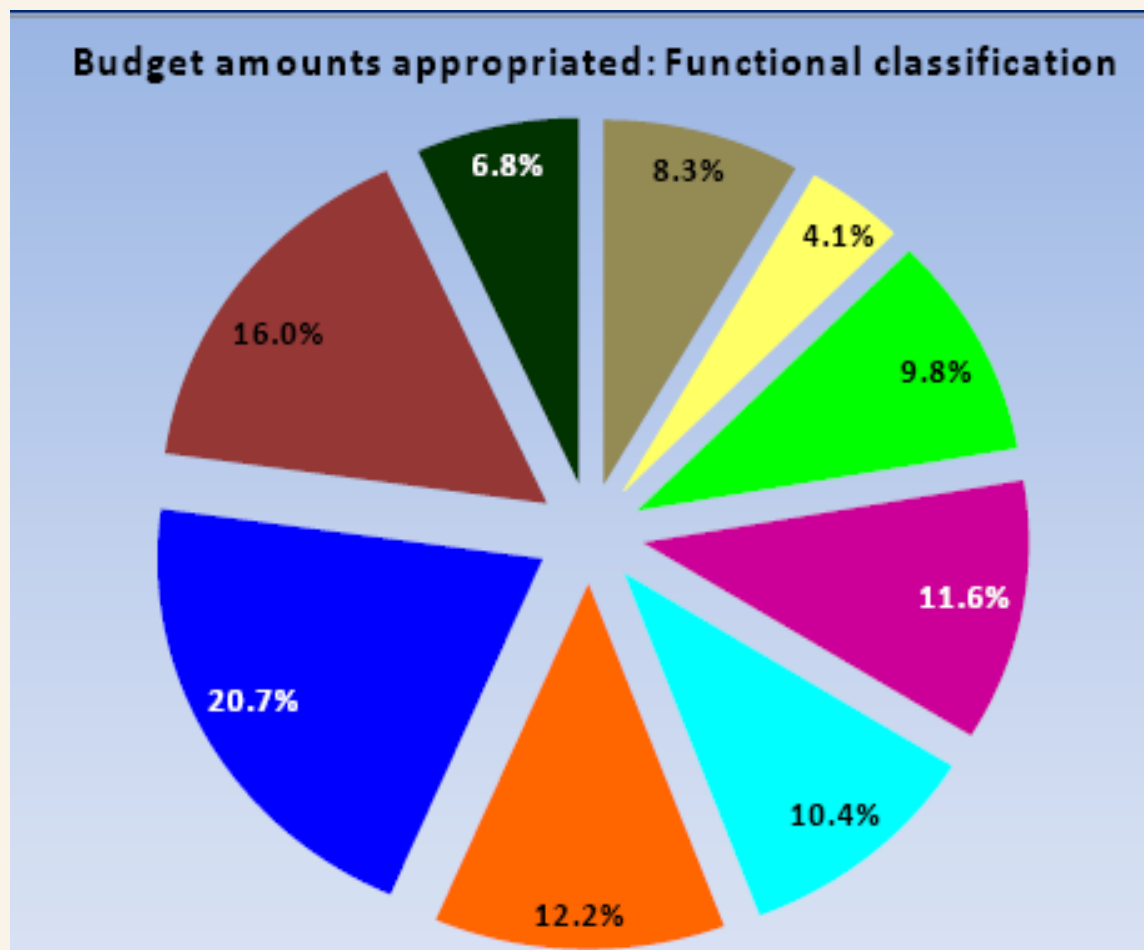
## Budget speech 2011

- ▼ *“The financial crisis and subsequent recession brought painful adjustments”*
- ▼ *“Improving household consumption and accelerating investment will support an increase in economic growth over the medium term.”*
- ▼ *“Education takes up the largest share of government spending – 21 percent of non-interest allocations – and receives the largest share of the additional allocations. Budget allocated R190Bn, up 10%.”*
- ▼ *“Further education and training colleges are allocated over R14 billion for the period ahead, and student financial assistance will be stepped up.”*
- ▼ *“Adaptation to the productive possibilities of the new global economy opens up new vistas of opportunity for improving living standards and expanding employment. But it also presents great challenges.”*

Pravin Gordhan, Budget Speech  
23 February 2011



# State expenditure



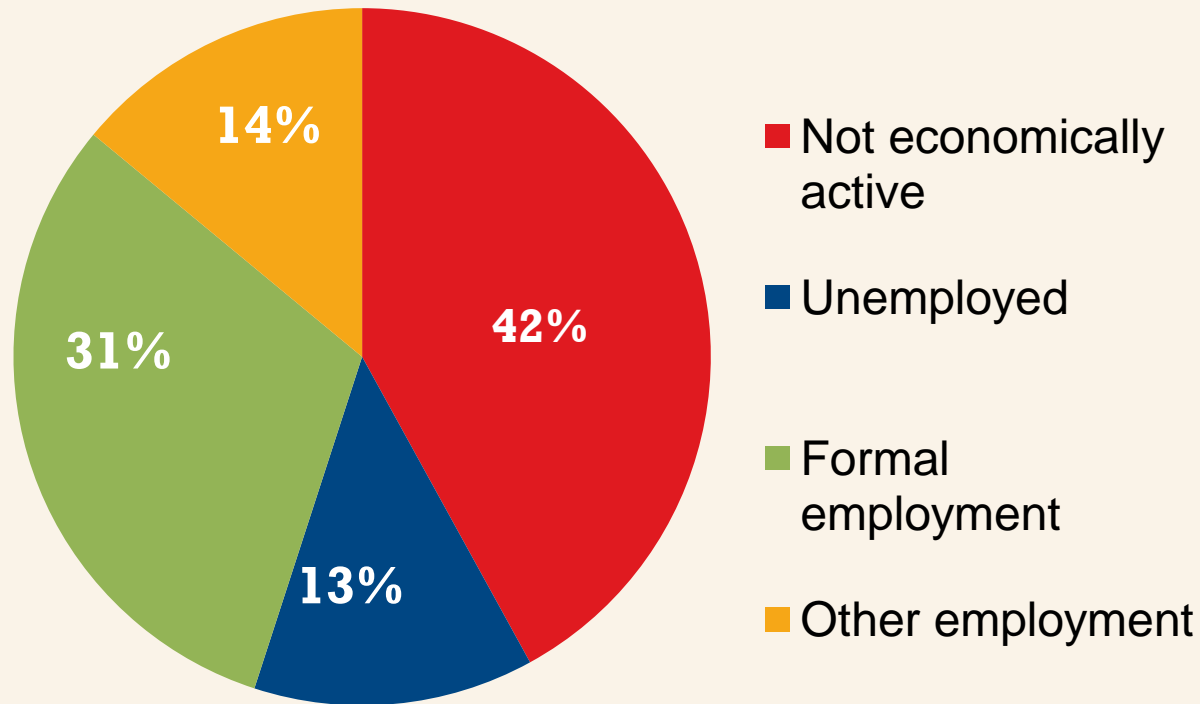
- State debt cost
- Public order and safety
- Housing and community amenities
- Education

- Defence
- Economic affairs
- Health
- Social protection

**Source:**  
Dawie Roodt  
Efficient Group

# Unemployment in SA

**December 2008**

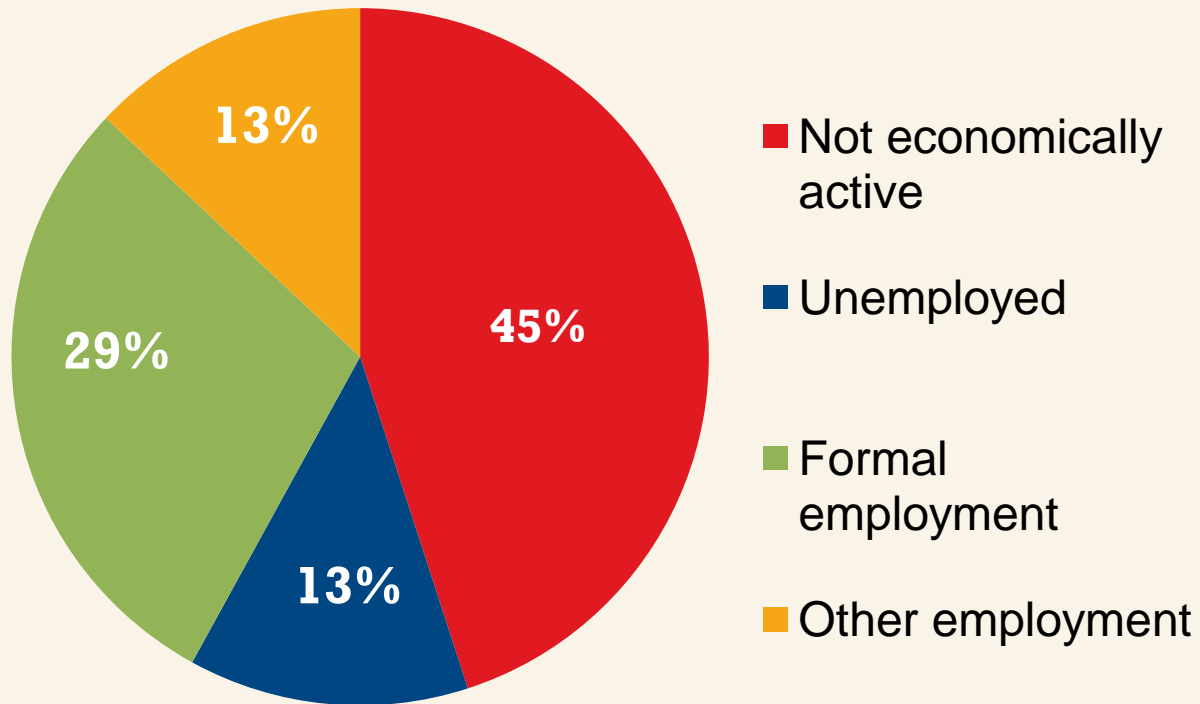


Source: Stats SA December 2008



# Unemployment in SA

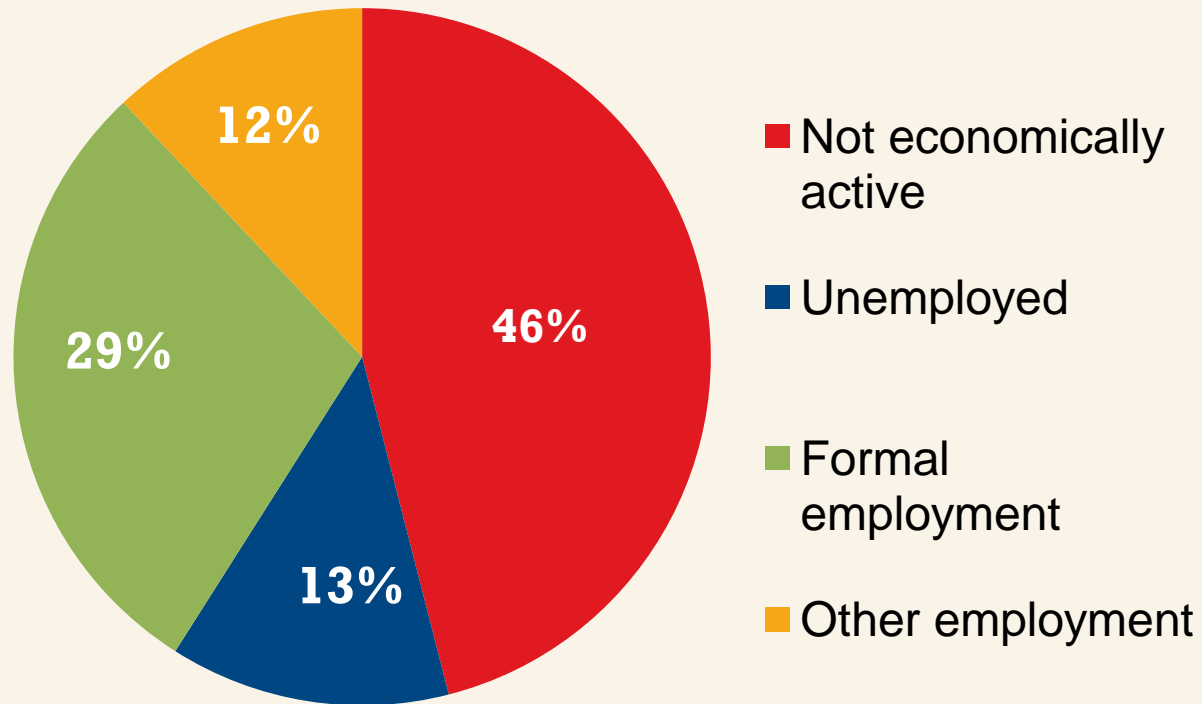
**December 2009**



Source: Stats SA December 2009

# Unemployment in SA

**December 2010**



Source: Stats SA December 2010



## Chairman's letter to shareholders March 2011

*“There is no doubt of the role of education training and career guidance in providing greater choice and opportunities both in careers and employment as well as more broadly in a holistic life. ADvTECH is making a significant contribution in supporting this vital aspect of developing and transforming our society. It is doing so in a sound and self sustaining way which lays the foundations for a long-term future.”*

## So how are we doing this?

### ***In education***

- Continuous strategic investment in education with a long term view
- Unrelenting focus on quality and achievement
- Alumni success as a key indicator

### ***In staffing***

- Consistent and strong focus on high demand scarce skills
- Permanent career positions
- Lean business model

# OPERATIONS



# Annuity nature of revenue

- ▼ Over 50% of group revenue is from returning students
- ▼ Equivalent to 58% of education revenue
- ▼ 60% of full-time student population is returning students



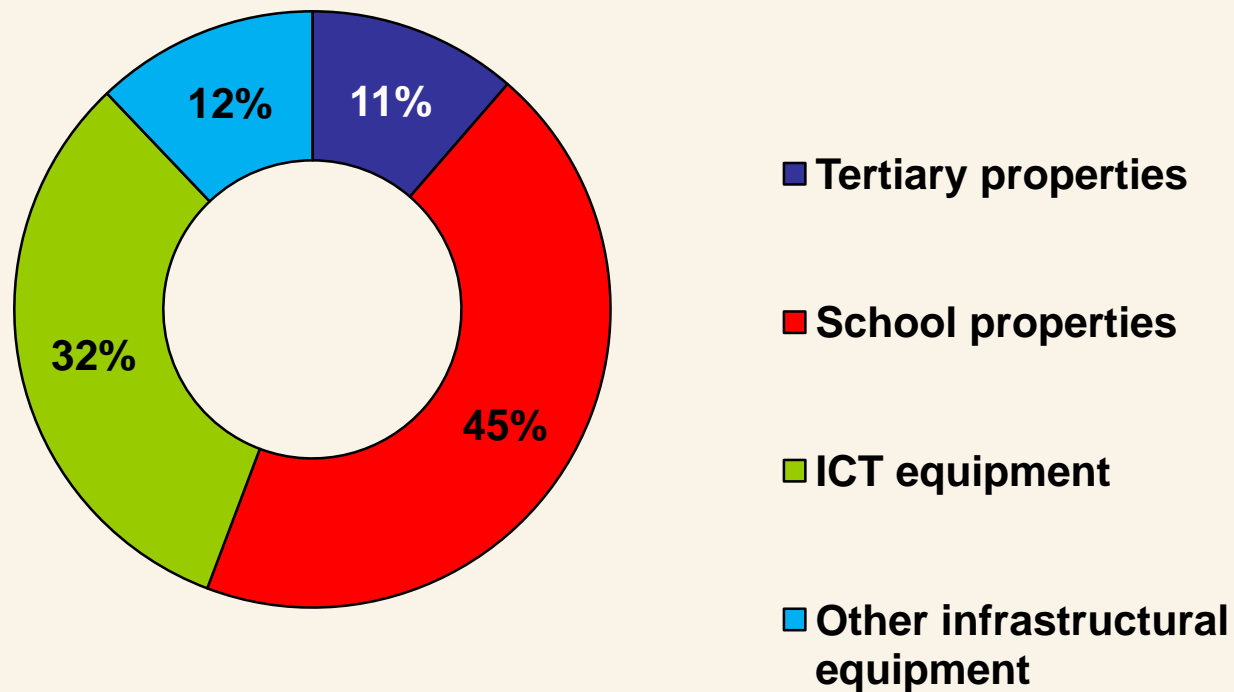
# Ploughing back

	R'm	%
Total value created	1 097	100
Less: employees	-615	56
Less: government taxes	-211	19
Available to the business	<u>271</u>	25

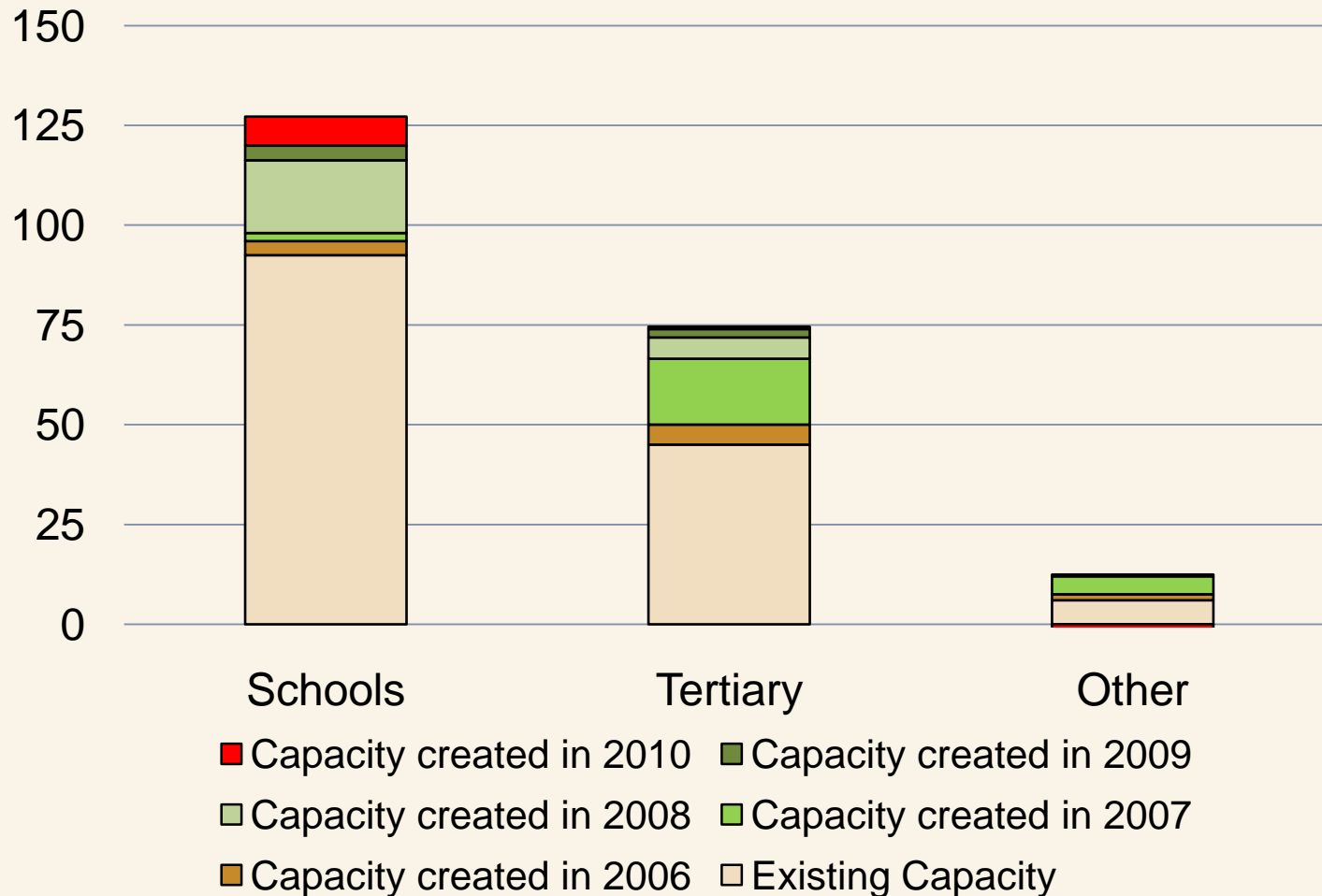
# Ploughing back

	R'm	%
Total value created	1 097	
Less: employees	-615	
Less: government taxes	-211	
Available to the business	<u>271</u>	100
Allocated to communities	57	21
Allocated to investors	86	32
Retained in the group	128	47

**INVESTMENT PROGRAMME 2008 - 2010  
(R398 million)  
Infrastructural investments made**



## Ageing of capacity Total capacity: 212 100 m<sup>2</sup>





# Property asset underpin

Rm	2007	2010
Book value of properties	284	452
Current use valuation*	615	883
Revaluation premium	332	431
Premium %	117%	95%
Premium in cents per share	84	108
NAV per share as reported	105	169
Revalued NAV per share	190	277

\* conducted by independent valuers every 3 years

- ▼ SIAT benchmarking and diagnostic testing used throughout ADvTECH and at external public and private schools
- ▼ VCAA International Grade 12 evaluation used as independent benchmark for Crawford
- ▼ **100%** Matric pass for the **1 213** candidates, ...
- ▼ ... who obtained **2 729** distinctions, **12%** with **6 or more**
- ▼ **4** out of the top **5** Matric students in KZN
- ▼ Our 3 Crawford High Schools in Gauteng were rated the **top 3** independent schools by GDE

## Schools

Our schools continue to contribute significantly to the national output in key subjects with averages per candidate as follows:

Mathematics	- 68%
Information Technology	- 75%
Physical Science	- 69%
English	- 67%
Accounting	- 71%

*Note: A majority of candidates enter the ADvTECH schools system without selection and about one third have less than two years of our teaching*

- ▼ FLB and Varsity College students achieved a **75%** overall module pass rate in UNISA exams.
  - The **top CTA student** for 2010 in the country was from Varsity College and **8** of the top **15**.
  - BCompt students achieved a **89%** pass rate overall, **93%** in the crucial first year.
  - Final year BEd students achieved a **96%** module pass rate and **57%** distinction rate.
  - These rates are well ahead of national averages and no student selection applies (beyond NSC certificate).

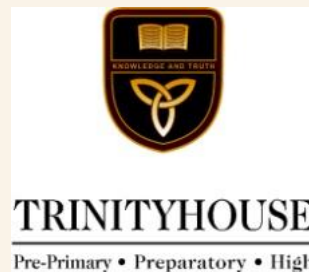
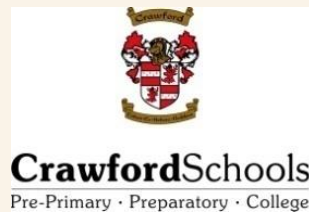


- ▼ Vivek Naranbhai, a 2004 Crawfordian, was recently awarded a Rhodes Scholarship. He is the **third Rhodes Scholar** in the last two years.
- ▼ In the 2010 survey of IIE graduates, more than **80%** reported obtaining employment within three months of graduating.
- ▼ Of the 343 students who matriculated from Crawford College in either 2004 or 2005, **98%** went on to study at various higher education institutions locally and overseas.
- ▼ Of these students 212 have graduated and the remainder are still studying.

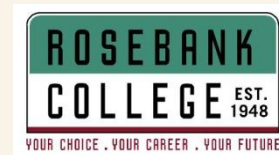
# ADvTECH Education brands



## SCHOOLS



## HIGHER EDUCATION



## SKILLS



# ADvTECH Resourcing brands

## RECRUITMENT



## ▼ Education Division

Some 50 000 students across 59 campuses

Marginal increase in full-time students to 32 500

## ▼ Resourcing Division

Placed approximately 4 100 people in new positions, mainly in IT, Finance and Engineering

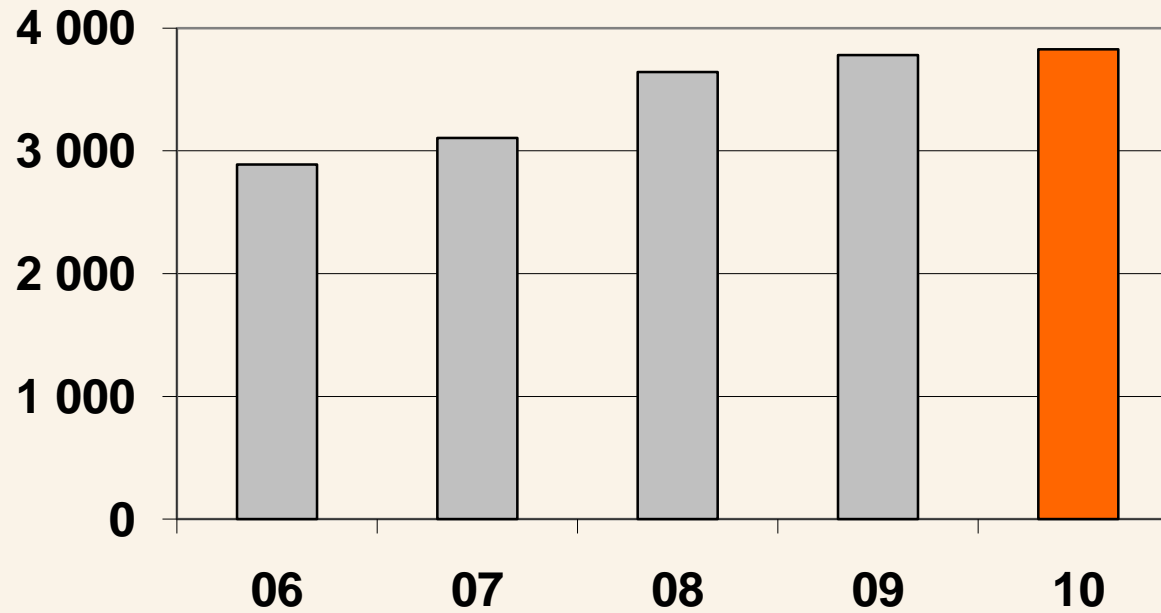
## ▼ The People

3 827 staff members

Includes 233 Masters and 32 Doctoral degrees

334 alumni

## Employee headcount



## Investments

- ▼ The acquisition of The Design School Southern Africa (Pty) Ltd in Gauteng for approximately R20 million.
- ▼ Accredited offering of 3 bachelors degrees and other programmes.
- ▼ Significant contribution to education in fashion, interior and graphic design.
- ▼ Approximately 400 students.



# FINANCIAL HIGHLIGHTS



# Income statement

Rm	2010	2009	% growth
Revenue	<b>1 470</b>	1 376	7%
Operating profit	<b>203</b>	219	-7%
Headline earnings	<b>147</b>	160	-8%
HEPS (cps)	<b>37.2</b>	40.1	-7%
Diluted HEPS (cps)	<b>37.1</b>	40.1	-7%
Distribution (cps)	<b>21.5</b>	21.0	2%







# Analysis of income statement

Rm	To Dec 2009	Approx effect of inflation	%	Capacity growth	%	Efficiency savings	%	To Dec 2010
Revenue	1376	94	7					
Remuneration	644	44	7	18	3			
Depreciation	59	4	7	3	6			
Occupancy	141	10	7	19	13			
Other costs	313	21	7					
EBIT	219							
Totals				40				



# Analysis of income statement

Rm	To Dec 2009	Approx effect of inflation	%	Capacity growth	%	Efficiency savings	%	To Dec 2010
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Other costs	313	21	7			10	3	
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Totals				40		10		

# Analysis of income statement

Rm	To Dec 2009	Approx effect of inflation	%	Capacity growth	%	Efficiency savings	%	To Dec 2010
Revenue	1376	94	7					1470
Remuneration	644	44	7	18	3			706
Depreciation	59	4	7	3	6			66
Occupancy	141	10	7	19	13			170
Other costs	313	21	7			10	3	324
EBIT	219							204
Totals				40		10		

# Analysis of income statement

Rm	To Dec 2009	Approx effect of inflation	%	Capacity growth	%	Efficiency savings	%	To Dec 2010
Revenue	1376	94	7					1470
Remuneration	644	44	7	18	3			706
Depreciation	59	4	7	3	6			66
Occupancy	141	10	7	19	13			170
Other costs	313	21	7			10	3	324
EBIT	219							204
Totals				40		10		

Investment in capacity growth is thus approx 3% of total expenditure  
 This is offset by savings of 1%  
 Total expenditure growth is then 9%, revenue growth 7%

# Balance sheet

Rm	2010	2009	%ch
Non current assets	<b>853</b>	788	8%
Debtors and other current assets	<b>94</b>	101	-7%
Cash and equivalents	<b>38</b>	40	
Current assets	<b>132</b>	141	
Total assets	<b>985</b>	929	
Shareholders funds	<b>678</b>	611	11%
Fees in advance	<b>123</b>	101	22%
Other payables	<b>184</b>	217	-15%
Funds employed	<b>985</b>	929	

# Cash flow features

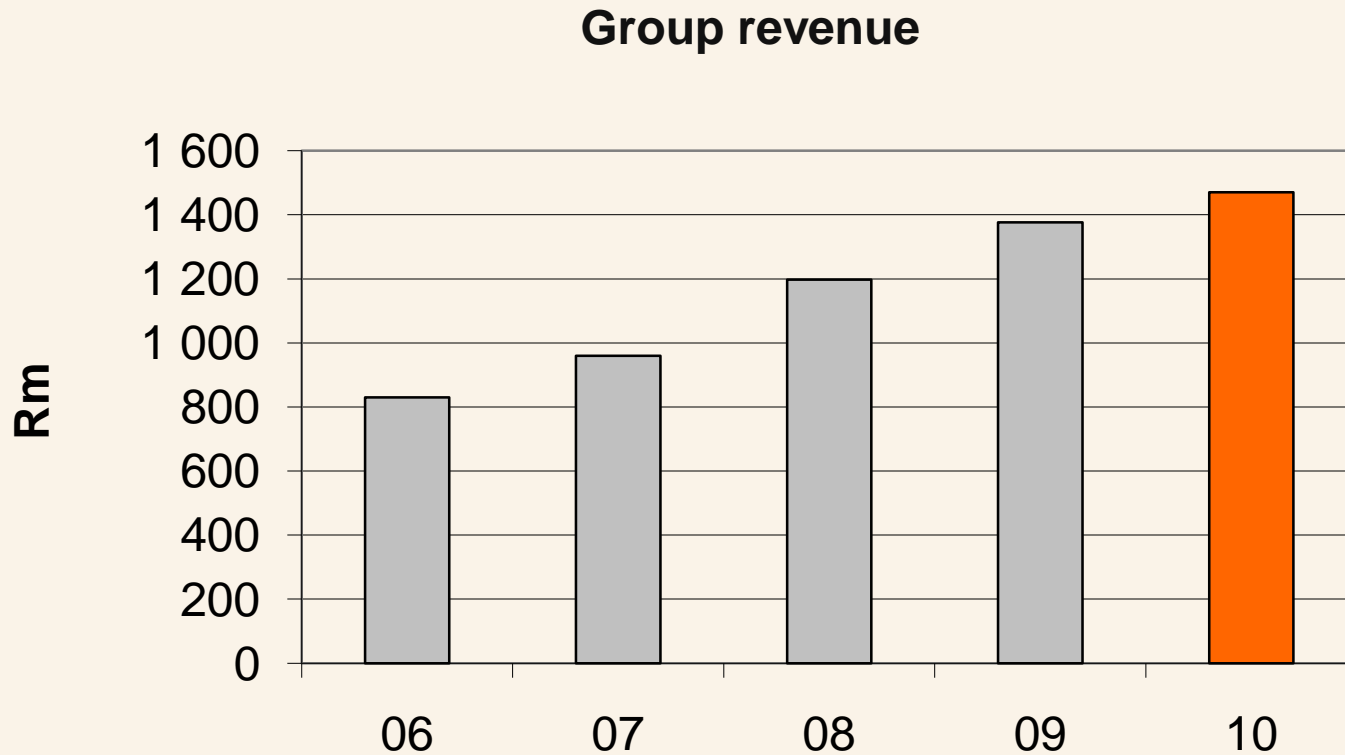
Rm	2010	2009
Cash generated from operating activities	<b>276</b>	284
Working capital change	<b>-4</b>	31
Cash generated	<b>272</b>	314
Net cash outflow into investing activities	<b>-122</b>	-156
Free operating cash flow before capex	<b>216</b>	255
<i>Cash conversion of HEPS</i>	<i>145%</i>	<i>160%</i>

# FINANCIAL ANALYSIS



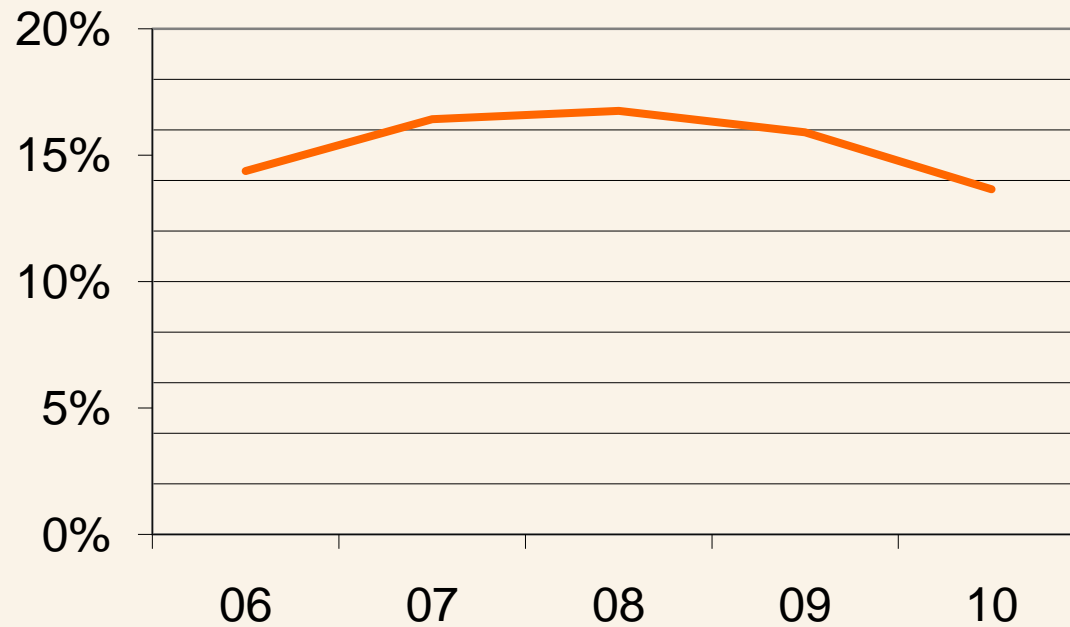


# Revenue trend



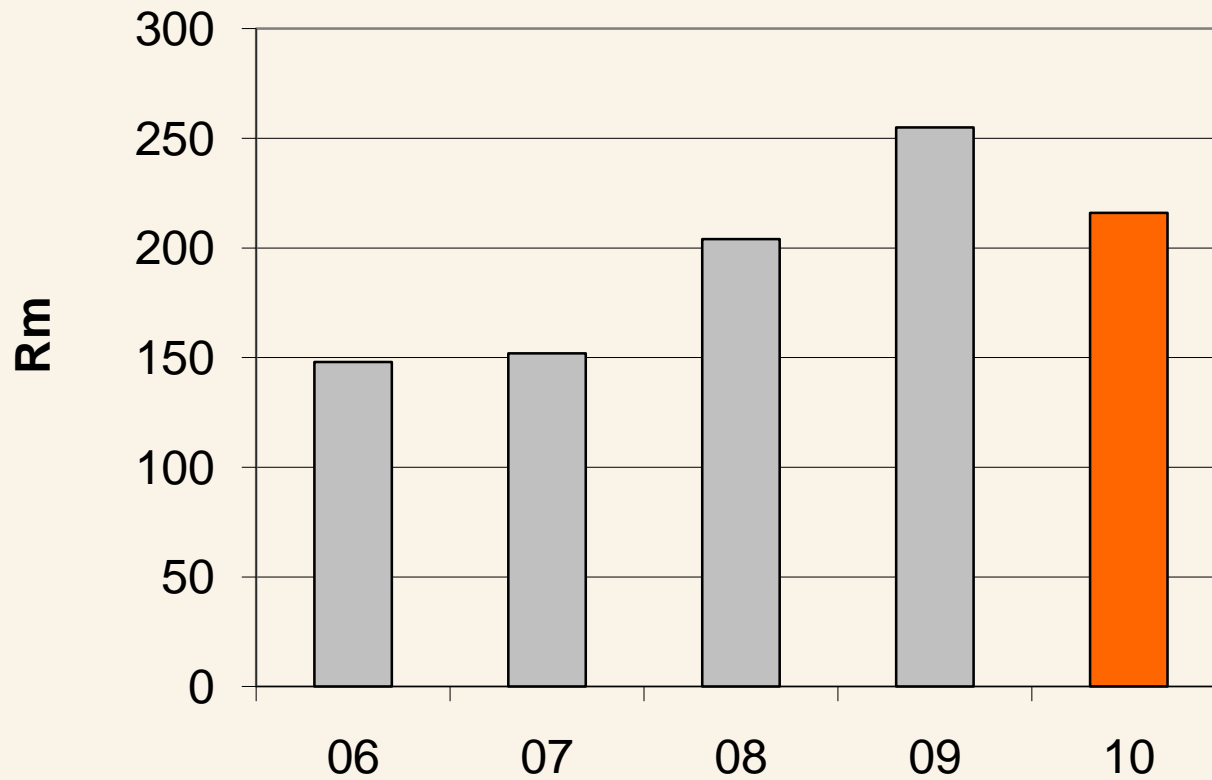
***5-year CAGR in revenue = 17%***

# Group operating margin

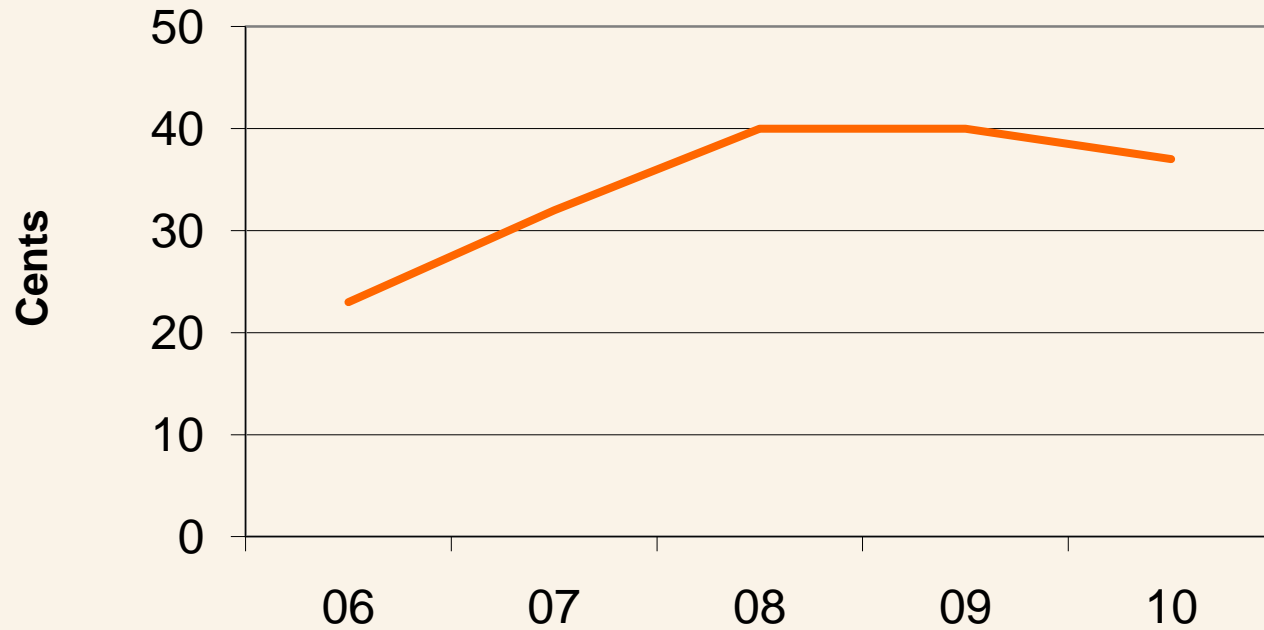


# Cash flow generation

## Free operating cash flow before capex



# HEPS trend

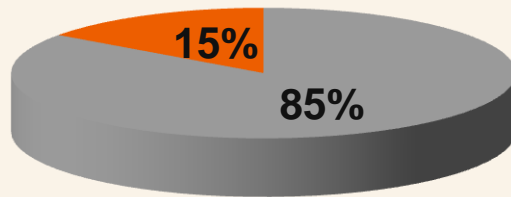


**5-year CAGR in HEPS = 18%**

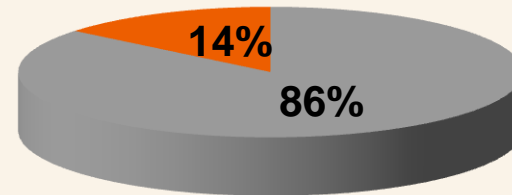
# Segmental analysis

## Revenue

2009



2010

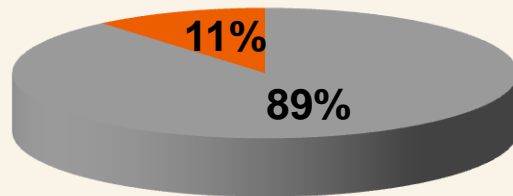


■ Education ■ Resourcing

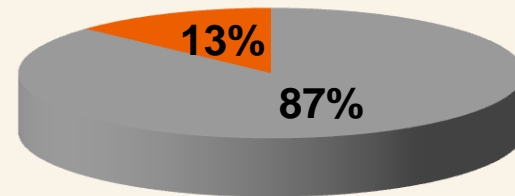
# Segmental analysis

## Operating profit

2009



2010

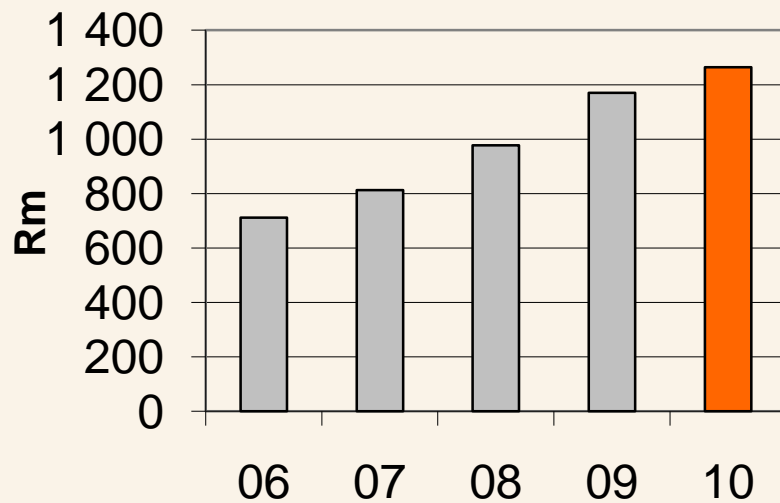


■ Education    ■ Resourcing

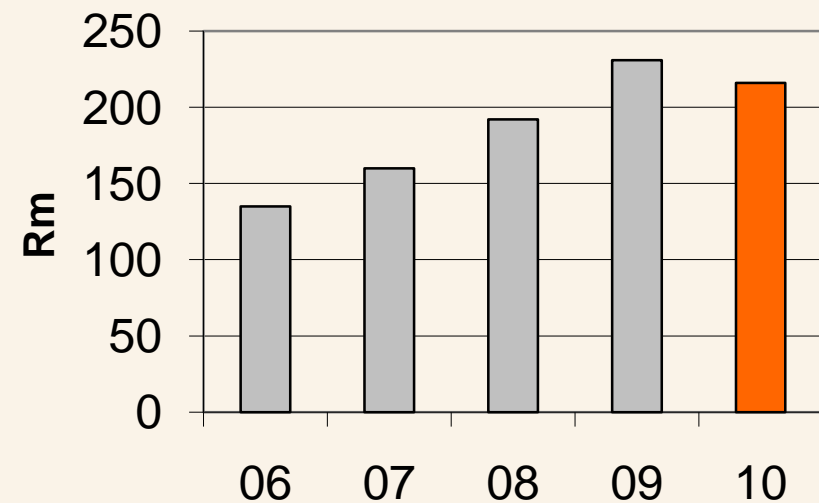


# Education trends

## Revenue

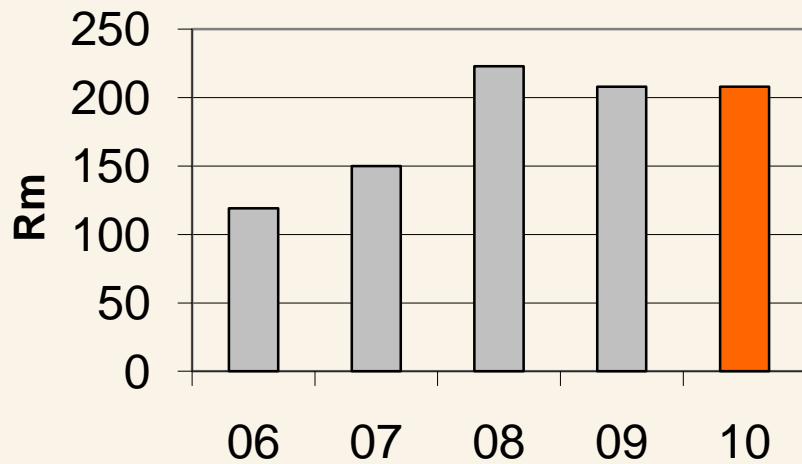


## Operating profit

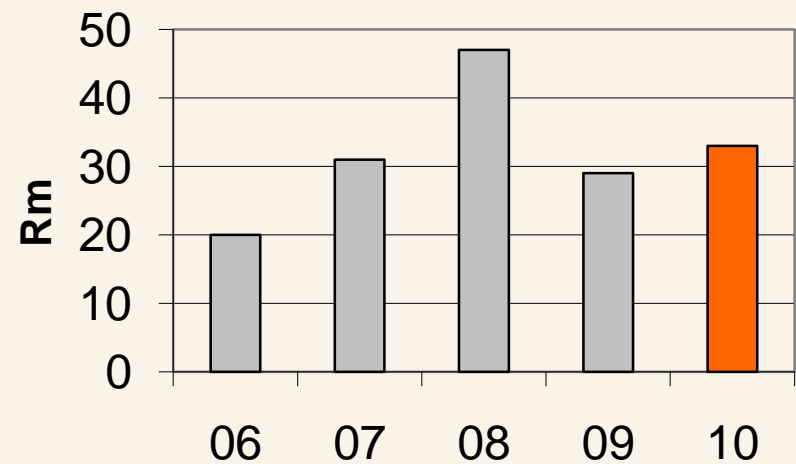


# Resourcing trends

## Revenue



## Operating profit



# PROSPECTS



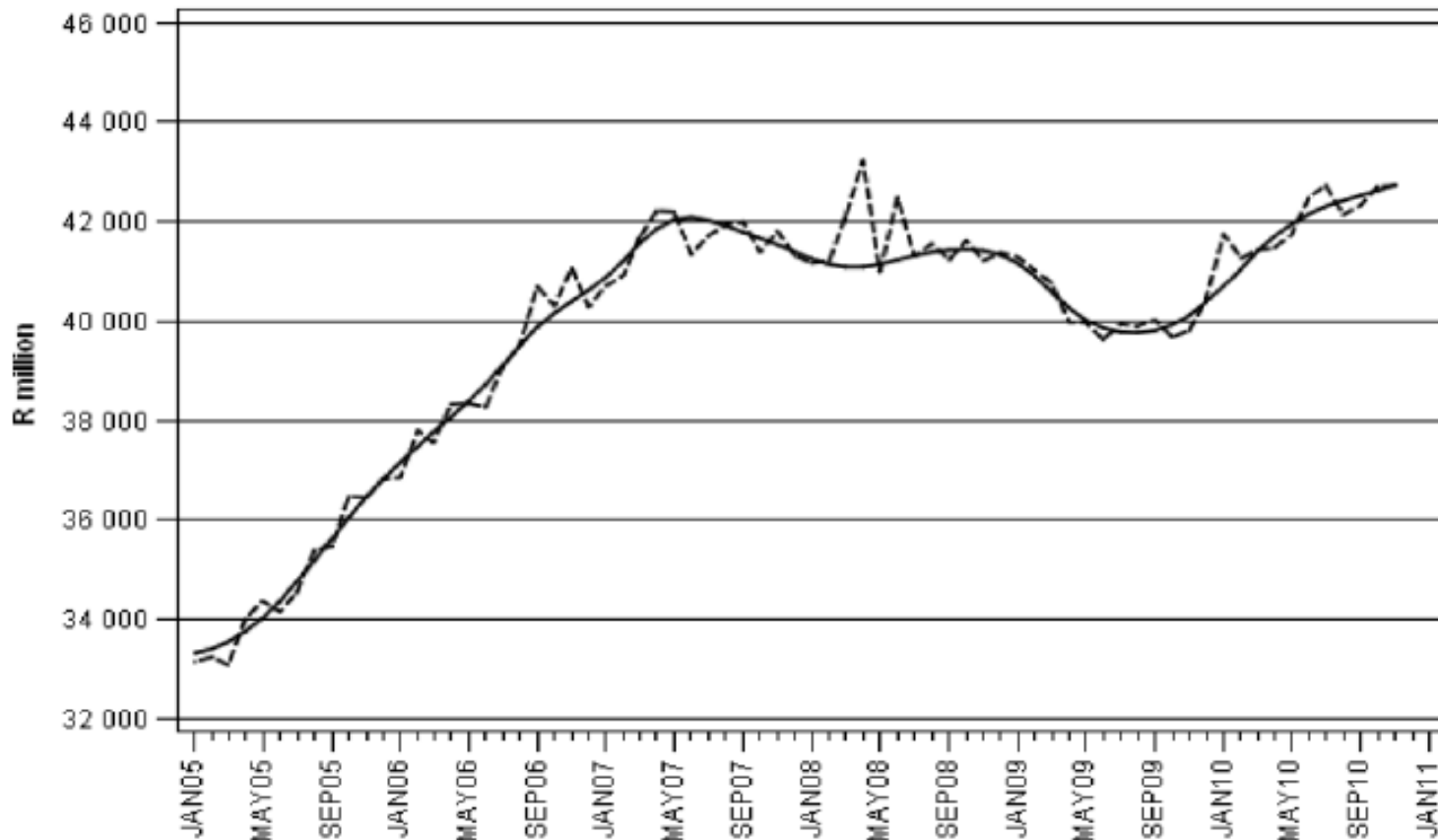
# GDP growth 2007 - 2011



Source: [TradingEconomics.com](http://TradingEconomics.com)

# Retail sales trend 2005 - 2011

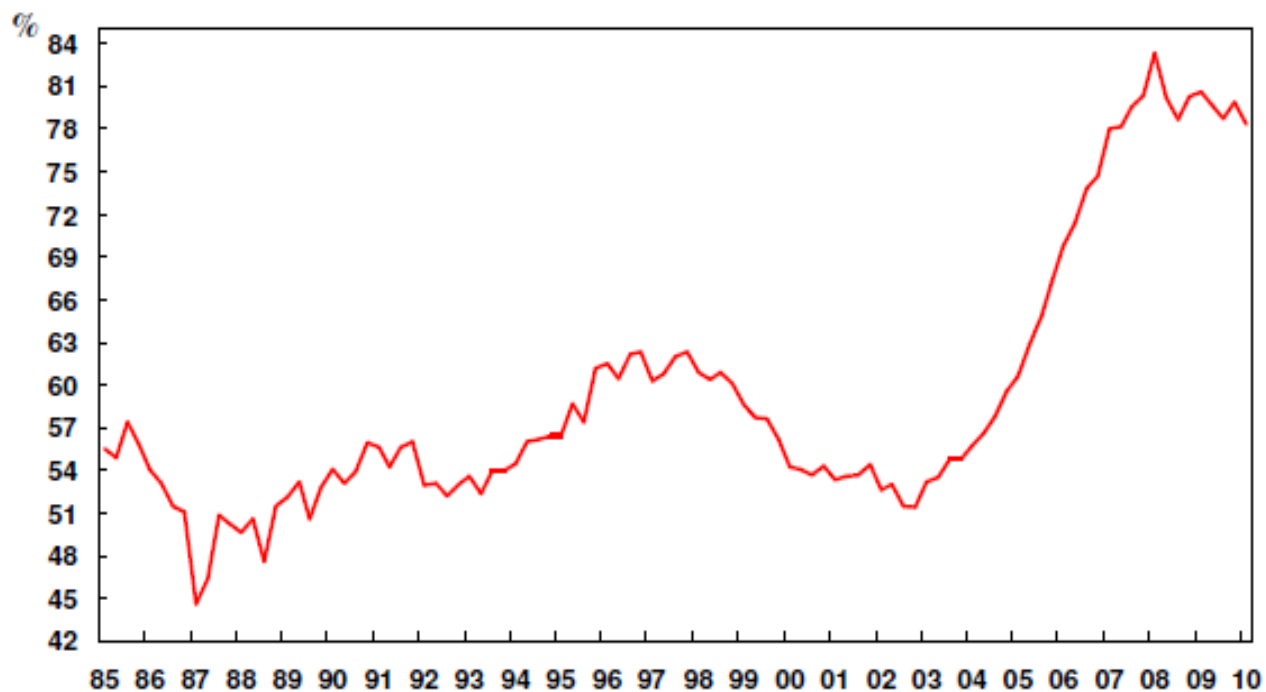
## SA retail sales trend



Source: Stanlib

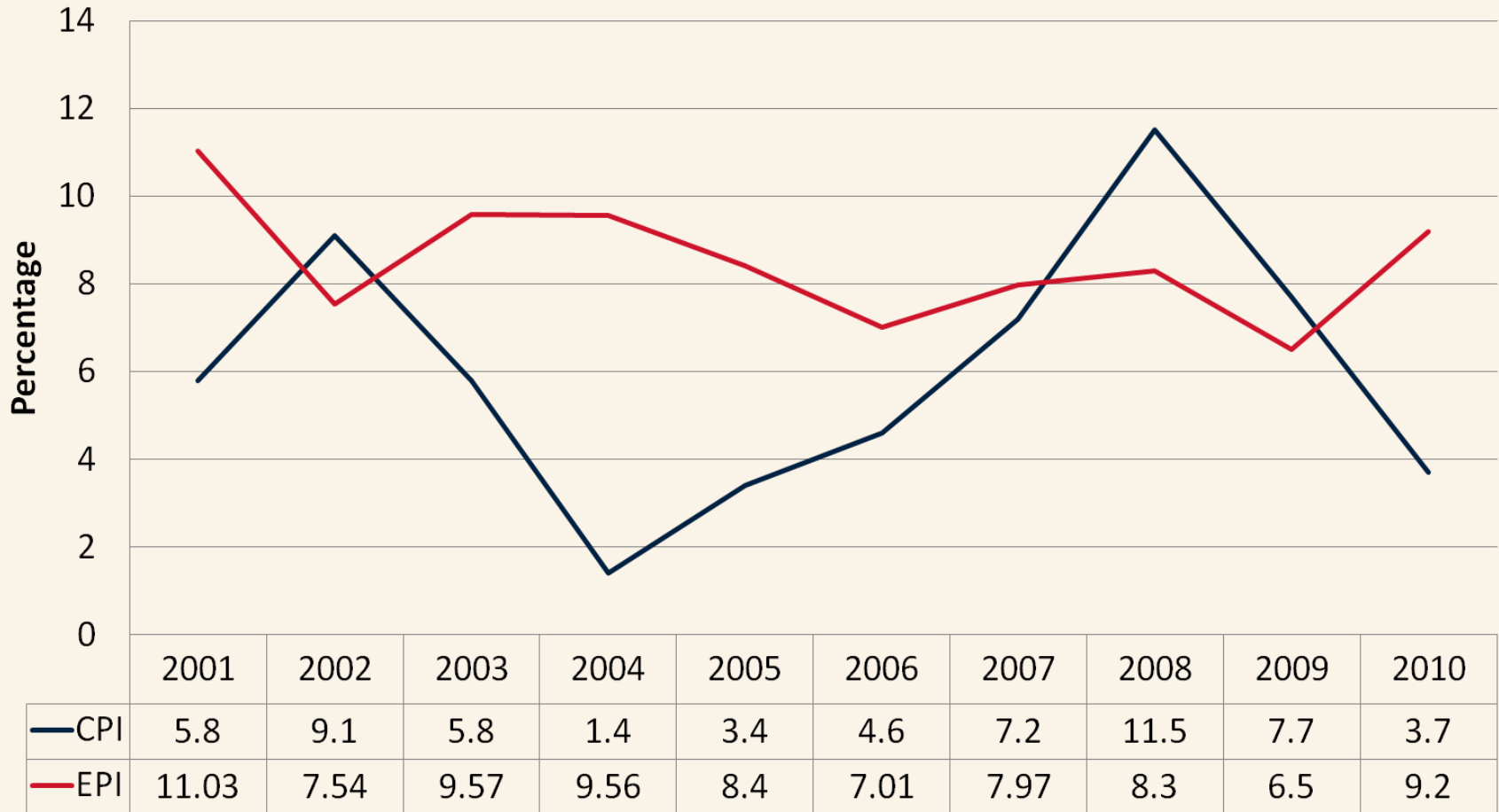
# Effect of household debt

## SA household debt as % of disposable income



# Price indices

**CPI and Education Price Index (EPI)**  
**Year on year percentage change, 2001 to 2010**



*The Education Price Index component of the CPI is made up of public and independent school fees, tertiary education fees and some sundries related to education (e.g. Boarding). The 2010 CPI and EPI figures are based on data from July 2010.*

## Factors for ADvTECH

- ▼ Recovery underway
- ▼ Some consumers still under pressure
- ▼ Uncertainty of government contracts
- ▼ Education division demonstrated resilience
- ▼ Resourcing division gained market position and returned to profit growth



## **Education**

- Strategy of investing in quality education
- High academic standards
- Graduate and alumni success

## **Resourcing**

- Successfully met difficult market challenges
- Market niche focus
- High demand scarce skills

Sound management, balance sheet and cash flow sustain well-proven business model and long term investment planning

## Outlook

- ▼ With demonstrable demand
- ▼ Provided the recovery continues to materialise
- ▼ Ongoing planned investment
- ▼ Expectation of continued and improved contribution to the economy

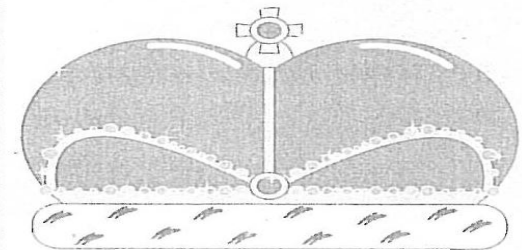
# Market recognition



The Winners pg 14 • SA Giants pg 22 • Top Performers pg 94



- ▼ ADvTECH was once more included in the Top 20 rankings for 2010 by both the *Financial Mail* and the *Sunday Times*.
- ▼ An additional accolade was the naming of ADvTECH as one of 'The Royals' by the *Sunday Times*, marking our inclusion in the Top 20 rankings for three successive years.



## THE ROYALS

Companies who qualified in the top 20 over the most recent three consecutive years.

Capitec Bank

Kumba Iron Ore

Shoprite

Assore

Basil Read

Pinnacle Technology

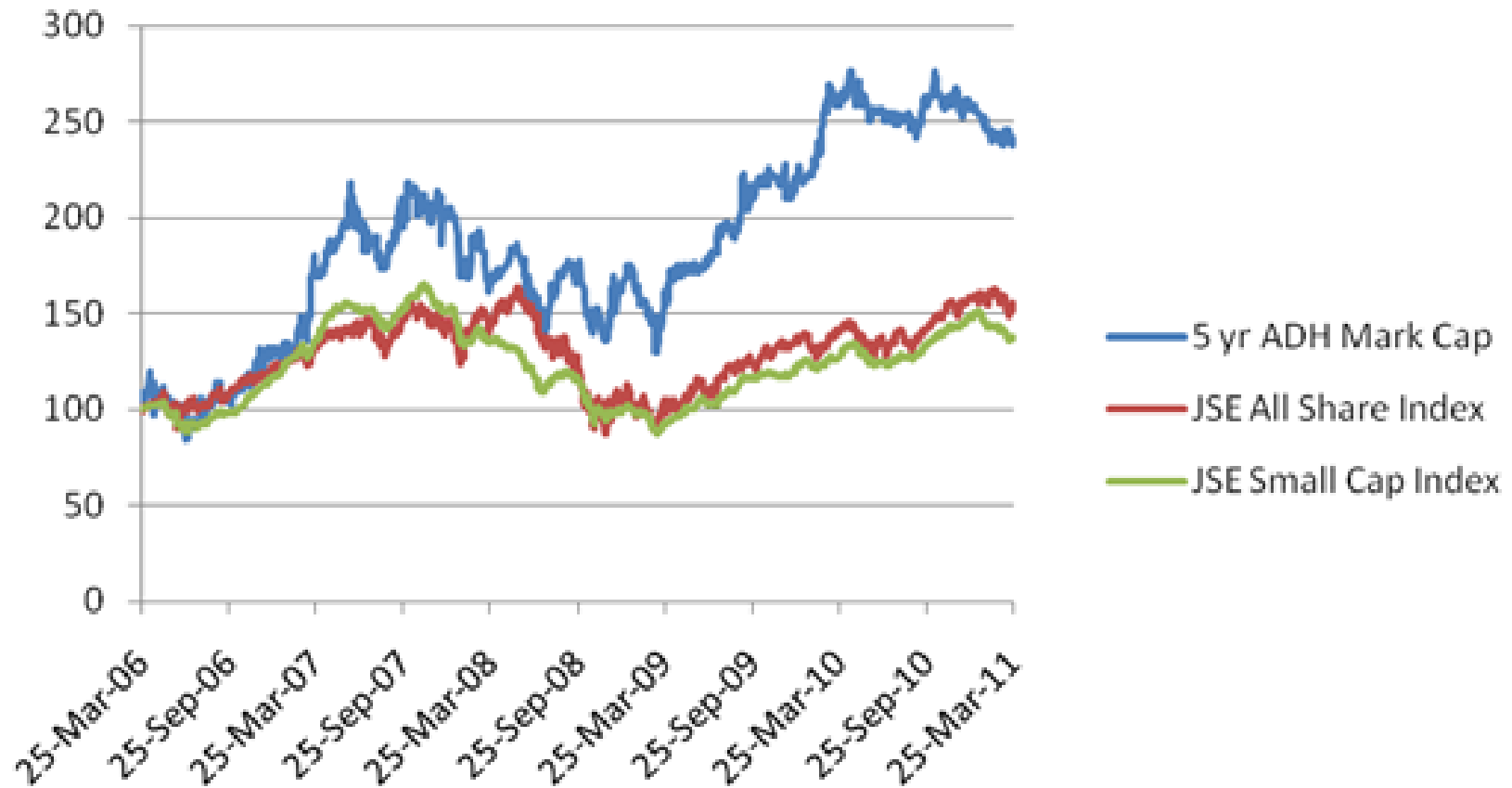
**ADvTECH**

Howden Africa

Wilson Bayley Holmes-Ovcon

Graphic: FIONA KRISCH Source: I-NET BRIDGE

# 5 Year – Market Cap Index



# QUESTIONS

