

ADvTECH Limited

(Incorporated in the Republic of South Africa)

(Registration number 1990/001119/06)

Share code: ADH ISIN: ZAE000031035

("the Company" or "ADvTECH" or "the Group")

## **TRADING STATEMENT AND OPERATING UPDATE FOR THE SIX MONTHS ENDED 30 JUNE 2020**

### **Business update**

The underlying performance of the Group during the six months ended 30 June 2020 has been most encouraging with a sustained level of performance from the tertiary division, a strong improvement in the schools operational performance, and an excellent result from the rest of Africa resourcing business.

The impact of COVID-19 was felt by all our divisions but had its greatest effect on the earnings in the resourcing division in South Africa and schools in the rest of Africa, specifically Makini, owing to the loss of the school year in Kenya. The Group continued to prioritise the delivery of quality education to our students, despite the unprecedented circumstances created by COVID-19. In addition, management took the following actions to defend the business:

- Curtailed costs without furloughing employees in the schools and tertiary divisions;
- Preserved cash, including through the lowering of capital expenditure; and
- Capitalised on past strategic decisions that enabled the seamless transition to online education and continued efficiency improvements.

Pleasingly, both education divisions delivered resilient performances despite an increase in doubtful debts due to the impact of the national lockdown and the weaker economy. Aside from the effects of COVID-19, schools were further affected by the loss of fees for additional educational services such as boarding, aftercare and extra-curricular activities as well as some withdrawals of students particularly at pre-school level.

The rest of Africa resourcing business delivered a robust performance which resulted in good revenue growth for the resourcing division.

The cash preservation measures implemented during the period, has resulted in a significant reduction in net borrowing from that reported at 31 December 2019.

### **Trading Statement**

The Group reports normalised earnings per share ("NEPS") in order to eliminate the effect of one-off transactions and corporate action costs from its results.

NEPS for the six months ended 30 June 2020 is expected to be between 0% and 5% lower than the comparative reporting period for the six months ended 30 June 2019 ("the comparative period") or between 40.4 and 42.5 cents per share as compared to 42.5 cents per share in the comparative period when excluding the one-off aspects from consideration.

To calculate Headline earnings per share ("HEPS"), the following adjustments are deducted from NEPS:

- legal and other corporate actions costs;
- write-off of deferred tax assets in subsidiaries where it is considered non-recoverable; and
- the revaluation of deferred tax assets in the Kenyan subsidiaries resulting from a reduction in the tax rate.

HEPS is expected to be between 6% and 11% lower than the comparative period or between 38.6 and 40.8 cents per share as compared to 43.4 cents per share in the comparative period.

To calculate Earnings per share ("EPS"), the following adjustments are excluded from HEPS:

- The loss on disposal of University of Africa; and
- The one-off non-cash accounting impairments on the intended re-branding of the Maragon schools and the assets of two non-performing schools.

In accordance with paragraph 3.4(b) of the Listings Requirements of the JSE Limited, shareholders are therefore advised that EPS for the six months ended 30 June 2020 is expected to be between 22% and 27% lower than the comparative period. EPS is expected to be between 32.4 and 34.6 cents per share as compared to 44.4 cents per share for the comparative period, including the effect of the above adjustments.

The financial information on which this trading update is based, has not been reviewed or reported on by the Group's external auditors.

ADvTECH expects to release results for the six months ended 30 June 2020 on the Johannesburg Stock Exchange News Service on or about Monday, 31 August 2020.

20 August 2020

Johannesburg

Sponsor: Bridge Capital Advisors Proprietary Limited