

Advtech makes two specialist acquisitions

Private education conglomerate Advtech has capped a strong interim performance from its tertiary division by making two specialist acquisitions. On Monday the company announced it had acquired Capsicum Culinary School and a stake in distance-learning specialist Oxbridge Academy with effect from 1 July.



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Capsicum is one of the country's largest culinary schools with about 600 full-time students across six campuses. Advtech CEO Roy Douglas said the Capsicum acquisition was part of the company's tertiary thrust into niches where employment opportunities were good.

"We think the tourism/hospitality sector should offer great career opportunities. We had this in mind when buying Capsicum."

Advtech also snapped up a 51% stake in Oxbridge Academy.

Douglas said Advtech had not yet meaningfully tackled the distance-learning sector, saying that 40% of tertiary students were engaged in this form of studying.

He said the Oxbridge partnership offered a wide variety of qualifications and introduced 20,000 distance-education students to the group.

"The deal provides a platform on which to expand our distance-education offering," he said.

Alpha Wealth portfolio manager Keith McLachlan said Advtech had long been building its digital and distance-learning capabilities. "Oxbridge will be able to leverage Advtech's core educational capabilities to roll out scale in distance learning.

"This is one way to push into Africa without having to put too much capital expenditure in the ground."

Advtech's six months to end-June numbers showed its tertiary division, with brands such as Rosebank College, Vega, The Design School Southern Africa, Varsity College, and Forbes Lever Baker, was the star performer.

The tertiary division contributed 36% of total revenue, growing 20% to R593m, mainly through organic student growth. Operating profit rocketed 57% to R100m, with the operating margin fattening markedly to 17%.

Douglas said all tertiary brands performed well, but he singled out Rosebank College and Varsity College as showing particularly pleasing results. He said the turnaround phase at the tertiary operations was now complete, and the division could embark on the second phase of its growth strategy to introduce new niche qualifications and secure growth in the distance-education sector.

McLachlan said Advtech's tertiary offering was somewhat overlooked, as the market tended to focus on the private school brands.

"But it's a big part of Advtech's overall business, and (rival private education business) Curro recently cited tertiary education as a massive growth sector for the future."

Advtech's core private school offering - mainly the Crawford, Trinity House, and Abbotts brands - also put in a commendable interim performance.

The schools division accounted for half of total revenue, increasing its top line contribution 20% to R822m with operating profit jumping 25% to R164m.

Douglas said the schools division continued to reap the benefits of recent acquisitions, with contributions from Maravest being included for the first half of the year (compared to only two months in the same period in 2015).

Advtech's schools division, which initially focused on the premium independent schools sector, has recently pushed aggressively into mid-fee segments.

The school division comprises 81 schools across 43 campuses, with Douglas predicting that overall growth for the division, including new schools and acquisitions, would continue steadily.

Overall Advtech pushed up profit after tax 53% to R233m, with normalised earnings coming in 24% higher at 31.9c per share, due to additional shares in issue following a recent rights offer.

The company's cash-flow prowess was again a highlight.

Cash generated by operating activities, including a litigation settlement, topped R610m - although there was an element of caution in the interim dividend being hiked only 8% to 13.5c per share.

Free operating cash flow grew by 39% to R505m, equivalent to 97c per share.

Source: *Business Day* via I-Net Bridge

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