

# STADIO

— HOLDINGS —

2021 Annual Results  
for the year ended 31 December 2021

14 March 2022

# PRESENTATION OVERVIEW



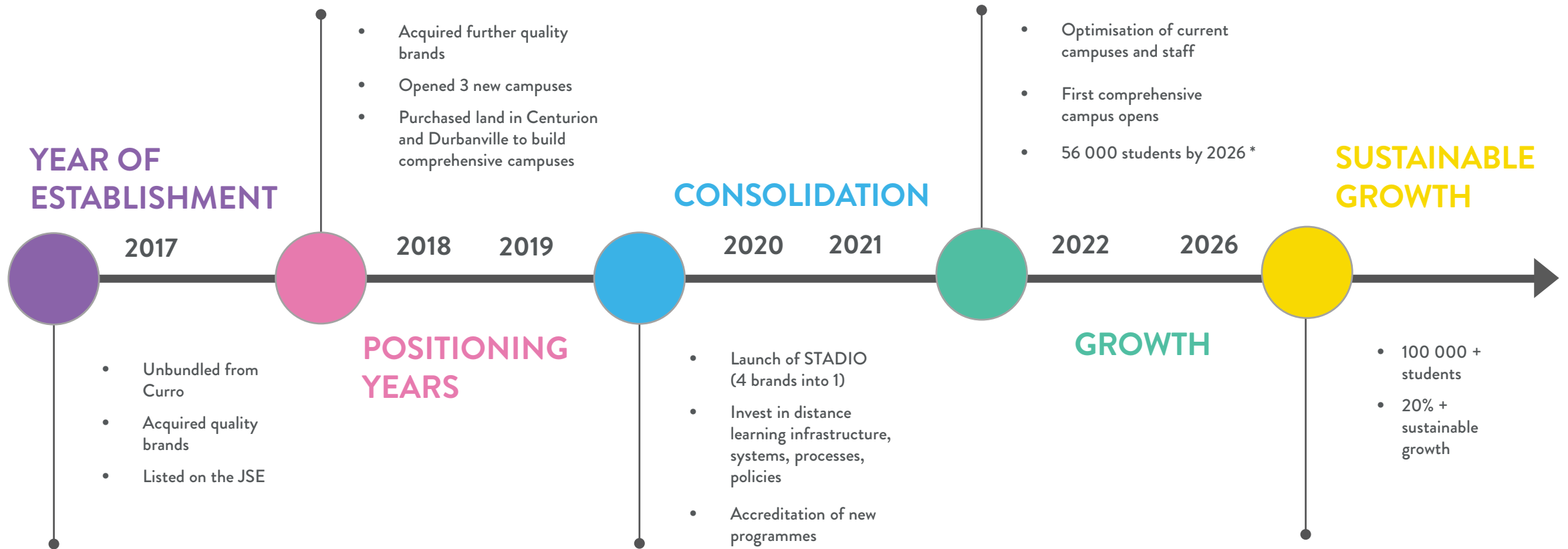
# STADIO

— HOLDINGS —



... THREE DISTINCT PRIVATE HIGHER EDUCATION INSTITUTIONS

# A SNAPSHOT OF THE STADIO GROUP



\* In accordance with Pre-Listing Statement

**WE STAND FOR:** **W** - Widening Access **W** - World of Work **S** - Student Centric

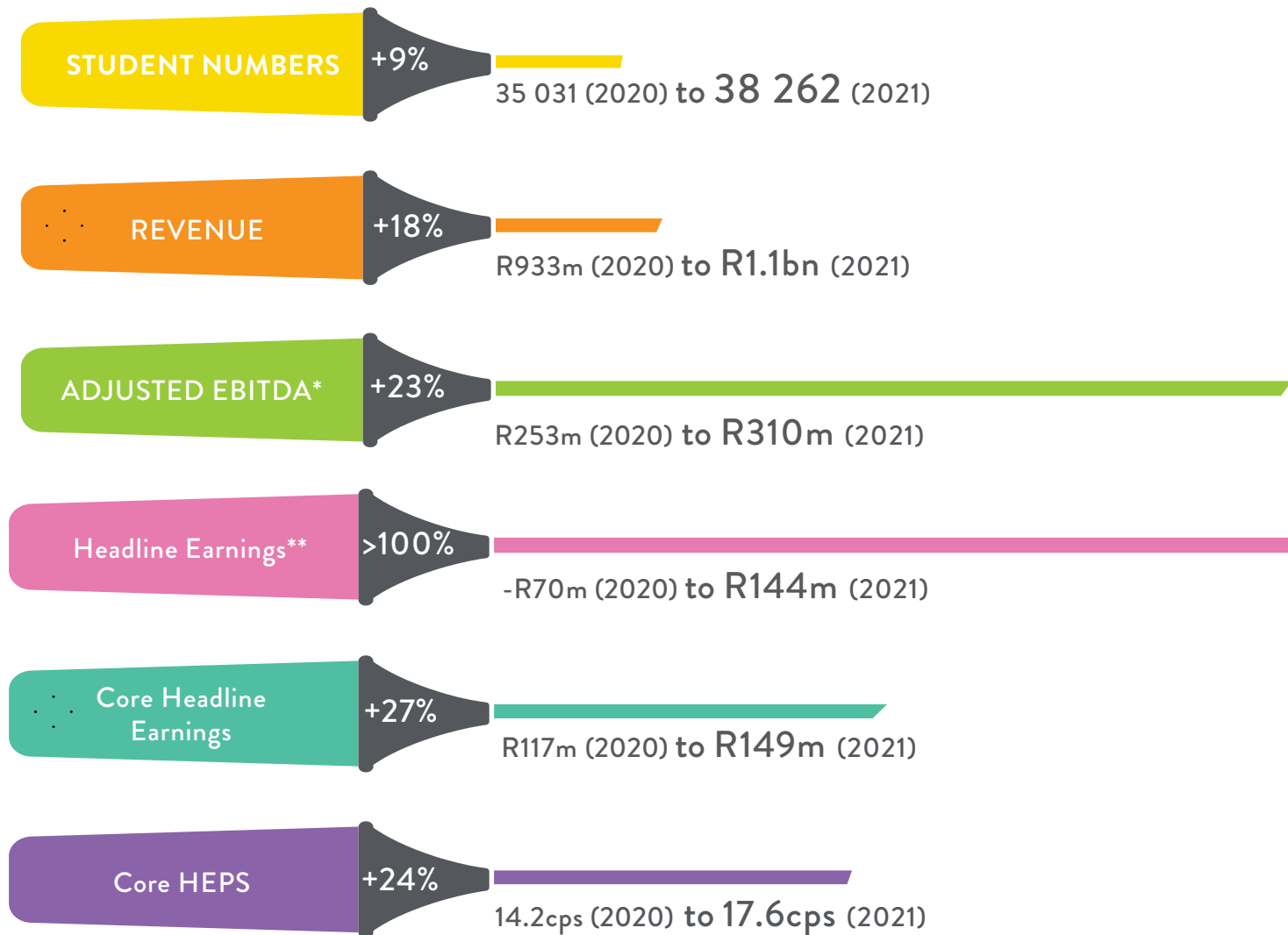
# MEET THE TEAM DRIVING THE GREAT RESULTS

STADIO  
— HOLDINGS —



# 2021 FINANCIAL HIGHLIGHTS – DEC 2020 TO DEC 2021

STADIO  
— HOLDINGS —



## Notes

\*Adjusted EBITDA is Earnings before interest, taxation, depreciation, and amortisation adjusted for the following once-off adjustments in 2020:

1. CA Connect fair value adjustment
2. Trademark impairment related to the Business Transfer

\*\*Headline Earnings was also impacted by the CA Connect fair value adjustment in 2020

4.7cps  
**MAIDEN**  
**DIVIDEND**  
**DECLARED**



**Notes:**

- Return excess cash to shareholders whilst balancing future growth projects
- Strong balance sheet with limited gearing



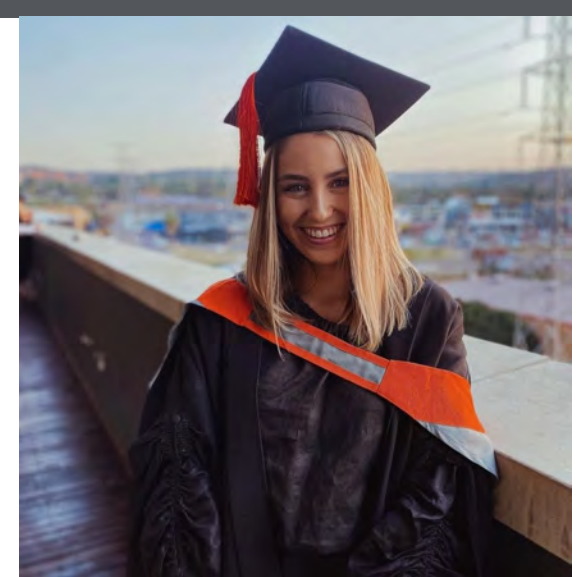
# FINANCIAL RESULTS

Ms Samara Totaram - CFO



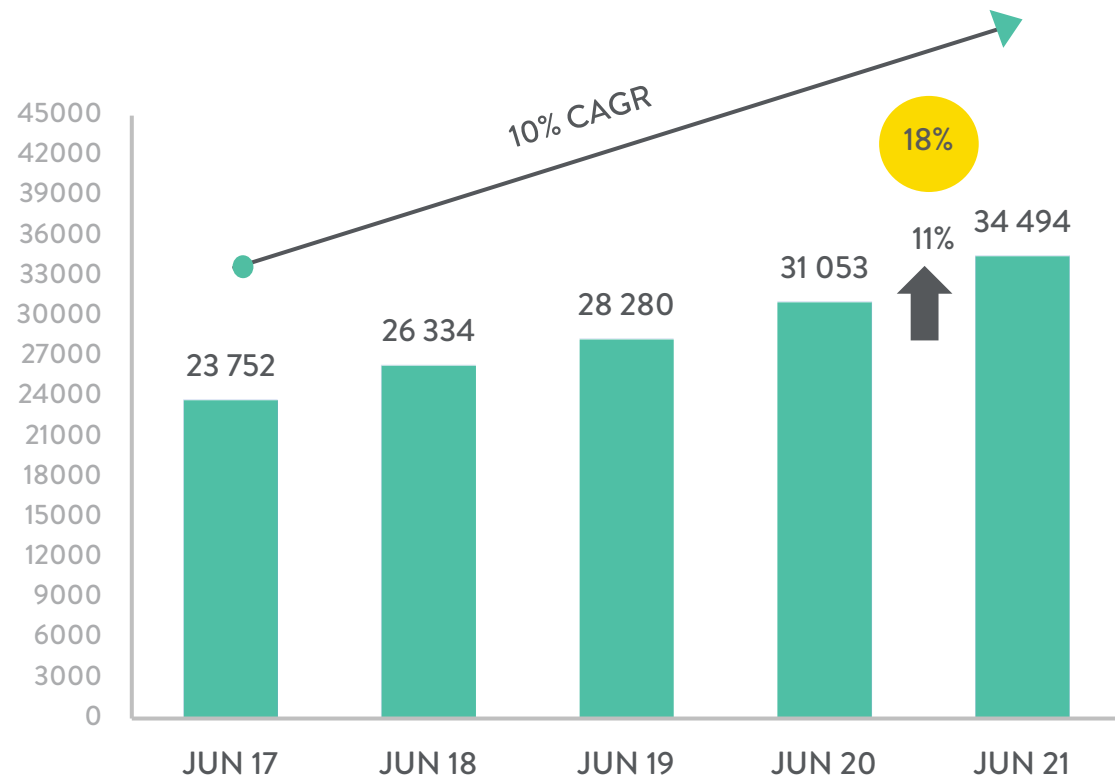
# 2021 RESULTS NOTES

- STADIO Centurion Phase I construction completed – R 235m
  - Open for new students in 2022
  - Commenced with Phase II construction – to be completed in 2022
- STADIO Durbanville land acquisition – total cost R71m
  - R52m for transfer of land; R19m for development contributions
- Acquired remaining 26% of STADIO Namibia for R8m
- Disposal of STADIO Montana for R52m (impairment of R10m)
  - Students transferred to STADIO Centurion
- Milpark moves to purely distance learning offering:
  - All contact learning students to be transferred to distance learning in 2022
  - Milpark Gauteng campus to be closed (impairment of RoUA – R17m)
- CA Connect early settlement agreement concluded
  - Final settlement value of R 201m
  - R68m settled in June 2021
  - Shares in Milpark (R100m) treated as an equity issue in June 2021 for IFRS reporting
  - Dilution of shareholding in Milpark from 87.2% to 68.5%

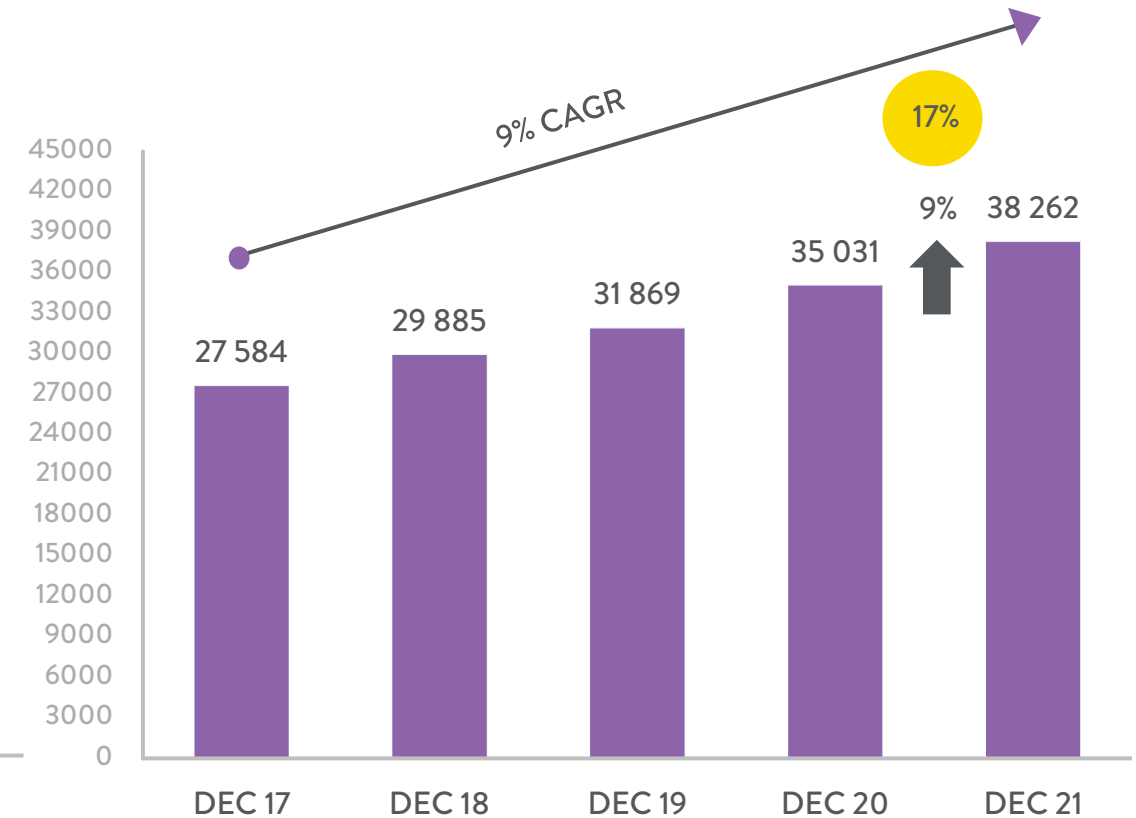


# TOTAL STUDENT NUMBERS (LIKE-FOR-LIKE)

SEMESTER 1: 30 JUNE



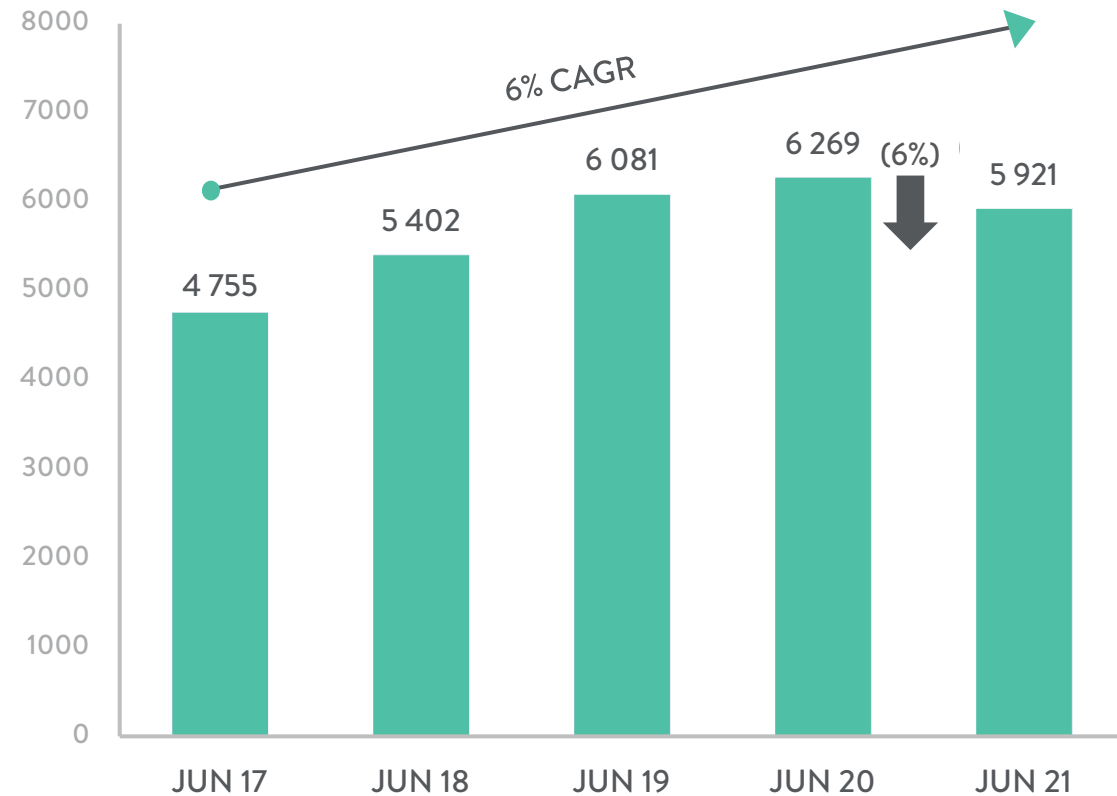
SEMESTER 2: 31 DECEMBER



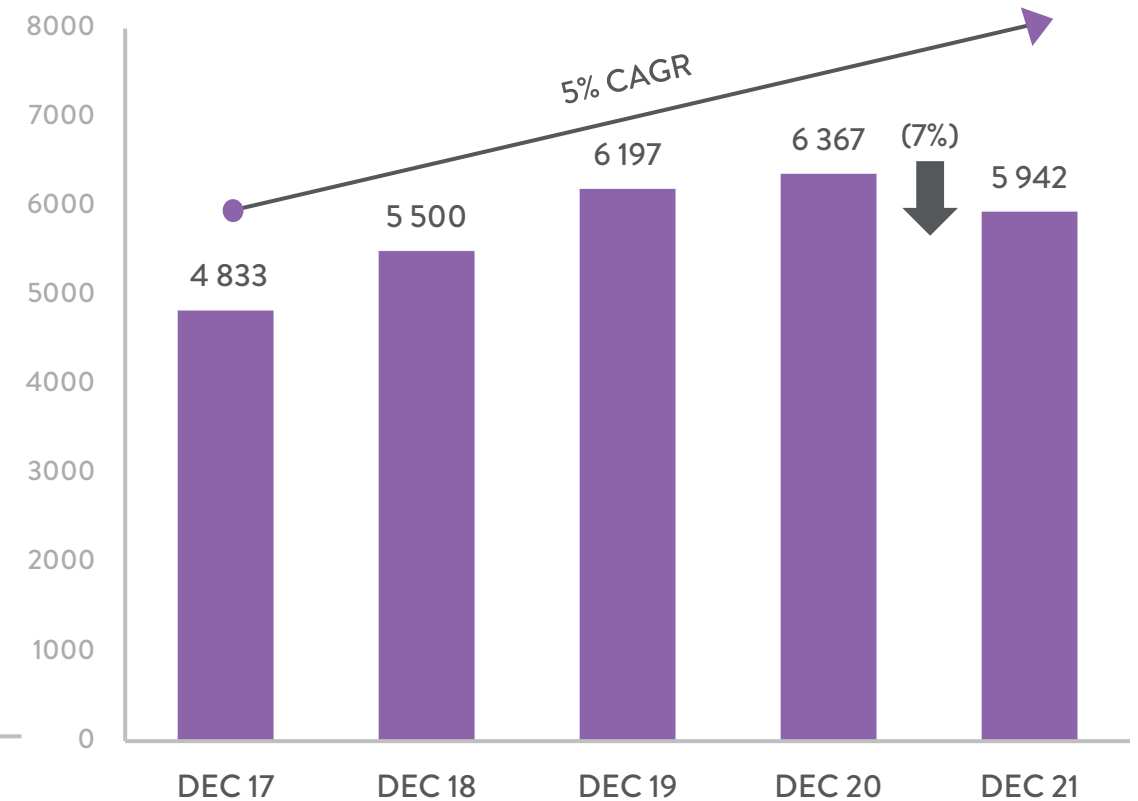
 EXCLUDING CYCLICAL B2B

# STUDENT NUMBERS - CONTACT LEARNING

SEMESTER 1: 30 JUNE

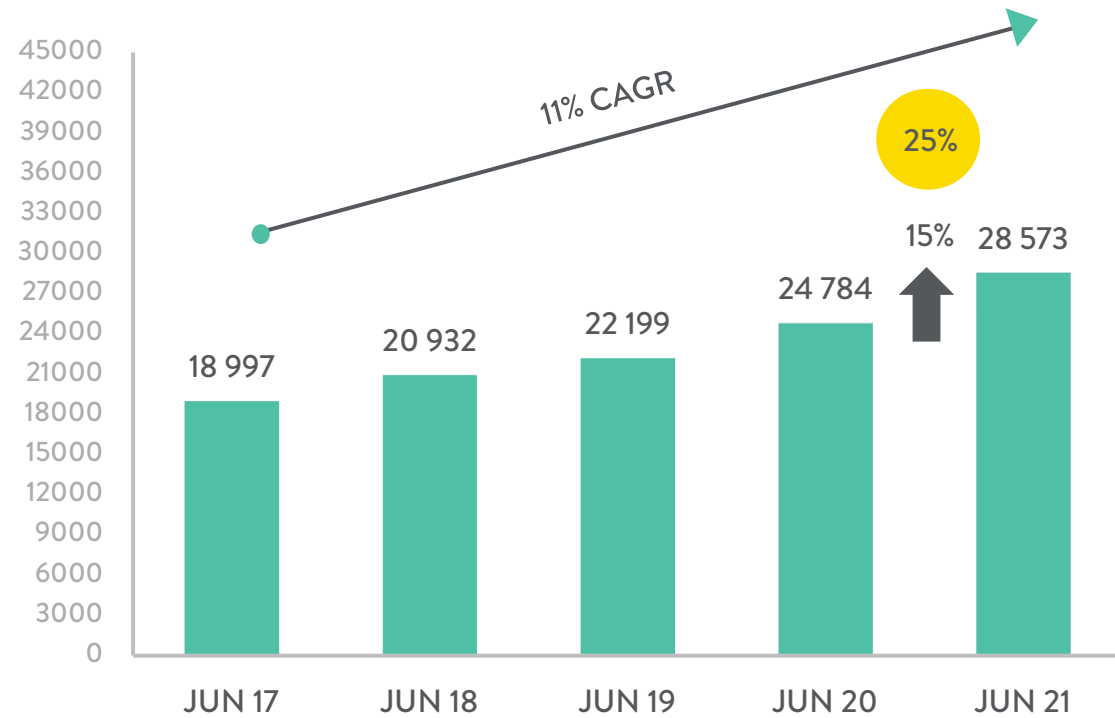


SEMESTER 2: 31 DECEMBER

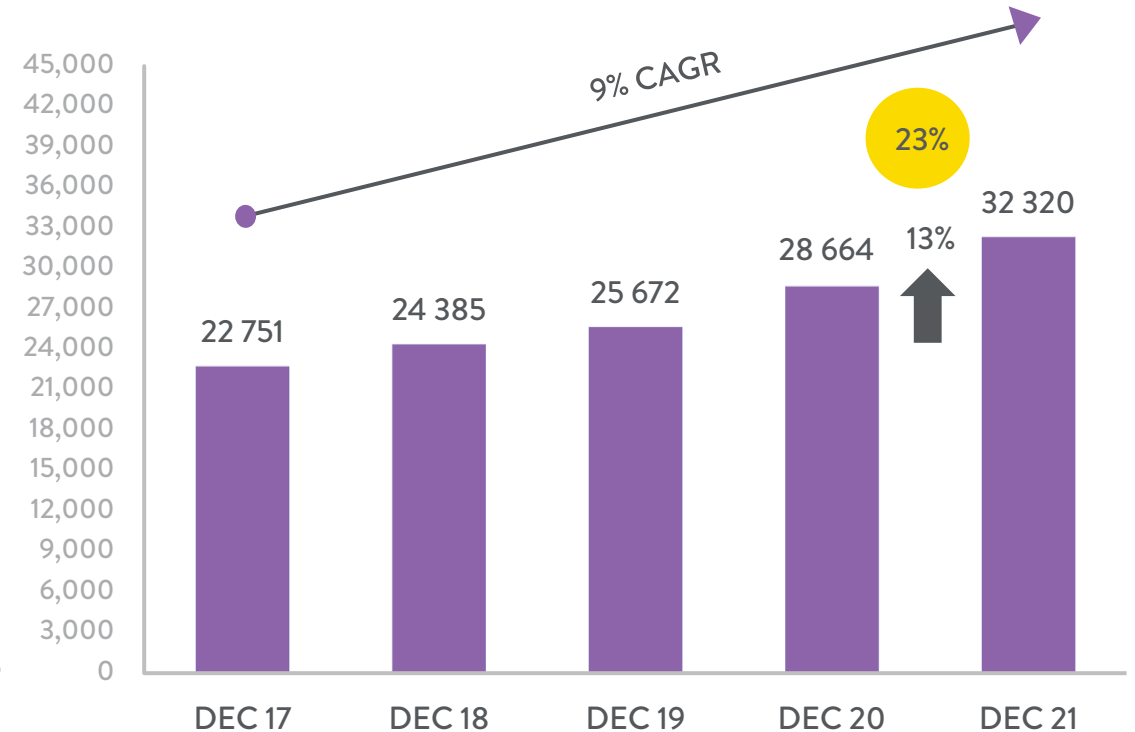


# STUDENT NUMBERS - DISTANCE LEARNING

SEMESTER 1: 30 JUNE



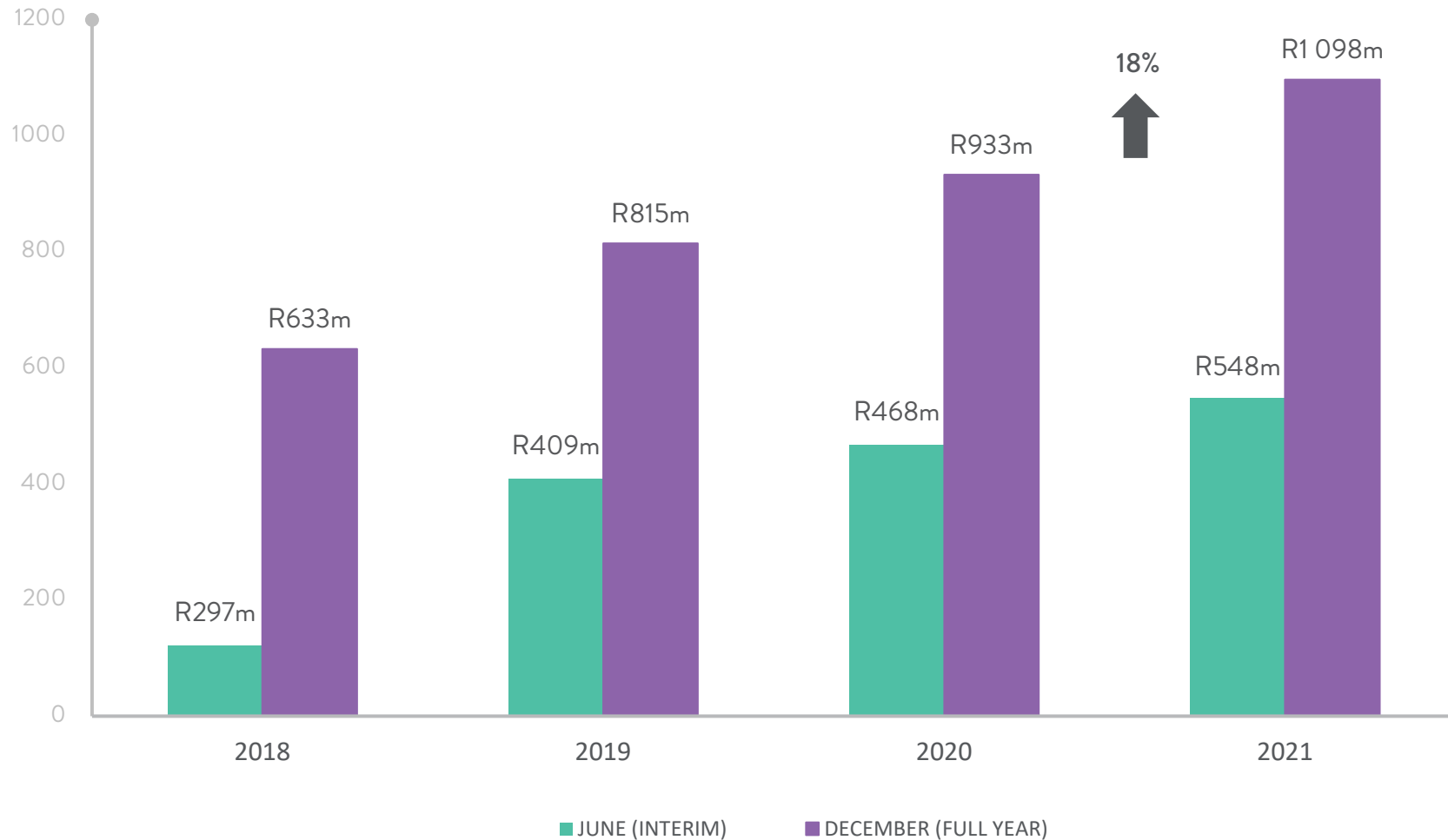
SEMESTER 2: 31 DECEMBER



 EXCLUDING CYCLICAL B2B

# REVENUE

REVENUE (R millions)

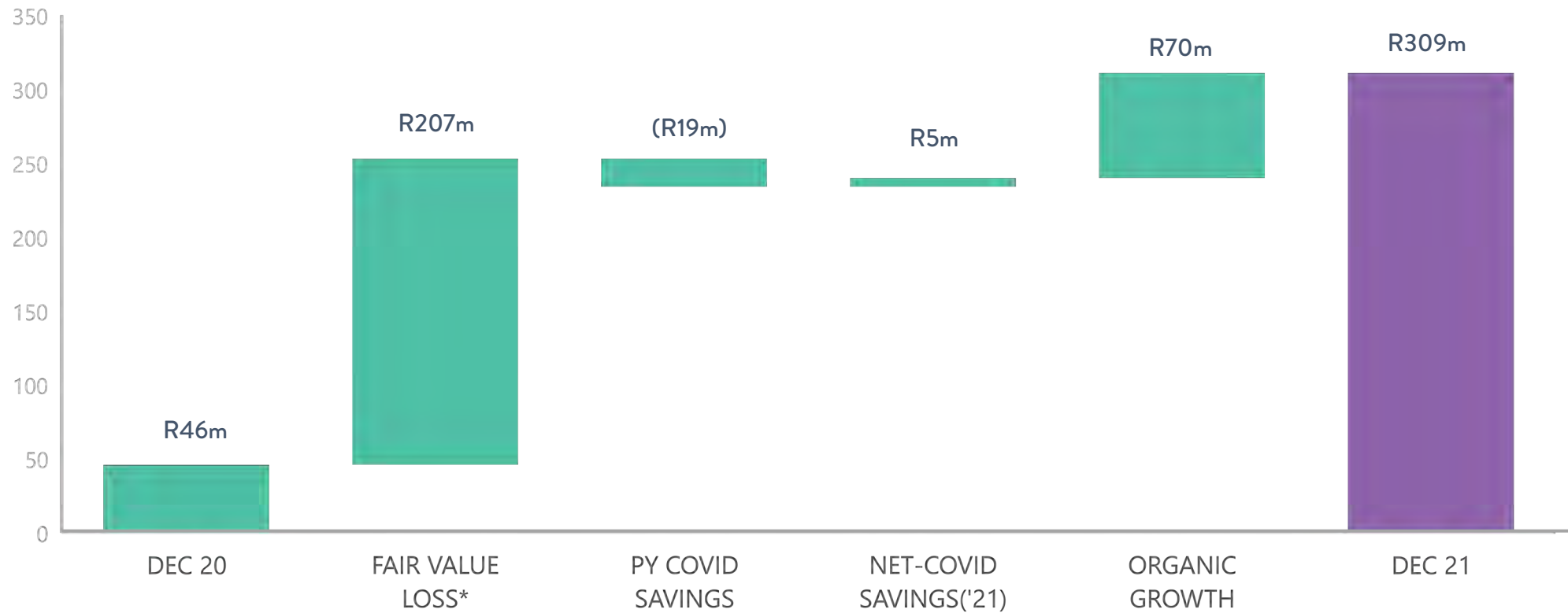


## REVENUE

- 18% growth in Revenue
- 22% improvement in Short Course income
- Increase in Other Income driven by:
  - increase in academic income e.g. supps, remarks, levies etc.
  - Insurance refunds

# EBITDA MOVEMENT

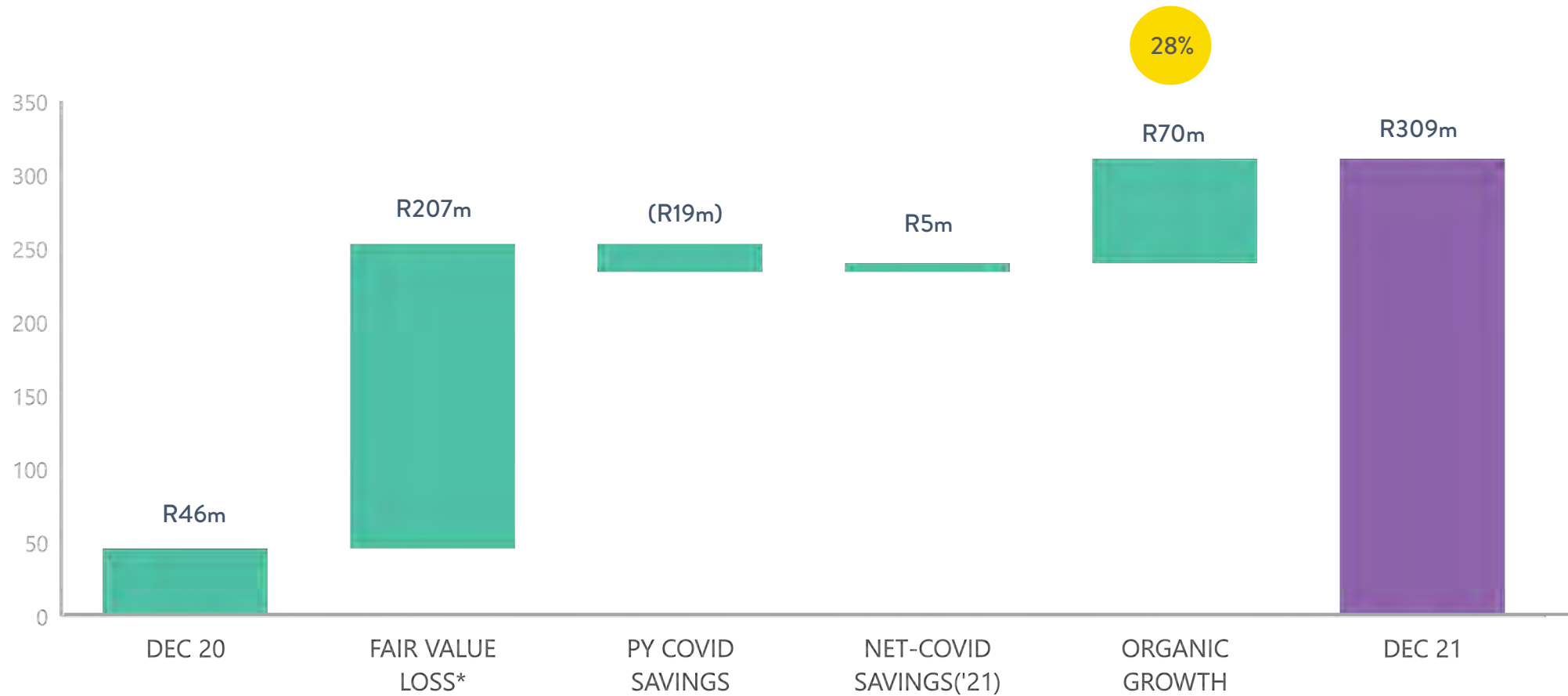
EBITDA MOVEMENT (R millions)



\*Prior year fair value loss adjustment of R207m

# EBITDA MOVEMENT

EBITDA MOVEMENT (R millions)



\*Prior year fair value loss adjustment of R207m



## IMPACT OF COVID-19 SAVINGS/(COSTS)

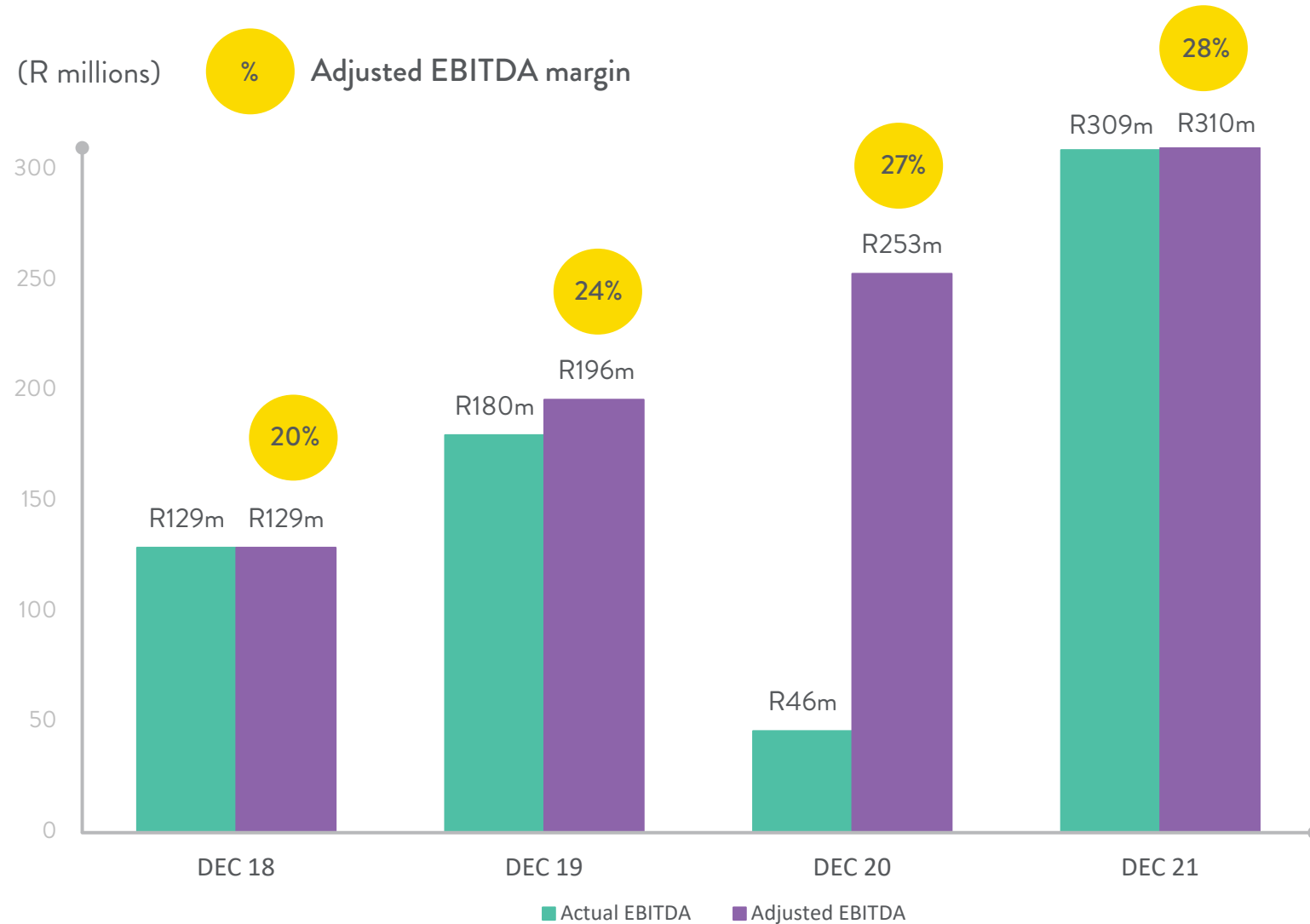
EXPENSE ANALYSIS (R millions)	2019	2020	2021	% CHANGE
Revenue	815	933	1 098	18%
Employee costs (gross)	395	401	478	19%
Employee cost as % of revenue	48%	43%	44%	
Other operating expenses	209	212	237	8%
Other operating expenses % of revenue	26%	23%	22%	

### COVID-19

- 2020 curtailed spend due to COVID-19
- Significant savings in 2020 (including TERS benefit)
- Continued savings in 2021 (but lower than 2020)
- Expect 2022 to normalise



# EBITDA AND ADJUSTED EBITDA

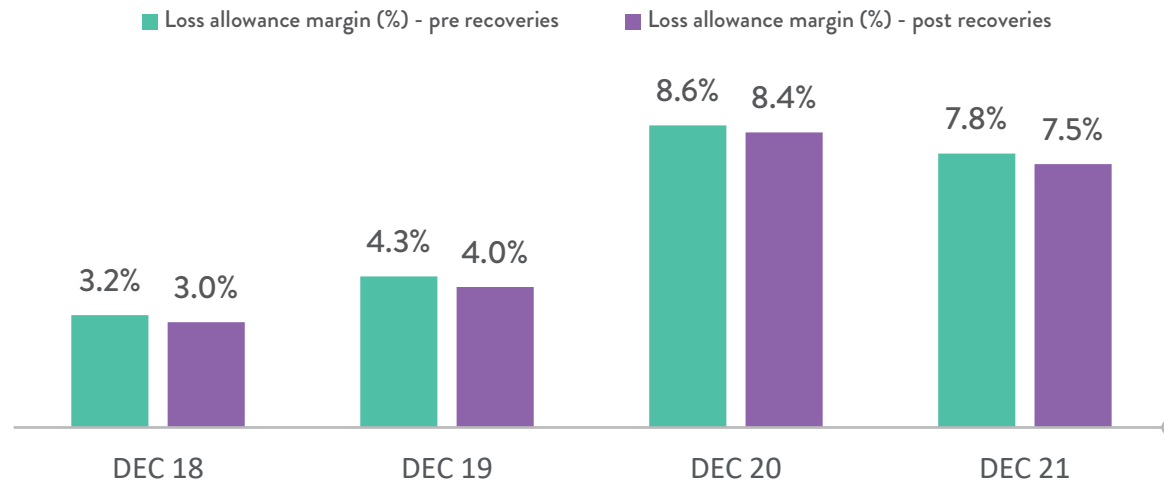


## ADJUSTED EBITDA

- Adj EBITDA excludes fair value loss adjustment
- 23% growth in adjusted EBITDA
- Improvement in Adj EBITDA margin to 28%

# TRADE RECEIVABLES AND LOSS ALLOWANCE

## LOSS ALLOWANCE AS % OF REVENUE



R millions	DEC 20	DEC 21
Trade receivables	146	210
Loss allowance	(78)	(122)
Net trade receivables	68	88
Loss allowance coverage	53%	58%

## TRADE RECEIVABLES

- Increase in debtors book impacted by late start to the academic year
- Lag in collections
- Consumers under pressure
- Good cash collections post Dec 2021
- FY 2020 – collected >95% of revenue

# CA CONNECT EARLY SETTLEMENT

- Concluded early settlement agreement in June 2021
- Final settlement amount of R201m settled in two tranches
- Immediately settled R68m
  - R48m in cash
  - R20m in STADIO Holdings shares – 6.7m shares issued
- Final settlement due in April 2022. To be settled as follows:
  - R33m in cash
  - R100m through the issue of Milpark shares
  - Post the transaction the CA Connect shareholders will own 18.7% of Milpark

- In total transaction value amounted to R258m settled as follows:

R millions	CASH	SHARES	TOTALS
Settled in 2018	8	8	16
Settled in 2020	10	31	41
Settled in 2021	48	20	68
To be settled in 2022	33	100	133
<b>TOTAL</b>	<b>99</b>	<b>159</b>	<b>258</b>
% Split	38%	62%	

- R100m Milpark share issue deemed to be an equity transaction and settled in June 2021 for IFRS reporting purposes
- Earnings dilution for STADIO Group (87.2% to 68.5%) impacting EPS, HEPS and CHEPS for the year

# IMPAIRMENT/DE-RECOGNITION OF ASSETS

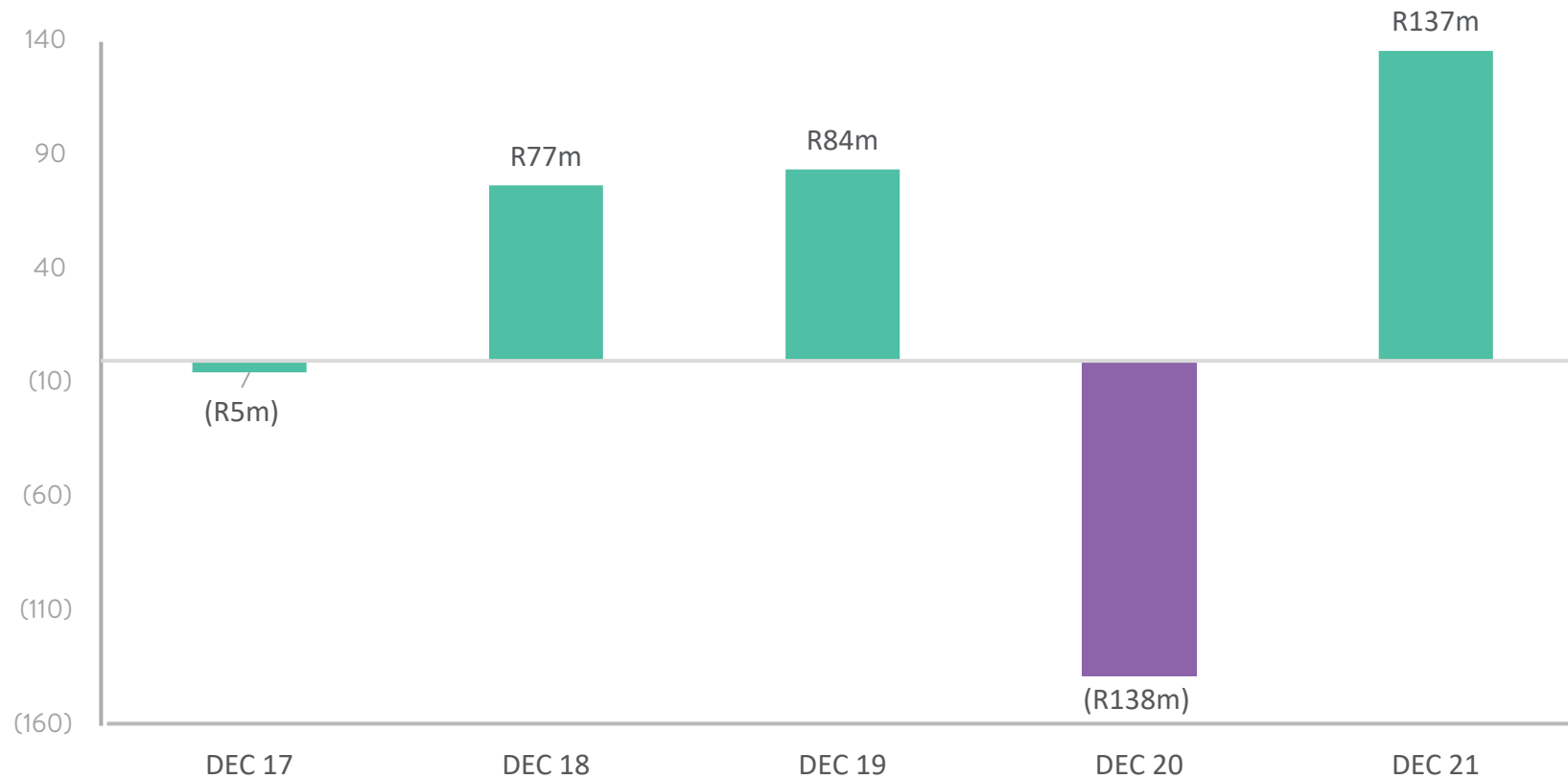
- Sale of STADIO Montana – R10m impairment
  - Selling price of R52m (book value = R62m)
  - Part of strategy to consolidate contact learning offerings
- R17m impairment Right of use asset (RoUA)
  - Following on from strategic shift in Milpark business to focus on digital enhanced distance learning only
  - In process of negotiating exit of lease
- R2.8m derecognition of curriculum:
  - Programmes evaluated annually
  - De-recognised to extent no longer used to generate economic benefits

IMPAIRMENT OF ASSETS (R millions)	DEC 2021		
	PPE	RoUA	Intangibles
Opening balance	717	96	169
Additions	180	38	2
Disposals	(2)	-	-
Depreciation / Amortisation	(23)	(27)	(16)
Impairments	(10)	(17)	(3)
Remeasurement	-	7	-
STADIO Montana - transferred to non-current assets held for sale	(52)	-	-
Closing balance	810	97	152



# PROFIT/(LOSS) FOR PERIOD

PROFIT/(LOSS) FOR PERIOD (R millions)

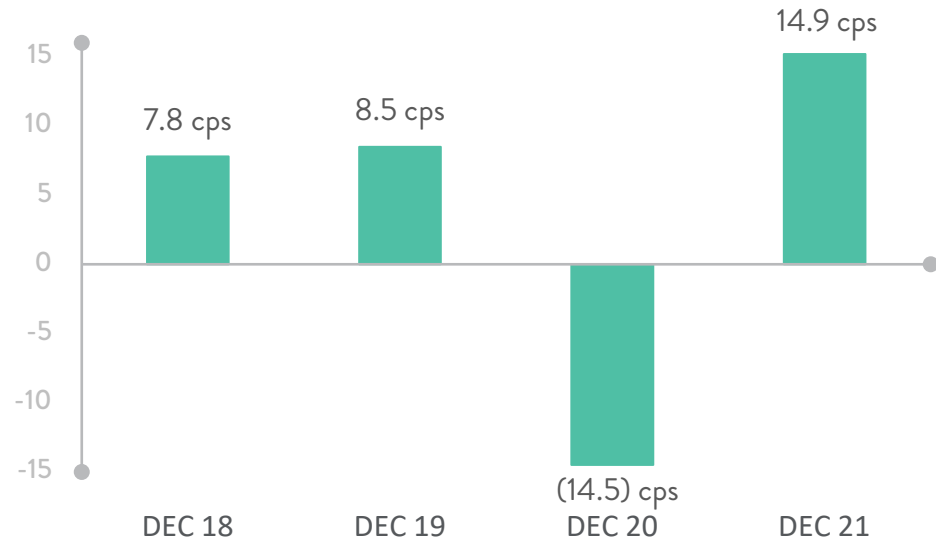


## IMPACTED BY:

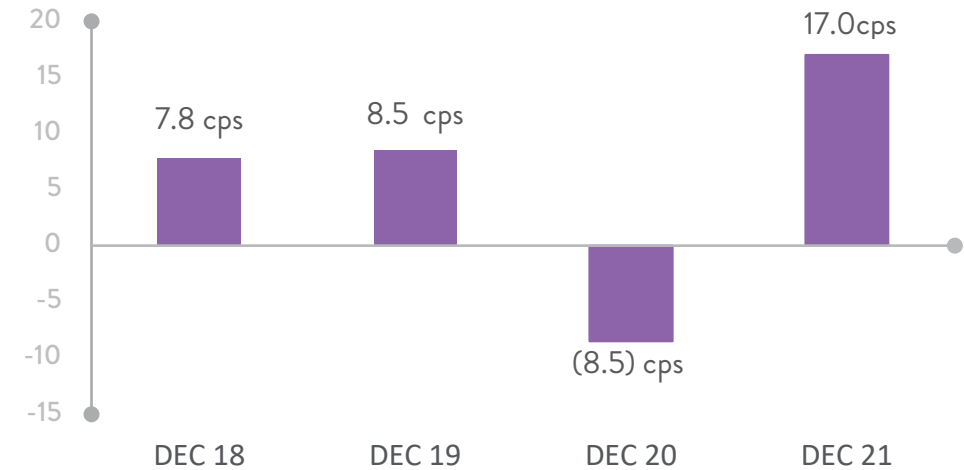
- Good organic growth in 2021
- 2021 impacted by impairments (R22m) and fair value loss adjustment (R1m)
- PY loss impacted by fair value loss adjustment: (R207m) in 2020
- PY loss impacted by impairment of intangible assets: (R51m) in 2020

# EPS AND HEPS

EPS (cps)



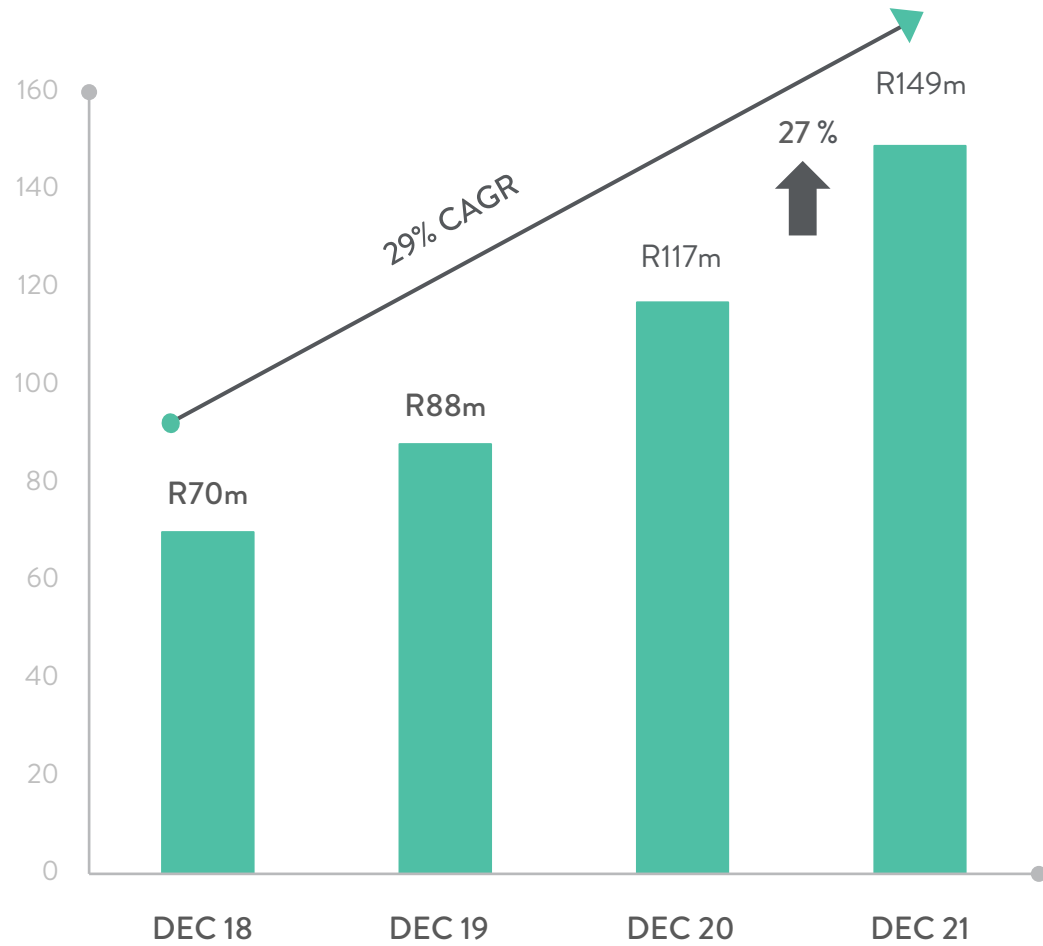
HEPS (cps)



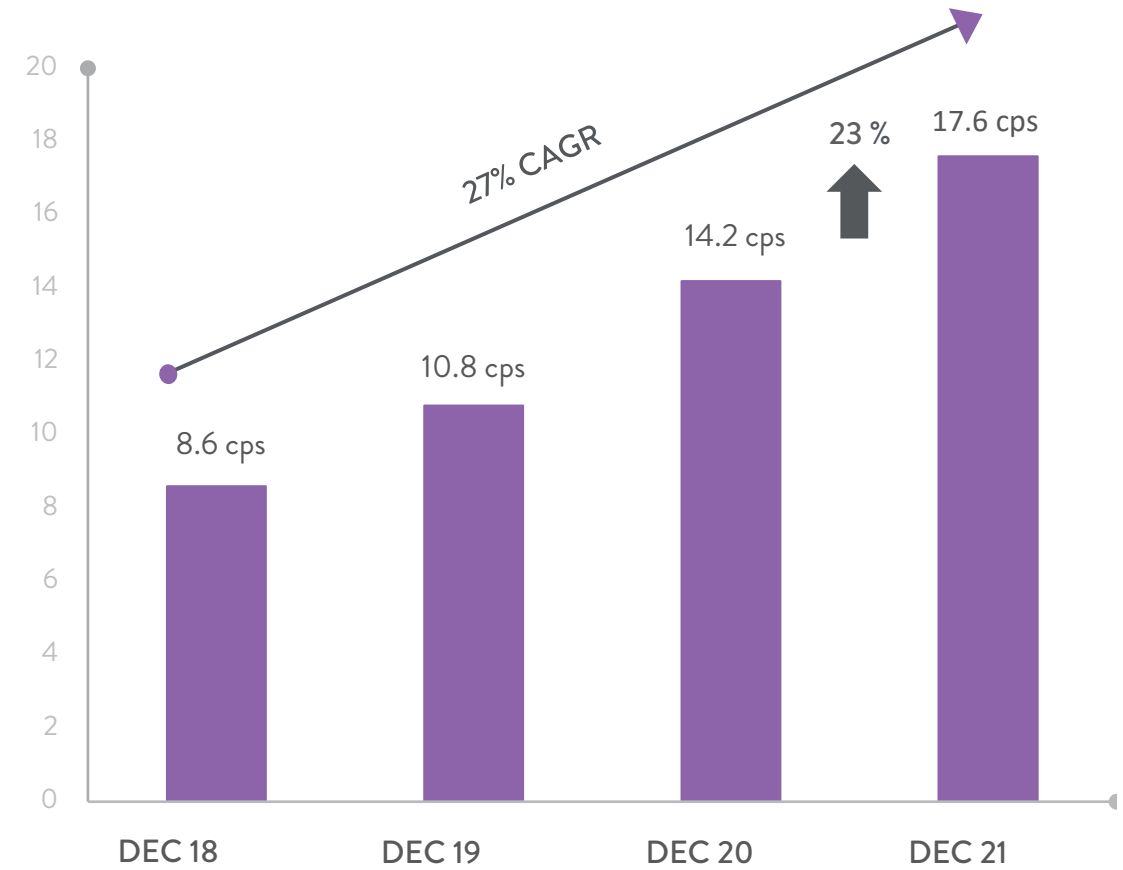
- Large increase in EPS and HEPS driven by:
  - Organic growth
  - 2021 impairments - R 22m impacting EPS
  - PY FV Adj – R207m (impacted 2020 LPS and HLPS)
  - PY impairment of intangibles – R51m (impacted 2020 LPS)
- EPS and HEPS impacted by increase in shares in issue (mainly CA Connect transaction)
- EPS and HEPS impacted by dilution of shareholding in Milpark (from 87.2% to 68.5%)

# CORE HEADLINE EARNINGS

CORE HEADLINE EARNINGS (R millions)

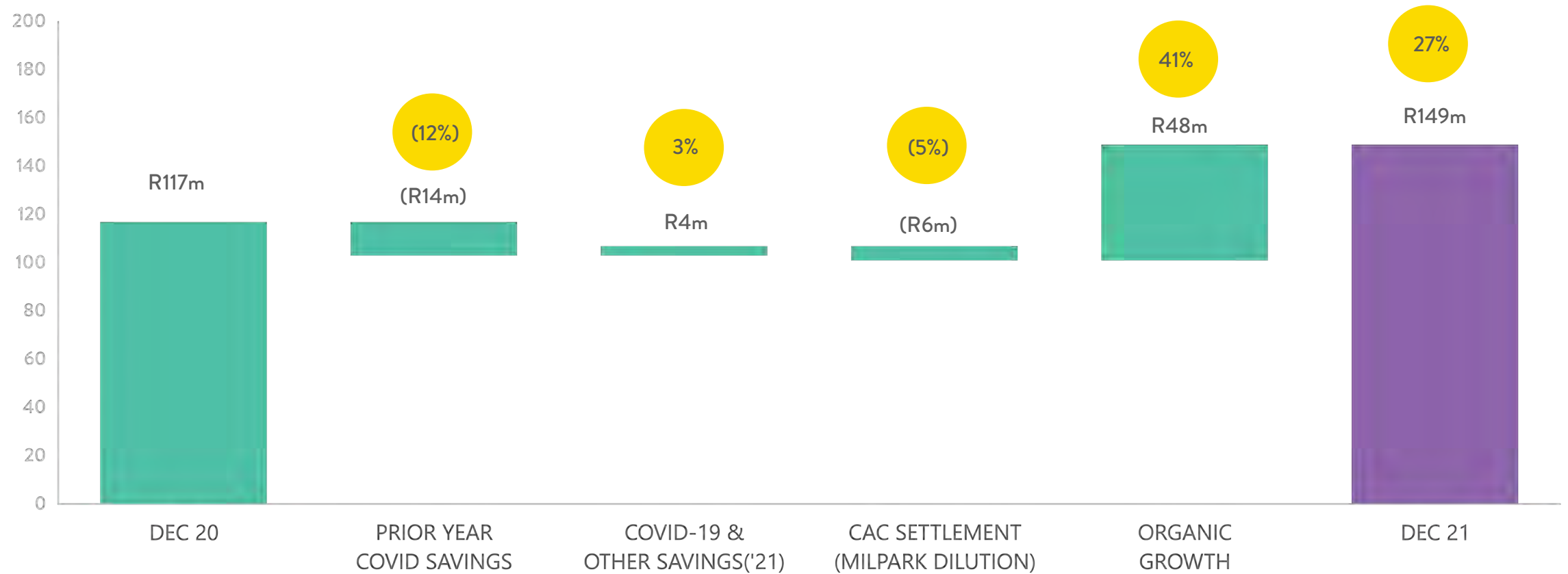


CORE HEPS (cps)



# CORE HEADLINE EARNINGS MOVEMENT

CORE HEADLINE EARNINGS MOVEMENT (R millions)





# STATEMENT OF FINANCIAL POSITION

SUMMARISED STATEMENT OF FINANCIAL POSITION		
	DEC 2020	DEC 2021
	R millions	R millions
<b>Total assets</b>	<b>2 085</b>	<b>2 169</b>
Property, plant & equipment	717	810
Right-of-use assets	96	97
Intangibles (incl Goodwill)	918	903
Other assets	114	108
Trade & other receivables	123	133
Non current assets held for sale	-	52
Cash & cash equivalents	117	66
<b>Total equity</b>	<b>1 486</b>	<b>1 751</b>
Attributable to equity holders	1 493	1 652
Non-controlling interests	(7)	99
<b>Total liabilities</b>	<b>599</b>	<b>418</b>
Borrowings	45	15
Lease liabilities	168	184
Other liabilities	386	219
Number of shares in issue (m)	841	848
NAV per share (cents)	178	195
<b>Gearing ratio</b>	<b>14%</b>	<b>11%</b>
<b>Gearing ratio (excluding IFRS 16:Lease liability)</b>	<b>3%</b>	<b>1%</b>

## IMPACTED BY:

- Invested R181m on capital expenditure
- Impairments of R30m
- Acquisitions of R10m
- Settled R68m of consideration liability
- Deemed equity settlement of R100m of CAC transaction
- R15m debt drawn down
- R66m of cash on hand
- Gearing ratio 11% (1% excluding IFRS 16 lease liability)

# CASH FLOW GENERATION

CASH FLOW FROM OPERATIONS	DEC 2019	DEC 2020	DEC 2021	ADJUSTED**
				DEC 2021
Net cash flow from operations (before working capital)	202	263	323	323
Working capital changes	(12)	11	(57)	(9)
<b>Net cash generated from operations</b>	<b>190</b>	<b>274</b>	<b>266</b>	<b>314</b>
Cash generated from operations (as % of normalised EBITDA)*	97%	108%	86%	101%
<b>Free cash flow less recurring capex</b>	<b>115</b>	<b>181</b>	<b>170</b>	<b>218</b>

\*EBITDA adjusted for fair value adjustment

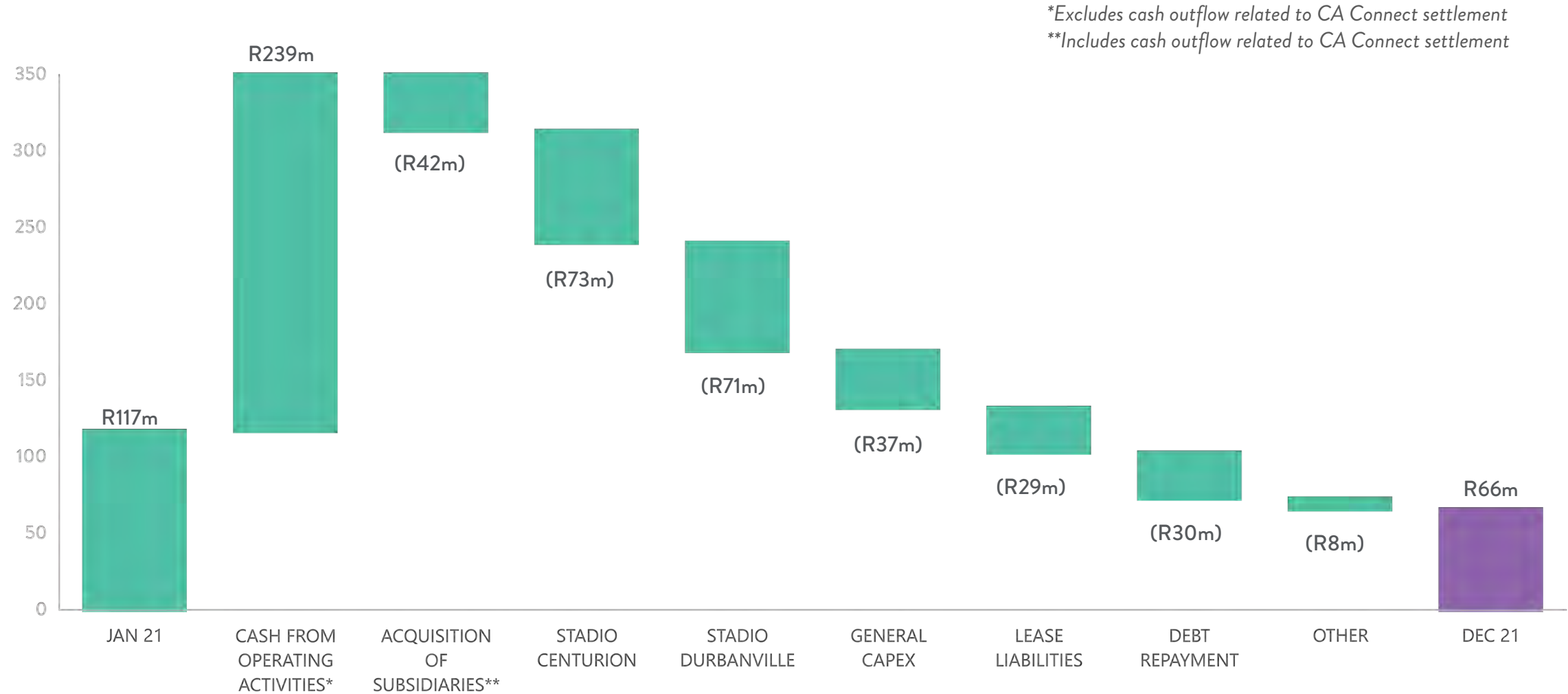
\*\* Adjusted for CAC Connect R48m settlement in cash

# CAPITAL INVESTED

CAPITAL INVESTED (R millions)	FULL YEAR					
	DEC 2016	DEC 2017	DEC 2018	DEC 2019	DEC 2020	DEC 2021
Acquisitions	-	594	440	156	-	10
Infrastructure development & capital assets	73	272	26	168	98	181
Programme development	12	11	15	10	7	-
<b>TOTAL</b>	<b>85</b>	<b>877</b>	<b>481</b>	<b>334</b>	<b>105</b>	<b>191</b>
<b>Cumulative investment</b>	<b>85</b>	<b>962</b>	<b>1 443</b>	<b>1 777</b>	<b>1 882</b>	<b>2 073</b>

# CASH UTILISATION

CASH UTILISATION (R millions)



## 2022 CAPITAL EXPENDITURE: GROWTH PROJECTS

2022 CAPITAL EXPENDITURE (R millions)	2022
STADIO Centurion (Phase II)	23
DL Logistics Centre (Krugersdorp) - Transfer & Development	60
<b>GROWTH PROJECTS</b>	<b>83</b>

# DIVIDEND DECLARATION

- Significant investment in growth capex since listing
  - Acquisitions
  - Greenfield developments
  - Systems and curriculum development
- Future investment in systems, processes and new qualifications
- Business generates strong cash flows
- Look to return excess cash to shareholders
- Aim to return 80%+ of free cash flow over time (having regard for growth capital projects)
- Maiden final dividend declared of 4.7 cps

## DIVIDEND TIMETABLE

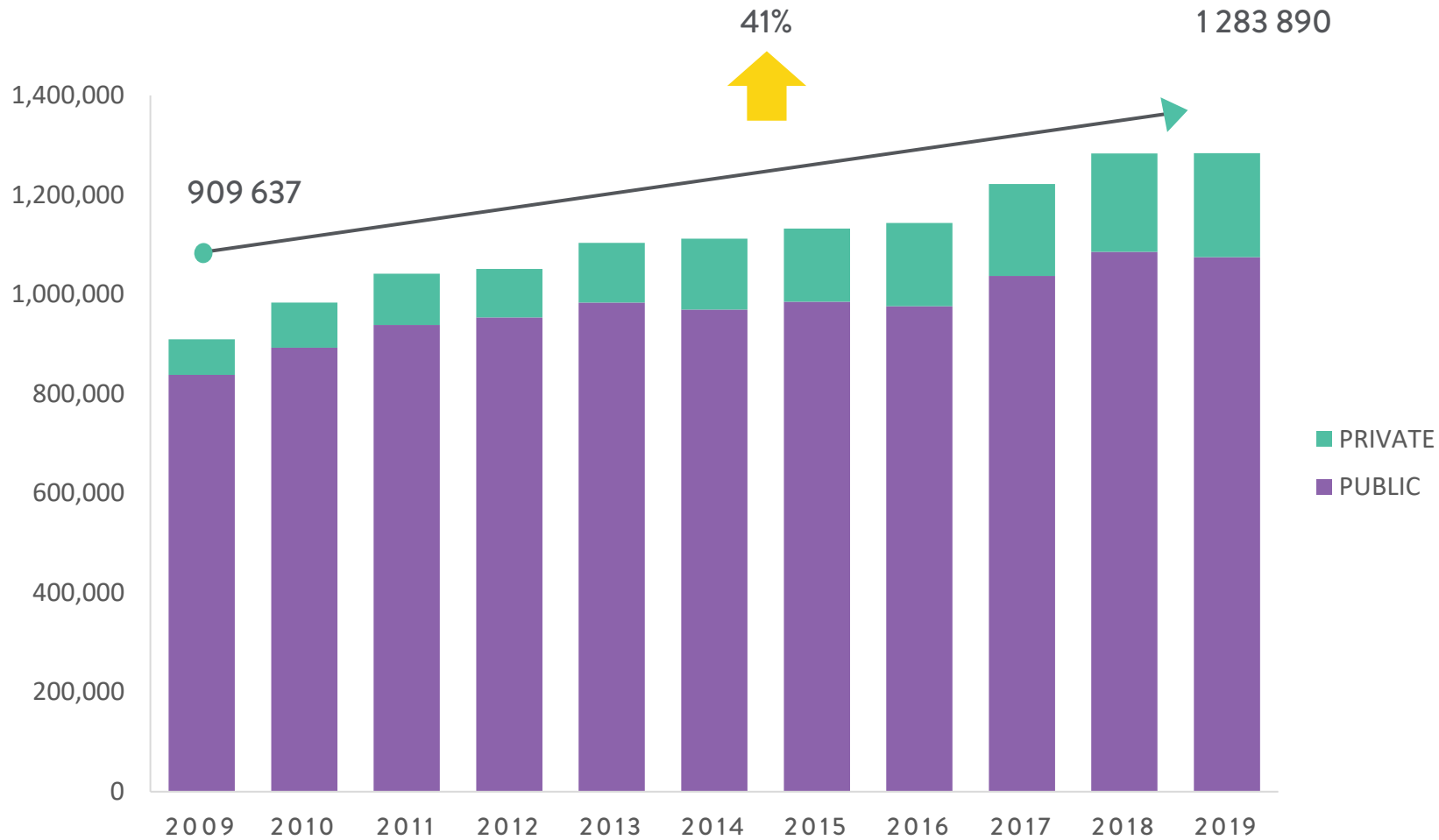
Last day to trade cum dividend	Tuesday, 10 May 2022
Trading ex-dividend commences	Wednesday, 11 May 2022
Record date	Friday, 13 May 2022
Payment date	Monday, 16 May 2022





# OUR INVESTMENT CASE

# HISTORIC GROWTH IN HIGHER EDUCATION ENROLMENTS



**Notes:**

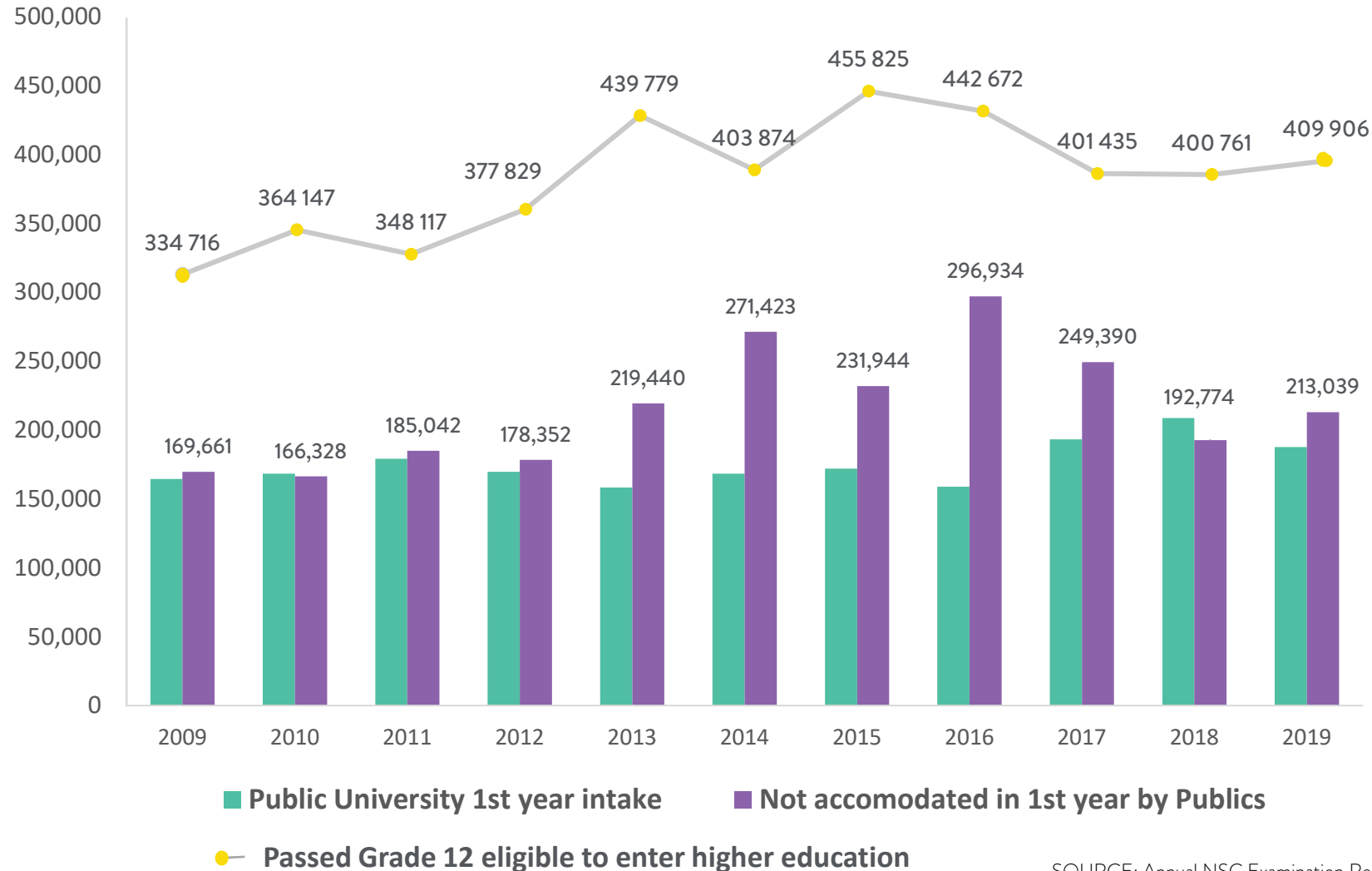
<p>Private growth 191%</p>	<p>CAGR (10yrs) 11%</p>
<p>Public growth 28%</p>	<p>CAGR (10yrs) 3%</p>
<p>Total growth 41%</p>	<p>CAGR (10yrs) 4%</p>

SOURCE: Statistics on Post-School Education and Training in South Africa: 2019





# 49% OF ELIGIBLE MATRICULANTS NOT ACCOMMODATED BY PUBLIC UNIVERSITIES



**Notes:**

- DHET sets the maximum number of students admitted to public HEIs annually (enrolment cap)
- In 2019, 409 906 learners passed matric and qualified for university entry
- The public universities could only accommodate 49% of these learners
- 213 039 eligible matrics could NOT be accommodated into 1<sup>st</sup> year by public universities



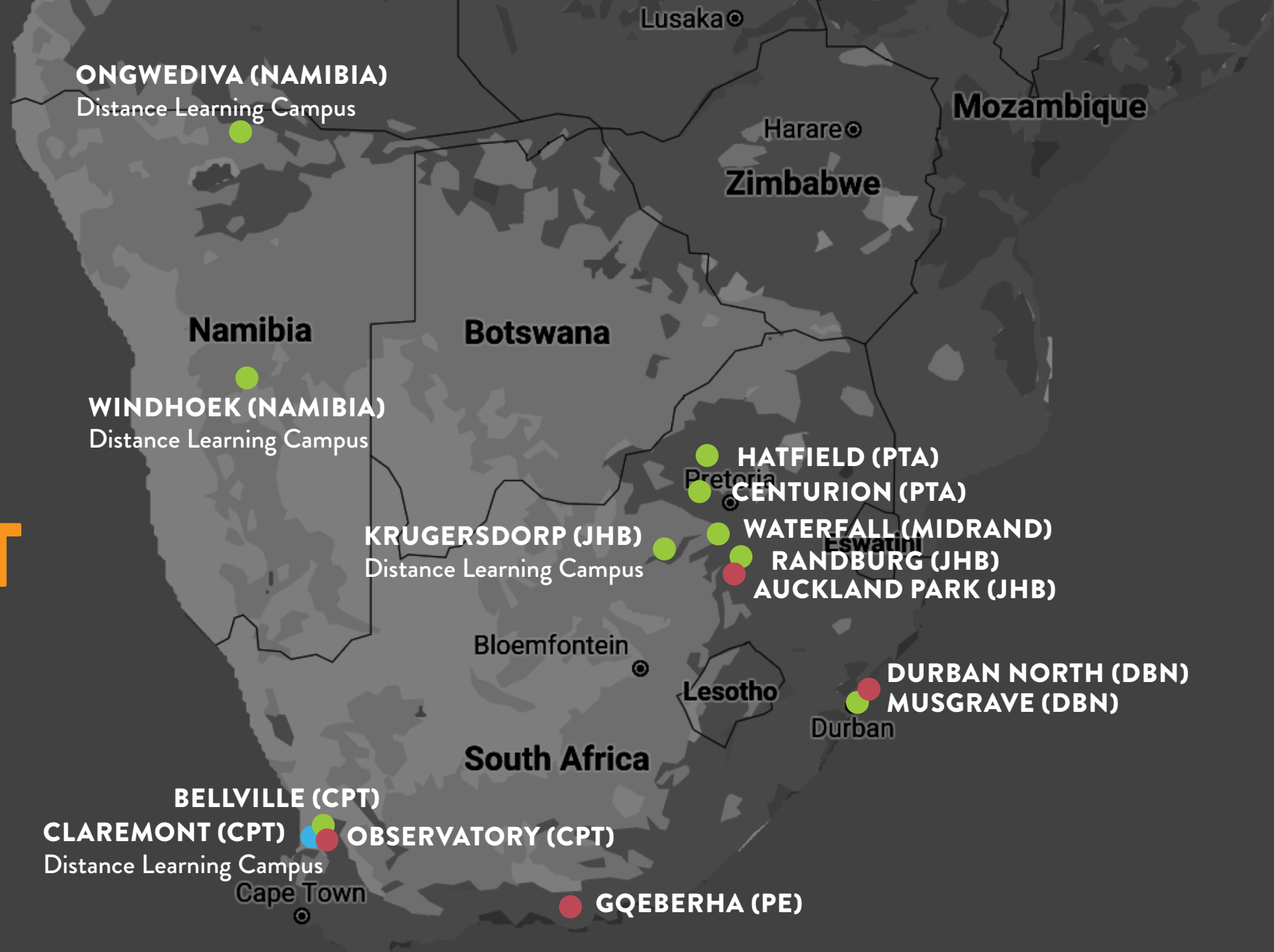
# STADIO GROUP CONTEXT

The STADIO Group is one of the **TOP 10** largest higher education providers in **South Africa** with over **38 000** students in South Africa & throughout **Africa**



STADIO, Milpark Education and AFDA are registered with the Department of Higher Education and Training as separate private higher education institutions under the Higher Education Act.

# WE HAVE A FAR-REACHING FOOTPRINT



84% OF OUR STUDENTS STUDY VIA DISTANCE LEARNING

# WITH A VAST RANGE OF OFFERINGS IN OUR

SCHOOLS OF  
BUSINESS,  
COMMERCE &  
MANAGEMENT

SCHOOL OF  
EDUCATION

SCHOOLS OF  
FILM, MEDIA  
DESIGN &  
FASHION

SCHOOL OF  
INFORMATION  
TECHNOLOGY

SCHOOLS OF  
LAW & POLICING

BUSINESS  
SCHOOL

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STADIO HIGHER  
EDUCATION

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STADIO HIGHER  
EDUCATION

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STADIO HIGHER  
EDUCATION

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STADIO HIGHER  
EDUCATION

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STADIO HIGHER  
EDUCATION

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MILPARK

MILPARK

AFDA

SCHOOL OF HUMANITIES and SCHOOL OF ENGINEERING (Coming soon)

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ACCESS QUALIFICATIONS (HIGHER CERTIFICATES) TO DOCTORATES

# GOOD GROWTH OVER FIRST 6 YEARS

	DECEMBER					
	2016A	2017A	2018A	2019A	2020A	2021A
Student numbers	840	12 976	29 885	31 869	35 031	38 262
Revenue (Rm)	46	122	633	815	933	1 098
EBITDA (Rm)	11	0.5	129	180	46	309
EBITDA adjusted (Rm)	11	0.5	129	196	253	310
Headline Earnings (loss) Rm	7	(7)	63	70	(70)	144
Core Headline Earnings (Rm)	8	3	70	88	117	149
HEPS (cps)	1.5	(1.2)	7.8	8.5	(8.5)	17.0
Core HEPS (cps)	1.7	0.6	8.6	10.8	14.2	17.6

# WHY ARE WE EXCITED?



## CURRENT ORGANIC GROWTH

- Good management and execution of strategy
- Growth with no new programmes
- Site extensions and new programmes delayed in 2021



## HIGH IN-DEMAND PROGRAMMES COMING



## NEW PRODUCT ON EXISTING SITES

- Optimisation of current sites



## WELL PRICED

- Range of affordable products



## COMPREHENSIVE DISTANCE LEARNING OFFERING

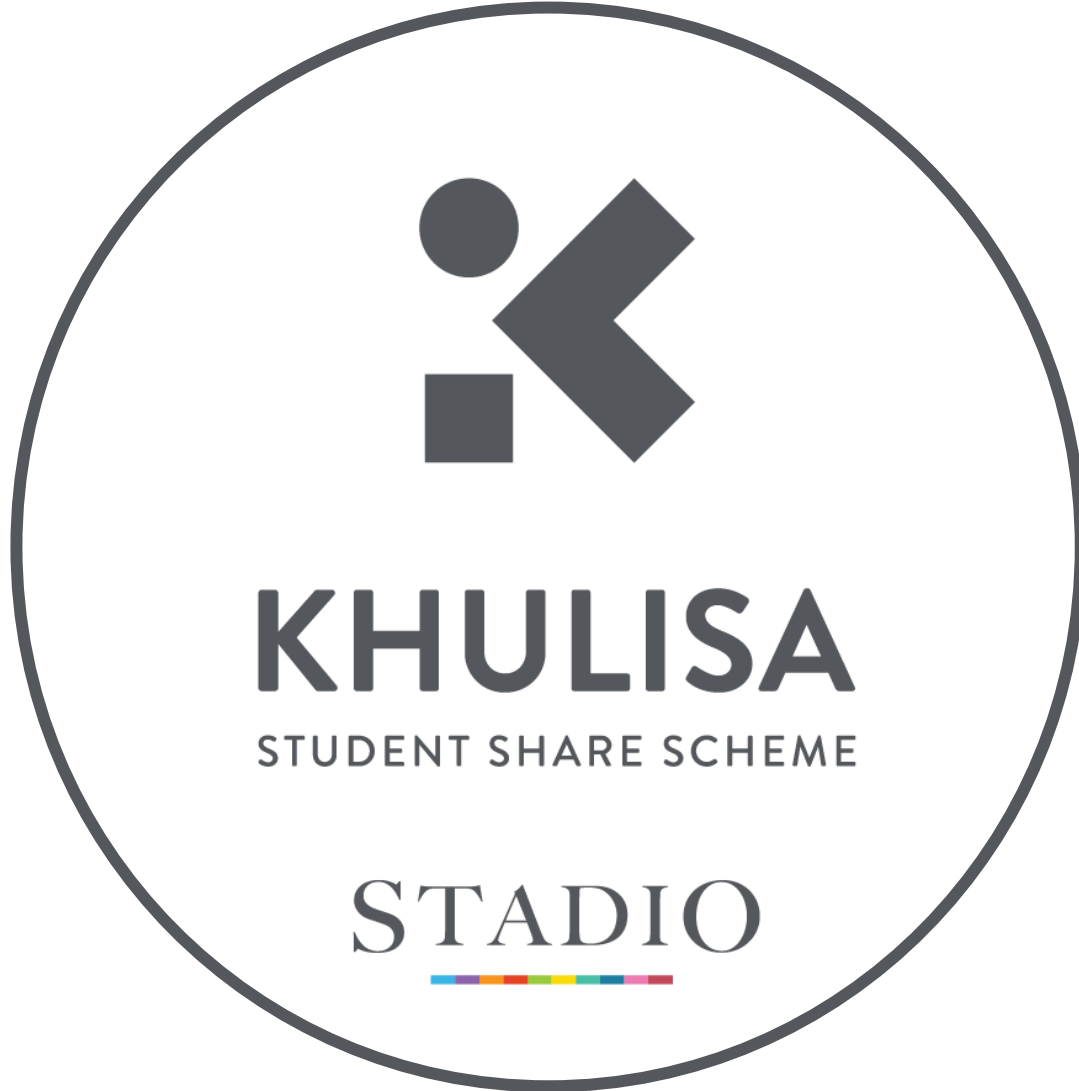
- Wide range of programmes
- World class virtual learning environment (CANVAS)
- Krugersdorp logistics centre will enable DL to scale
- Capital light investments required for DL going forward



## LIFELONG LEARNING PARTNER

- Short courses
- Centre for Lifelong Learning
- Flexible
- Aligned to world of work and industry
- STADIO Khulisa Student share scheme

DESPITE THE CHALLENGING ECONOMIC ENVIRONMENT, THE GROUP HAS COME OUT STRONGER  
- WE HAVE LAID A STRONG FOUNDATION FROM WHICH TO GROW GOING FORWARD ...



**Notes:**

- Launched October 2021
- Award shares to postgraduate students on graduation (no dilution to shareholders)
- KHULISA means growth of a person, a community, and a country
- Create active loyal alumni
- Lifelong learning partner
- Contribute to students' future wealth creation





**WHY ARE  
WE SO  
EXCITED?**



# STADIO CENTURION

8 MARCH 2022

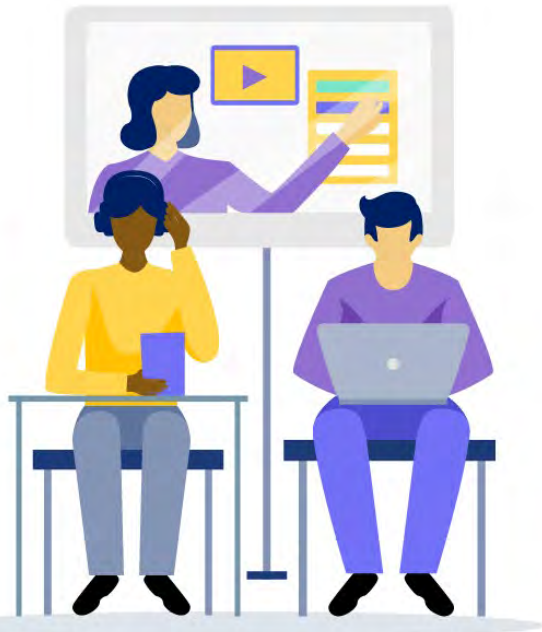
# OUR BLENDED LEARNING STRATEGY

80%

of students

20%

of students



DISTANCE LEARNING



CONTACT LEARNING

## Notes:

We will not build a comprehensive campus in every major city

Introducing blended learning channels – increases current capacity

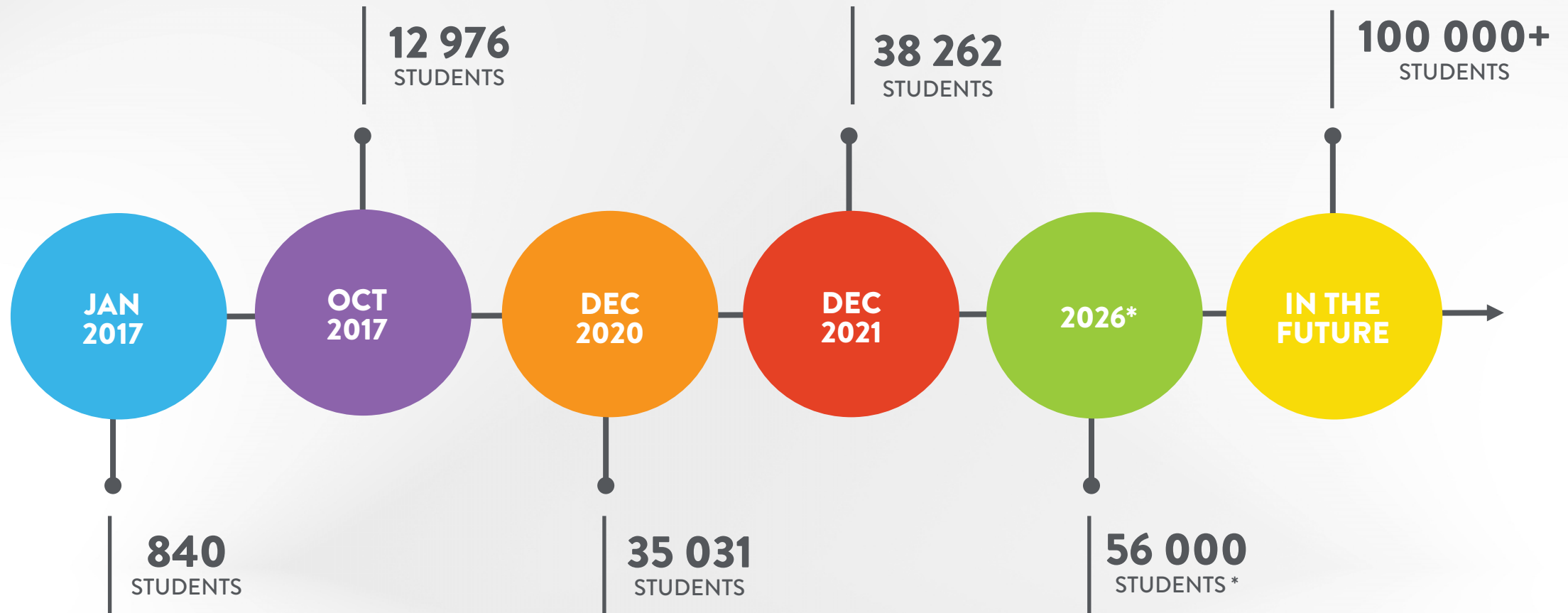
Move towards consolidation and optimisation of existing campuses (e.g. Montana sale)

We want to  
be the  
alternative to  
UNISA



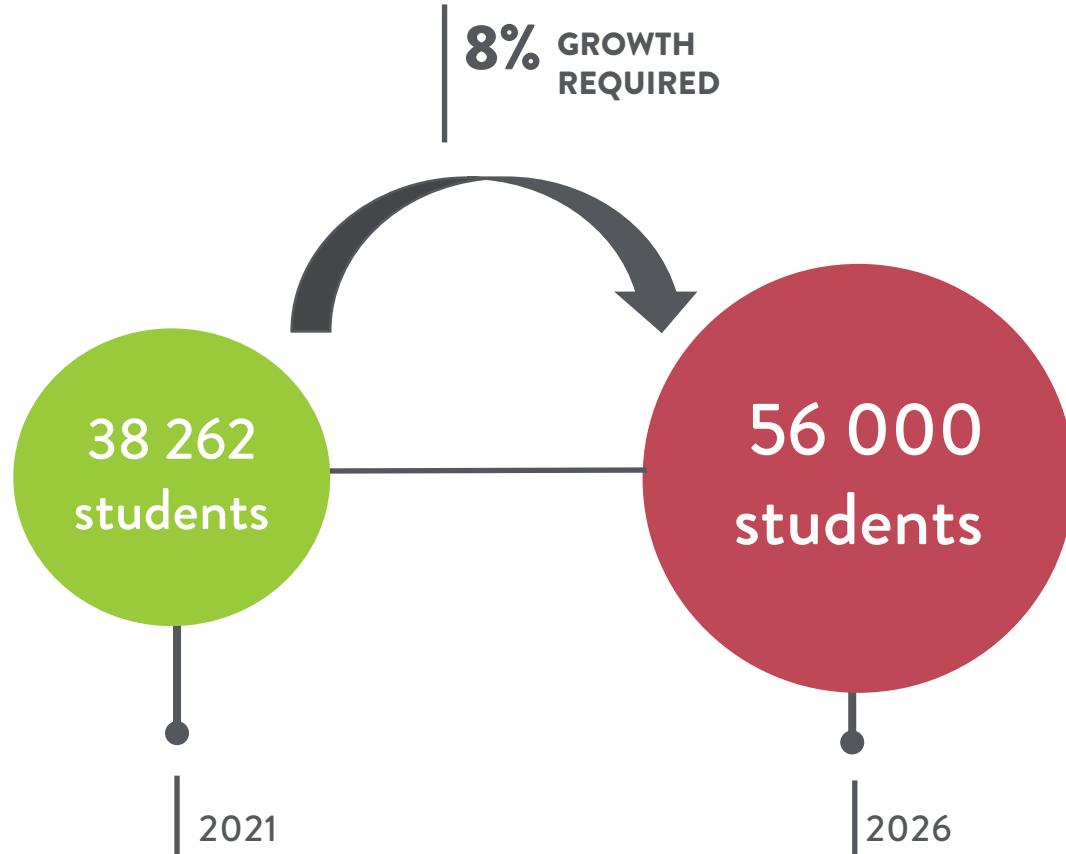
#### Notes:

- Distance learning is well established in the STADIO Group
- Currently 32 320 distance learning students
- Distance learning is
  - comprehensive offering
  - scalable
  - affordable
  - flexible
  - accessible
  - offers higher margins
- Never compromising on quality



80% DISTANCE LEARNING  
20% CONTACT LEARNING

\* As disclosed in the Pre-listing Statement



**Notes:**

- Student numbers have grown 9% annually for the last 4 years (4 year CAGR)

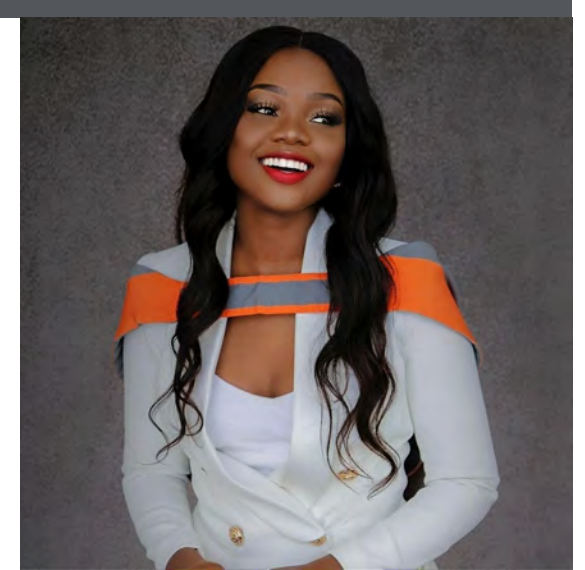


**IN SUMMARY**

# STADIO GROUP INSTITUTIONS MEETS SOUTH AFRICAN STUDENTS' NEEDS

STADIO  
— HOLDINGS —

- Very well positioned for growth going forward
- 3 distinct brands:
  - **STADIO Higher Education** - comprehensive higher education institution, comparable to the public universities
  - **AFDA** - number one film school in South Africa
  - **Milpark Education** - becoming the leader in distance learning online
- Major focus on qualifications that are relevant and aligned to the world-of-work
- Good international academic partnerships
- Stability
- Affordable
- Flexibility in a changing world (lifelong learning partner)





# HOW BIG CAN WE GET?

STADIO  
— HOLDINGS —



SOLID FOUNDATION ESTABLISHED FOR GROWTH

\* South Africa GDP Growth Rate - 2021 Data - 2022 Forecast - 1993-2020 Historical ([tradingeconomics.com](https://tradingeconomics.com))



# Q & A

**OUR PURPOSE:** TO EMPOWER THE NATION BY WIDENING ACCESS TO HIGHER EDUCATION

A group of graduates in silhouette are celebrating on a hill at sunset. They are throwing their caps into the air, and the caps are seen floating in the sky. The background is a warm, orange and purple sunset sky.

**THANK YOU  
ENKOSI  
RE A LEBOGA  
DANKIE**

# STADIO

— HOLDINGS —

MILPARK  
EDUCATION



STADIO



FORMERLY

---

SBS  EMBURY

LISOF  PRESTIGE  
ACADEMY

[AFDA]