

STADIO

— HOLDINGS —

2022 Annual Results Presentation
15 March 2023

WELCOME TO STADIO

PRESENTATION OVERVIEW

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SETTING
THE
SCENE

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2022 ANNUAL
FINANCIAL
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QUESTIONS
AND
ANSWERS

STADIO

— HOLDINGS —

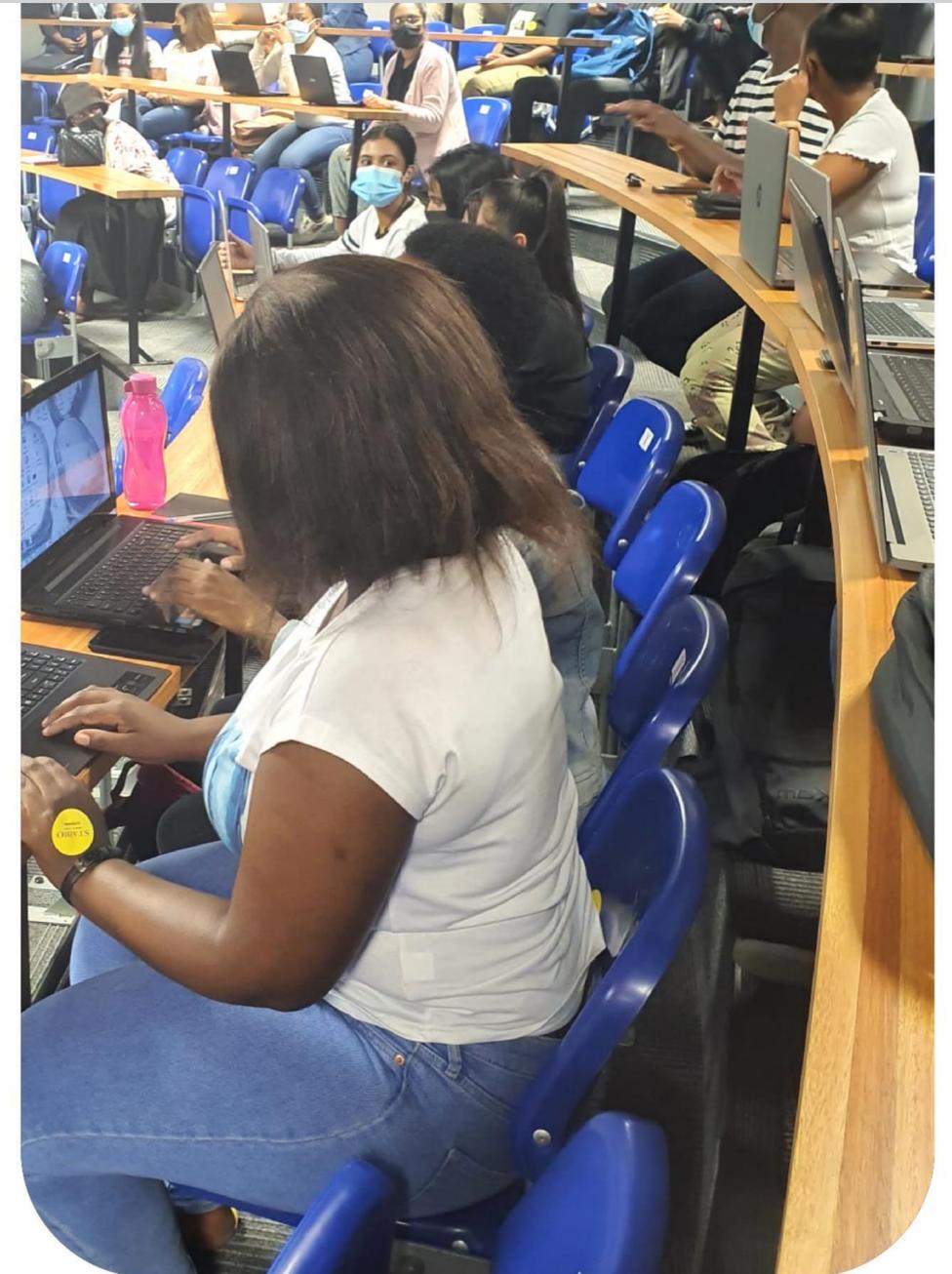
OUR PURPOSE IS TO **EMPOWER THE NATION** BY
WIDENING ACCESS TO QUALITY HIGHER EDUCATION

THROUGH OUR 3 DISTINCT PRIVATE HIGHER EDUCATION INSTITUTIONS



AN INTERESTING YEAR FOR OUR STUDENTS

- 2022 = first year that operations returned to normal since COVID-19
- Students and staff returned to campus
- Normality returned to assessments and within classrooms
- Students took time to readjust to venue-based exams, venue-based assessments and travel
- Students felt the pressure of less disposable income due to inflationary pressures, increased interest rates, fuel costs, food prices, unemployment, and loadshedding, coupled with the aftereffects of COVID-19



RESPONSIBLE MANAGEMENT DECISIONS

- Management made difficult decision to disallow students from continuing studies in semester 2 where certain level of tuition fees remained outstanding
- Continued to build on the strong foundations laid in previous years and support students where possible
- A solid set of financial results



MEET THE TEAM DRIVING THE RESULTS



DR DIVYA SINGH
CHIEF ACADEMIC OFFICER



MR JOHAN HUMAN
CHIEF OPERATING OFFICER



MS SAMARA TOTARAM
CHIEF FINANCIAL OFFICER



MR ANDREW HORSFALL
MILLPARK CEO



MS CHARISKA KNOETZE
STADIO: EXECUTIVE HEAD
DISTANCE LEARNING



PROF PATRICK BEAN
STADIO: EXECUTIVE HEAD
CONTACT LEARNING



MS TERESA PASSCHIER
AFDA CEO

SOLID FINANCIAL RESULTS

Semester 1
Student Numbers
up 11%
to
38 348
2021: 34 494

Semester 2
Student Numbers
up 8%
to
41 296
2021: 38 262

Revenue
up 11%
to
R1.2 bn
2021: R1.1 bn

EBITDA
margin up
to
29%
2021: 28%

Profit after Tax
up 36%
to
R186 m
2021: R137 m

EPS
up 31%
to
19.5 cps
2021: 14.9 cps

Core Headline
Earnings
up 18%
to
R176 m
2021: R149 m

Core HEPS
up 18%
to
20.7 cps
2021: 17.6 cps

STARTING TO RETURN CASH TO SHAREHOLDERS



**Dividend
per share
up 89%
to
8.9 cps**
2021: 4.7 cps

Work towards 85% free cashflow (currently ~44%)



**Return on
Equity
continues
to grow
10%**
2021: 9%

Moving in the right direction (0% in 2017)



2022 ANNUAL FINANCIAL RESULTS OVERVIEW

MS SAMARA TOTARAM
CHIEF FINANCIAL OFFICER

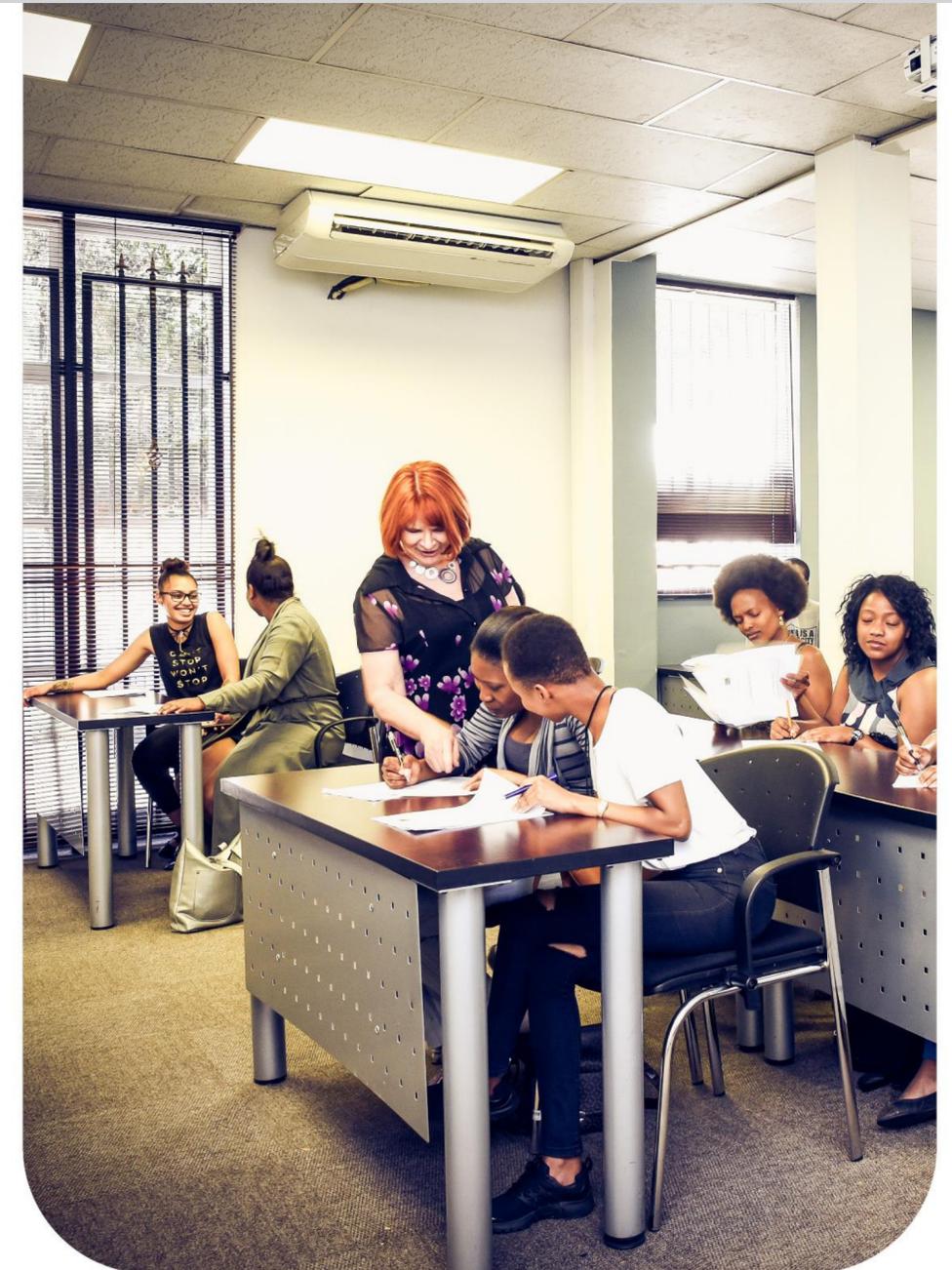
2022 RESULTS NOTES

- STADIO Centurion Phase II completed– R 23m
- Commenced with expansion of STADIO Distance Learning operational center in Krugersdorp – R 34m spent to date
- Disposed of STADIO Montana – R 52 m in cash
- CA Connect early settlement agreement settled in full
 - Final cash settled value of R 33.12m in April 2022
 - STADIO Holdings diluted shareholding in Milpark from 87.2% to 68.5%
 - Dilution impacts growth in EPS, HEPS and CHEPS to Dec 2022
- Post COVID 19 – return to normal operations
 - Impacting operating costs for the period



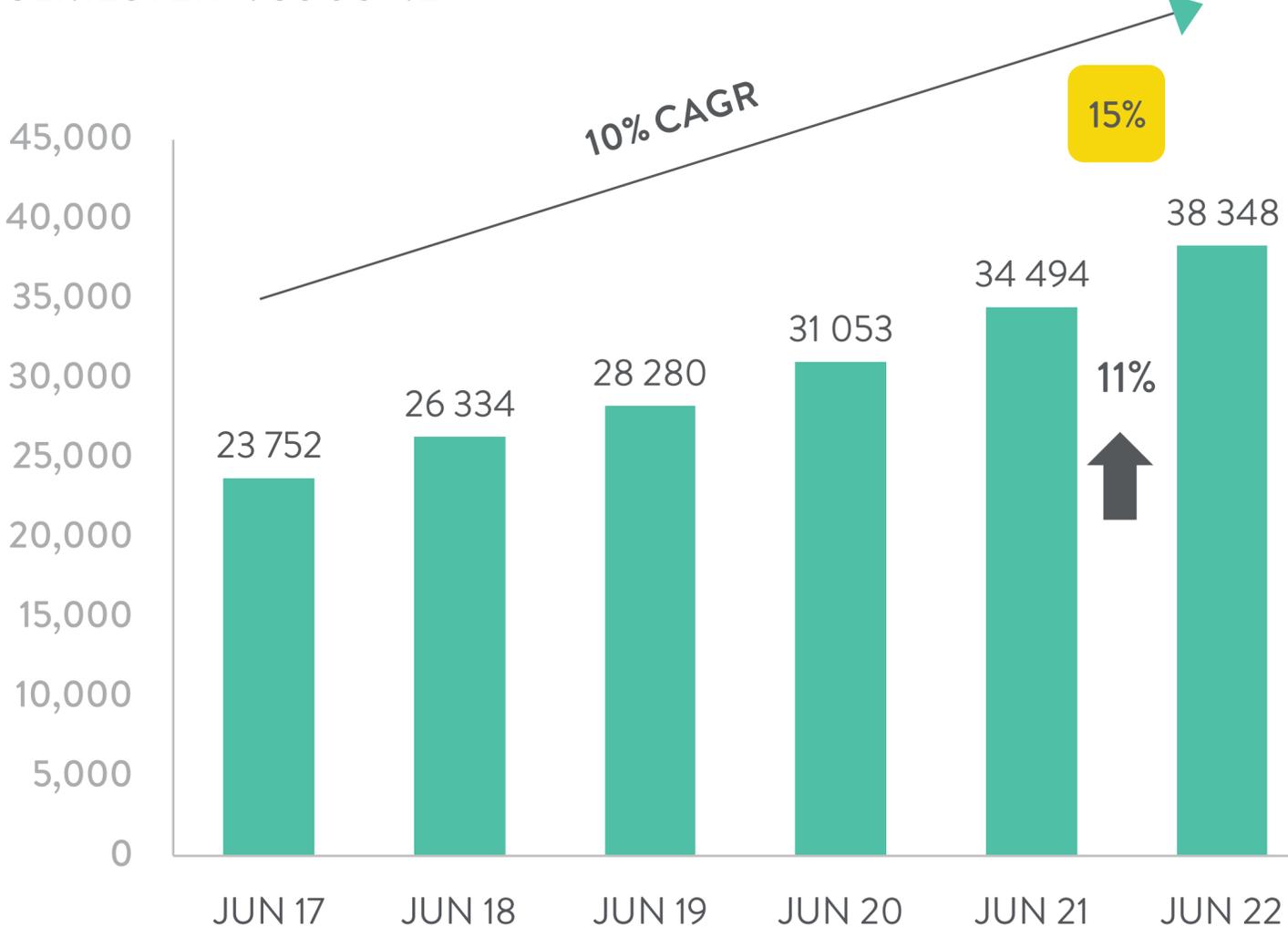
2022 RESULTS NOTES

- Milpark onerous contract
 - R5.5m additional costs in 2022 related to Gauteng Lease
- Change in tax rate from 28% to 27%
 - Negative impact on earnings due to net deferred tax asset position
- Repurchase of shares by share incentive trust
 - 4m shares repurchased (R15m)
 - 3.8m reissued to settle obligations to employees (R8m)
- Increase in dividend per share – 8.9cps (2021: 4.7cps)

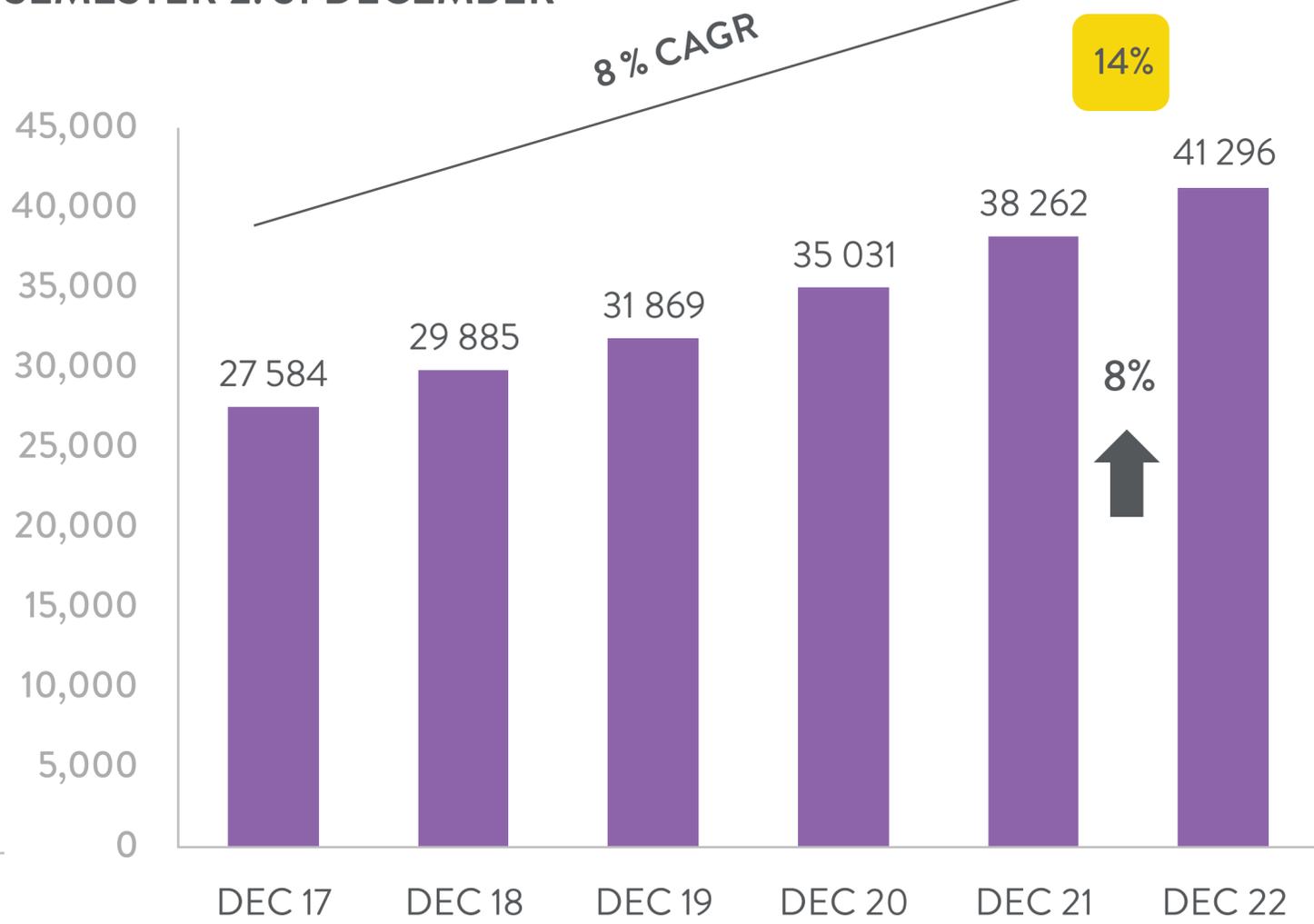


TOTAL STUDENT NUMBERS (LIKE-FOR-LIKE)

SEMESTER 1: 30 JUNE



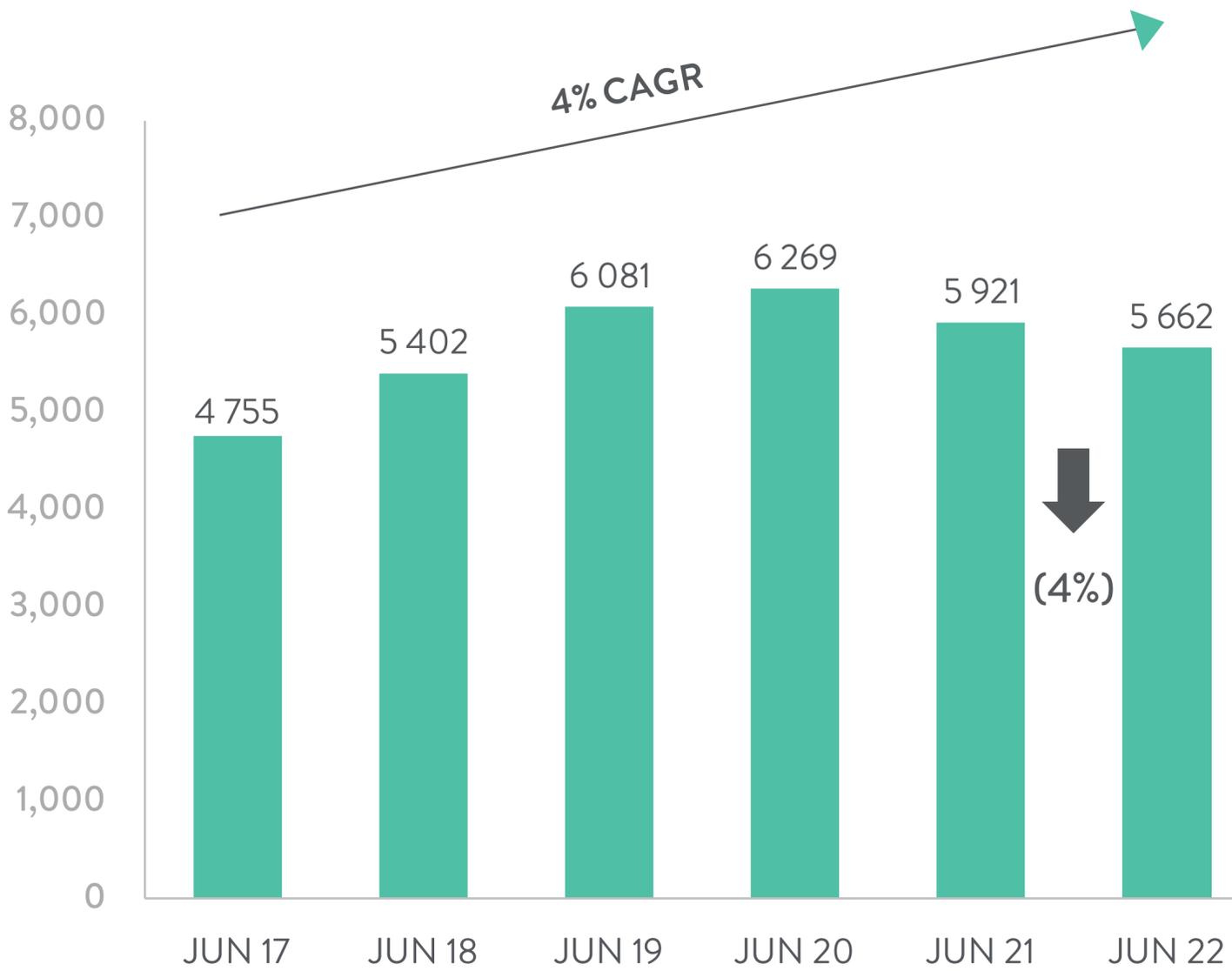
SEMESTER 2: 31 DECEMBER



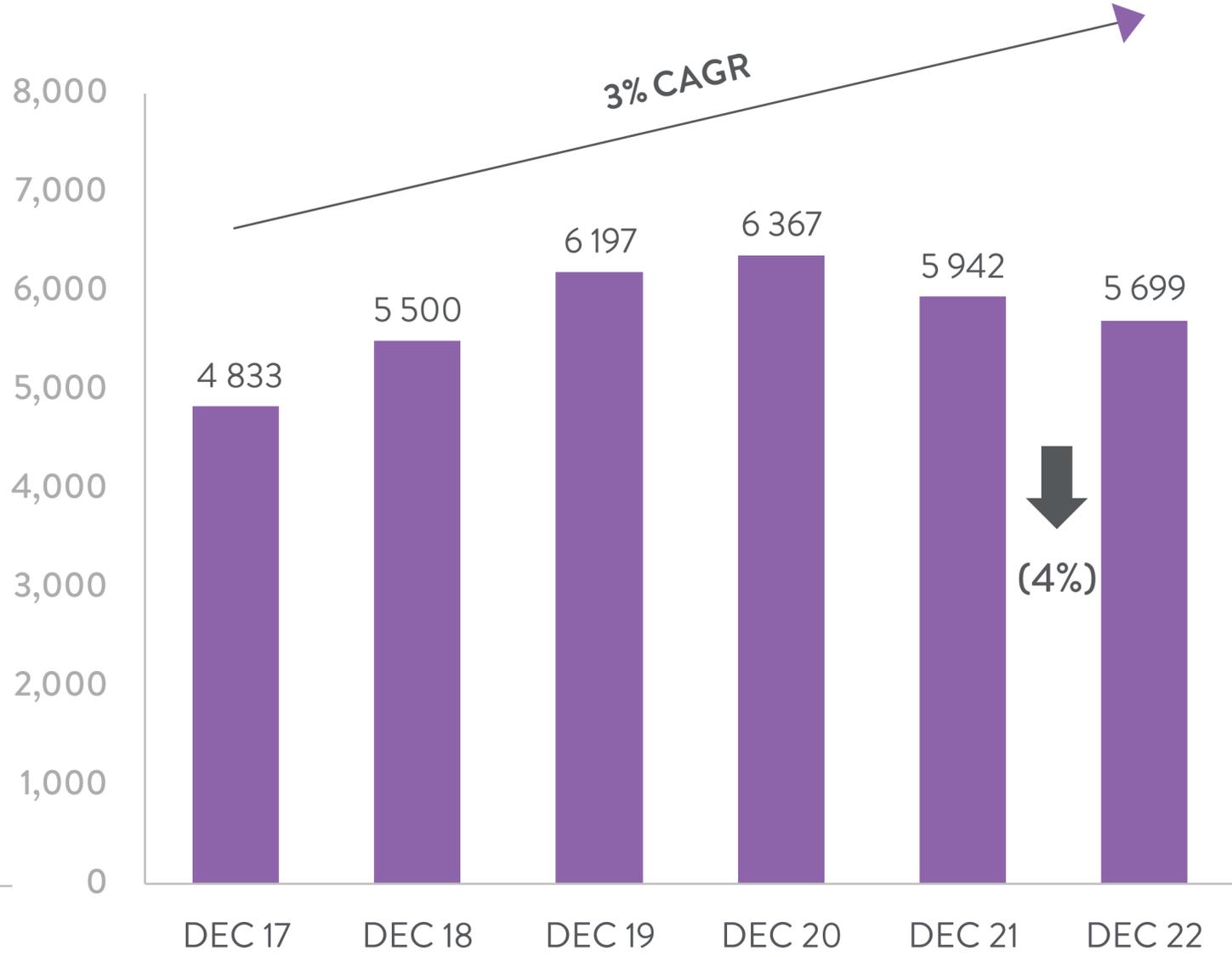
EXCLUDING CYCLICAL B2B

STUDENT NUMBERS - CONTACT LEARNING

SEMESTER 1: 30 JUNE

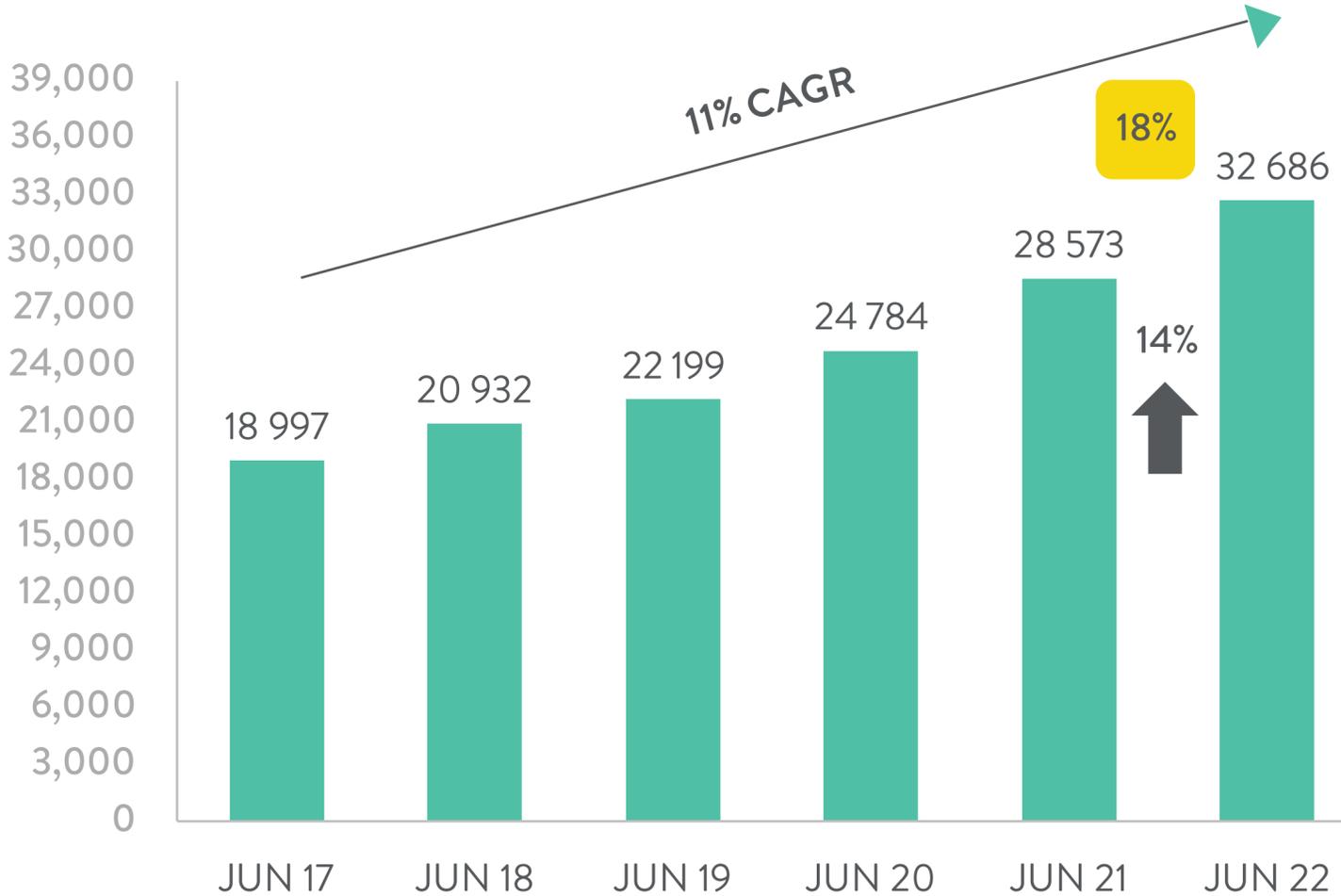


SEMESTER 2: 31 DECEMBER

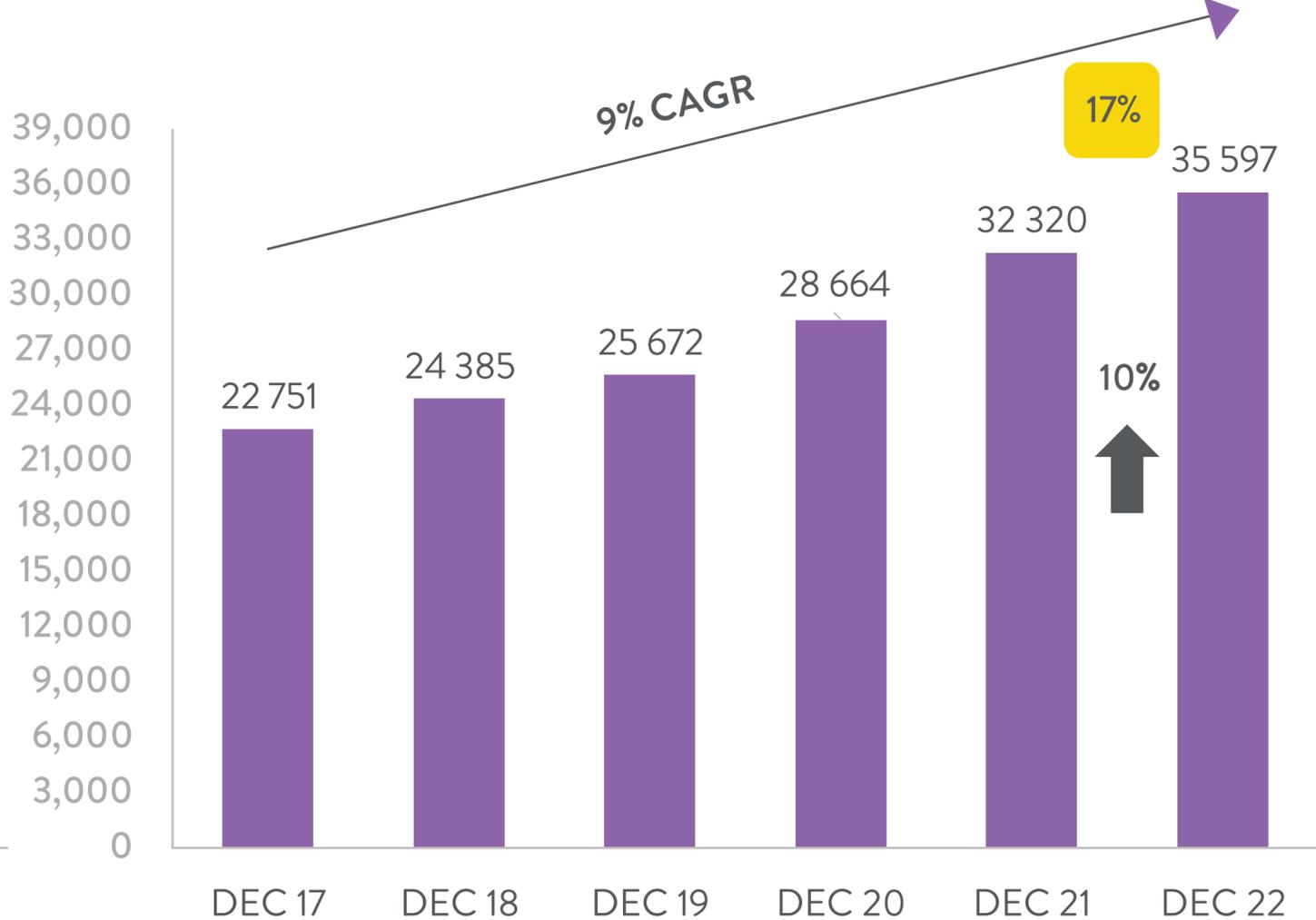


STUDENT NUMBERS - DISTANCE LEARNING

SEMESTER 1: 30 JUNE

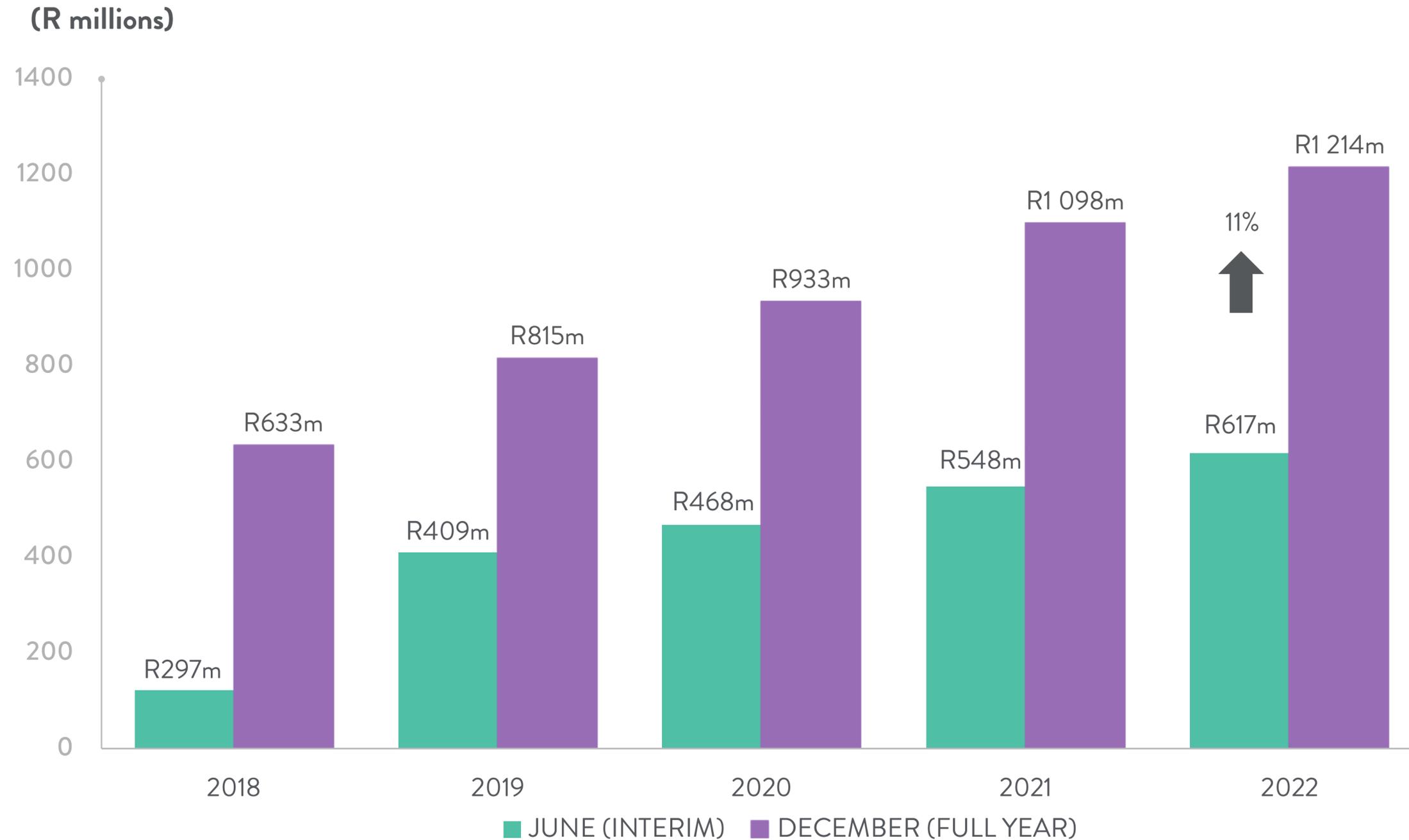


SEMESTER 2: 31 DECEMBER



 EXCLUDING CYCLICAL B2B

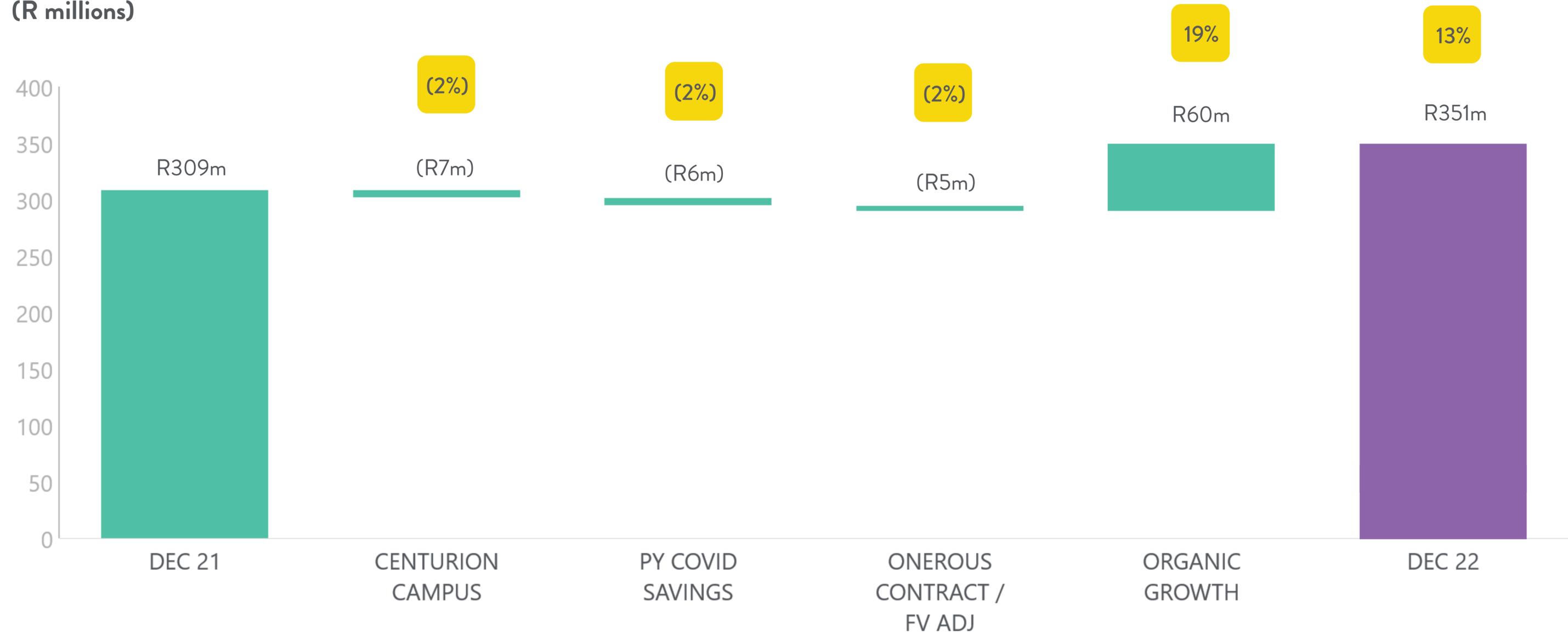
REVENUE



- 11% growth in revenue
- S2 lower contribution due to timing of B2B business
- Mix change
 - Bigger growth in DL students at lower price point
 - Contraction in CL revenue contribution due to lower student numbers
- 18% growth in short course income
- Hostel income decline – sale of STADIO Montana campus
- Increase in Other Income driven by:
 - increase in academic income e.g. supps, remarks, levies etc

EBITDA MOVEMENT

(R millions)

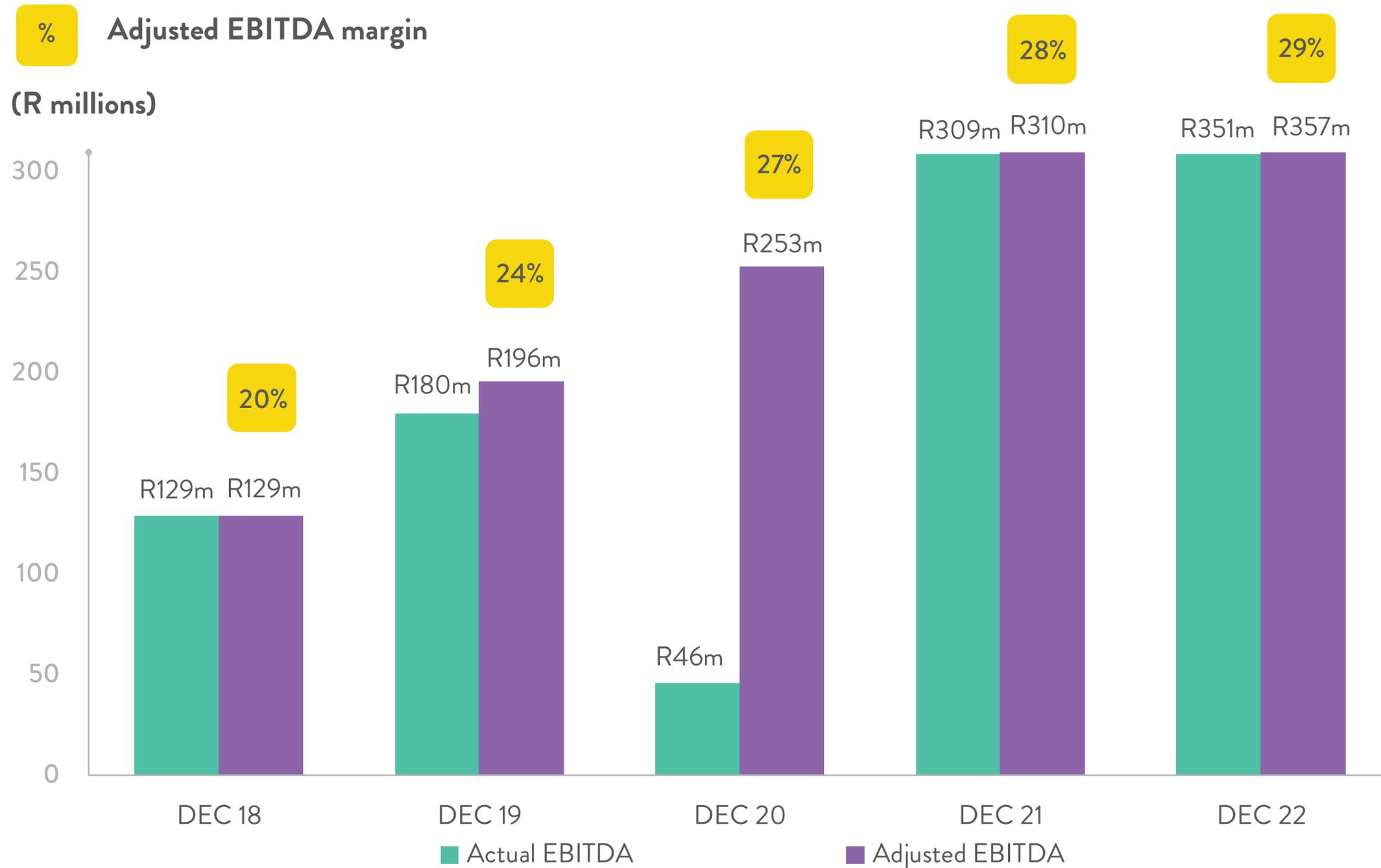


IMPACT OF COVID-19 & OTHER SAVINGS/(COSTS)

EXPENSE ANALYSIS (R MILLION)	2019	2020	2021	2022	% CHANGE
Revenue	815	933	1 098	1 214	11%
Employee costs (gross)	395	401	478	515	8%
Employee cost as % of revenue	48%	43%	44%	42%	
Other operating expenses	209	212	237	274	16%
Other operating expenses % of revenue	26%	23%	22%	23%	

- 2021 still operating of normal and hybrid COVID-19 model
- 2022 return to normal operations impacting costs
- New centurion campus with additional costs
- Milpark once – off onerous contract also impacting costs

EBITDA AND ADJUSTED EBITDA

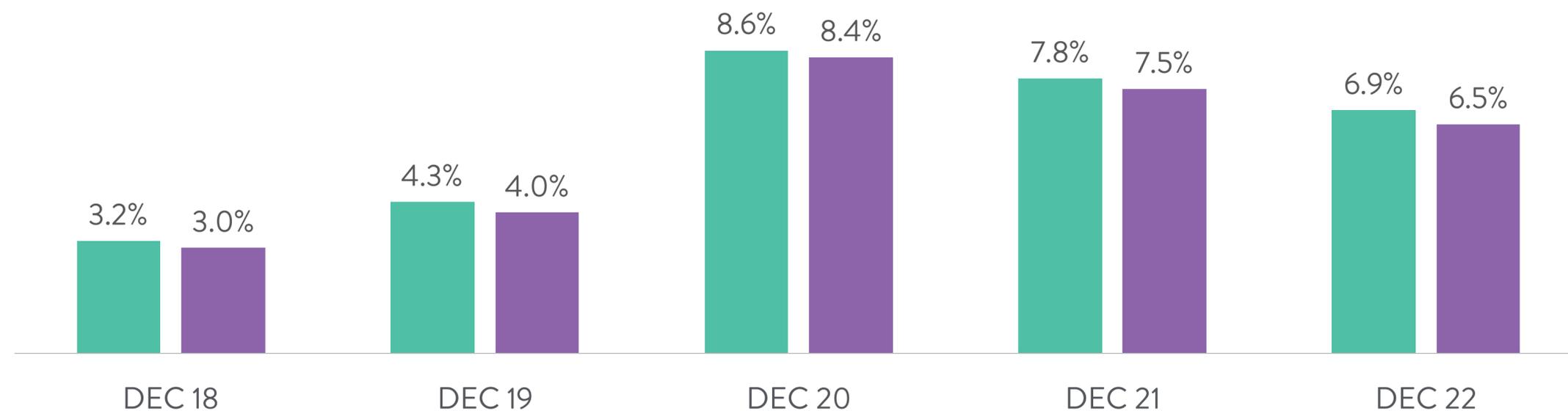


- Adjusted EBITDA excludes onerous contract costs of R5.5m in December 2022 (December 2021: excludes fair value loss on CA Connect acquisition)
- 15% growth in adjusted EBITDA
- Improvement in Adjusted EBITDA margin to 29%

TRADE RECEIVABLES AND LOSS ALLOWANCE

R MILLIONS	DEC 21	DEC 22
Gross debtors	210	260
Loss allowance	(122)	(133)
Net debtors	88	127
Bad debt written off	41	72
% Bad written off (vs PY average revenue)	4.7%	7.1%

■ Loss allowance margin (%) - pre recoveries
 ■ Loss allowance margin (%) - post recoveries



- Increase in debtors book impacted by economic environment and affordability
- Also impacted by change in approach to collecting debtors
 - More students offered terms over which to pay
 - More students allowed to register with arrear balances (still monitored within limits and strict criteria)
 - Makes studying more accessible for students
 - Students still required to pay prior to release of academic results and transcripts
 - Students who did not pay or engage with the institution are not allowed to re-register and are provided for in full

DEBTORS ANALYSIS

2022 DEBTORS ANALYSIS - PER ACADEMIC YEAR					
	ACADEMIC YEAR				
R millions	2022	2021	2020	2019	TOTAL
Trade debtors (gross)	224	34	2	1	260
Loss allowance	(100)	(31)	(1)	(1)	(133)
	124	3	-	-	127
Expected credit loss rate	45%	90%	-	-	51%
2021 DEBTORS ANALYSIS - PER ACADEMIC YEAR					
	ACADEMIC YEAR				
	2021	2020	2019	2018	TOTAL
Trade debtors (gross)	166	26	1	2	195
Loss allowance	(86)	(25)	(1)	(2)	(114)
	80	1	-	-	82
Expected credit loss rate	52%	96%	-	-	58%

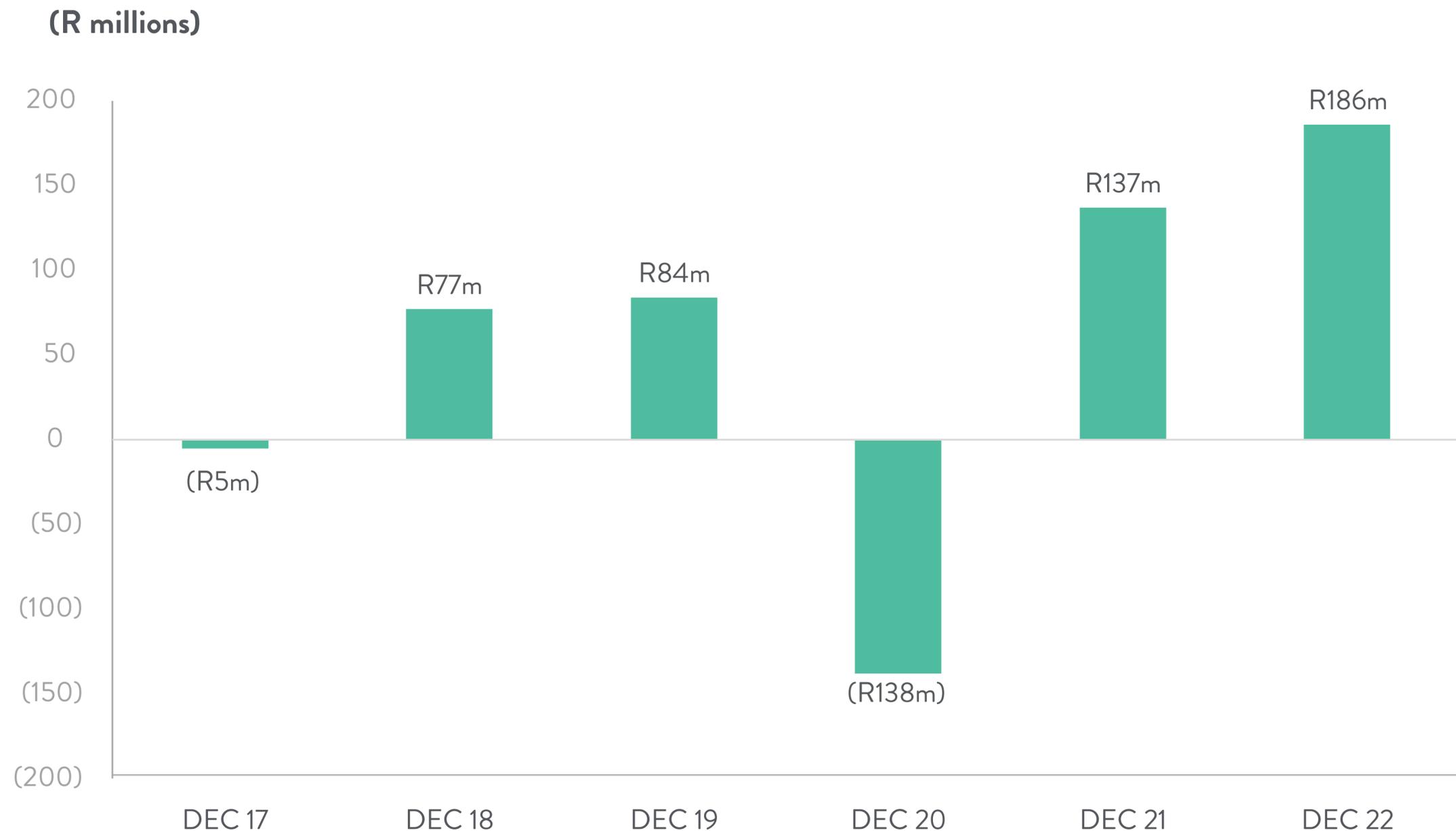
- Risk is concentrated on 2022 academic revenue
- Largely provide in full for debtors outstanding from previous academic year (unless specifically assured of collection)
- Historic bad debt write off rate +- 7%
- Have overprovided in past 2 years i.e 8% loss rate (due to uncertainties of COVID-19)
- Collections were better than loss allowance provided for in 2020/2021, but provision was not reversed
- 2022 loss allowance adjusted to account for risk in debtors' book after considering historic bad debts write off, historic collections and potential future risk in debtors book given current economic pressures on consumers

IMPAIRMENT/DE-RECOGNITION OF ASSETS

- **R2.8m impairment of Right of use asset (RoUA)**
 - Following on from strategic shift in Milpark business to focus on digital enhanced distance learning only
 - Vacated the premises in 2022
- **R3.7m de-recognition of curriculum intangibles:**
 - Programmes evaluated annually
 - De-recognised to extent no longer used to generate economic benefits

IMPAIRMENT OF ASSETS (RM)	DEC 22			
	PPE	NCA HELD FOR SALE	ROUA	INTANGIBLE ASSETS
Opening balance	810	52	97	152
Additions	85	-	14	8
Disposals	(2)	-	-	-
Depreciation / Amortisation	(26)	-	(27)	(15)
Impairments	-	-	(3)	(4)
Remeasurement	-	-	3	-
STADIO Montana - disposal	-	(52)	-	-
Closing balance	867	-	85	141

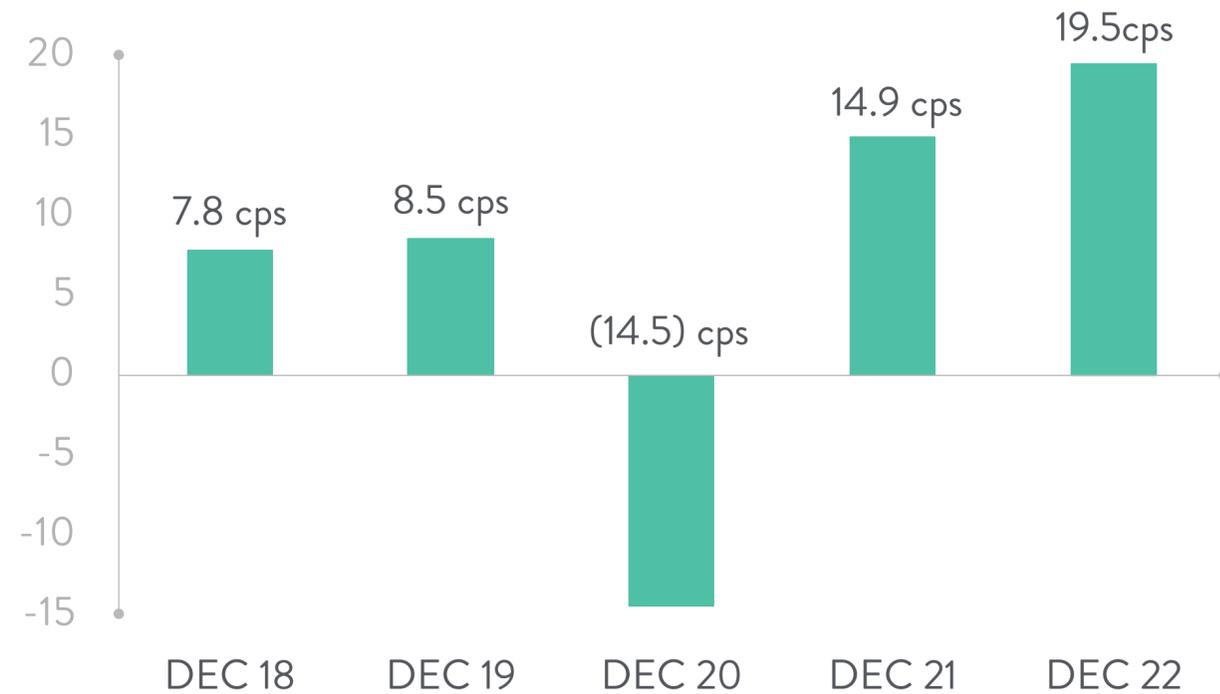
PROFIT/ (LOSS) FOR PERIOD



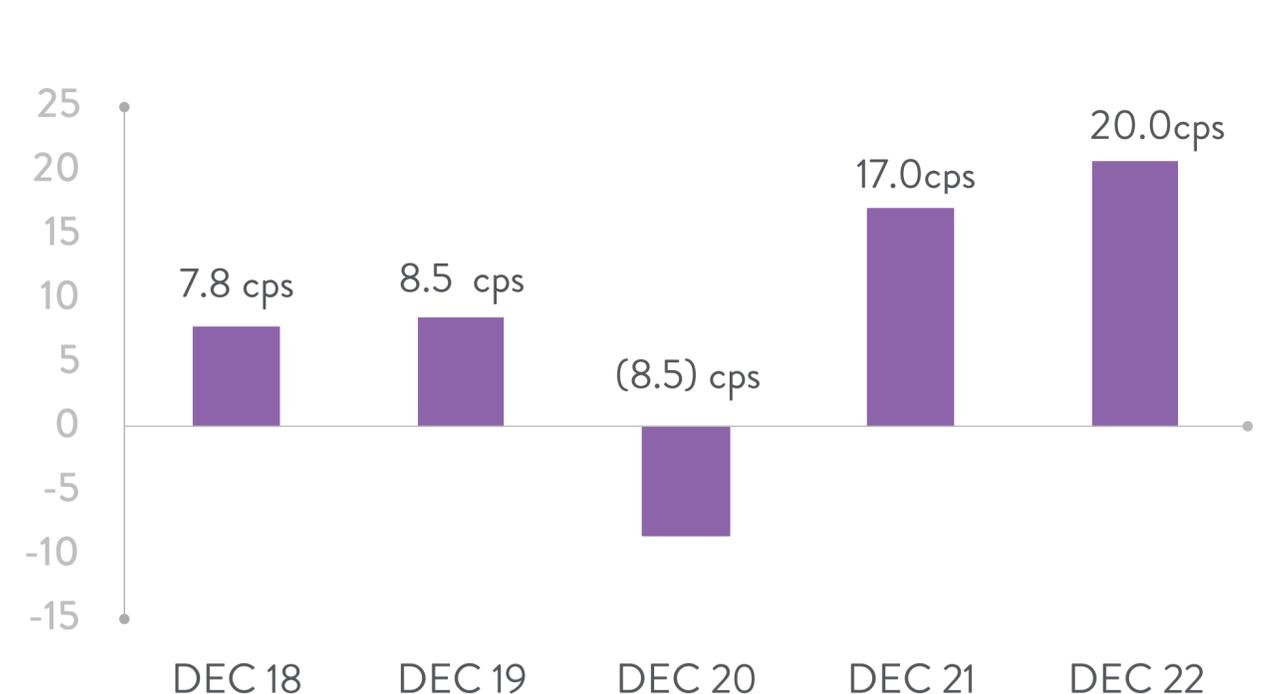
- Good organic growth in 2022
- Impacted by additional costs
 - Return to normal operations post COVID-19
 - Onerous contract
 - New STADIO Centurion campus
- 2022 impacted by impairments (R6.5m) (2021: impairments of R30m)

EPS AND HEPS

EPS (Cents)



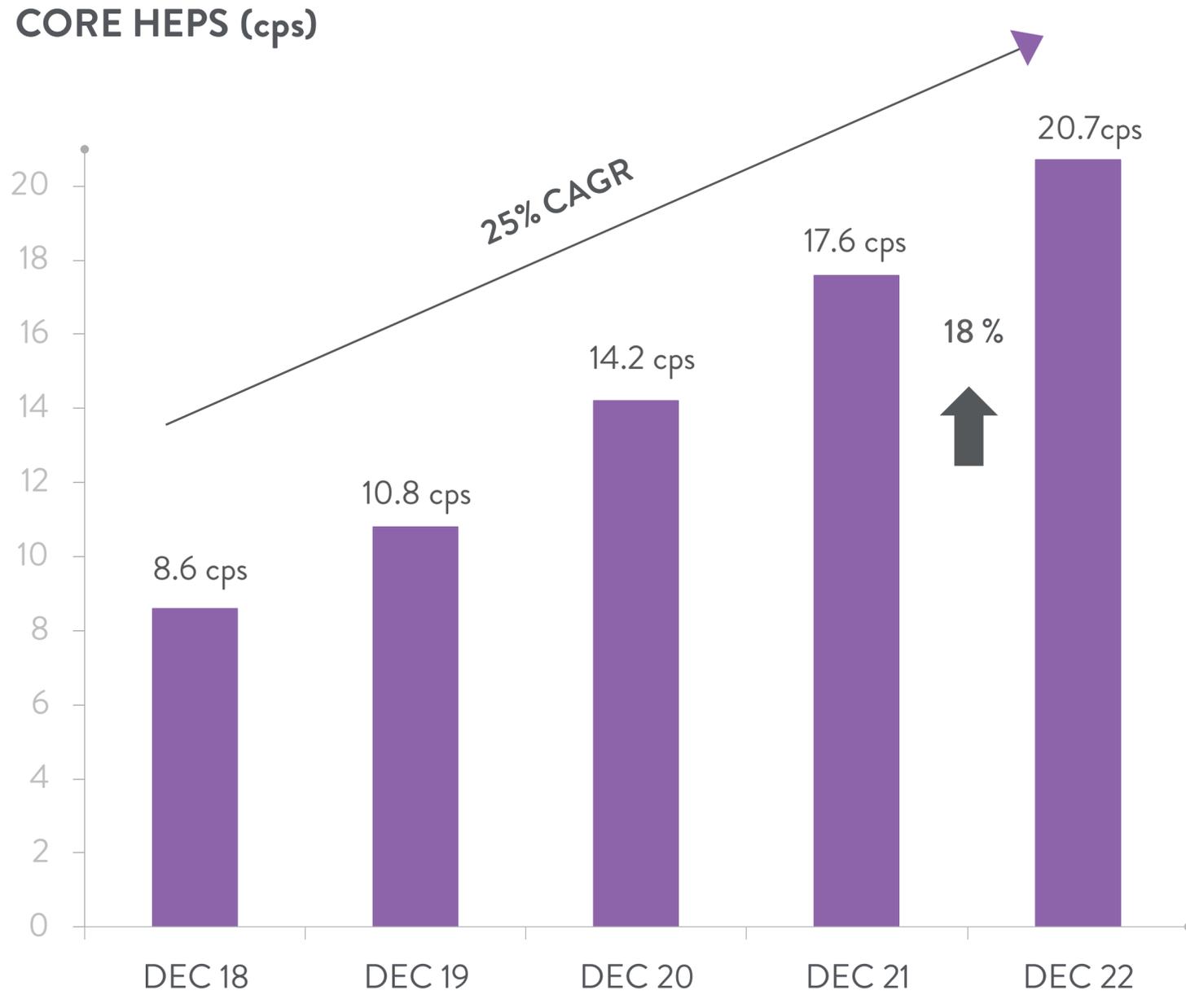
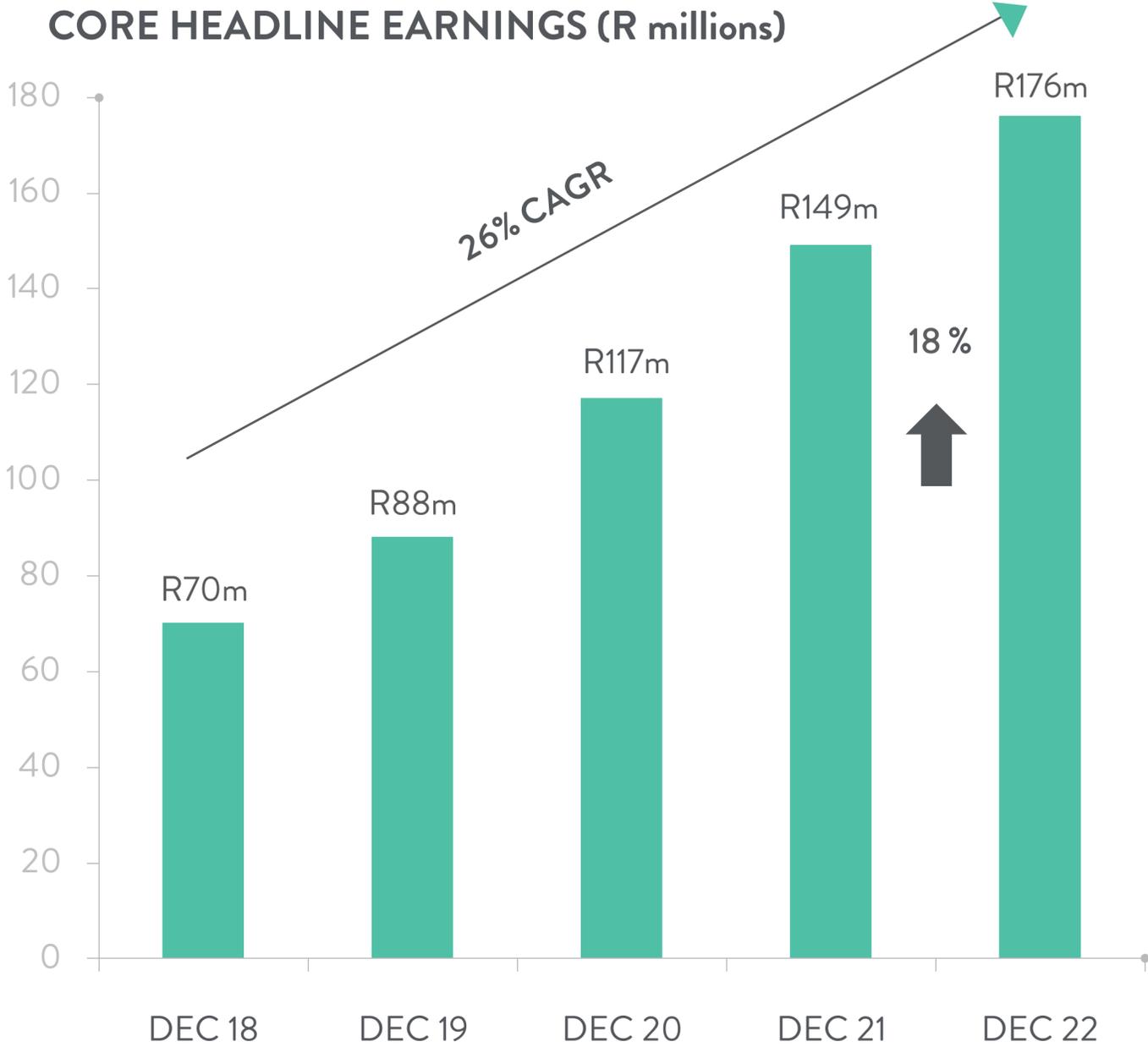
HEPS (Cents)



IMPACTED BY:

- Large increase in EPS and HEPS driven by:
 - Organic growth
 - Impairments (impacting EPS) – 2022 (R6.5m)
- 2021 (R30m)
- Dilution of shareholding in Milpark (from 87.2% to 68.5%)
- New STADIO Centurion campus and Milpark Onerous Contract– additional costs
- Increase in shares in issue – 2.3m (employee share options)
- Change in tax rate (deferred tax impact for the period)

CORE HEADLINE EARNINGS



CORE HEADLINE EARNINGS MOVEMENT

(R millions)



STATEMENT OF FINANCIAL POSITION

SUMMARISED STATEMENT OF FINANCIAL POSITION	2021 RM	2022 RM
Total assets	2 169	2 281
Property, plant and equipment	810	867
Right-of-use assets	97	85
Intangibles (incl Goodwill)	903	892
Other assets	107	111
Trade and other receivables	133	178
Non current assets held for sale	52	-
Cash and cash equivalents	66	148
Total equity	1 751	1 882
Attributable to equity holders	1 652	1 772
Non-controlling interests	99	110
Total liabilities	417	399
Borrowing	15	-
Lease liabilities	184	170
Other liabilities	218	230
Number of shares in issue (m)	848	850
NAV per share (cents)	195	209
Gearing ratio	11%	9%
Gearing ratio (excl IFRS 16: Lease Liability)	1%	0%

- Invested R93m on capital expenditure
- Impairments of R6.5m
- Settled R33m of contingent consideration liability
- Disposed of STADIO Montana for R52m
- Repaid all outstanding debt (R15m)
- Refinanced debt facility – reduced to R100m (option to increase by further R100m)
- R148m of cash on hand
- Gearing ratio 9% (0% excluding IFRS 16 lease liability)

CASH FLOW GENERATION

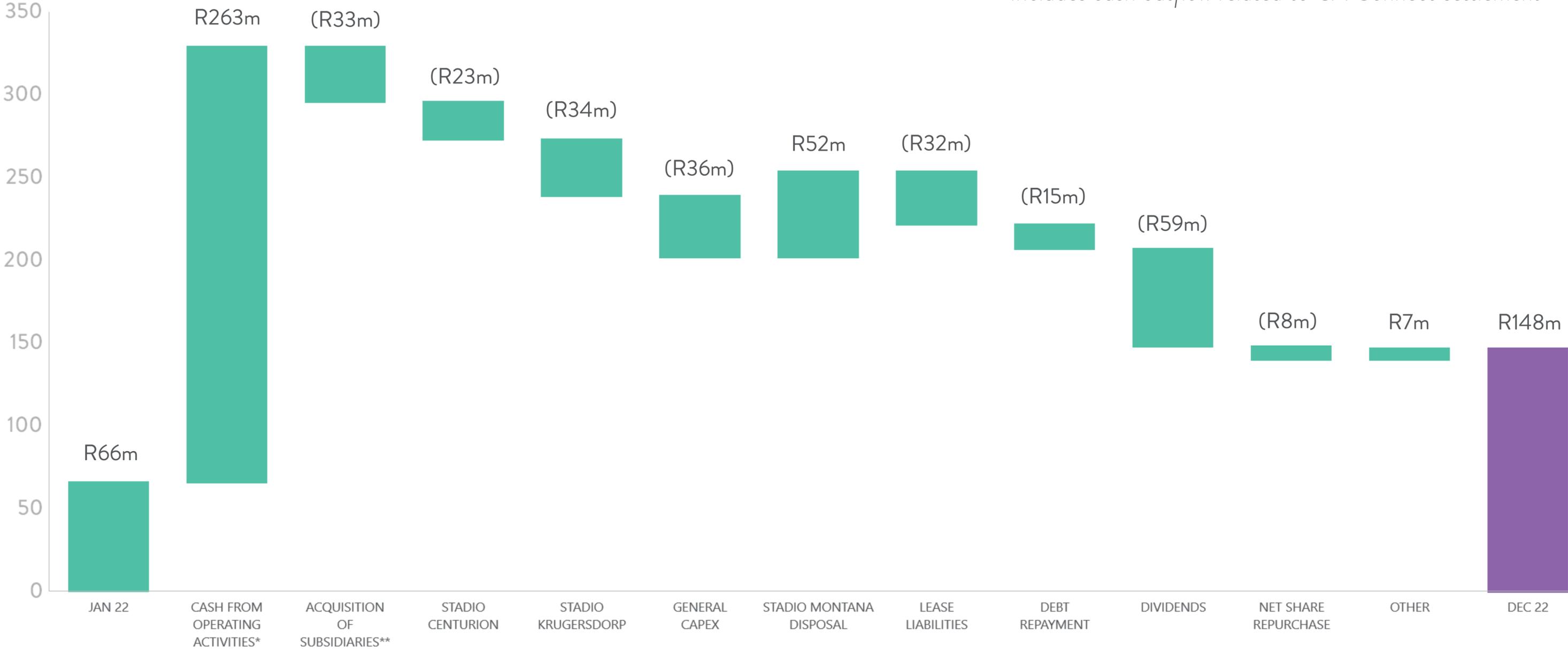
CASH FLOW FROM OPERATIONS (RM)	DEC 19	DEC 20	DEC 21	DEC 22	ADJUSTED** DEC 21	ADJUSTED** DEC 22
Net cash flow from operations (before working capital)	202	263	323	361	323	361
Working capital changes	(12)	11	(57)	(53)	(9)	(20)
Net cash generated from operations	190	274	266	308	314	341
Cash generated from operations (as % of adjusted EBITDA)*	97%	108%	86%	86%	101%	96%
Free cash flow less recurring capex	115	181	170	208	218	241

*EBITDA adjusted for fair value adjustment and onerous contract

**Adjusted for CAC settlement in cash R33m (2021 : R48m)

CASH UTILISATION

(R millions)



*Excludes cash outflow related to CA Connect settlement

**Includes cash outflow related to CA Connect settlement

CAPITAL INVESTED

CAPITAL INVESTED (RM)	DEC 16	DEC 17	DEC 18	DEC 19	DEC 20	DEC 21	DEC 22
Acquisitions	-	594	440	156	-	10	-
Infrastructure development and capital assets	73	272	26	168	98	181	87
Programme development	12	11	15	10	7	-	7
Total	85	877	481	334	105	191	93
Cumulative investment	85	962	1 443	1 777	1 881	2 072	2 165

2023 CAPITAL EXPENDITURE: GROWTH PROJECTS

2023 CAPITAL EXPENDITURE (RM)	2023
DL logistics centre (Krugersdorp) - transfer & development	37
Curriculum and other intangibles development	31
Durbanville development	45
Growth projects	113

DIVIDEND DECLARATION

- Maiden dividend of 4.7 cps declared in 2022
- Aim to return 85%+ of free cash flow over time (having regard for growth capital projects)
- Future investment in systems, processes and new qualifications
- Business generates strong cash flows
- Second annual final dividend declared of **8.9 cps in 2023**

DIVIDEND DECLARATION	
Last day to trade cum dividend	Tuesday, 11 April 2023
Trading ex-dividend commences	Wednesday, 12 April 2023
Record date	Friday, 14 April 2023
Payment date	Monday, 17 April 2023

7 YEAR FINANCIAL OVERVIEW

DECEMBER							
	2016	2017	2018	2019	2020	2021	2022
Student numbers	840	12 976	29 885	31 869	35 031	38 262	41 296
Revenue (Rm)	46	122	633	815	933	1 098	1 214
EBITDA (Rm)	11	0.5	129	180	46	309	351
EBITDA adjusted (Rm)	11	0.5	129	196	253	310	357
Headline earnings (loss) (Rm)	7	(7)	63	70	(70)	144	170
Core headline earnings (Rm)	8	3	70	88	117	149	176
HEPS (cents)	1.5	(1.2)	7.8	8.5	(8.5)	17.0	20.0
Core HEPS (cents)	1.7	0.6	8.6	10.8	14.2	17.6	20.7
Dividend per share (cents)	-	-	-	-	-	4.7	8.9
Return on equity (%)	-	0%	4%	6%	8%	9%	10%



OUR INVESTMENT CASE

MR CHRIS VORSTER
CHIEF EXECUTIVE OFFICER

OUR STRATEGY IS UNDERPINNED BY OUR WWS



>> Operational Excellence >> Product Leadership >> Customer Intimacy

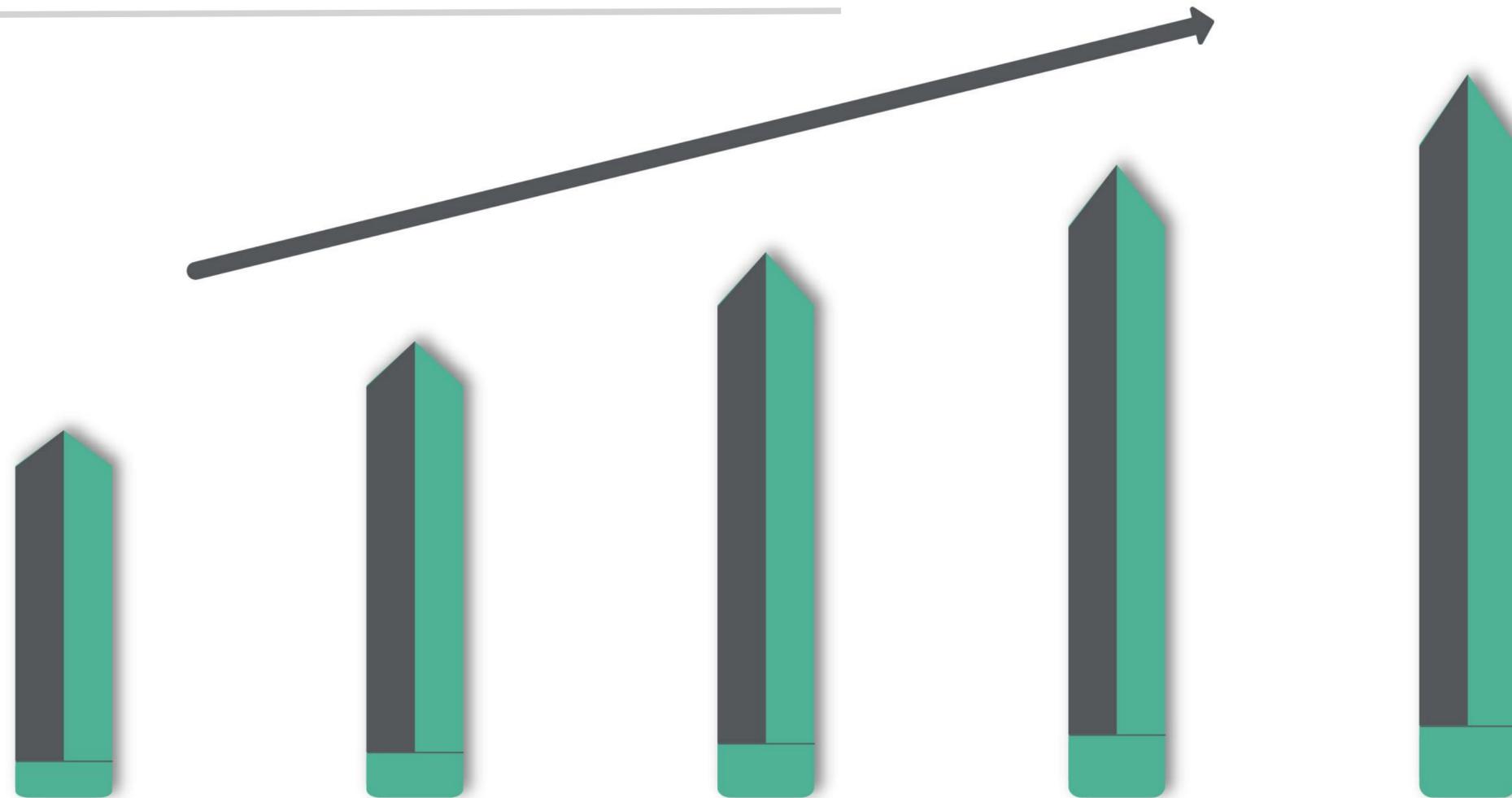
Our strategy is working and efficiencies are starting to show

WHAT WE'VE DONE



- In 2020, we launched our 'new' comprehensive institution - **STADIO Higher Education**
- Over the last 2 years we've:
 - ▶ Invested in infrastructure
 - ▶ Aligned and improved processes and policies
 - ▶ Improved our academic quality and academic staff
 - ▶ Improved our distance learning offering to compete with the best on the continent
 - ▶ Built a solid foundation to become an Institution of Choice - **a first choice institution**

OUR GROWTH STRATEGY



ACCREDITING
NEW
IN-DEMAND
PROGRAMMES

TAKING
PROGRAMMES
TO NEW SITES
OF DELIVERY
& TO NEW
MODES

OPENING
NEW
FACULTIES
& SCHOOLS

OPENING NEW
COMPREHENSIVE
CAMPUS &
OPTIMISING
EXISTING
CAMPUSES

EXPLORING
NEW
GEOGRAPHIC
REGIONS

OUR STRATEGY IS WORKING



THE GROWTH PHASE

- ▶ STADIO Centurion campus opens - **first comprehensive campus** (equivalent to university campuses)
- ▶ New Milpark strategy implemented – **online distance learning specialist** (leader in accounting offering)
- ▶ Continued accreditation and development of new in -demand programmes
- ▶ Good new student number growth
- ▶ Strong academic team and quality products on offer
- ▶ Accredited existing programmes to new sites of delivery
- ▶ Efficiencies from being 'one STADIO' and technological enhancements at AFDA are starting to show

NEW PROGRAMME GROWTH

- Offering 6 NEW qualifications in 2023 across various modes of learning delivery:

School of Law

School of Education

School of Architecture

School of Commerce

School of Accounting

- In 2023, there are 12 qualifications that are already accredited by CHE and awaiting SAQA and/or DHET approval. Some of these programmes can be offered in 2023 Semester 2, and others will be offered in 2024
- As a reminder, same Regulators as public universities.



- Regulatory delays continue to hinder our growth strategy
- Regulatory process is a barrier to entry
- Investing now to ensure we achieve self-accreditation status in CHE audit (expected to be in 2024)

86

Certificated programmes

31

pipeline programmes
(in development or awaiting accreditation)

OUR GROWTH STRATEGY ILLUSTRATED

- Growth strategy includes:
 - Development of new, in-demand programmes
 - Taking programmes to new campuses - we have seen how this increases student numbers on the relevant campus
- An illustrative example based on one of our campuses:

	PROGRAMME X	PROGRAMME Y (offered for first time in 2022)	PROGRAMME Z (offered for first time in 2023)	TOTAL
2022 Year to date	402	40	-	442
2023 Year to date	463	69	101	633
Growth	15%	72%	100%	43%



Growth had we continued with status quo



Growth with implementation of growth strategy



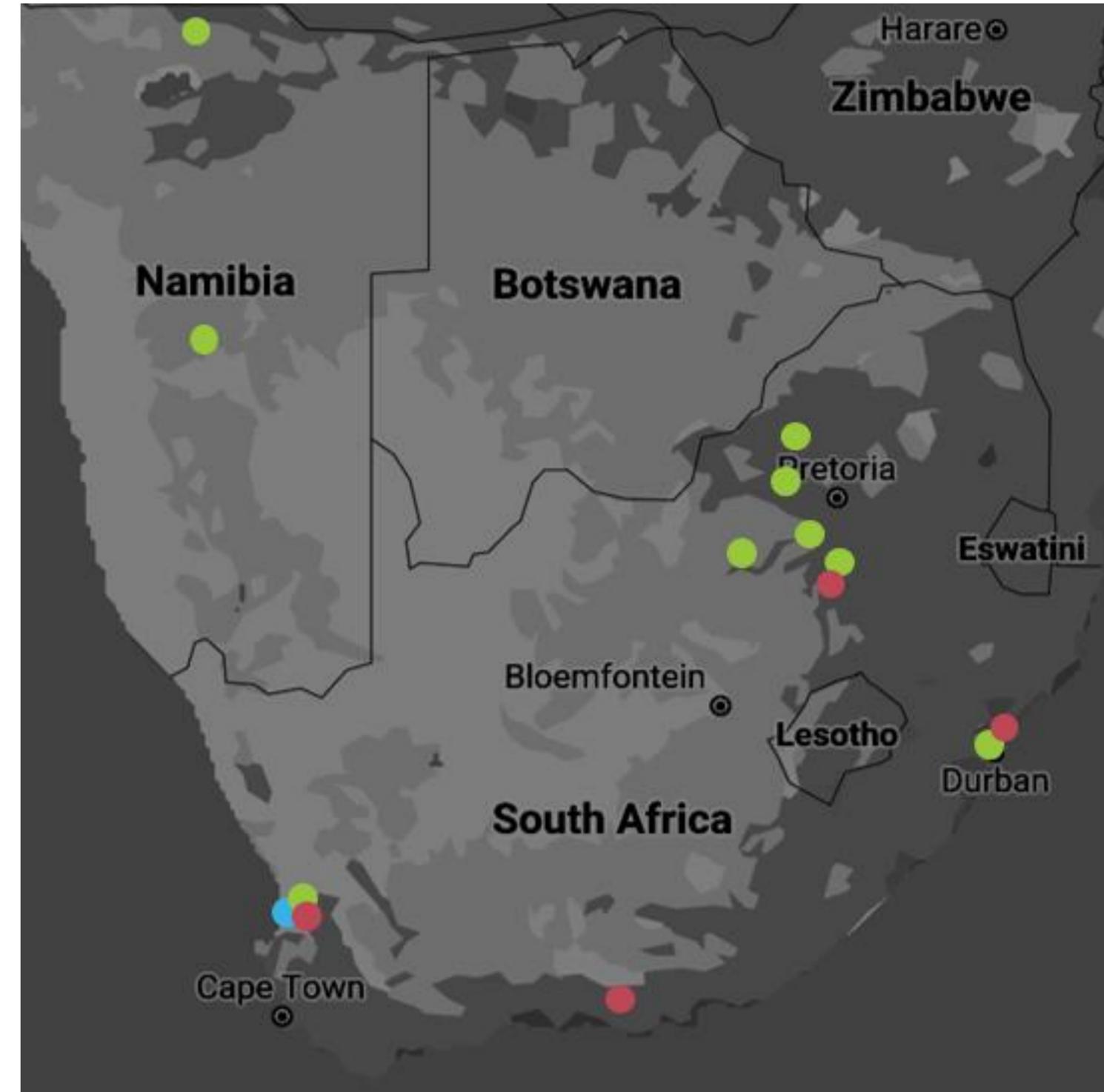
WHY NEW STUDENT NUMBERS ARE IMPORTANT

ILLUSTRATIVE EXAMPLE	YEAR 1	YEAR 2	YEAR 3	TOTAL	GROWTH
2020 - New students - Returning students	20 -	- 20	- 20	60	
2021 - New students - Returning students	30 -	- 20	- 20	70	+17%
2022 - New students - Returning students	50 -	- 30	- 20	100	+43%
2023 - New students - Returning students	50 -	- 50	- 30	130	+30%
2024 - New students - Returning students	60 -	- 50	- 50	160	+23%

- New student numbers, in general, have a 3-year impact
- A good intake results in positive impact on returning numbers in the following years
- New student growth in 2022 and 2023 is positive = good pipeline for next few years

WE'RE GROWING TO MEET DEMAND

- 11 campuses, 3 support centres
- All our campuses will double up as distance learning support centres and assessment centres
- We're expanding to support our comprehensiveness:
 - New STADIO Centurion campus opens (5000 capacity)
 - STADIO Bellville expanding - rented extra space
 - AFDA Johannesburg at capacity – rented extra space
 - Krugersdorp Logistics Centre opens – streamlining distance learning
- We are busy submitting plans for the STADIO Durbanville comprehensive campus and awaiting approval on when to commence construction (will not open before 2025)
- To investigate opportunities for expansion of AFDA Johannesburg



● AFDA

● STADIO Higher Education

● Milpark Education

WILL NOT BUILD A COMPREHENSIVE CAMPUS IN EVERY CITY

- Aim = **3 comprehensive campuses** (offering a full student experience) :
STADIO Centurion
STADIO Musgrave (to take new Schools to this site)
STADIO Durbanville (to come) and
- Continue **optimising** current campuses
- We offer a **real student experience** (conducive to offering **quality** higher education)
- All campuses have alternative power sources – no hinderance to teaching and learning
- Any expansion can be funded through cash and minimal debt levels
- Can settle debt quickly
- We are a **capital-light business and will remain as such**

MAX
20%

CONTACT LEARNING



MIN
80%

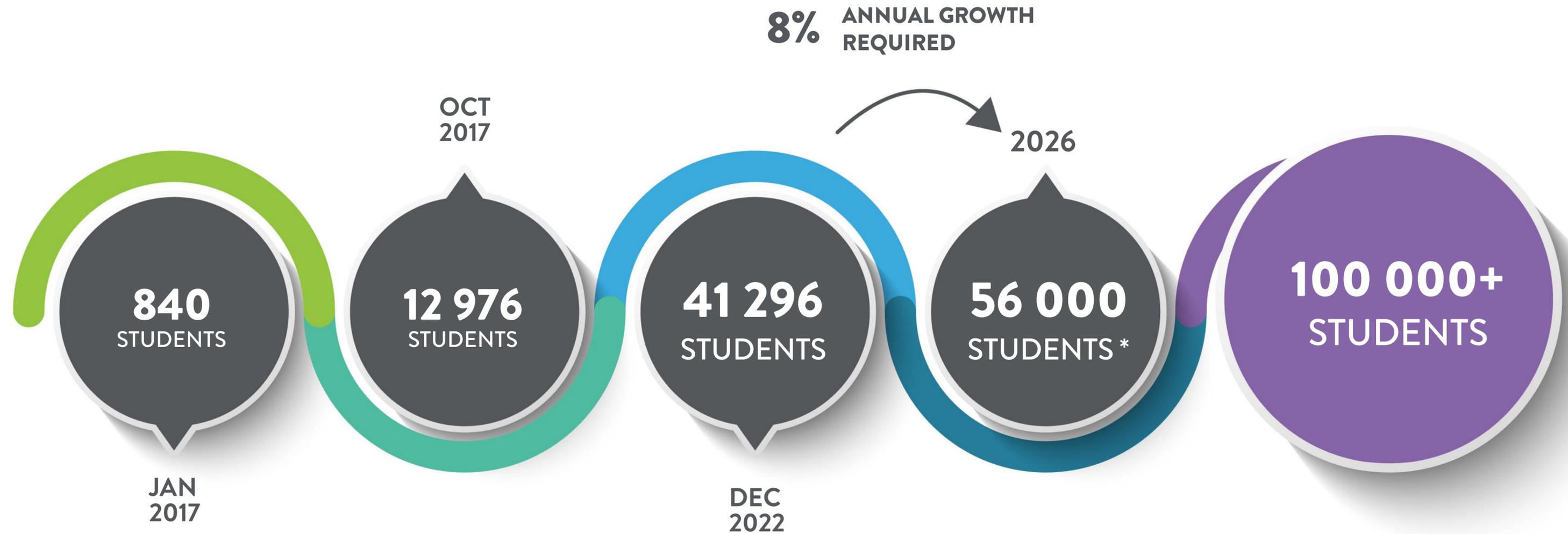
DISTANCE LEARNING



KRUGERSDORP LOGISTICS CENTRE



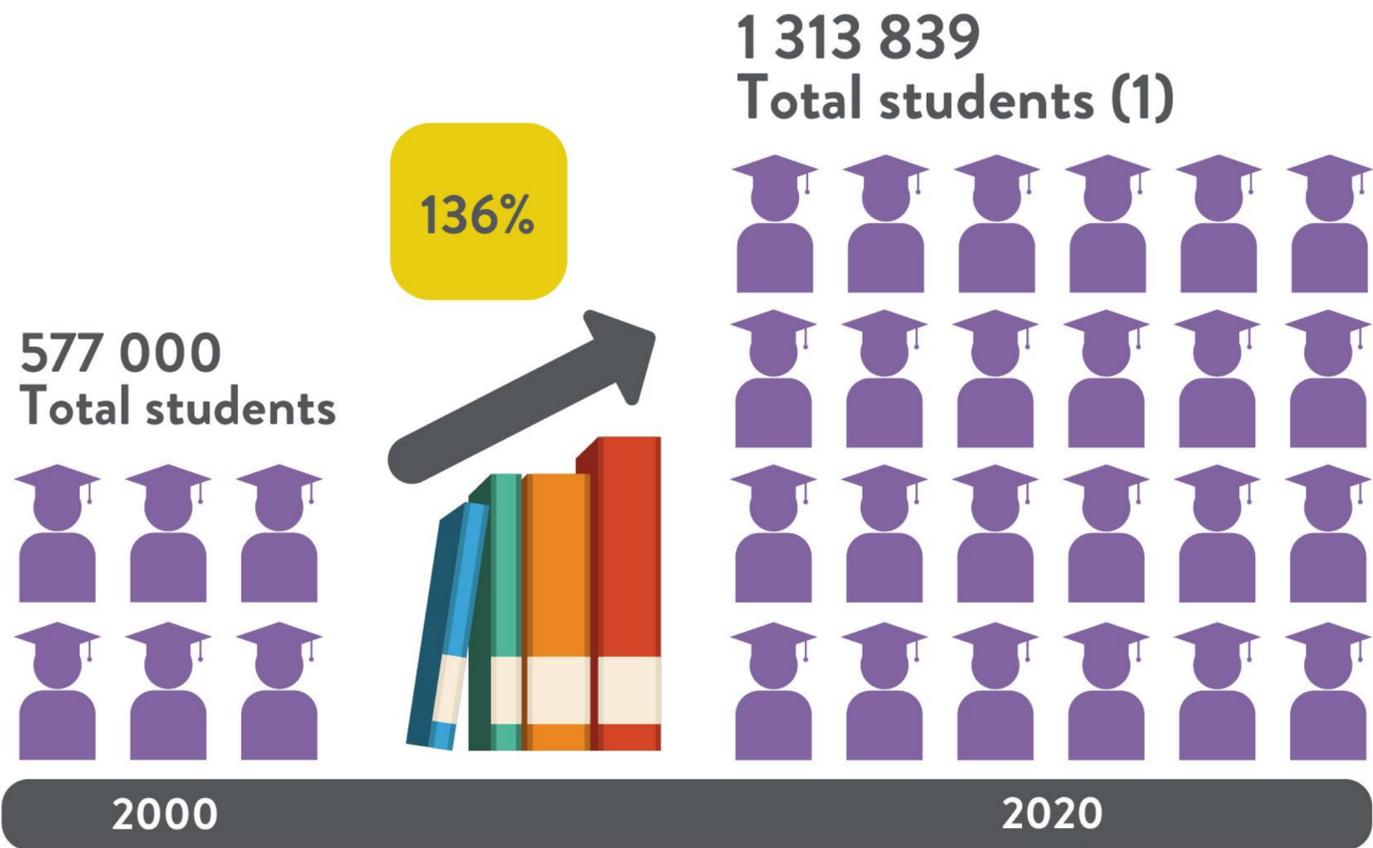
WE'RE ON TRACK TO ACHIEVE OUR TARGETS



* As disclosed in the Pre-listing Statement

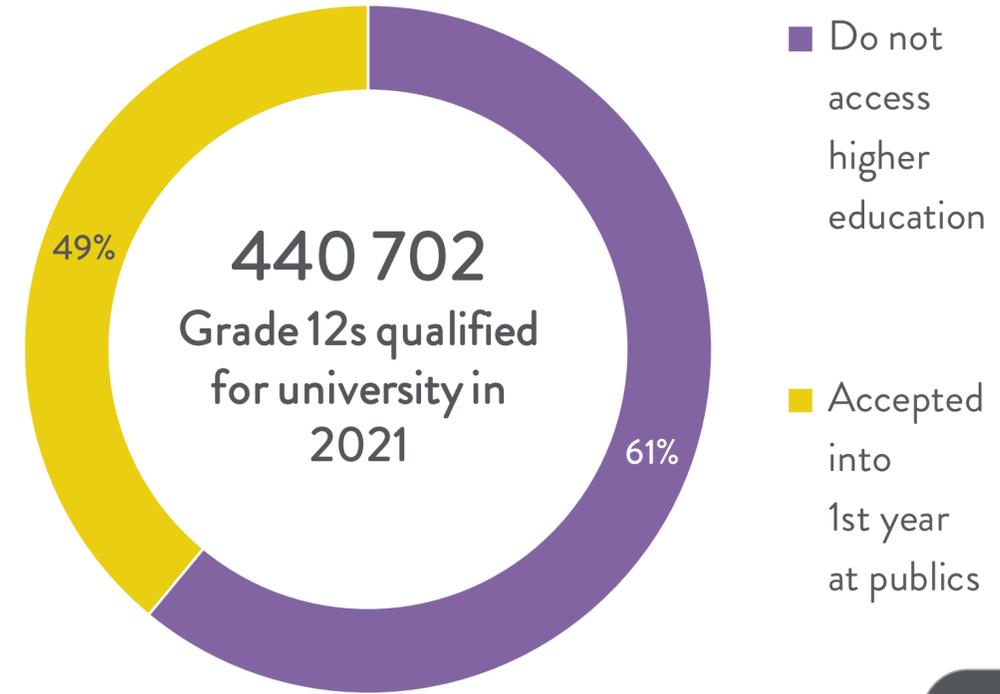
TARGET: 80% DISTANCE LEARNING & 20% CONTACT LEARNING

THE MARKET CONTINUES TO GROW AND NEEDS PRIVATE HIGHER EDUCATION



219 031⁽¹⁾
students in private higher education (17%)*
* STADIO Group accounted for 16% of total private higher education students in 2020 (15% in 2019)

OUR UNIVERSITIES HAVE CAPACITY CONSTRAINTS



- 171 341 places for 1st years at public universities⁽²⁾
- 269 361 eligible matrics could **NOT** access public higher education ⁽³⁾

NSC passes have increased by 32% since 2021 with minimal increased capacity at publics

Source: (1) Infographics For Statistics On Post School Education And Training, 2020
Source: (2) : Hede Peer Data Reports
Source: (3) : NSC Examination Report 2020

WE ARE WELL PLACED TO SUPPORT MORE STUDENTS

THE FUTURE IS EXCITING

- ▶ We offer **quality** programmes with quality academic staff and student support
- ▶ Our programmes are **affordable**, accessible, and relevant
- ▶ Milpark is becoming the leader in accounting and financial offerings
- ▶ AFDA remains the number one film school leader in southern Africa
- ▶ STADIO Higher Education is positioned as a comprehensive institution offering multi-modes of delivery across multi-schools and an alternative to the public universities
- ▶ Efficiencies starting to show from investments in processes, etc (margin increases to 29%)
- ▶ Overall, targeting a margin of between 30% - 35%
- ▶ Highly cash generative business >> minimal debt requirements needed to meet our expansion plans >> debt facility available
- ▶ The Group has already grown student numbers to be in the top ten higher learning institutions in South Africa terms of size

WE'RE A NEW VISION IN HIGHER EDUCATION



IN CONCLUSION



THE SOUTH AFRICAN
ECONOMY IS
STRUGGLING AND
2023 WILL HAVE
ITS CHALLENGES



WE BELIEVE
WE ARE WELL
POSITIONED
FOR GROWTH AND
WILL CONTINUE TO
BUILD OUR BRAND
AND TAKE
MARKET SHARE

QUESTIONS & ANSWERS

