

# STADIO

— HOLDINGS —

2023 Interim Results Presentation

30 August 2023

# PRESENTATION OVERVIEW

SETTING  
THE  
SCENE

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2023 INTERIM  
FINANCIAL  
RESULTS

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OUR  
INVESTMENT  
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AND  
ANSWERS

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# STADIO

— HOLDINGS —

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

THROUGH OUR 3 DISTINCT PRIVATE HIGHER EDUCATION INSTITUTIONS



# WE'VE COME A LONG WAY IN BECOMING A FIRST-CHOICE INSTITUTION

- Student numbers are growing with good growth expected for the second semester
- STADIO Higher Education brand is gaining momentum
- Milpark Education's graduates' performance in SAICA ITC board exam is contributing to its brand awareness and growth
- AFDA brand is established and continues to be seen as the leading film school in Africa
- The economic environment remains a challenge – impacting student's consumable income and ability to pay
- Good processes established to better manage bad debt / collections going forward
- The various pieces of the puzzle are coming together –the strategy is working, and I'm excited about the commercial prospects of the Group
- What excites me most is the Group's contribution to the success of our country – we're helping more students gain access to quality education . . . never underestimate the huge impact that this has on the future of our country and its citizens!



“Education is the passport to the future, for tomorrow belongs to those who prepare for it today” – Malcom X

# SOLID INTERIM FINANCIAL RESULTS

Semester 1  
Student Numbers  
up 9%  
to  
41 865

JUN 2022: 38 348

Revenue  
up 16%  
to  
R714m

JUN 2022: R618m

Profit after Tax  
up 21%  
to  
R127m

JUN 2022: R105m

EPS  
up 21%  
to  
13.6 cps

JUN 2022: 11.2 cps

HEPS  
up 22%  
to  
13.5 cps

JUN 2022: 11.1 cps

Core Headline  
Earnings  
up 20%  
to  
R116 m

JUN 2022: R96m

Core HEPS  
up 20%  
to  
13.6 cps

JUN 2022: 11.3 cps

Return  
on Equity  
up to  
10.8%

JUN 2022: 9.5%



# 2023 INTERIM RESULTS OVERVIEW

**MS SAMARA TOTARAM**  
**CHIEF FINANCIAL OFFICER**

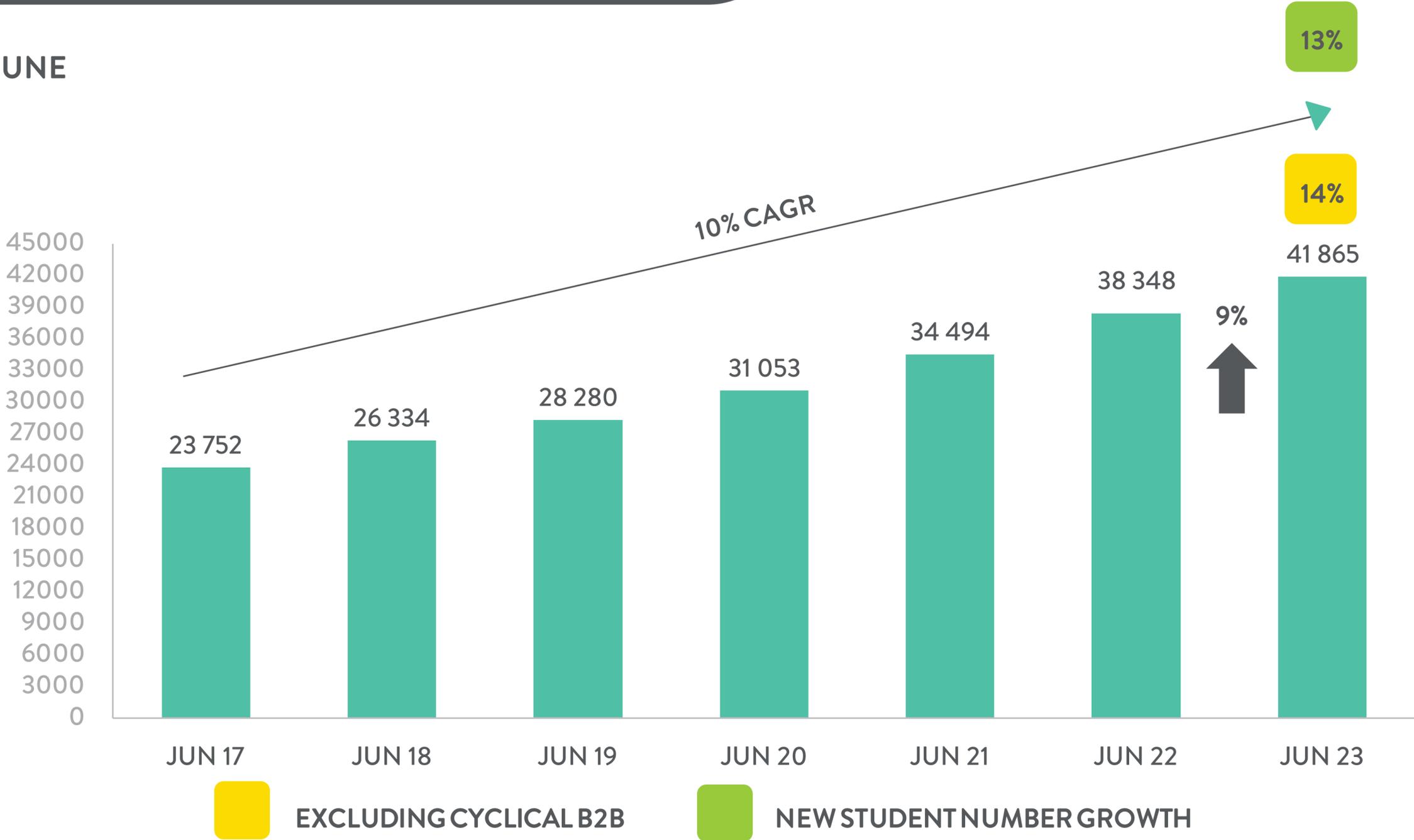
# 2023 SUMMARY NOTES

- Positioning the businesses to become first choice institutions
- Focus on operations, processes and student experience
- Consumer pressures and affordability impacting the business
  - Students taking longer to pay
  - Impacting overall loss allowance for the period
- Capital projects include
  - Durbanville campus: planning is underway
  - Transfer of Krugersdorp property to take place in 2nd half of the year
  - Invested R3m on solar projects to date – expected R12m for the year
- Focus on development of core qualifications – earmarking R19m on programme development for the year
- Share issues and repurchases
  - Issued 3.1m SDO shares in April 2023 – settled obligation of Share Incentive Trust (SIT)
  - Repurchased 3.3 m (R15m) SDO shares by SIT - to settle future obligations of long-term incentive scheme
  - Repurchased and cancelled 3.13m (R14m) SDO shares by STADIO Holdings in July/August 2023
- No interim dividend declared for the period – policy is to pay annual dividends



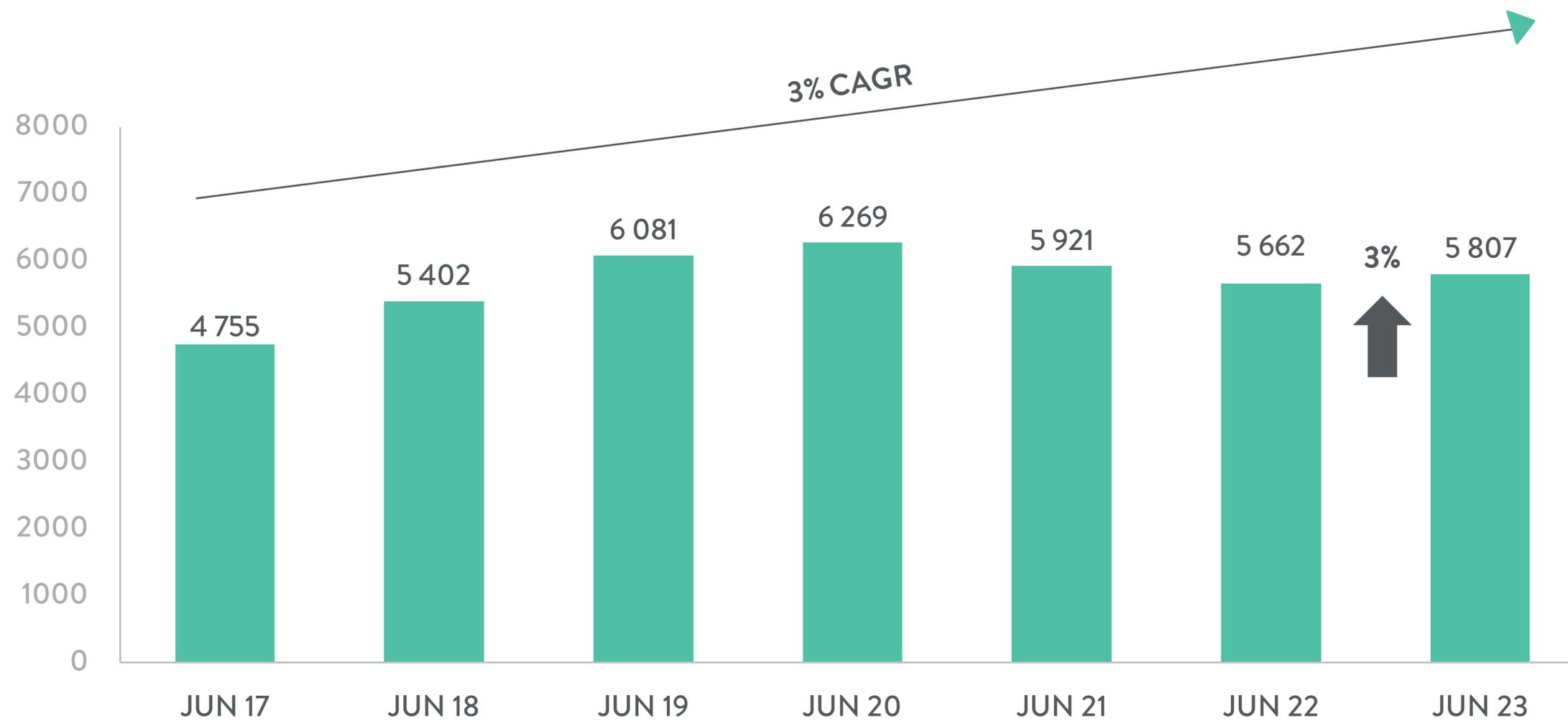
# TOTAL STUDENT NUMBERS (LIKE-FOR-LIKE)

SEMESTER 1: 30 JUNE



# STUDENT NUMBERS – CONTACT LEARNING

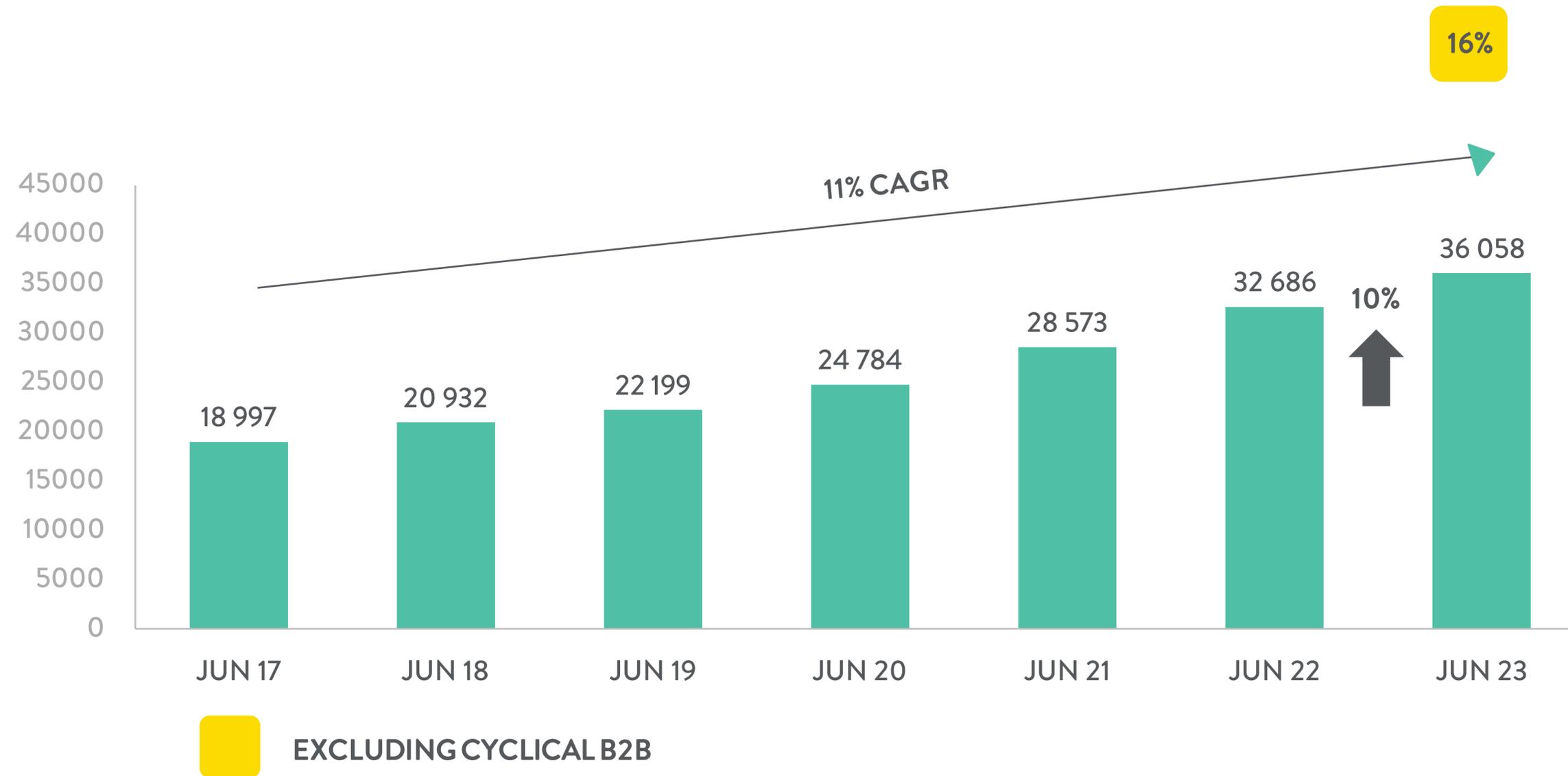
SEMESTER 1: 30 JUNE



- 3% growth impacted by:
  - Covid 19 overhang – poor enrolments in prior years impacting rollover students, and
  - Milpark Education transition away from contact learning
- Encouraging 15% growth in new contact learning students
- Site extensions and growth in new qualifications coming through and contributing to growth

# STUDENT NUMBERS – DISTANCE LEARNING

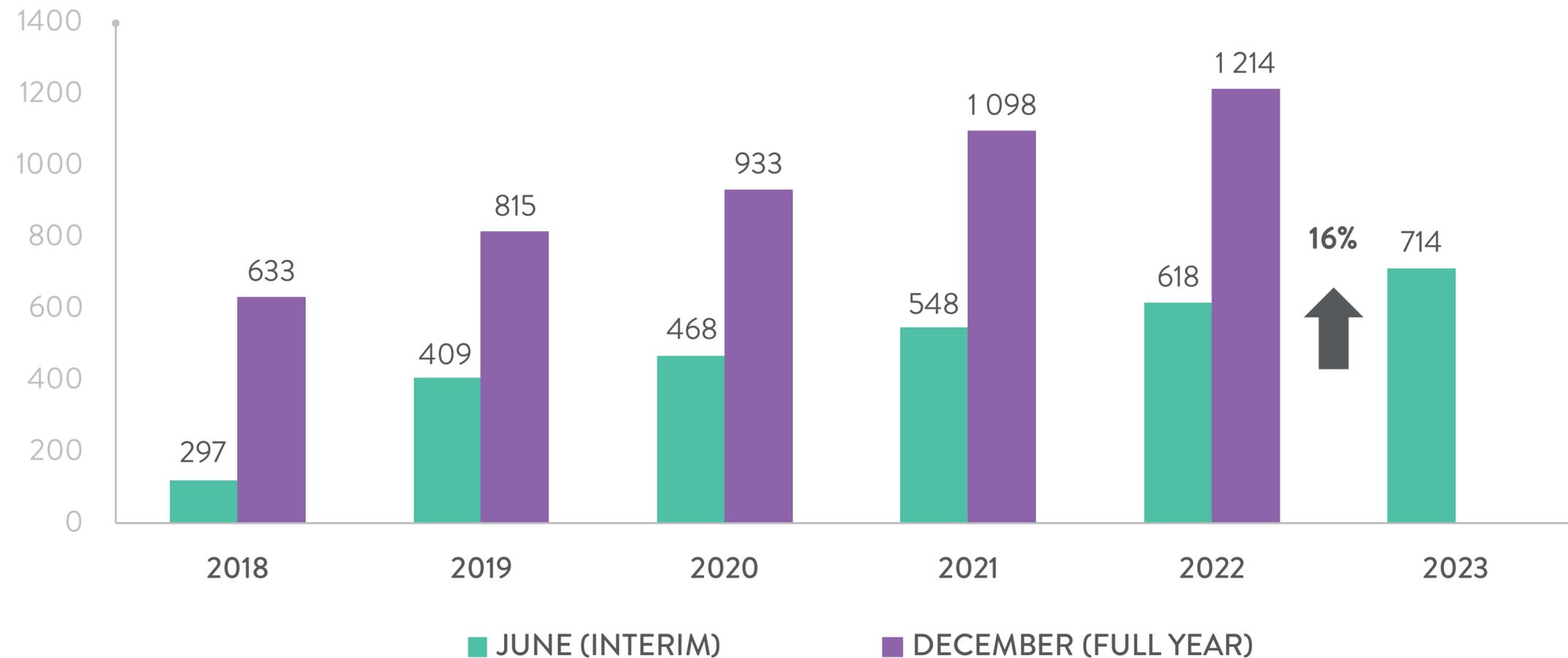
SEMESTER 1: 30 JUNE



- Biggest DL provider outside of UNISA
- Good growth in professional programmes continues
- B2B still under pressure but showing improvements for S2
- Milpark Education refocusing business to become less reliant on B2B

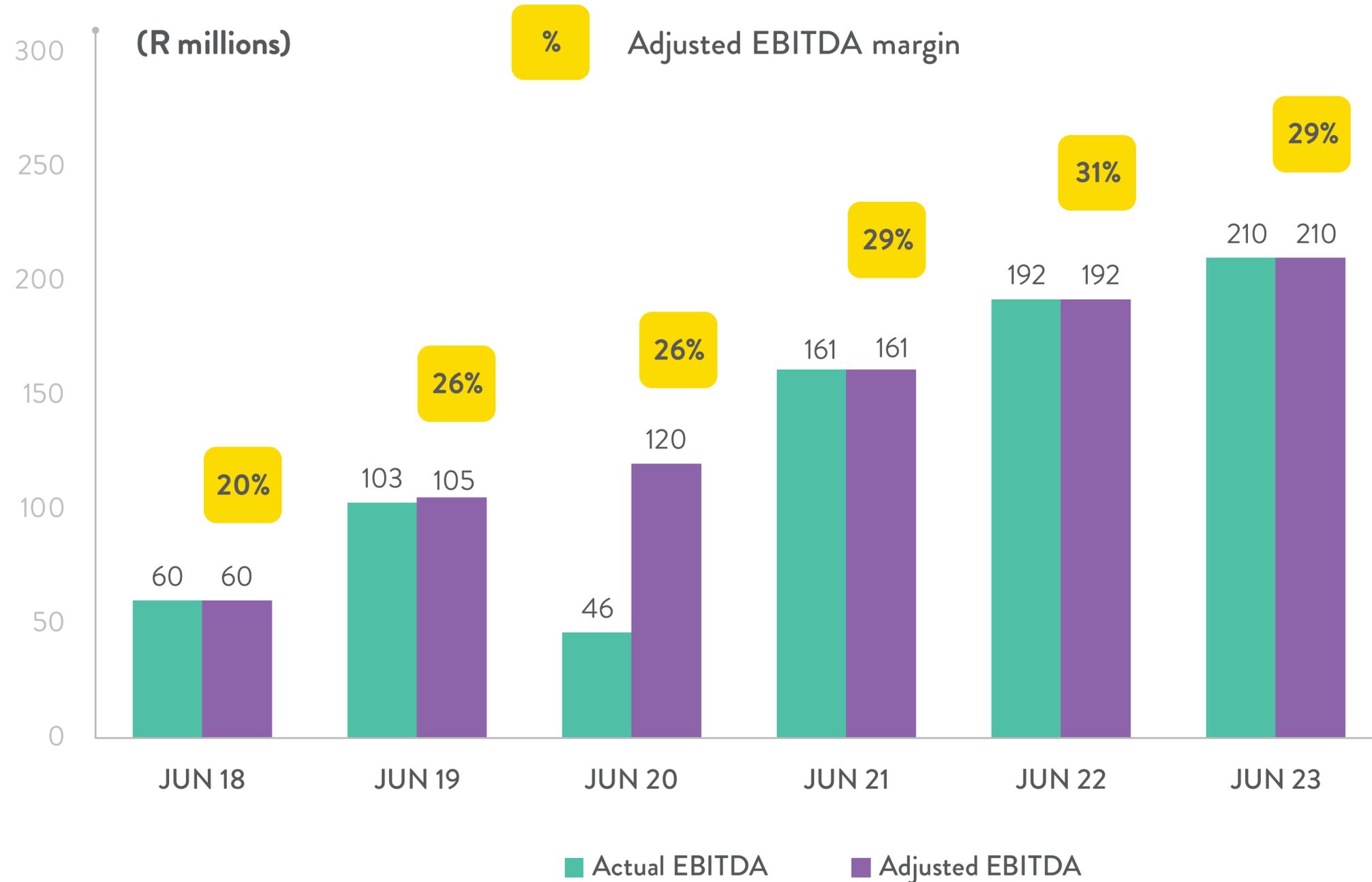
# REVENUE

(R millions)



- 15% growth in tuition fee income
- 22% Increase in registration fees:
  - Growth in new students
  - Year module students paying registration fees upfront
- Increase in sale of learning materials due to students purchasing study materials earlier in the year than in prior year
- Large increase in discounts and bursaries -
  - Increase in discounts provided to repeat students
  - Lower base of discounts and bursaries in prior year
  - Accounts for 2.7% (Jun 22: 2.4%) of revenue

# EBITDA AND ADJUSTED EBITDA



- Adj EBITDA in prior years excludes fair value loss adjustment
- EBITDA margins reduced to 29% (in line with full year Dec 22 EBITDA)
- Impacted by:
  - increase in loss allowance expense for period due to ageing of debtors' book
  - Prior year loss allowance expense being lower due to unutilized provisions raised in 2020/2021
  - Costs of loadshedding (diesel costs)
  - Still investing in new systems and processes across the business to improve efficiencies

# EBITDA MOVEMENT

(R millions)



 % change

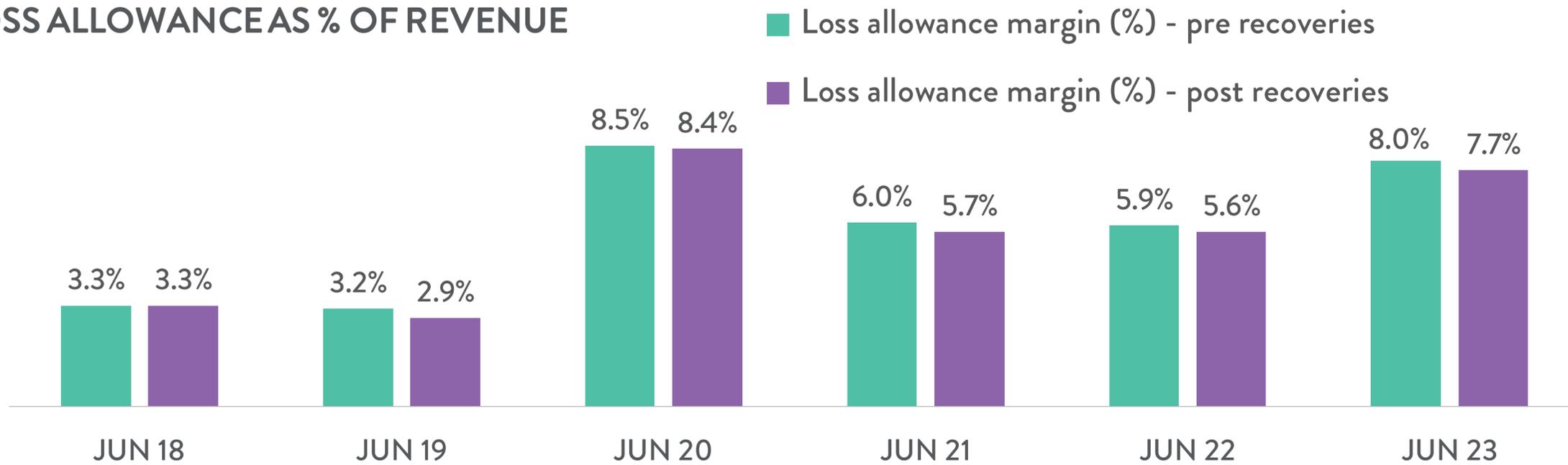
# MARGIN ANALYSIS

EXPENSE ANALYSIS (RM)	DEC 22	JUN 22	JUN 23	% CHANGE
<b>Revenue</b>	<b>1 214</b>	<b>618</b>	<b>714</b>	<b>16%</b>
Employee costs	515	257	293	14%
Employee costs as % of revenue	42%	42%	41%	
Other operating expenses	274	139	162	16%
Other operating expenses as % of revenue	23%	23%	23%	
Loss allowance expense	83	36	57	58%
Loss allowance expense as % of revenue	7%	6%	8%	

- Employee costs margin improving
- Operating expense margin maintained at 23% but influenced by:
  - Additional costs of doing business in South Africa (loadshedding, municipal costs, security)
  - Further investment into systems and processes impacting costs
- Loss allowance margin increase to 8% mainly due to
  - Prior year loss allowance margin of 6%; lower due to lower expense from unutilised provisions from 2020/2021
  - Increase in loss allowance expense to compensate for increase in risk due to an increase size and ageing of the debtors' book

# TRADE RECEIVABLES AND LOSS ALLOWANCE

## LOSS ALLOWANCE AS % OF REVENUE



	DEC 22 RM	JUN 22 RM	JUN 23 RM
Trade Receivables	260	312	384
Loss allowance	(133)	(135)	(167)
Net trade receivables	<b>127</b>	<b>177</b>	<b>217</b>
Loss allowance coverage	51%	43%	43%

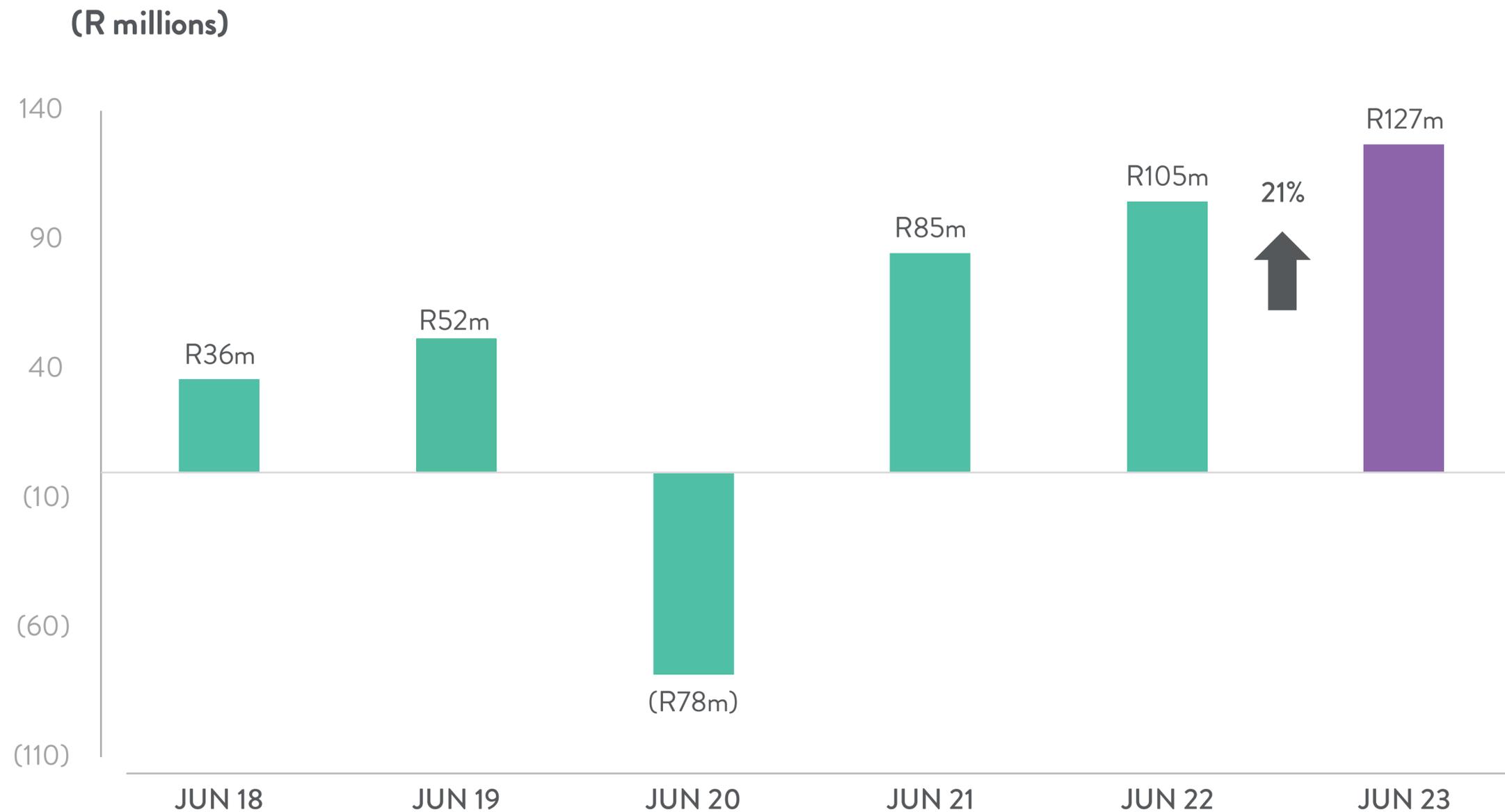
- Debtors book generally peaks in June
- Consumer pressures impacting collections
- 24% increase in gross debtors for the period
- DL makes up 75% of book, DL growth in revenue of 19%
- Change in approach to collecting debtors impacting ageing of book:
  - More students allowed to re-register with arrear balances (allowing students to pay over longer periods)
  - Reduction in upfront deposits charged
  - Makes studying more accessible for students (widen access)
  - Students still required to pay prior to release of academic results and transcripts
  - Increase in debtors' book resulting in increase in loss allowance expense
  - Coverage maintained at 43%

# TRADE RECEIVABLES AND LOSS ALLOWANCE

TOTAL DEBTORS (RM)	JUN 21	JUN 22	JUN 23
Gross Debtors	228	312	384
Debtors related to prior academic year	(60)	(86)	(122)
<b>Debtors related to current year</b>	<b>168</b>	<b>226</b>	<b>262</b>
DEBTORS RELATING TO PRIOR YEAR (RM)	JUN 21	JUN 22	JUN 23
Gross debtors	60	86	122
Loss allowance	(50)	(77)	(110)
Net debtors	10	9	12
<b>Loss allowance Coverage (%)</b>	<b>(83%)</b>	<b>(90%)</b>	<b>(90%)</b>

- Risk is concentrated on debtors related to prior academic years
- Accounts for 32% of the book
- Provide for 90% of prior year book
- Provide for 21% of current year book using 8% loss allowance margin of current revenue as a measure
- Historic bad debt write off rate +/- 7% of average prior year revenue
- Good collections post June 2023 for S2 registrations
- Specific and more active focus on debtors' collection and managing credit risk – new processes implemented

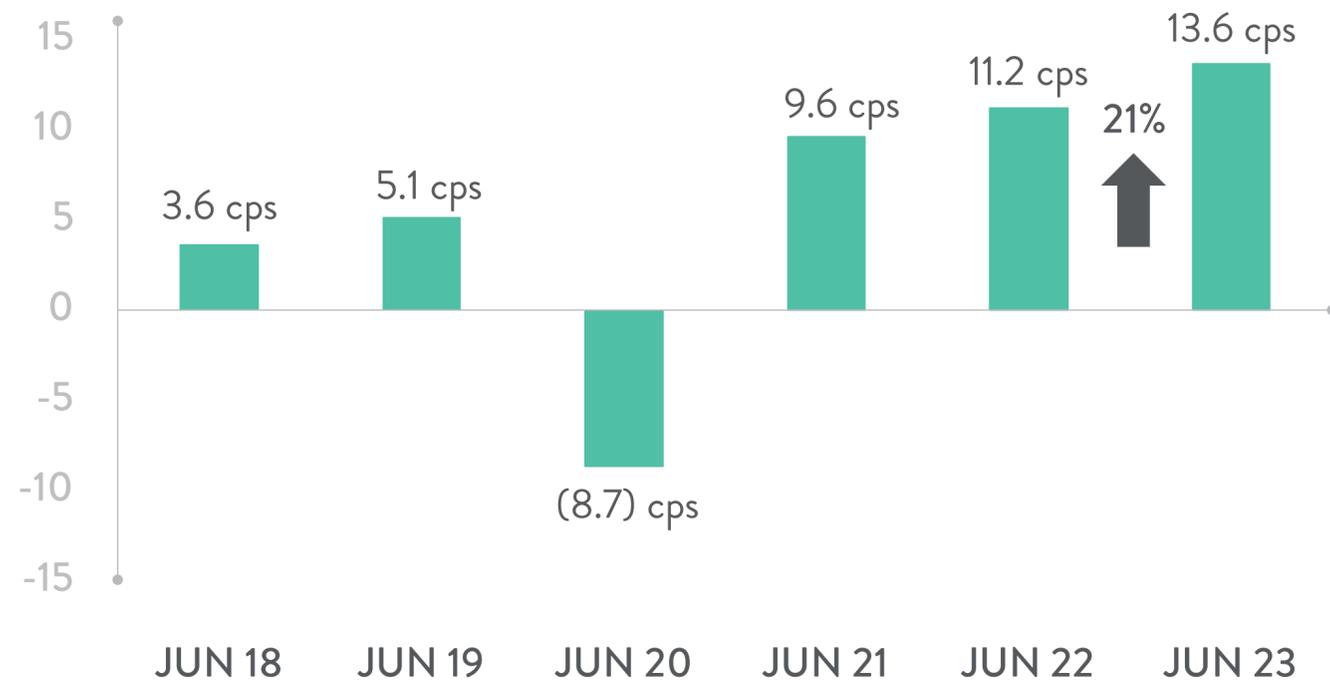
# PROFIT/ (LOSS) FOR PERIOD



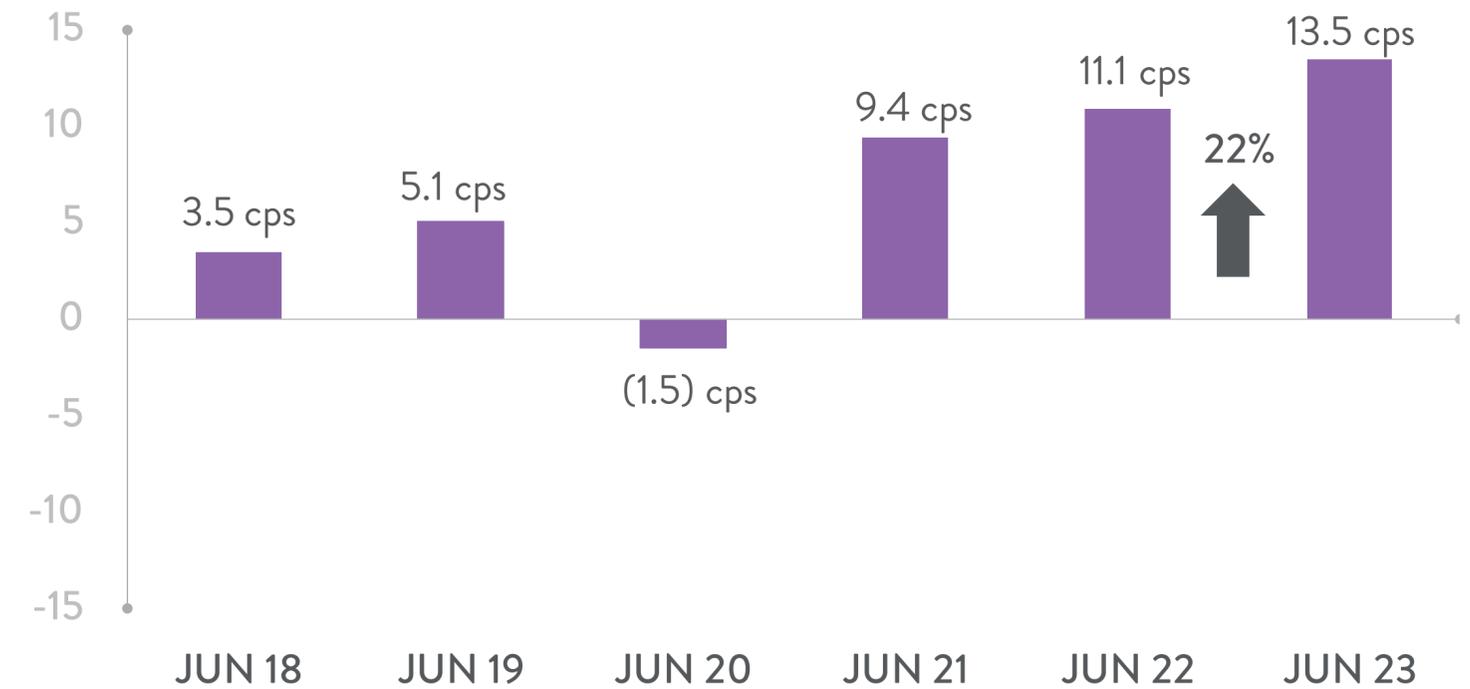
- Strong 21% growth in PAT
- Positively impacted by:
  - Organic growth in EBITDA for period
  - Interest income earned vs prior year interest expense
  - Positive impact of change in tax rate
- Negatively impacted by:
  - Increased loss allowance for the period
  - Costs of fuel for loadshedding
  - Costs of strategic initiatives (computer/license costs, advertisings, staff training)

# EPS AND HEPS

EPS (cps)



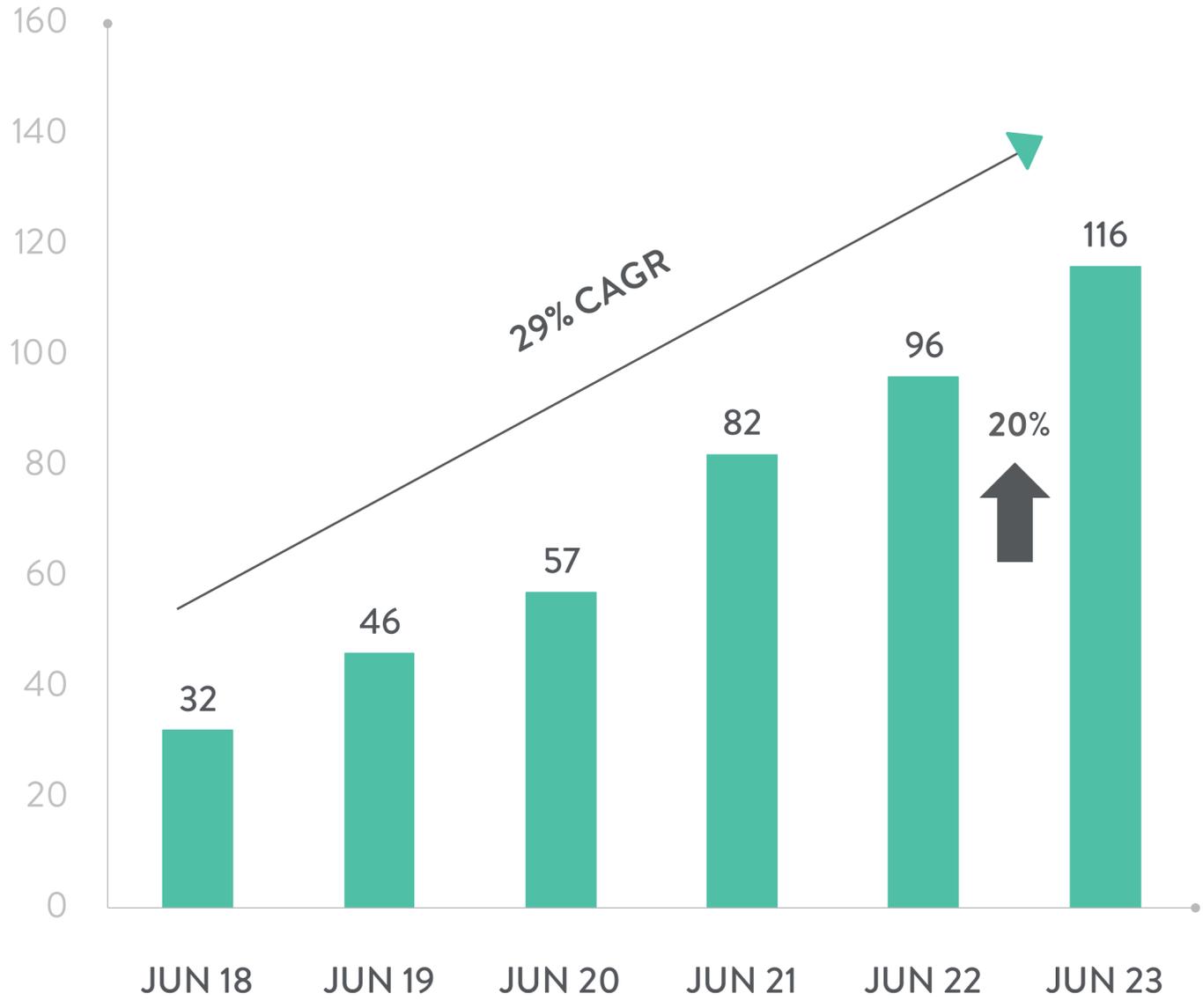
HEPS (cps)



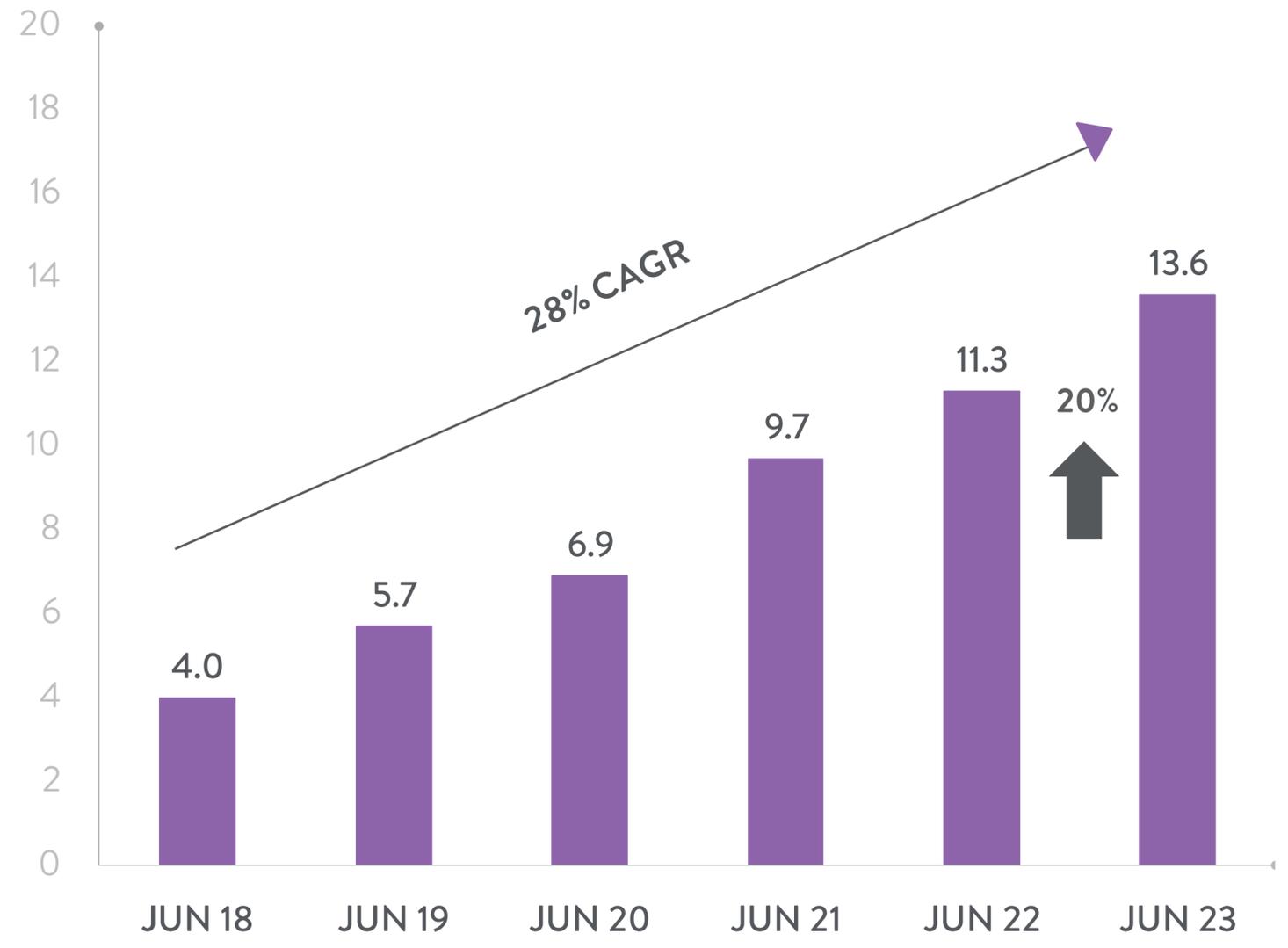
- Growth in EPS and HEPS following growth in profit after taxation
- Movement of shares in issue:
  - New shares issued 3.1m in April 2023 – to meet SIT obligations
  - 3.1m SDO shares (R15m) repurchased by SIT to June 2023 to meet future obligations of SIT

# CORE HEADLINE EARNINGS

### CORE HEADLINE EARNINGS (R millions)



### CORE HEPS (cps)



# CORE HEADLINE EARNINGS MOVEMENT

(R millions)



# STATEMENT OF FINANCIAL POSITION

	RESTATED		
	DEC 22 RM	JUN 22 RM	JUN 23 RM
<b>Total assets</b>	<b>2 281</b>	<b>2 352</b>	<b>2 437</b>
Property, plant and equipment	867	840	874
Right-of-use assets	85	98	76
Intangibles (incl Goodwill)	892	896	896
Other assets	111	131	142
Trade and other receivables	178	220	274
Cash and cash equivalents	148	167	175
<b>Total equity</b>	<b>1 882</b>	<b>1 807</b>	<b>1 903</b>
Attributable to equity holders	1 772	1 708	1 800
Non-controlling interests	110	99	103
<b>Total liabilities</b>	<b>399</b>	<b>545</b>	<b>533</b>
Lease liabilities	170	184	157
Other liabilities	229	361	376
Number of shares in issue (m)	849	851	850
NAV per share (cents)	209	201	212
Gearing ratio	9%	10%	8%
Gearing ratio (exclu IFRS 16:lease liability)	0%	0%	0%

- Invested R31m on capital expenditure including
  - Solar projects (R3m YTD)
  - Software development (R5m)
  - Curriculum development (R4m)
  - Building projects (R4m)
  - Recurring capex (R15m)
- R175m of cash on hand
- Gearing ratio 8% (0% excluding IFRS 16 lease liability)
- Debt facility of R100m – unutilised for the year

# CASH FLOW FROM OPERATIONS

(RM)			**ADJUSTED		
	DEC 2022	JUN 2022	DEC 2022	JUN 2022	JUN 2023
Net cash flow from operations (before working capital)	361	198	361	198	217
Working capital changes	(53)	18	(20)	52	38
Net cash generated from operations	<b>308</b>	<b>216</b>	<b>341</b>	<b>250</b>	<b>255</b>
Cash generated from operations (as % of normalised EBITDA)*	86%	113%	96%	130%	121%
<b>Free cash flow less recurring capex</b>	<b>208</b>	<b>165</b>	<b>241</b>	<b>198</b>	<b>166</b>

\* EBITDA adjusted for fair value adjustment

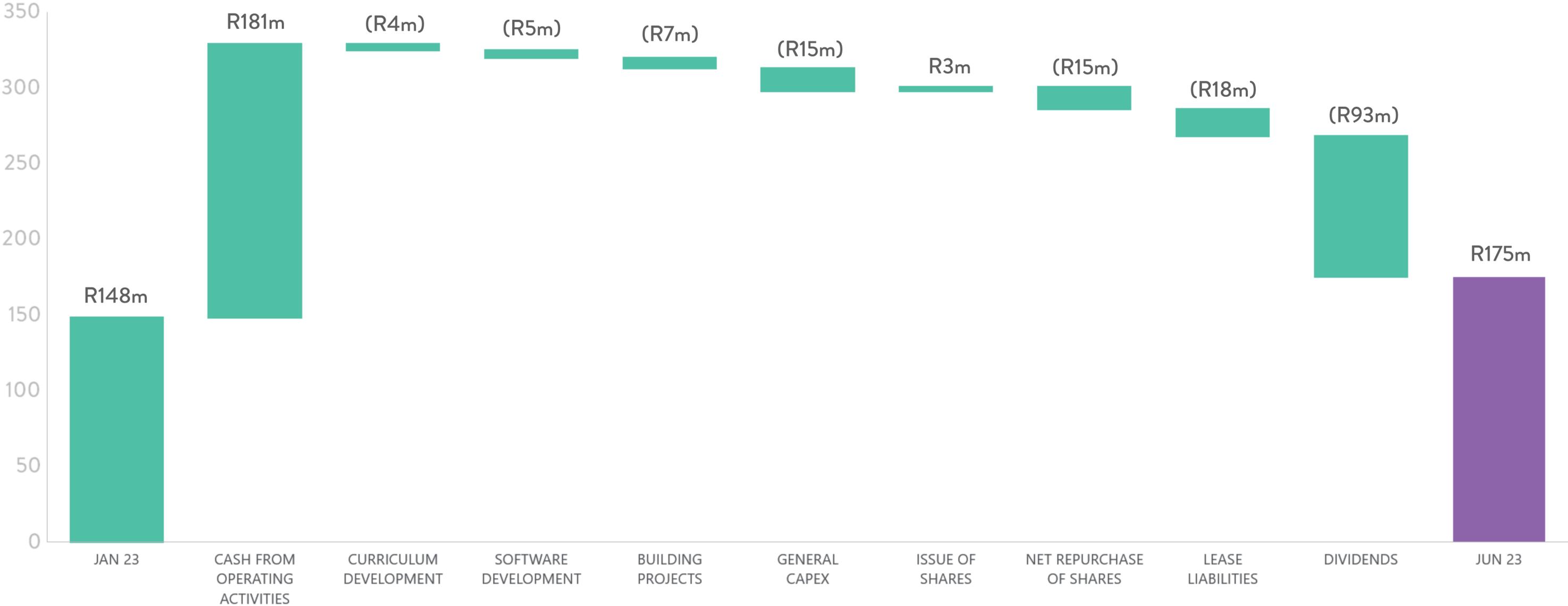
\*\* Adjusted for CA Connect R33 million settlement in cash

# CAPITAL INVESTED

CAPITAL INVESTED (RM)	DEC 16	DEC 17	DEC 18	DEC 19	DEC 20	DEC 21	DEC 22	JUN 23
Acquisitions	-	594	440	156	-	10	-	-
Infrastructure development and capital assets	73	272	26	168	98	181	87	27
Programme development	12	11	15	10	7	-	7	4
<b>Total</b>	<b>85</b>	<b>877</b>	<b>481</b>	<b>334</b>	<b>105</b>	<b>191</b>	<b>94</b>	<b>31</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>	<b>2 167</b>	<b>2 198</b>

# CASH UTILISATION

(R millions)



## 2023 CAPITAL EXPENDITURE: CAPITAL PROJECTS

2023 CAPITAL EXPENDITURE (RM)	2023
DL Logistics center (Krugersdorp) - Transfer & development	37
Curriculum and intangibles development	23
Buildings Projects (Durbanville campus, solar)	16
<b>Capital Projects</b>	<b>76</b>

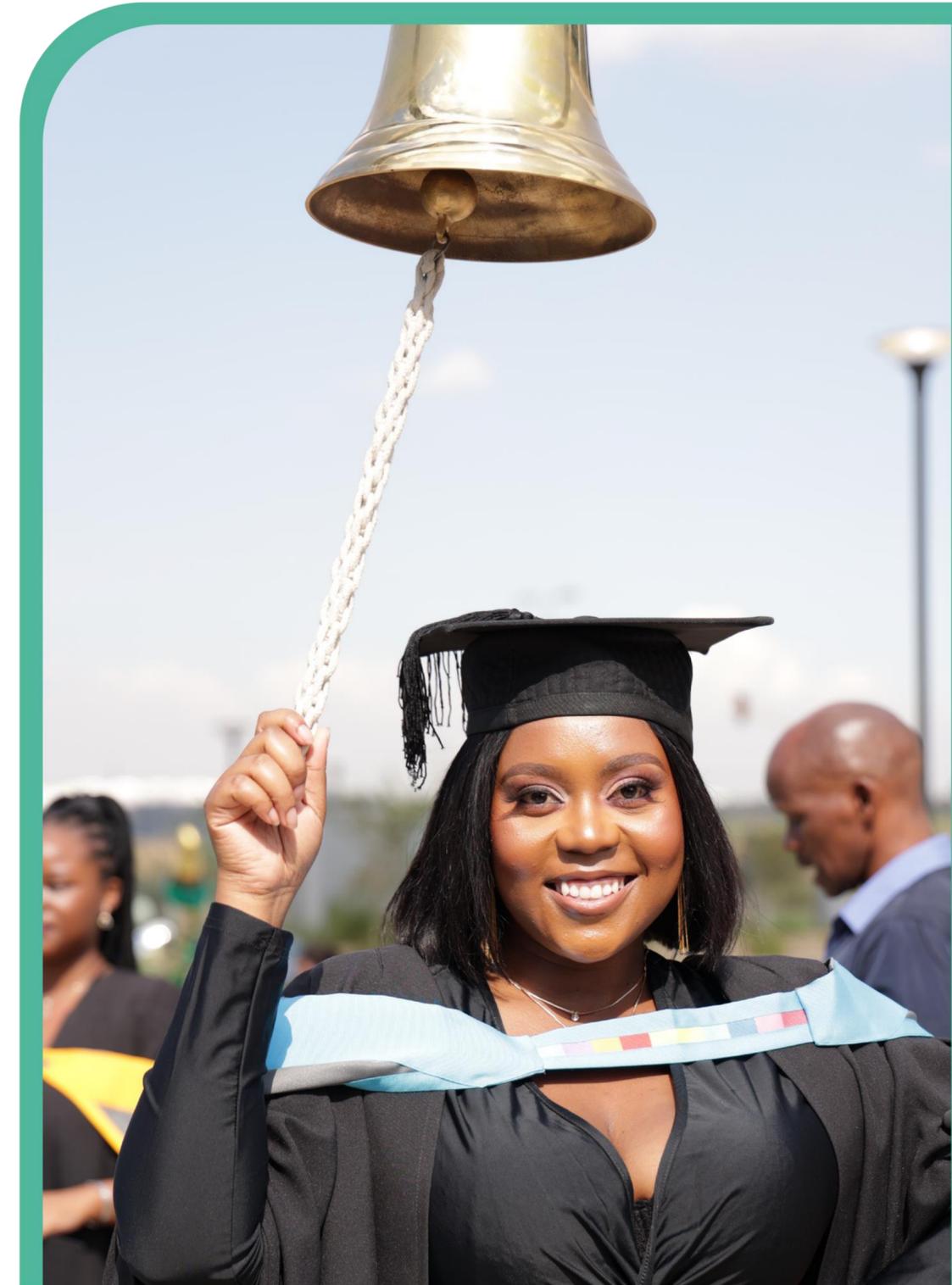


# OUR INVESTMENT CASE

**MR CHRIS VORSTER**  
CHIEF EXECUTIVE OFFICER

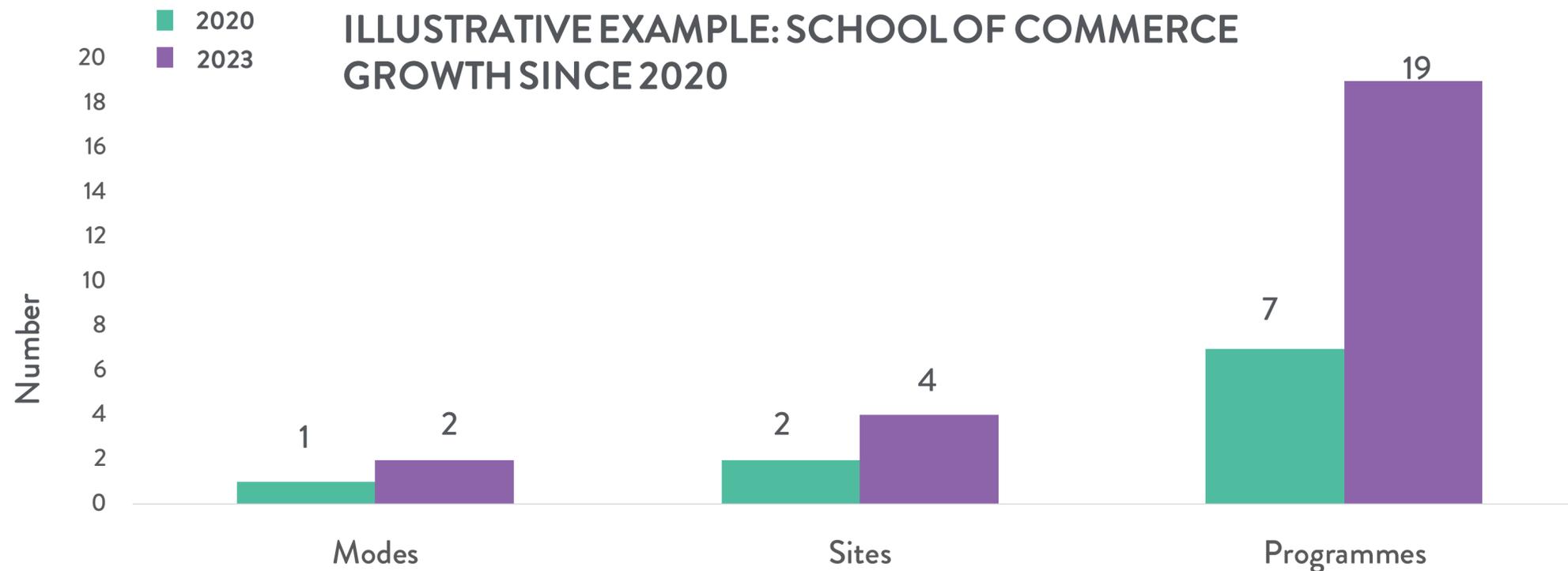
# SOLID STRATEGY

- We have the right strategy and are gaining momentum
- Our strategy and our decisions are underpinned by our **WWS**
- Our focus has been on building infrastructure and improving our systems and processes to accommodate student growth
  - efficiencies will come (overall, targeting an EBITDA margin of between 30% - 35%)
  - ability to scale and deliver value
- Good return to Contact learning with new student growth up 15%
- Continue to optimise existing campuses and processes
- Durbanville campus to open to new students in 2026
- Highly cash generative business with minimal debt requirements needed to meet our expansion plans
- The market remains large (only 39% of matriculants who qualify for first year are accommodated by the public)
- The need remains bigger!



# ILLUSTRATING OUR GROWTH IN OFFERINGS

- Clear programme development strategy
- Good pipeline of in-demand qualifications to come
- Continuous stream of quality submissions to counter any delays
- Good breadth of programme offerings with 91 qualifications and 47 pipeline programmes (up from 87 qualifications and 31 pipeline programmes)



# OFFERING A HOLISTIC STUDENT EXPERIENCE

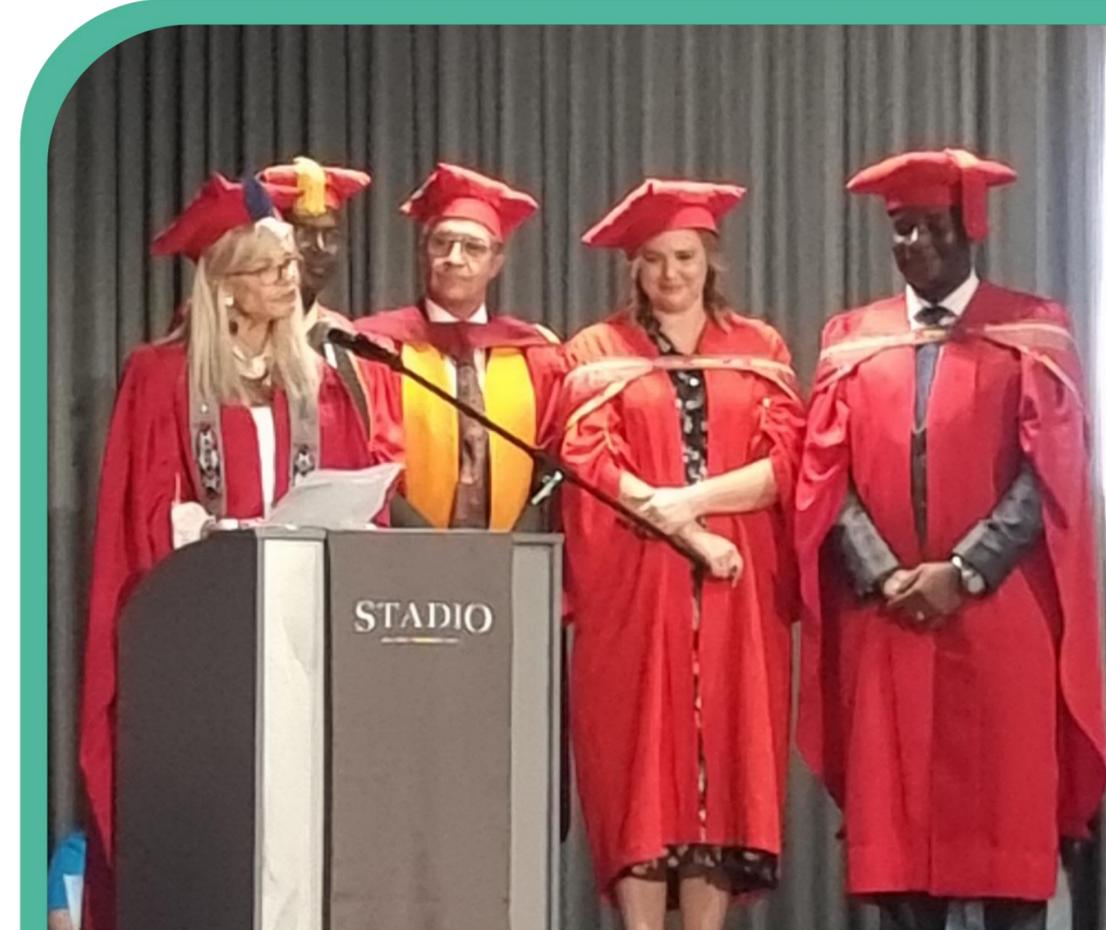
- Our learning management system is world class and helps both distance learning and contact learning students
- Our campuses are conducive to offering quality learning
- Sport introduced at STADIO Higher Education with the netball team participating in its first USSA tournament in July
- Sporting strategy is divided into casual, participatory sport, and competitive sport
- Casual sport includes
  - STADIO running club (Run with Zola campaign - established for mass participation)
  - On-campus sport, for example 7-a-side soccer, basketball and netball (initially at comprehensive campuses)
- Competitive sport will initially focus on 3 areas, and grow into other areas as the institutions grow (netball, sevens rugby and e-sports)

**RUN** with  
**ZOLA**



# A FEW HIGHLIGHTS

- STADIO Higher Education was the sponsor of the official U18 and U13 Craven weeks
- STADIO Higher Education's first 2 Doctorates graduates (in minimum time)
- Milpark Education's PGDA had an 82% pass rate for first time writers of the SAICA ITC Board exam, and is the biggest contributor to the CA industry in South Africa with 428 successful candidates in 2023 (being 23% of all candidates)
- AFDA graduation films continue to win awards, winning the Simon Sabela Best Student Film Award for 8 years running
- 3 of the 11 South African Young Designers Competition Finalists are from STADIO School of Fashion
- Continued roll-out of Khulisa share scheme (441 new shareholders)



"I LOVE PLAYING FOR THE STORMERS, BUT I WANT CAREER OPTIONS BEYOND RUGBY. THAT'S WHY I STUDY WITH STADIO."

EVAN ROOS

CRAVEN WEEK 2023 PROUDLY SPONSORED BY STADIO HIGHER EDUCATION

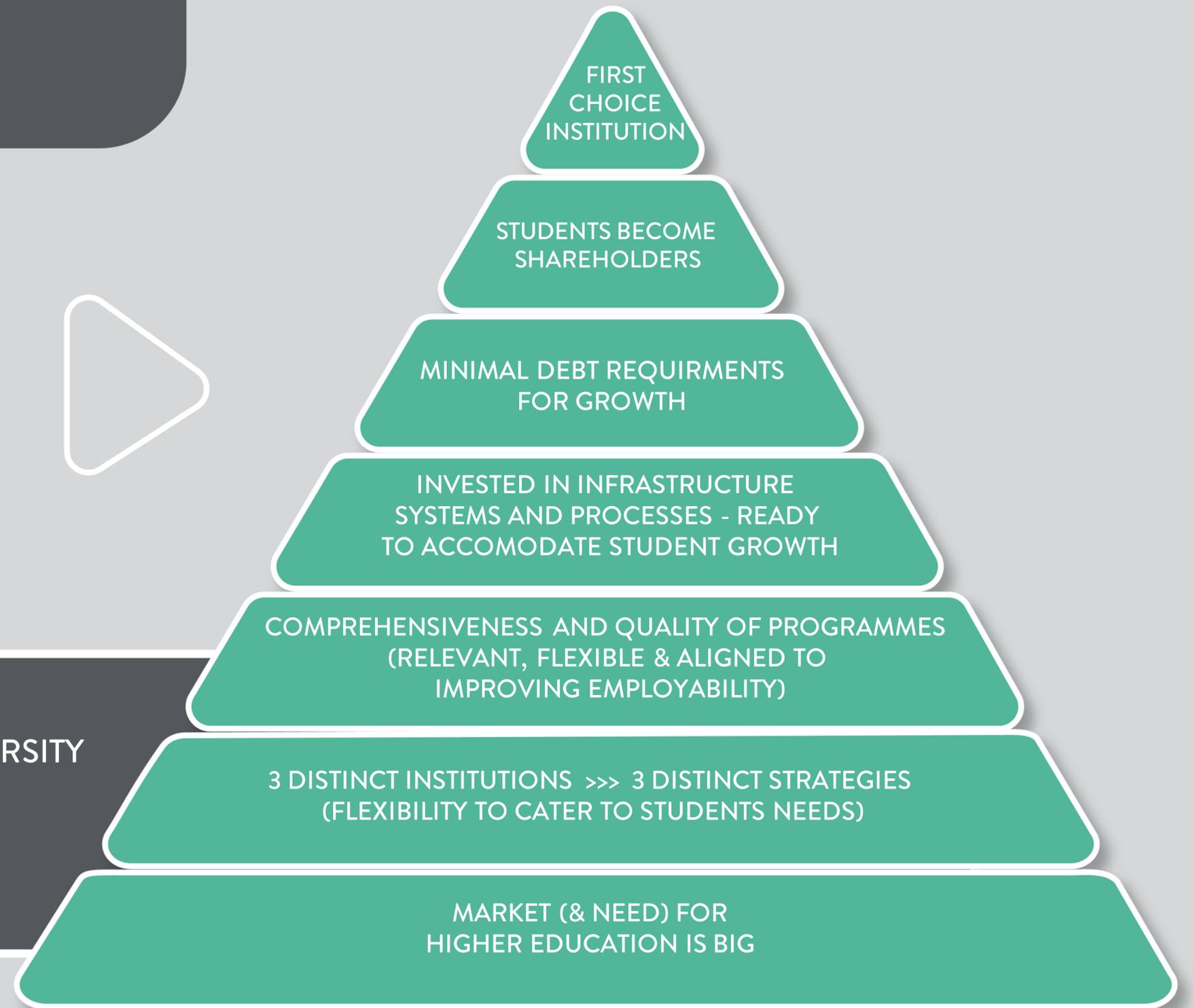


# WHY THE STADIO GROUP?

## A NEW VISION IN HIGHER EDUCATION

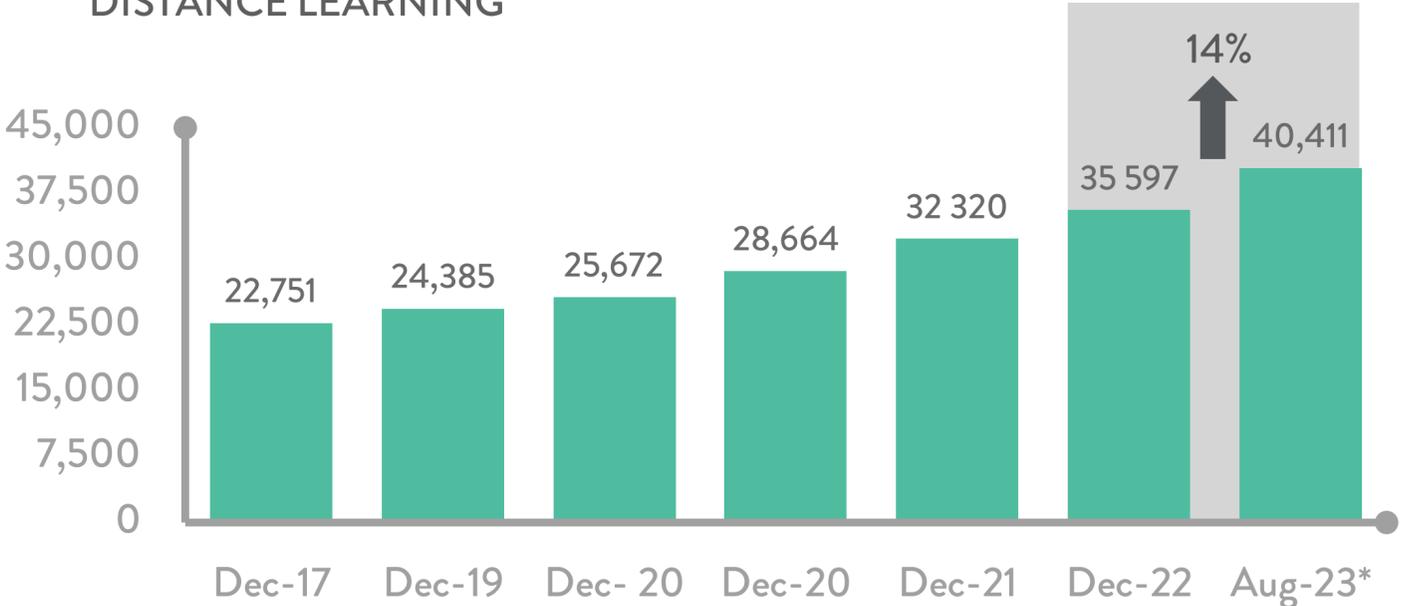


WE DO NOT WANT TO BE ANOTHER PUBLIC UNIVERSITY  
WE WANT TO DO THINGS DIFFERENTLY  
WE WANT TO DO THINGS BETTER –  
THE STADIO WAY

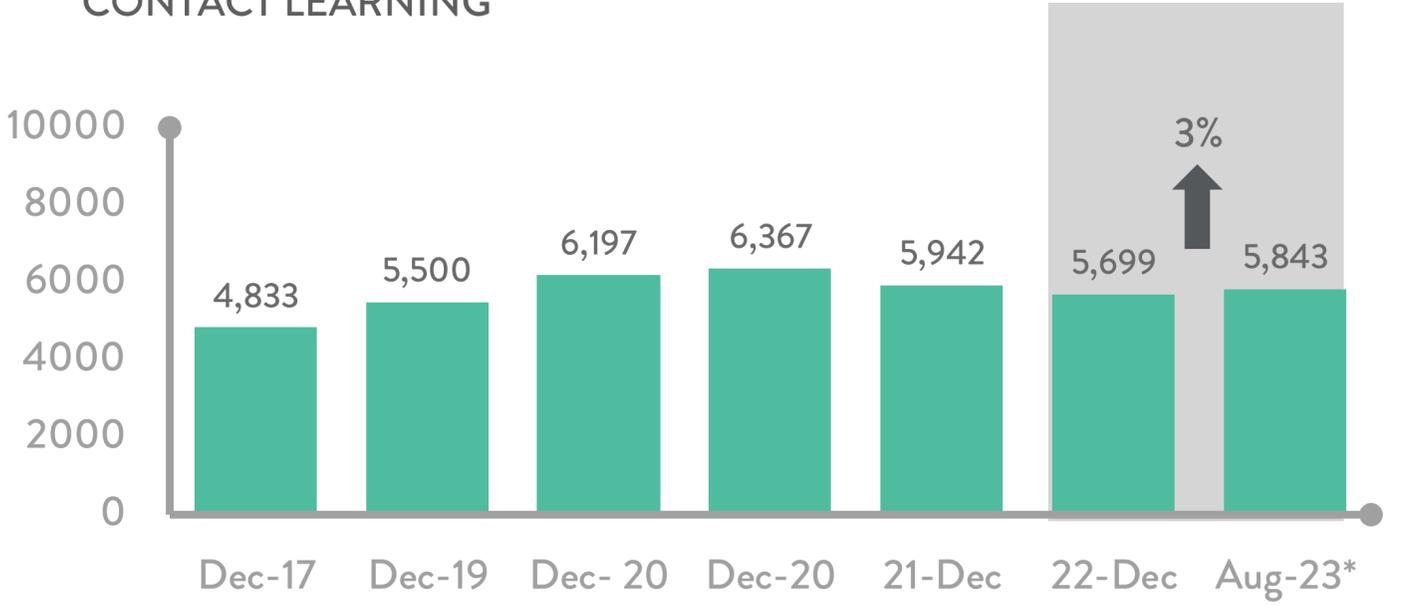


# 2023 SEMESTER 2 STUDENT NUMBERS LOOKING GREAT

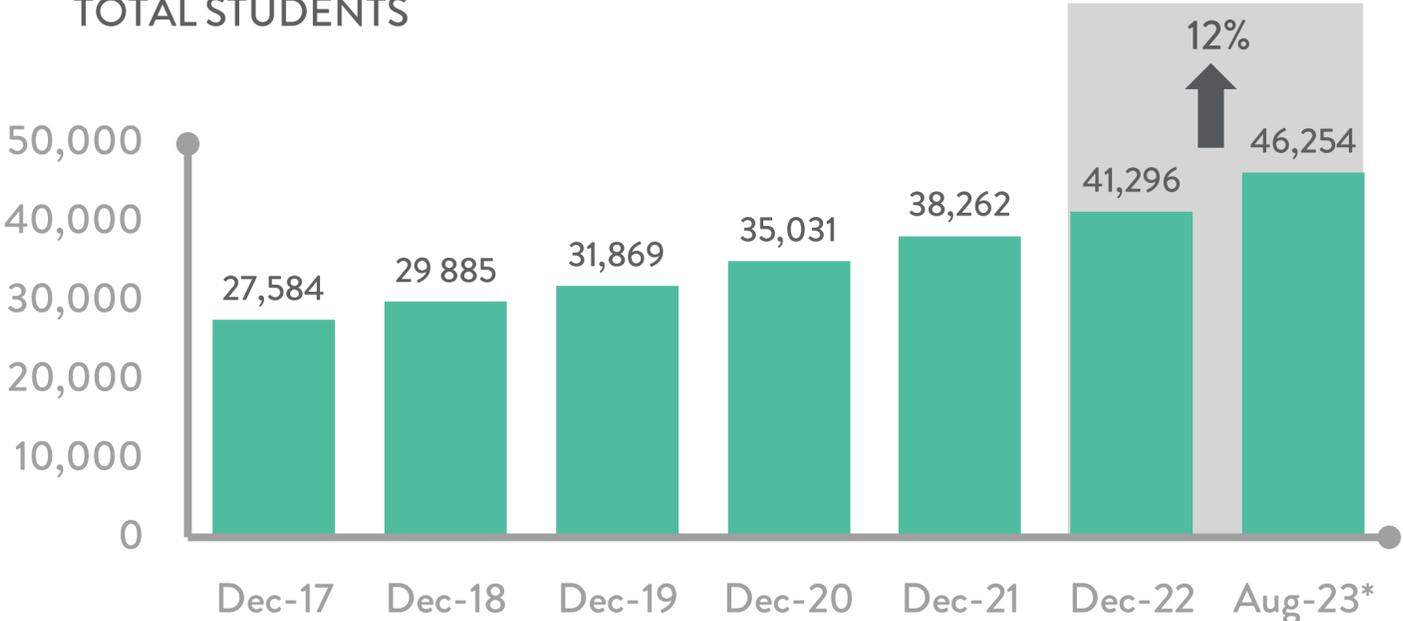
DISTANCE LEARNING



CONTACT LEARNING



TOTAL STUDENTS

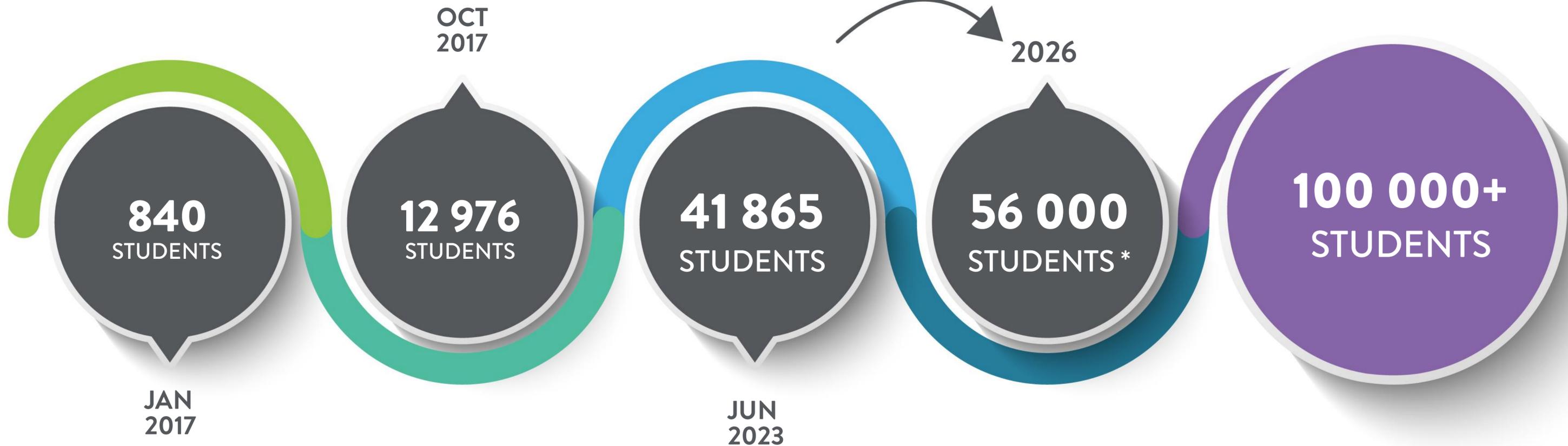


**12% growth**

**NOTES:**

- \* Semester 2 (August 2023) registrations not finalised
- 2024 applications are open and look promising

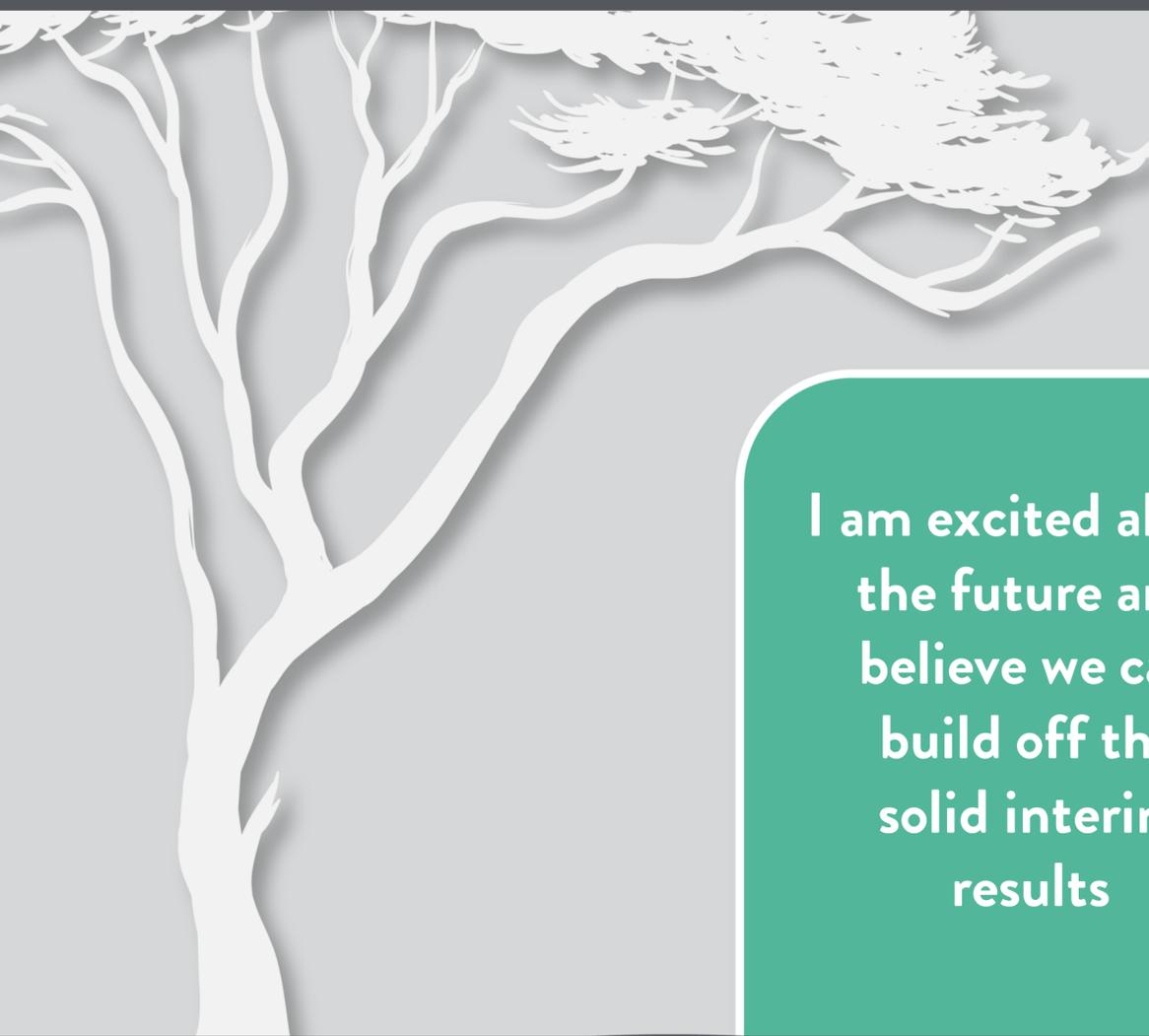
# WE'RE ON TRACK TO ACHIEVE OUR TARGETS



\* As disclosed in the Pre-listing Statement

TARGET: 80% DISTANCE LEARNING & 20% CONTACT LEARNING

# IN CONCLUSION



I am excited about the future and believe we can build off the solid interim results



We have a clear strategy and good momentum



Our Institutions are becoming the **FIRST-CHOICE**



# WE'RE A NEW VISION IN HIGHER EDUCATION





# QUESTIONS & ANSWERS