

STADIO

— HOLDINGS —

2023 Annual Results Presentation

18 March 2024

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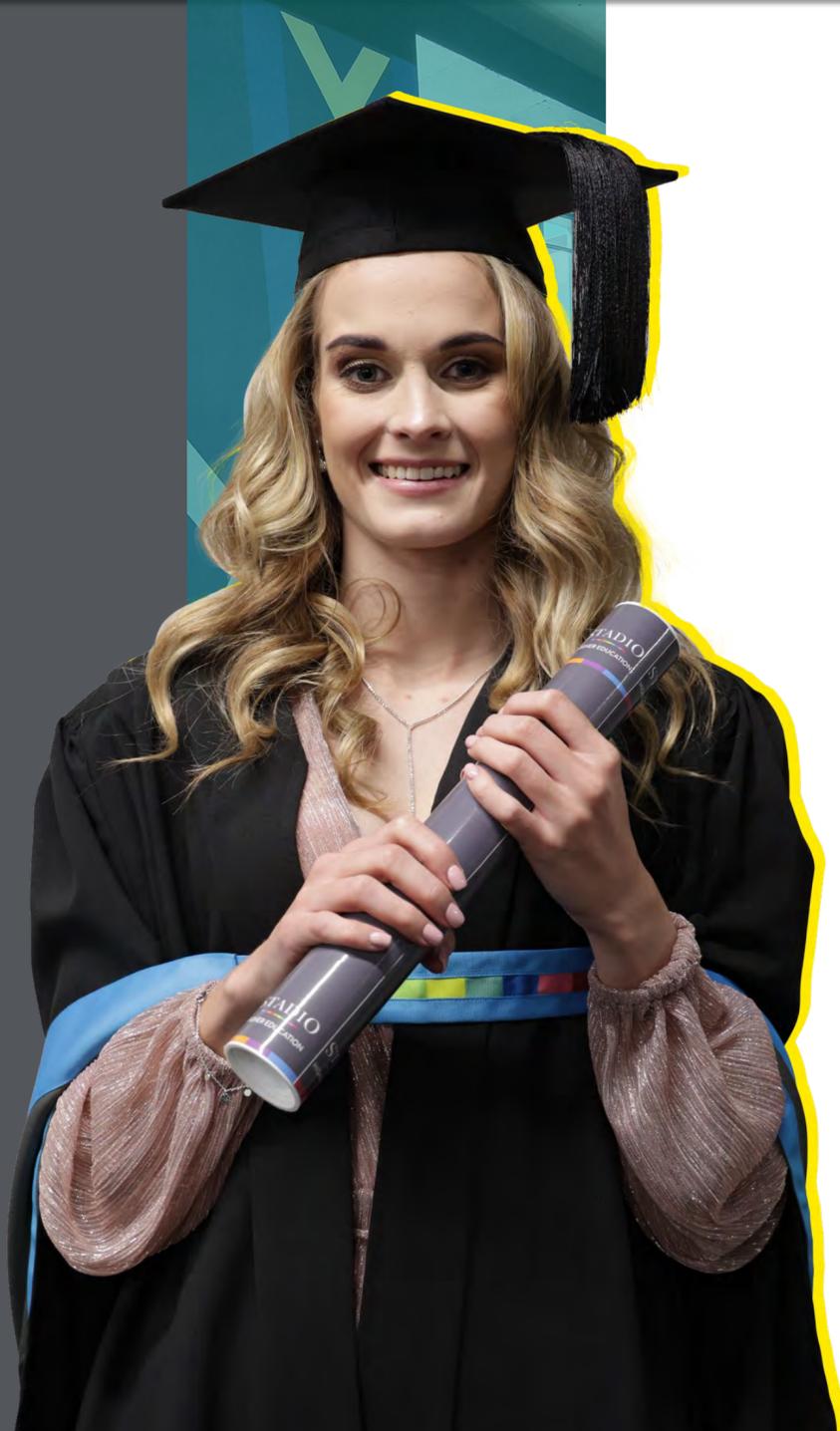
STADIO

— HOLDINGS —

OUR PURPOSE IS TO **EMPOWER THE NATION BY
WIDENING ACCESS TO QUALITY** HIGHER EDUCATION
THROUGH OUR 3 DISTINCT PRIVATE HIGHER EDUCATION INSTITUTIONS



REFLECTING ON 2023



- Solid results in tough economic times
- Good growth in students with a return to contact learning
- Strong Heads of Campuses appointed
- STADIO culture and values is starting to be embedded and general staff wellness is on the rise
- Sport launched at STADIO Higher Education
- Loss allowance has increased, but we are not overly concerned. Students take longer to pay and aligned to our commitment to widen access to higher education for more individuals, our decisions factor in these current loss allowance levels. There were a few 'home goals' in 2023, and debtors' management remains a continued focus for management
- The demand for higher education continues to grow – students do not consider higher education to be a 'discretionary spend' – it is a necessary spend for students to make a step-change in their lives



JOHAN HUMAN
CHIEF OPERATING OFFICER



DIVYA SINGH
CHIEF ACADEMIC OFFICER



ISHAK KULA
CHIEF FINANCIAL OFFICER



TERESA PASSCHIER
AFDA CEO



ANDREW HORSFALL
MILPARK CEO



SAMARA TOTARAM
FORMER CFO

OUR
PEOPLE ARE
CRITICAL
TO OUR
SUCCESS –
THANK YOU!

2023 FINANCIAL HIGHLIGHTS

Semester 1
Student
Numbers
up 9%
To 42 874

2022: 39 167

Semester 2
Student
Numbers
up 10%
To 46 508

2022: 42 463

Revenue
up 16%
to
R1.4 bn

2022: R1.2 bn

EBITDA
margin
down to
28%

2022: 29%

Profit after
Tax
up 27%
To R236 m

2022: R186 m

EPS
up 26%
to
24.5 cps

2022: 19.5 cps

Core
Headline
Earnings
up 19%
To R209 m

2022: R176 m

Core HEPS
up 19%
to
24.6 cps

2022: 20.7 cps



2023 FINANCIAL HIGHLIGHTS

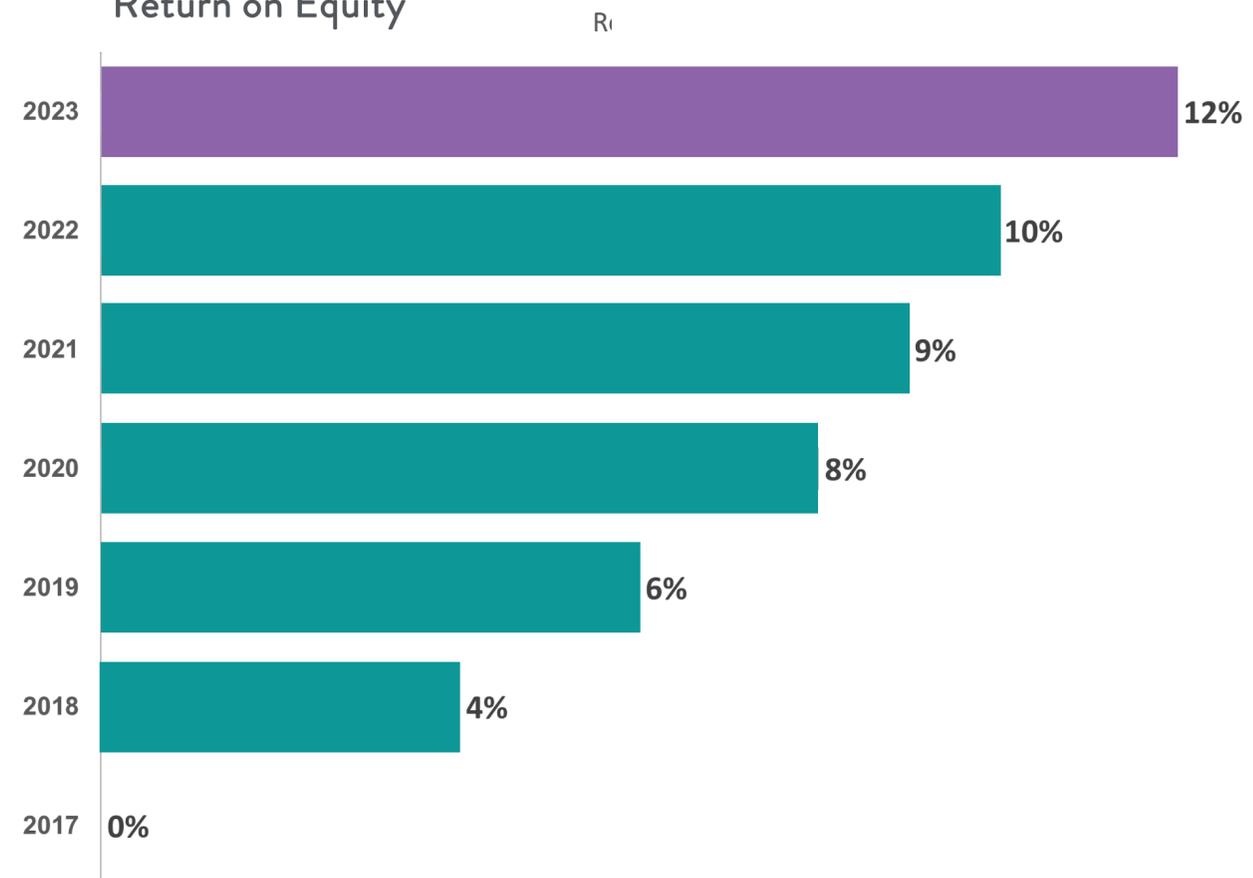
Dividend per share up 12% to 10.0 cps

2022: 8.9 cps

Return on Equity up 18% to 11.7%

2022: 9.9%

Return on Equity





ISHAK KULA
CHIEF FINANCIAL OFFICER

UNPACKING OUR ANNUAL FINANCIAL RESULTS

2023 SUMMARY NOTES



- Positioning the businesses to become first choice institutions
- Consumer pressures and affordability impacting the business
 - Students taking longer to pay
 - Increasing overall loss allowance for the period
- Capital projects include
 - New Krugersdorp campus was operational for the full year
 - Invested R5m on solar projects at Waterfall campus with Musgrave and Centurion planned for 2024
 - Durbanville campus: phase 1 expected to be R220m -we are excited!
- Focus on development of core qualifications
 - Invested R15m on curriculum development with further investment planned for 2024
- Milpark Education acquisitions
 - Acquisition of 14.6% equity interest in Milpark Education in December 2023 settled through cash and utilization of R100m credit facility post year end. Effective shareholding of 83.1% at 31 December 2023.
 - 1.8% acquired from non-controlling shareholder for R15.4m
 - 12.8% acquired indirectly from Brimstone Investment Corporation Limited for R117.5m
 - Further 0.7% equity interest acquired from non-controlling shareholder for R6.1m in January 2024

2023 SUMMARY NOTES



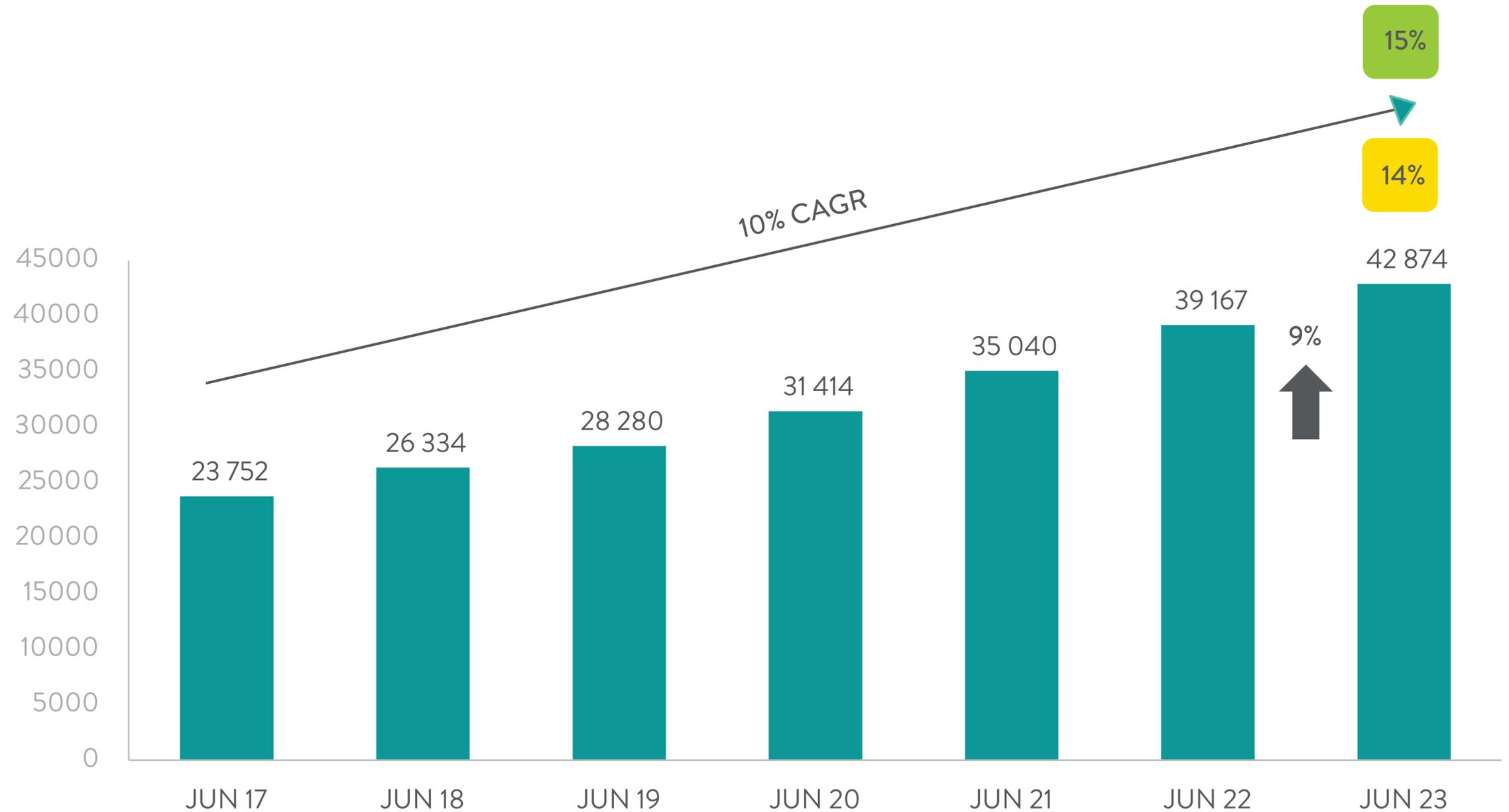
- **Share issues and repurchases**
 - Issued 3.2m STADIO Holdings (SDO) shares in April 2023 – settled obligation of Share Incentive Trust (SIT)
 - Repurchased and cancelled 3.2m (R14m) SDO shares by STADIO Holdings between July and December 2023
 - Purchased 4.8m (R22m) SDO shares by SIT - to settle future obligations of long-term incentive scheme
 - Board approval received to repurchase the equivalent of R15m SDO shares in 2024 to counter any dilution when settling future obligations of SIT
- **Milpark onerous contract**
 - Settled in December 2023 resulting in full derecognition of the provision (R3.8m pre-tax and NCI benefit)
- **Focus on operations, processes and student experience**
- **Krugersdorp ERP system implementation**
- **Increase in dividend per share – 10.0cps (2022: 8.9cps)**

TOTAL STUDENT NUMBERS

SEMESTER 1: 30 JUNE

 EXCLUDING CYCLICAL B2B

 NEW STUDENT NUMBER GROWTH

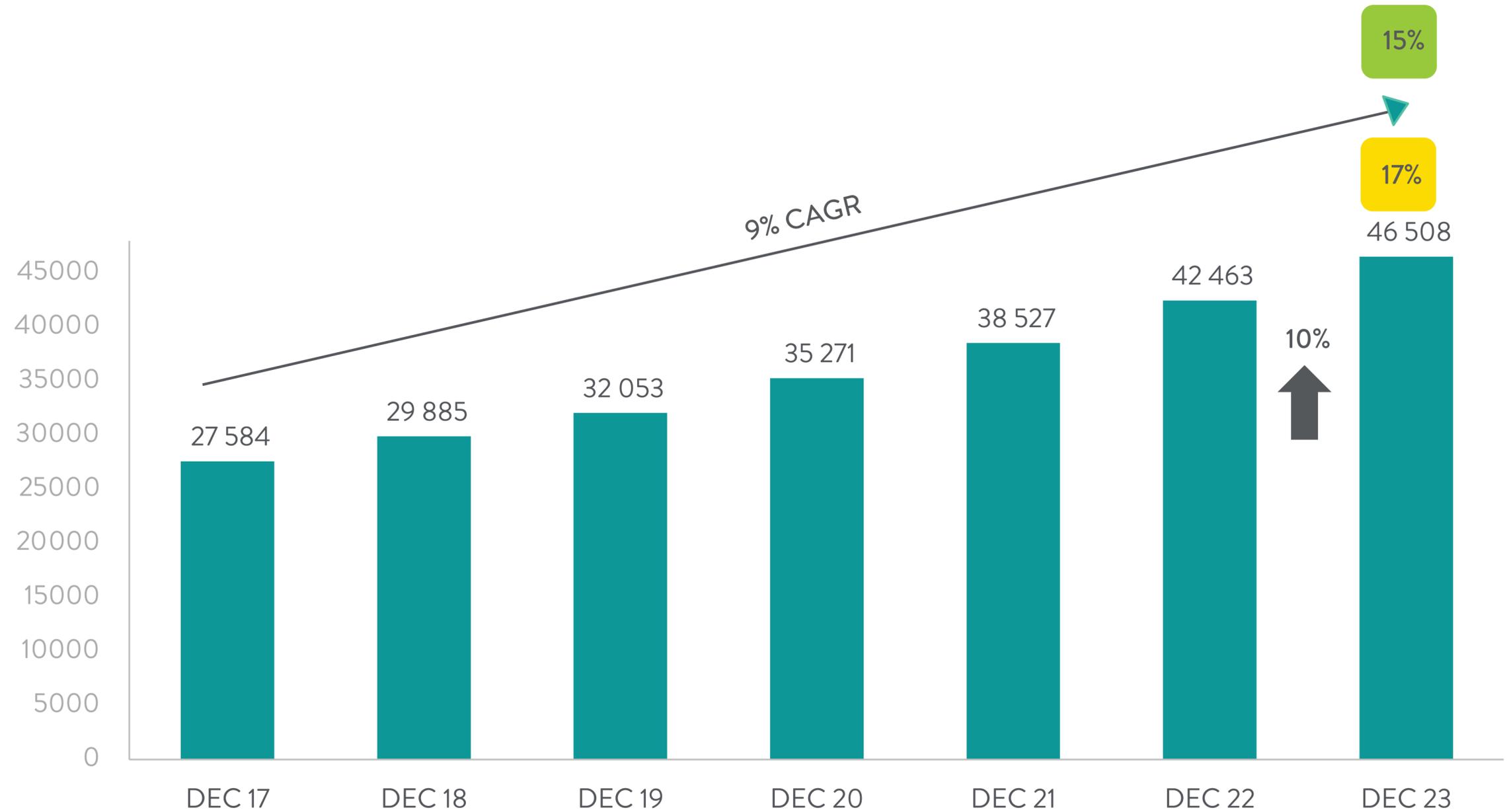


TOTAL STUDENT NUMBERS

SEMESTER 2:
31 DECEMBER

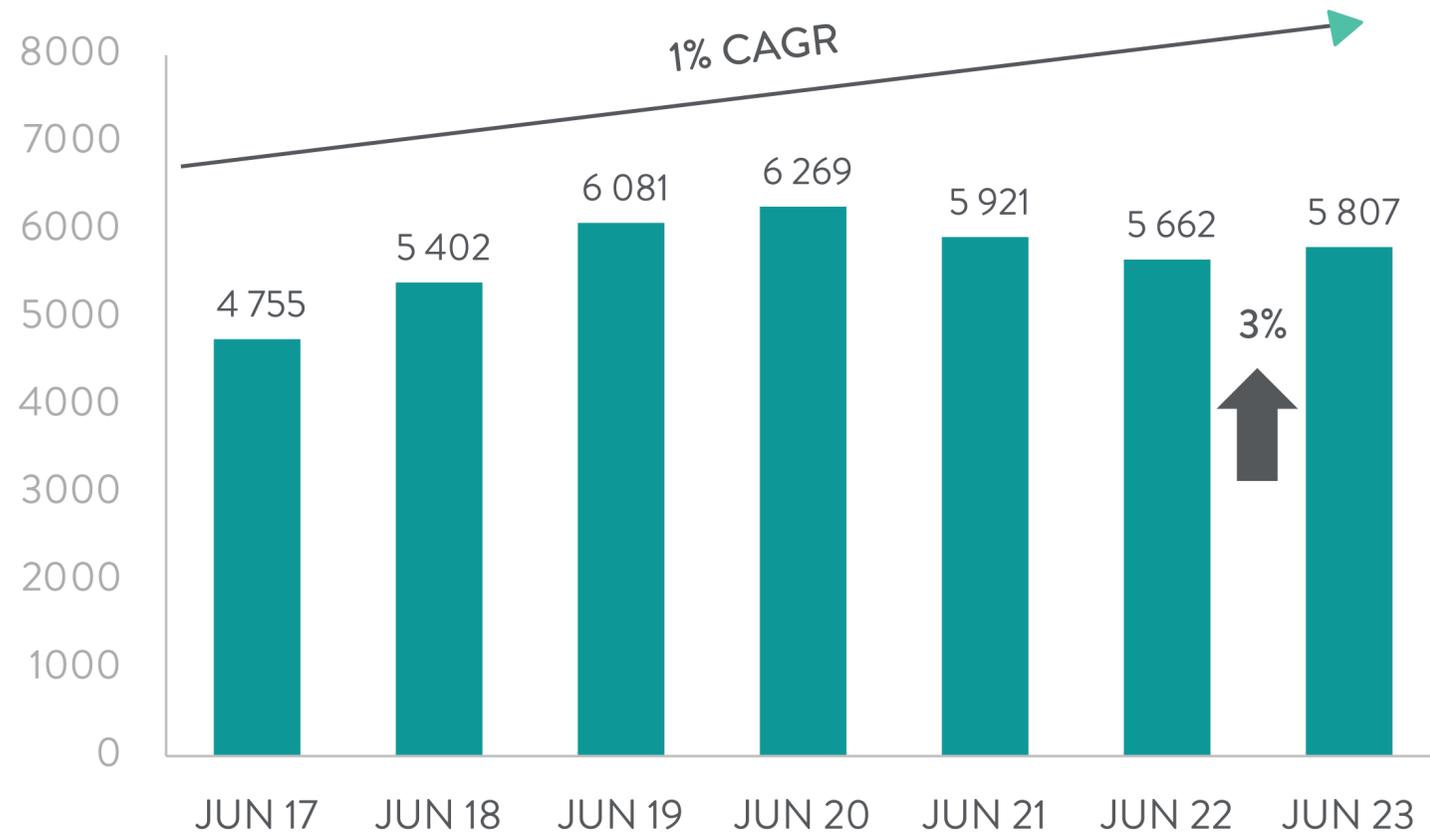
 EXCLUDING
CYCLICAL B2B

 NEW STUDENT
NUMBER GROWTH

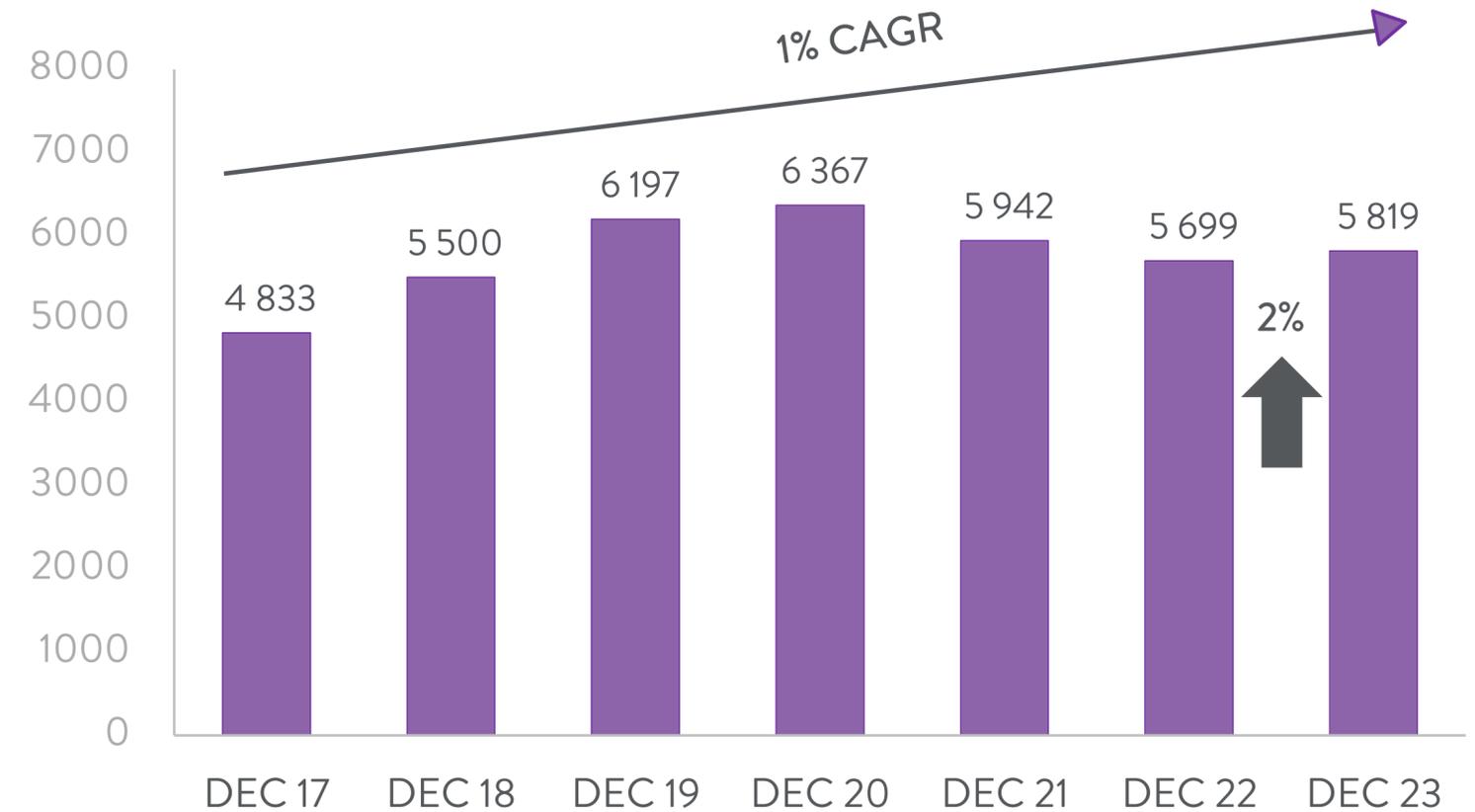


STUDENT NUMBERS CONTACT LEARNING

SEMESTER 1: 30 JUNE



SEMESTER 2: 31 DECEMBER

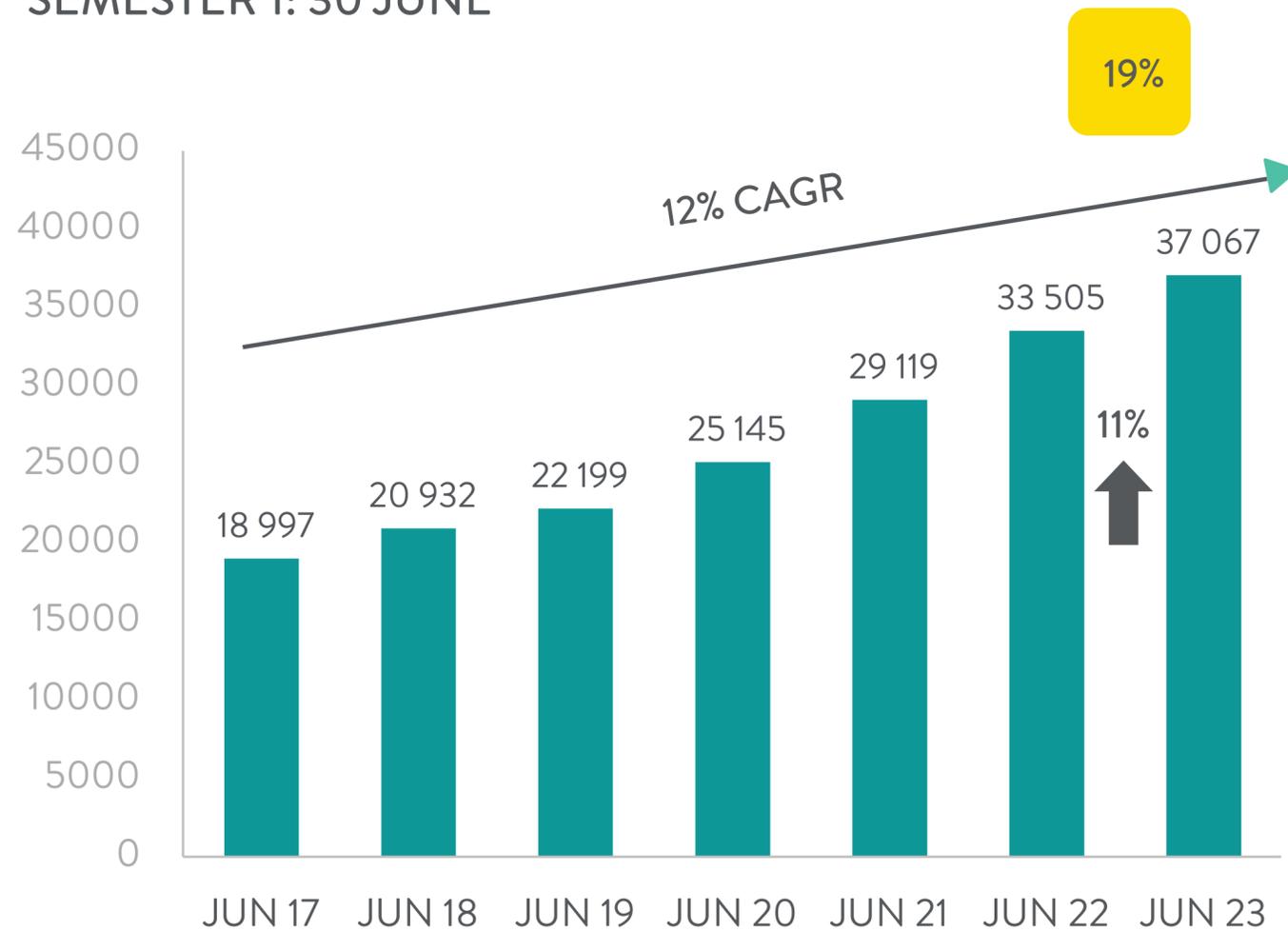


- Contact learning growth impacted by:
 - Poor enrolments in prior years impacting rollover students, and
 - Milpark Education transition away from contact learning
 - Site extensions and growth in new qualifications coming through and contributing to growth

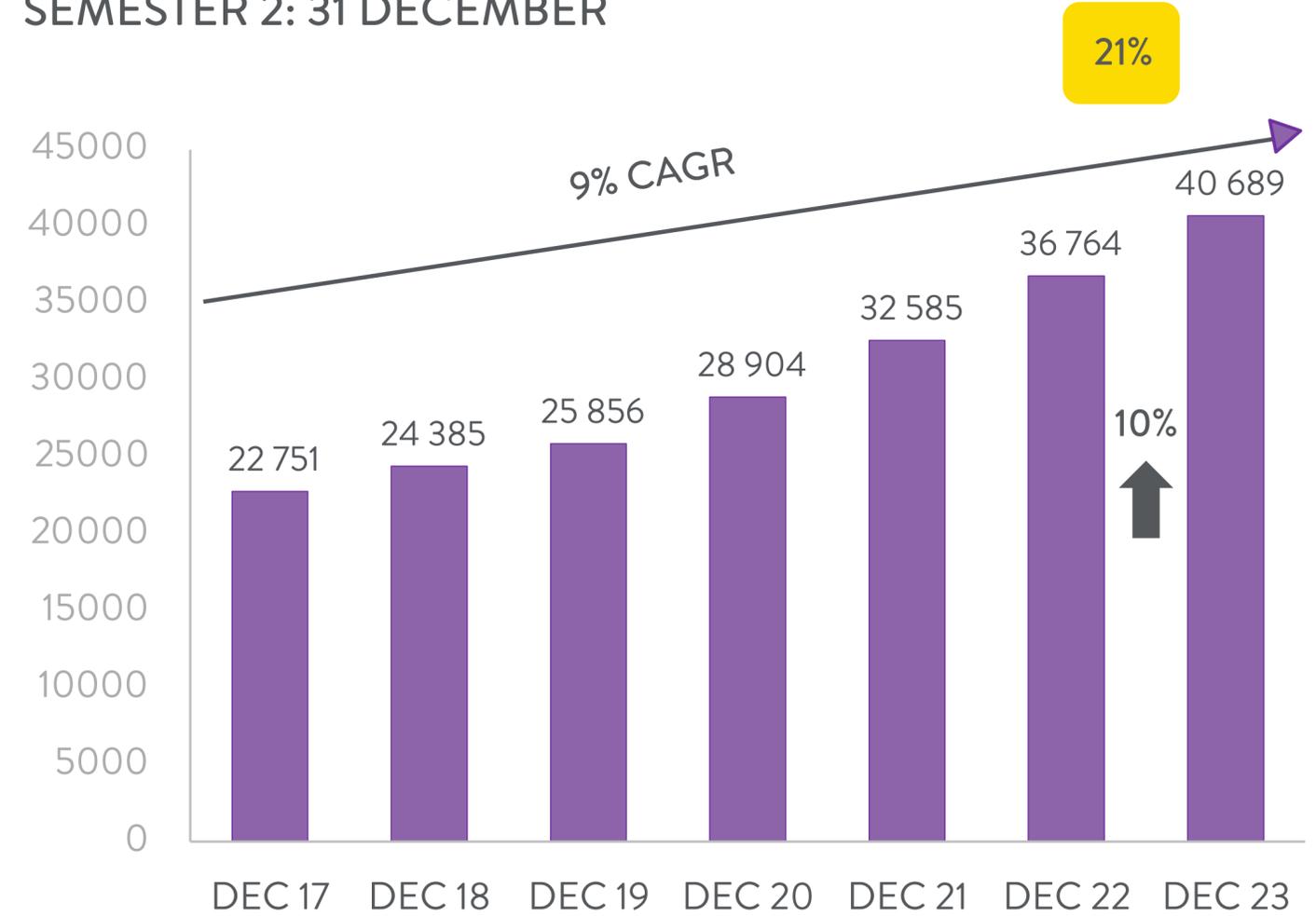
STUDENT NUMBERS DISTANCE LEARNING

 EXCLUDING CYCLICAL B2B

SEMESTER 1: 30 JUNE



SEMESTER 2: 31 DECEMBER

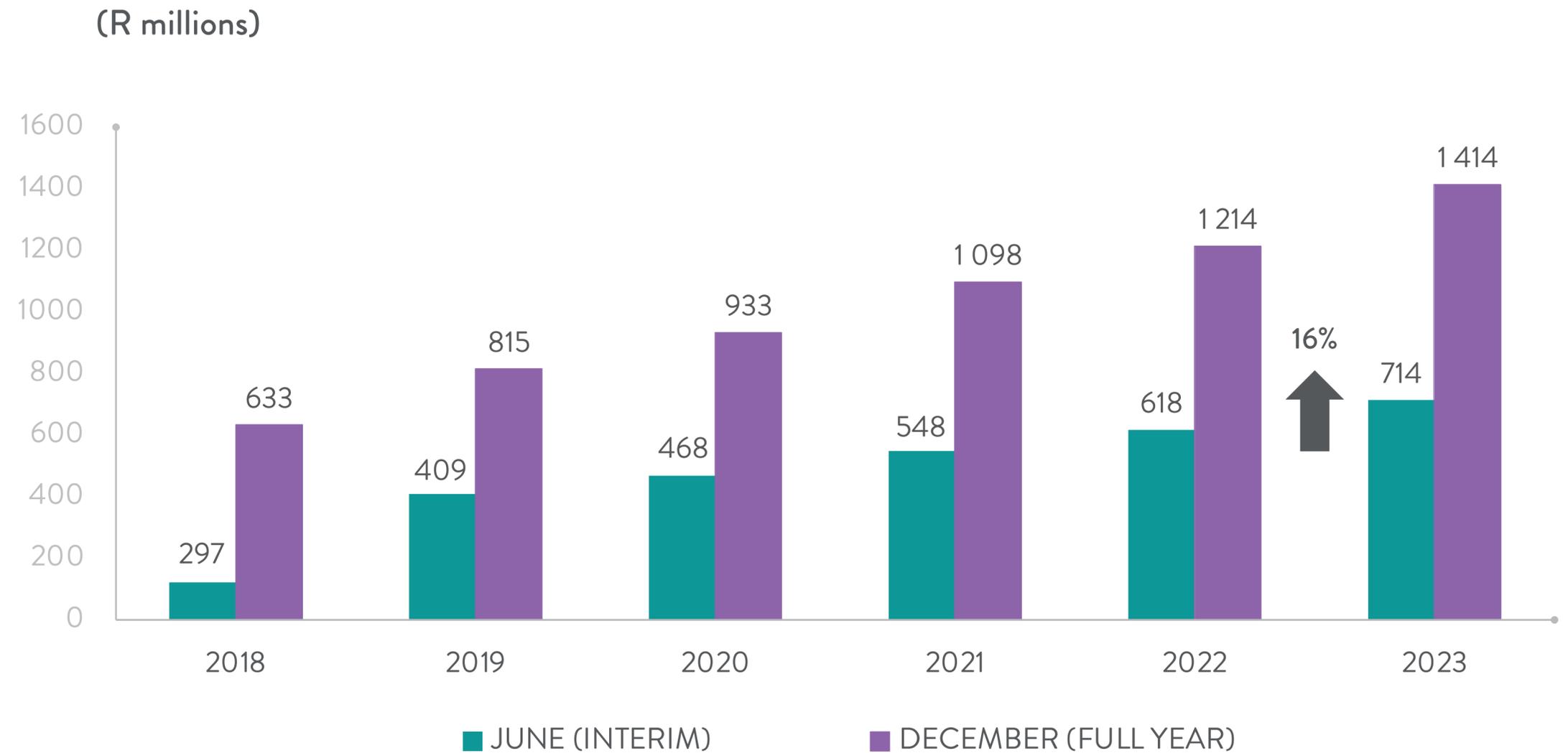


- Biggest DL provider outside of public university
- Good growth in professional programmes continues

- B2B still under pressure but showing improvements for Semester 2
- Milpark Education refocusing business to become less reliant on B2B

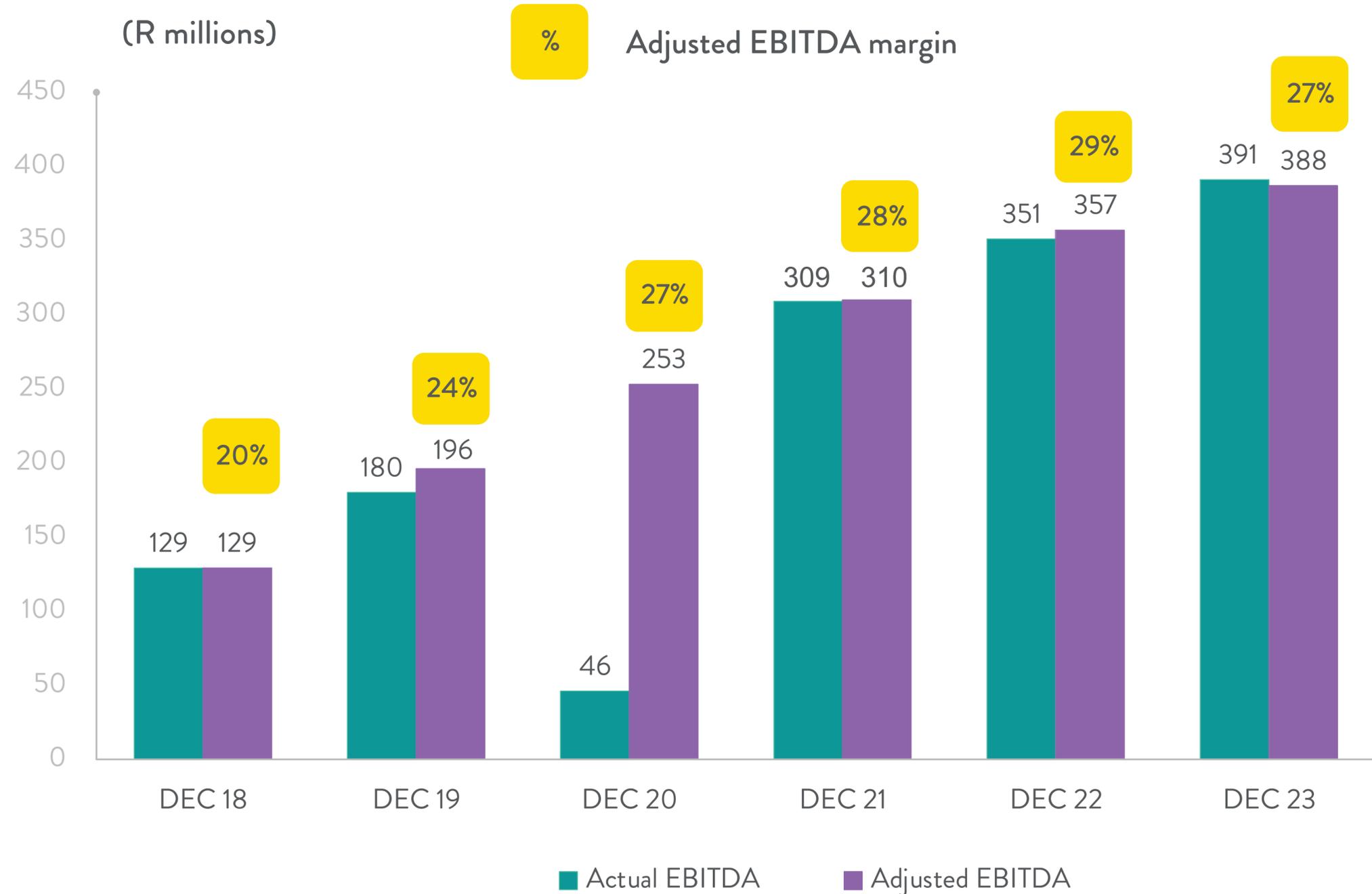
REVENUE

- 16% growth in tuition fee income
 - growth in distance learning students
- 30% increase in registration fees:
 - growth in new students

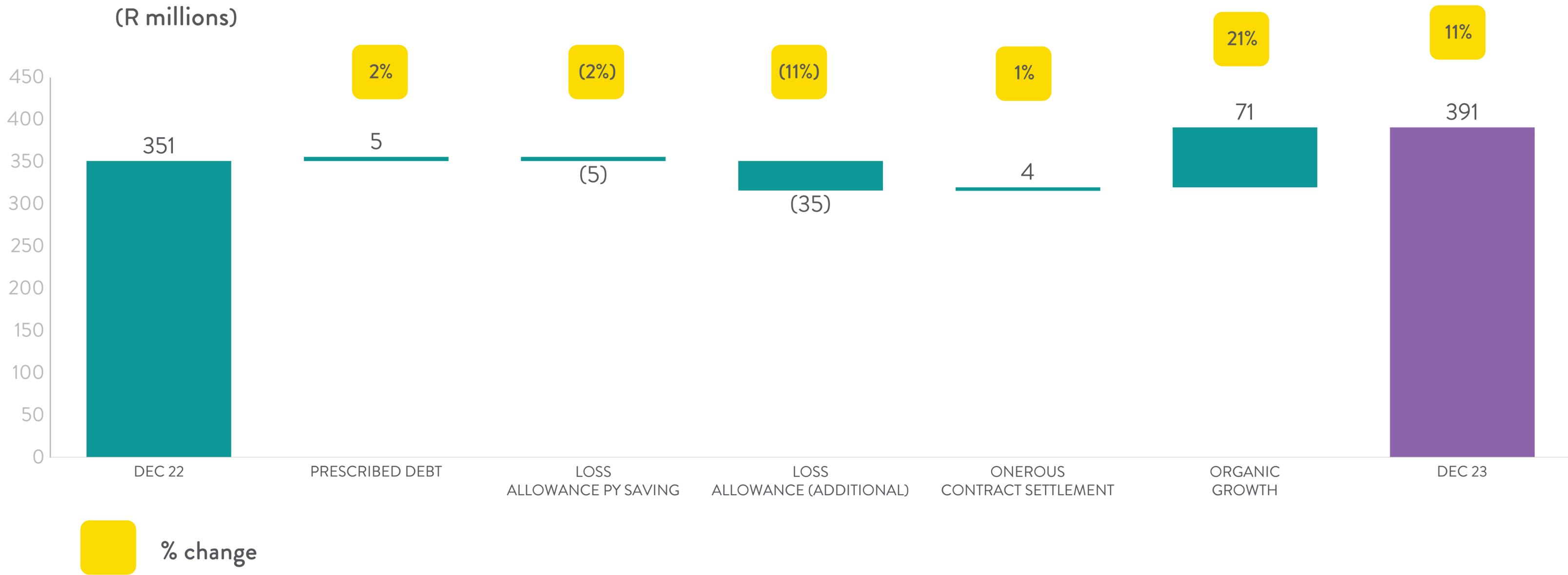


EBITDA AND ADJUSTED EBITDA

- Adjusted EBITDA in current and prior years - excludes fair value loss adjustment, onerous lease settlement and tax penalties
- EBITDA margins reduced to 28% impacted by:
 - investing in people, new systems and processes across the business to improve efficiencies
 - increased marketing and licensing costs
 - increase in loss allowance expense for period
 - prior year loss allowance expense being lower due to unutilised provisions raised in 2020/2021



EBITDA MOVEMENT



MARGIN ANALYSIS

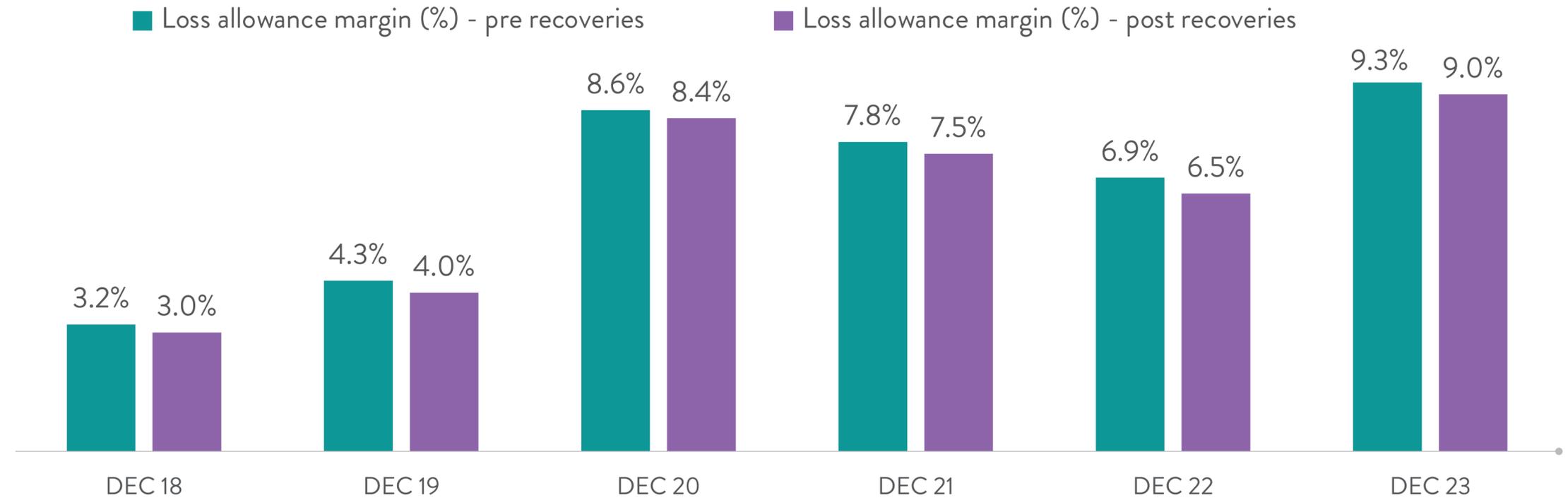
- Employee costs margin slight improvement from prior year
- Operating expense margin maintained at 23% but influenced by:
 - further investment into systems and processes impacting costs
 - increased marketing and software licensing costs
 - additional costs of doing business in South Africa (loadshedding, municipal costs, security)
- Loss allowance margin increase to 9% mainly due to
 - prior year loss allowance margin of 7%; lower due to lower expense from unutilised provisions from 2020/2021
 - increase in loss allowance expense to compensate for increase in risk in Semester 1 and Prior Academic year balances

EXPENSE ANALYSIS (RM)	DEC 22	DEC 23	% CHANGE
Revenue	1 214	1 414	16%
Employee costs	515	586	14%
Employee costs as % of revenue	42%	41%	
Other operating expenses	274	325	19%
Other operating expenses as % of revenue	23%	23%	
Loss allowance expense	83	132	58%
Loss allowance expense as % of revenue	7%	9%	

TRADE RECEIVABLES & LOSS ALLOWANCE

- Increase in debtors book impacted by economic environment and affordability
- Consumer pressures impacting collections
- 27% increase in gross debtors for the period
- 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
 - overall coverage in line with prior year, however, Semester 1 and Prior Academic Year coverage increased, which caters for the greater risk of aged debt

LOSS ALLOWANCE AS % OF REVENUE



	DEC 22 RM	DEC 23 RM
Trade Receivables	260	330
Loss allowance	(133)	(164)
Net trade receivables	127	167
Loss allowance coverage	51%	50%

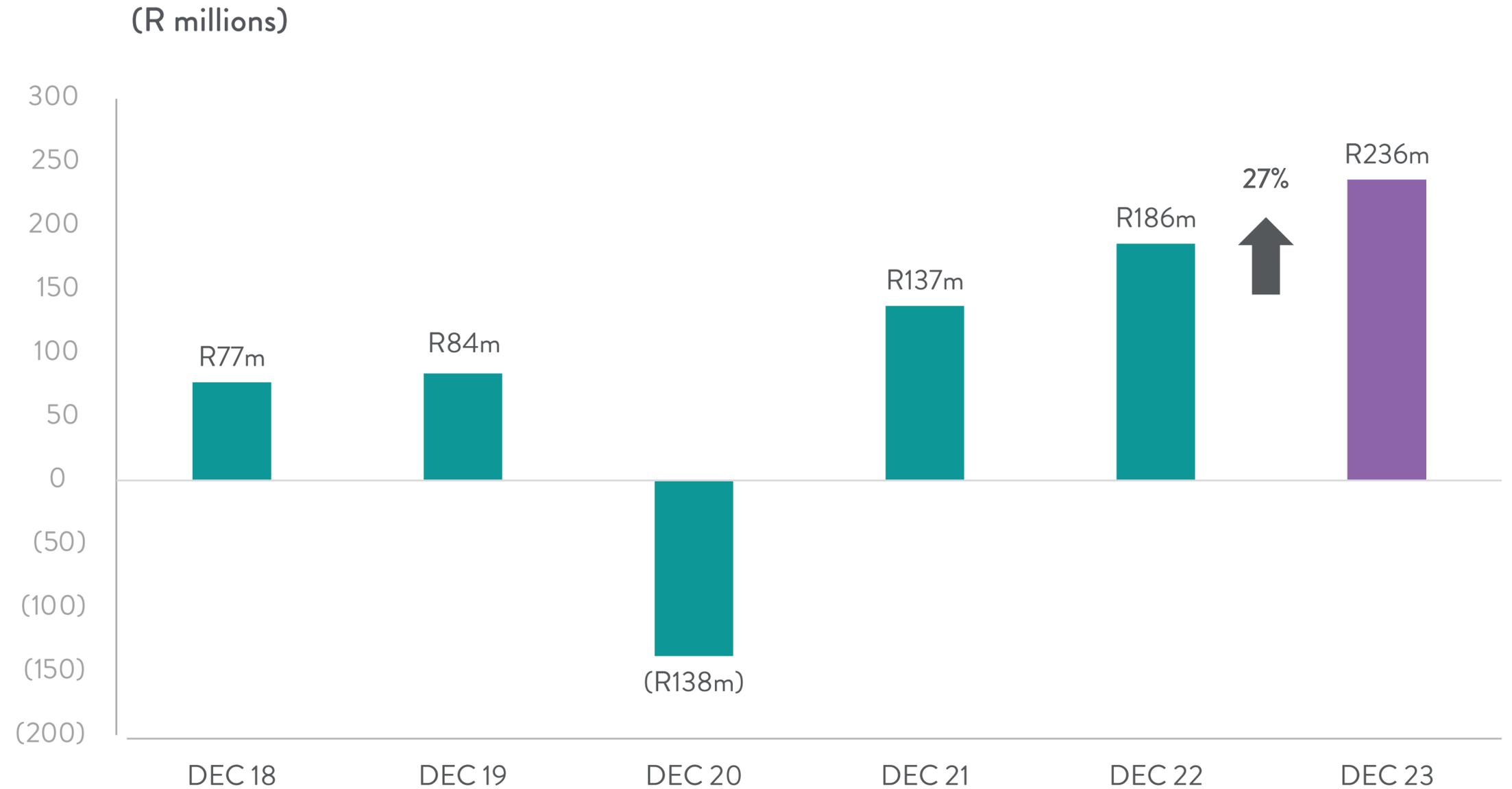
TRADE RECEIVABLES & LOSS ALLOWANCE

- Risk is concentrated on debtors relating to prior academic years
- Accounts for 14% of the book
- Provide for 95% of prior year book (increased from 94%)
- Provide for 42% of current year book which is an 8.4% loss allowance margin on current revenue
- Historic bad debt write off rate +/- 8% of average prior year revenue
- Specific and more active focus on debtors' collection and managing credit risk – new processes to be implemented

TOTAL DEBTORS (RM)	DEC 22	DEC 23
Gross Debtors	260	330
Debtors related to prior academic year	(35)	(47)
Debtors related to current year	225	283
DEBTORS RELATING TO PRIOR YEAR (RM)	DEC 22	DEC 23
Gross debtors	35	47
Loss allowance	(33)	(45)
Net debtors	2	2
Loss allowance coverage (%)	(94%)	(95%)

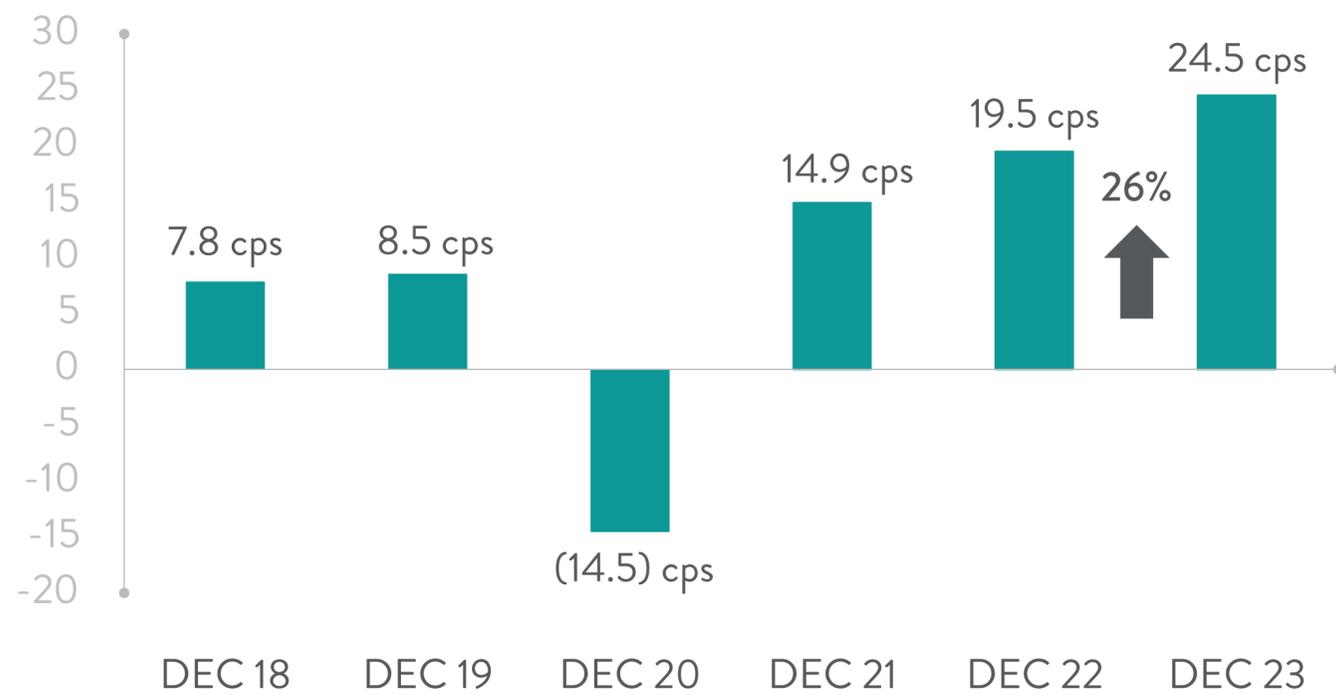
PROFIT/ (LOSS) FOR PERIOD

- Strong 27% growth in PAT
- Positively impacted by:
 - organic growth in EBITDA for the period
 - interest income earned vs prior year interest expense
 - positive impact of change in tax rate
 - prior year impairments
- Negatively impacted by:
 - increased loss allowance for the period
 - costs of strategic initiatives (computer/license costs, marketing, staff training)

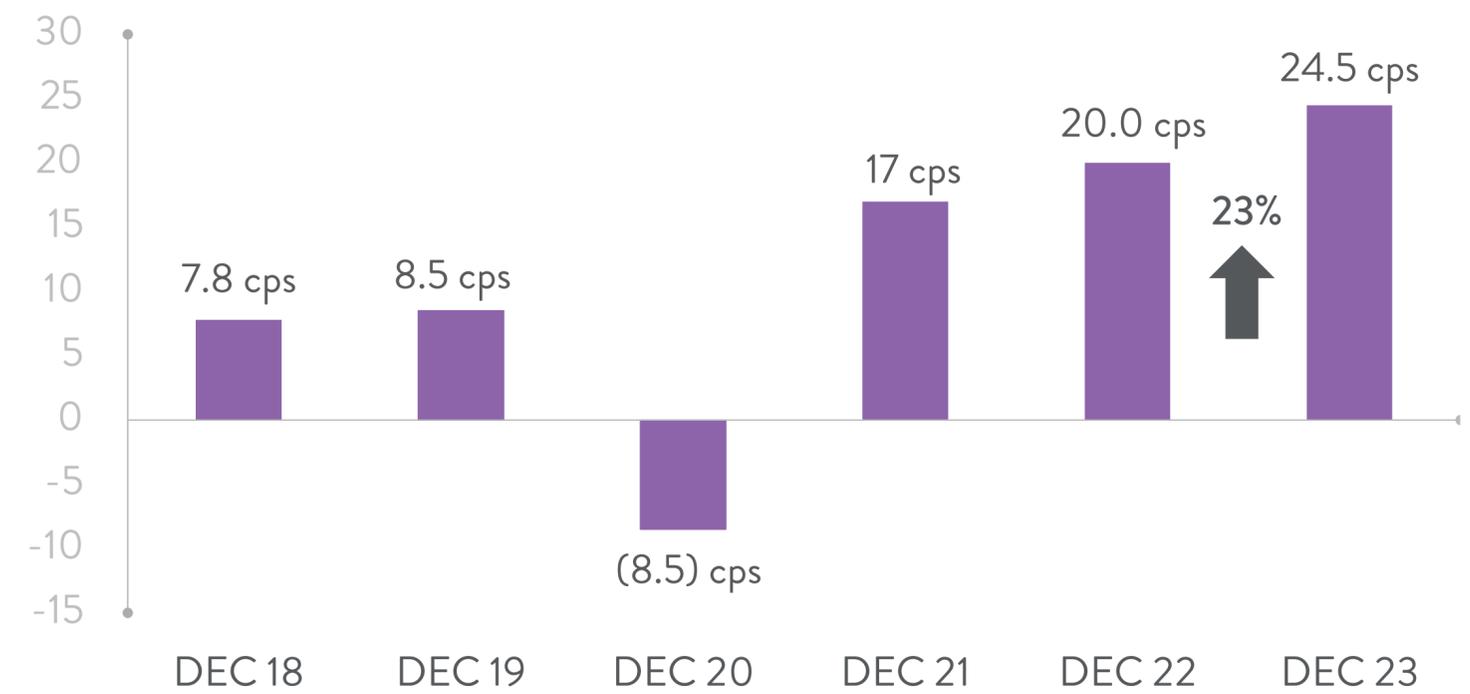


EPS AND HEPS

EPS (cps)



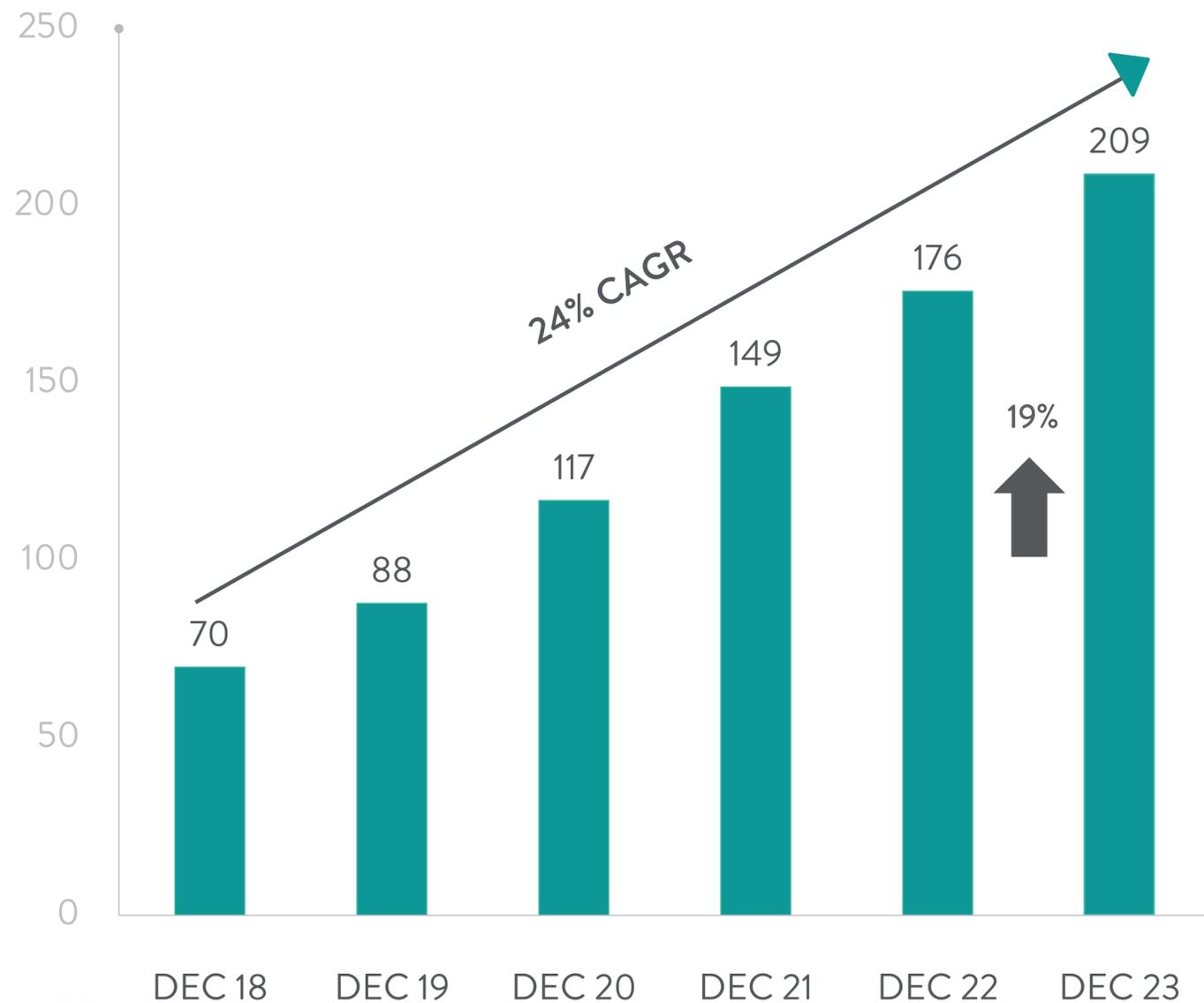
HEPS (cps)



- Growth in EPS and HEPS following growth in profit after taxation
- Movement of shares in issue:
 - New shares issued 3.2m in April 2023 – to meet SIT obligations
 - 3.2m SDO shares (R15m) repurchased by STADIO Holdings from July 2023 to December 2023 to counter the impact of the above dilution

CORE HEADLINE EARNINGS

CORE HEADLINE EARNINGS (R millions)



CORE HEPS (cps)



CORE HEADLINE EARNINGS MOVEMENT



STATEMENT OF FINANCIAL POSITION

- Invested R59m on capital expenditure including:
 - solar projects (R5m)
 - software development (R8m)
 - curriculum development (R15m)
 - building projects (R4m)
 - recurring capex (R27m)
- R130m of cash on hand
- Gearing ratio 6% (0% excluding IFRS 16 lease liability)
- Debt facility of R100m – unutilised for the year (utilised in January 2024)

SUMMARISED STATEMENT OF FINANCIAL POSITION	DEC 22 RM	DEC 23 RM
Total assets	2 281	2 316
Property, plant and equipment	867	872
Right-of-use assets	85	65
Intangibles (incl Goodwill)	892	903
Other assets	111	128
Trade and other receivables	178	217
Cash and cash equivalents	148	130
Total equity	1 882	1 862
Attributable to equity holders	1 772	1 795
Non-controlling interests	110	68
Total liabilities	399	454
Borrowings	0	0
Lease liabilities	170	115
Other liabilities	230	338
Number of shares in issue (m)	850	847
NAV per share (cents)	208	212
Gearing ratio	9%	6%
Gearing ratio (exclu IFRS 16:lease liability)	0%	0%

CASH FLOW FROM OPERATIONS

CASH FLOW FROM OPERATIONS (RM)	DEC 2019	DEC 2020	**ADJUSTED DEC 2021	**ADJUSTED DEC 2022	DEC 2023
Net cash flow from operations (before working capital)	202	263	323	361	404
Working capital changes	(12)	11	(9)	(20)	(44)
Net cash generated from operations	190	274	314	341	360
Cash generated from operations (as % of normalised EBITDA)*	97%	108%	101%	96%	93%
Free cash flow less recurring capex	133	206	218	241	217

* EBITDA adjusted for fair value adjustment and onerous contract

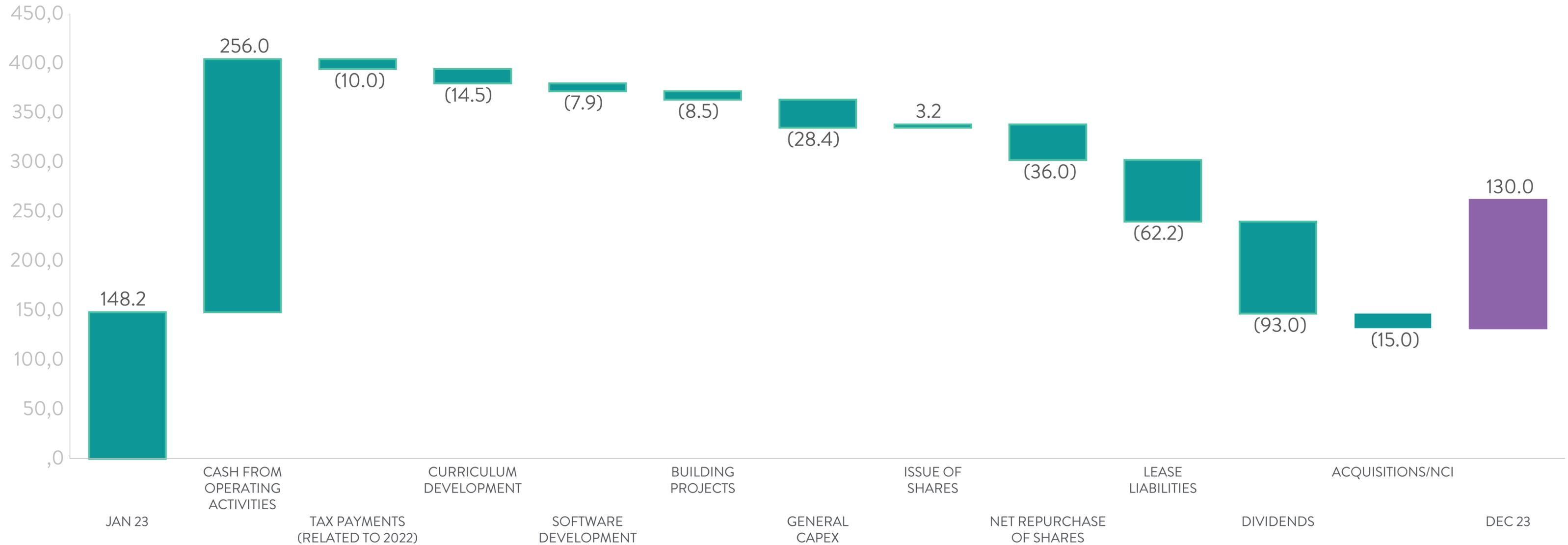
** Adjusted for CA Connect in 2022 for R33 million (2021: R48 million) settlement in cash

CAPITAL INVESTED

CAPITAL INVESTED (RM)	DEC 16	DEC 17	DEC 18	DEC 19	DEC 20	DEC 21	DEC 22	DEC 23
Acquisitions	-	594	440	156	-	10	-	15
Infrastructure development and capital assets	73	272	26	168	98	181	87	44
Programme development	12	11	15	10	7	-	7	15
Total	85	877	481	334	105	191	94	74
Cumulative investment	85	962	1 443	1 777	1 882	2 073	2 167	2 241

CASH UTILISATION

(R millions)



2024 CAPITAL EXPENDITURE: CAPITAL PROJECTS

2024 CAPITAL EXPENDITURE (RM)	2024
Curriculum and intangibles development	46
Solar projects	5
Durbanville property	220
Milpark acquisitions	6

DIVIDEND DECLARATION

- Business generates strong cash flows
- Aim to return 85%+ of free cash flow over time (having regard for growth capital projects)
- Considers future investment in Durbanville, systems, processes and new qualifications
- Final annual dividend of 10.0 cps declared (up from 8.9 cps in prior year)

DIVIDEND DECLARATION

Last day to trade cum dividend	Tuesday, 16 April 2024
Trading ex-dividend commences	Wednesday, 17 April 2024
Record date	Friday, 19 April 2024
Payment date	Monday, 22 April 2024

7 YEAR FINANCIAL OVERVIEW

DECEMBER

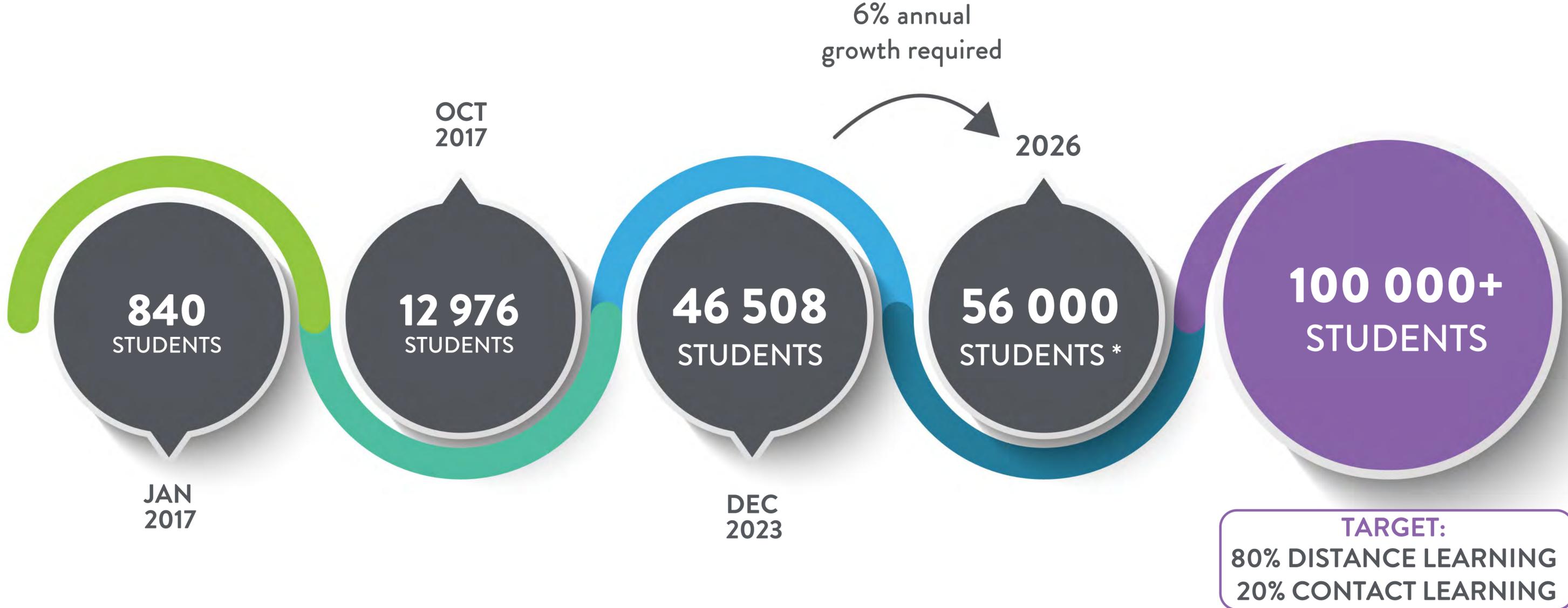
	2017	2018	2019	2020	2021	2022	2023
Student numbers	12 976	29 885	32 053	35 271	38 527	42 463	46 508
Revenue (Rm)	122	633	815	933	1 098	1 214	1 414
EBITDA (Rm)	0.5	129	180	46	309	351	391
EBITDA (Rm) - normalised	0.5	129	196	253	310	357	388
Headline (loss)/earnings (HE) (Rm)	(7)	63	70	(70)	144	170	208
Core Headline Earnings (CHE) (Rm)	3	70	88	117	149	176	209
HEPS (cents)	(1)	8	9	(8)	17	20	24.5
CHEPS (cents)	0.6	8.6	10.8	14.2	17.6	20.7	24.6
DPS (cents)	0.0	0.0	0.0	0.0	4.7	8.9	10
ROE (%)	0%	4%	6%	8%	9%	10%	12%

CHRIS VORSTER
CHIEF EXECUTIVE OFFICER

**OUR
GROWTH
STRATEGY**

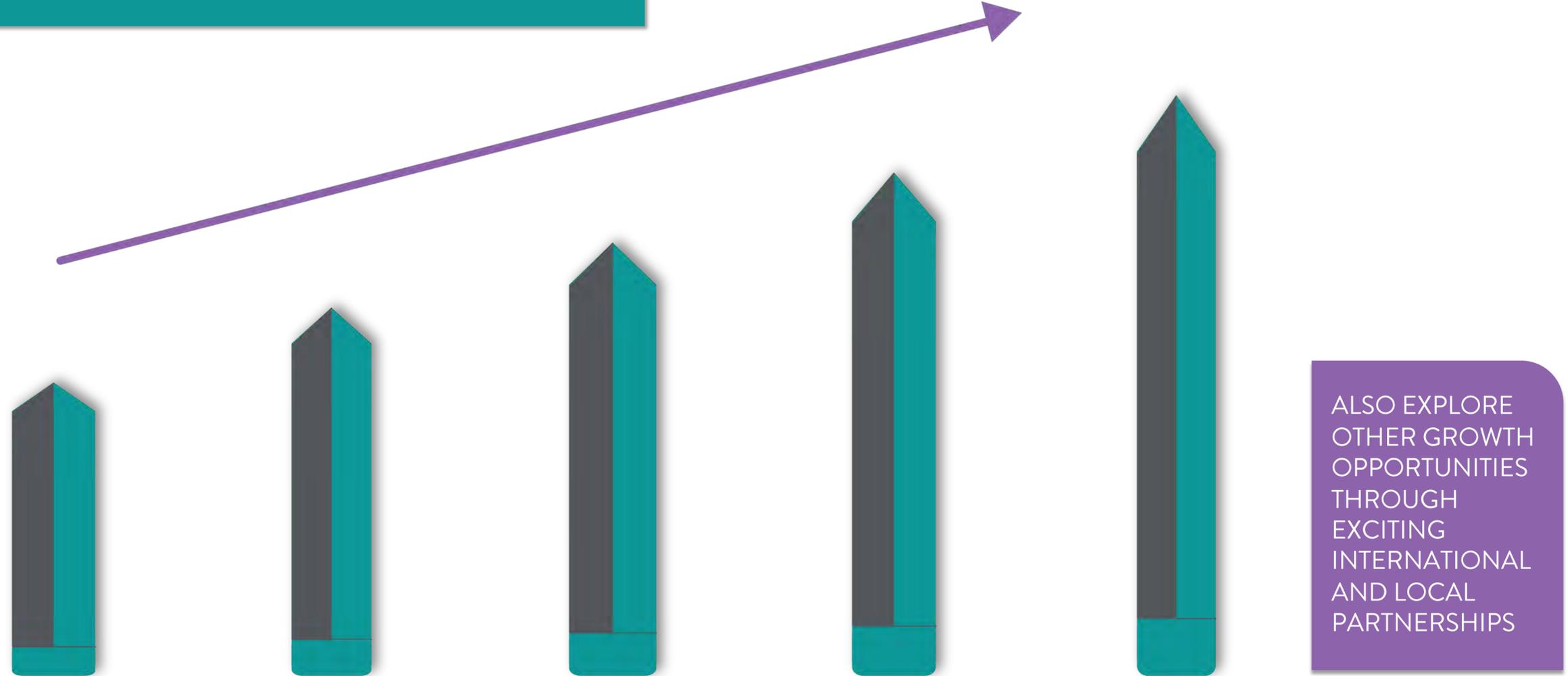


ON TRACK TO REACH 56 000 STUDENTS BEFORE 2026



* In accordance with the Prelisting Statement

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
(not current focus)

HIGHER EDUCATION REQUIRES PATIENCE

- To date, we've invested in:
 - > our processes and systems
 - > new technologies that drive academic and operational excellence
 - > new comprehensive campus and logistics centre
- Operational efficiencies and scalability of above is not immediately evident
- Investments in new qualifications and campuses all go through a 'j-curve'



PROGRAMME GROWTH



- 87 qualifications and various programmes in development or awaiting accreditation
- Analysis of current offerings to ensure viability of all programmes offered
- Only new in-demand programmes introduced
- 2023 introduced exciting programmes in Law, Education, Humanities, Accounting and Commerce
- 15 new offerings in 2024 (new programmes & programmes at new sites of delivery)
- School of Engineering is coming soon

PATIENCE IS REWARDED

- Example of one of our new distance learning programmes introduced in 2023:
 - > New students up 73% year to date
 - > Total students up 225% year to dateEasily scalable with minimal additional investment needed
- Our contact learning growth strategy is working
 - CENTURION
 - > New students year to date up 83% year-on-year
 - > Total students year to date up 66% year-on year and 47% on prior year total Semester 1 registrations
- 2024 registrations are ongoing and tracking well overall



ITS TIME TO BUILD DURBANVILLE



THE TIME IS RIGHT

- Contact learning strategy is working
- Previously, risks were too high – now have proof of concept in Centurion and believe the time is right
- Bellville campus is reaching capacity and cannot accommodate the strategy of comprehensiveness in the long-term
- We need a STADIO “showroom” in the Western cape
- Will double up as distance learning support centre



WHAT DOES THIS MEAN?



- To build in phases
- Will start construction in 2024, subject to final municipal approvals
- Phase 1 will cost R220 million
- To be funded 50% by cash resources and 50% long-term debt
- Will continue with current dividend payouts
- Bellville campus expected to relocate to the STADIO Durbanville campus from June 2025 and Head Office in phase 2
- Bellville campus is already a multi-school campus offering a range of programmes
 - Therefore, Durbanville campus will open with plenty of programmes available (unlike Centurion that opened with limited offerings)
 - expect to open with ~1000 students
- Durbanville expected to open for new students in January 2026

IN SUMMARY

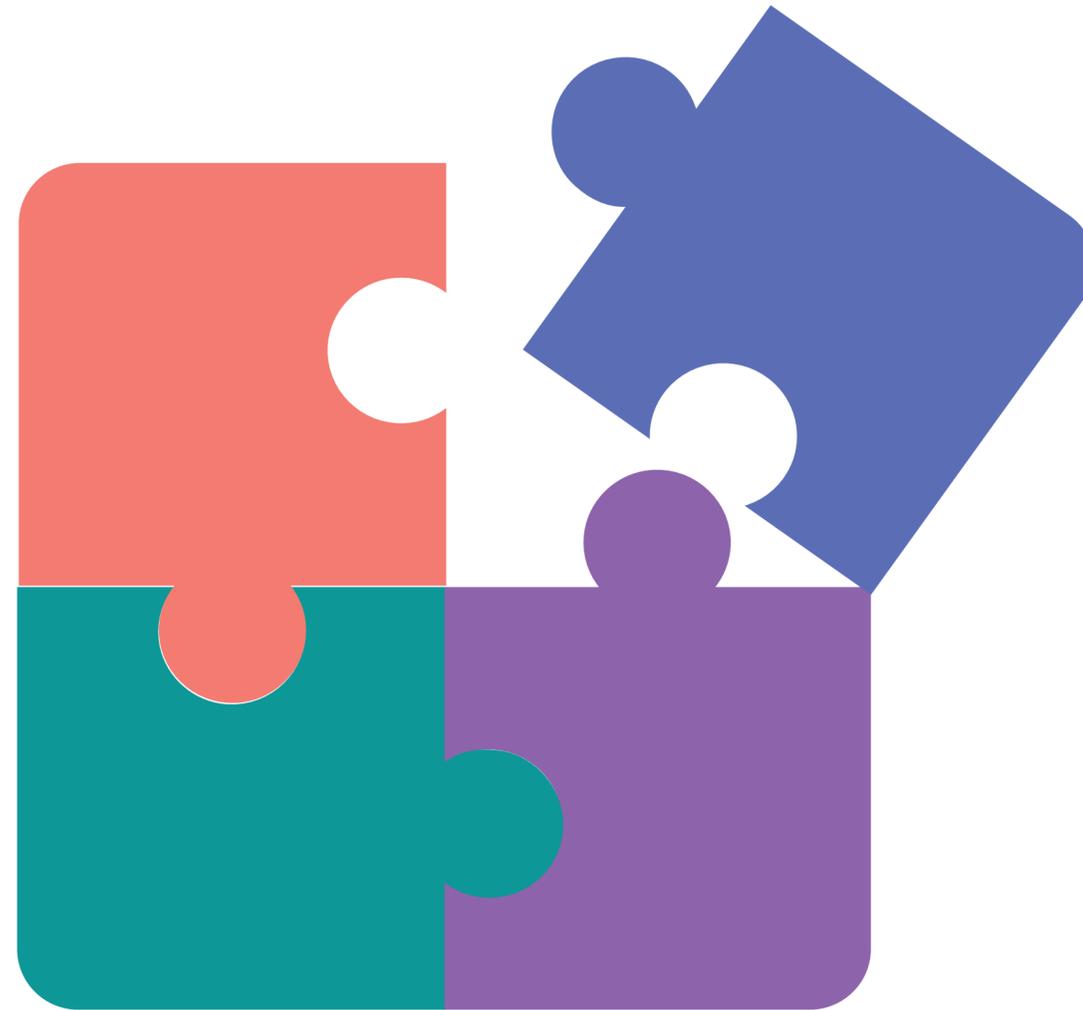
THE PIECES ARE **COMING TOGETHER** FOR GROWTH ACCELERATION

PROGRAMME MIX

Exciting in-demand programmes across multiple Schools and multiple modes at our 3 institutions

PROCESS, SYSTEM, & TECHNOLOGY

Investment into high-end technology and improvement of processes increasing student experience and operational efficiencies whilst allowing scalability of our distance learning offering



COMPREHENSIVENESS

We do not want a campus in every city and Durbanville campus will allow us to achieve 20 000 students for our contact learning business (20%) whilst continuing to scale our distance learning business

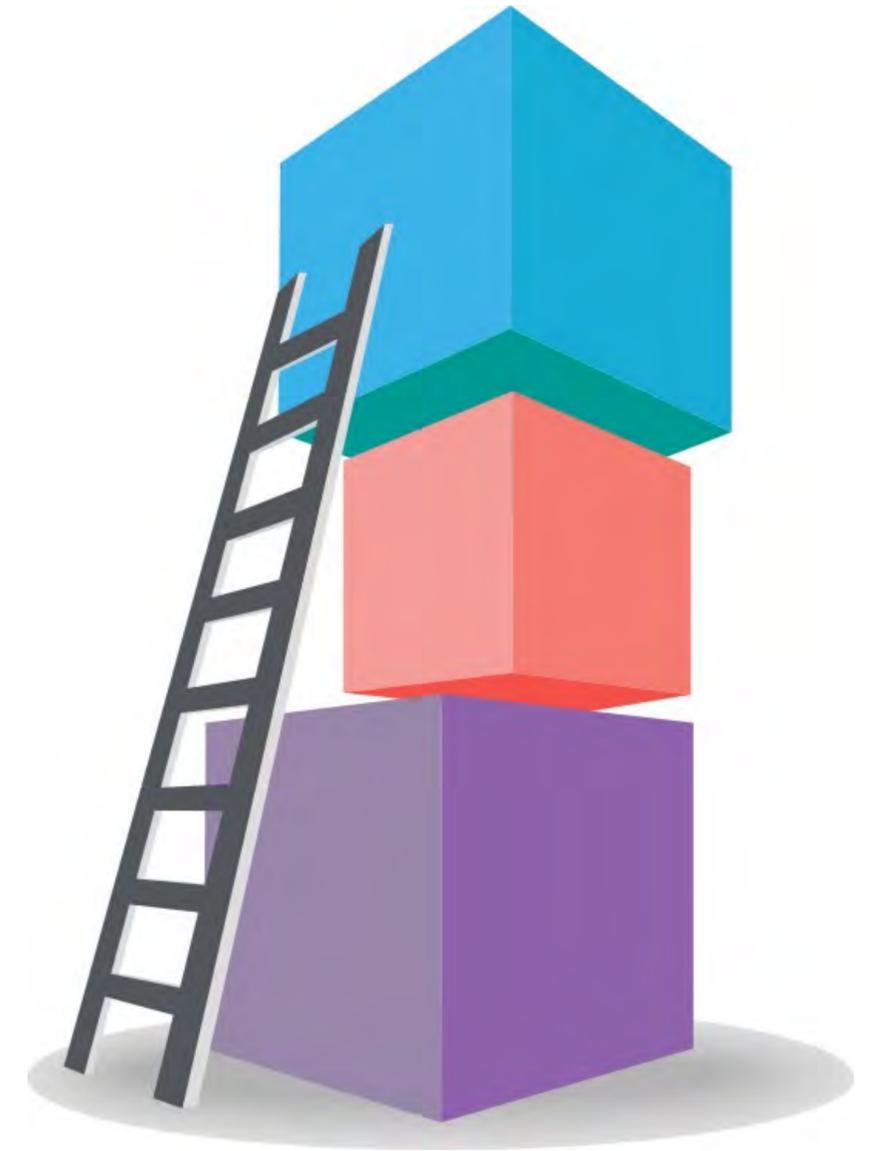
QUALITY

We strive for academic excellence with a focus on quality in all areas

... AND WE ARE EXCITED ABOUT THE FUTURE

2024 IS FULL
OF OPPORTUNITIES

100 000
STUDENTS
IS VERY
ACHIEVABLE



WE ARE A NEW VISION IN HIGHER EDUCATION!

QUESTIONS AND ANSWERS

