STADIO

HOLDINGS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

TOWARDS

STADIO

HIGHLIGHTS

REVENUE
R468.2 million
15%
R408.9 million

STUDENT NUMBERS
31 053
10%
28 280

Core HE[1]
R56.8 million
22%
R46.4 million

Core HEPS[1]
6.9 cps
21%
5.7 cps

EBITDA[2]
R45.9 million
-55%
R103.1 million

HLPS[3]
(1.5) cps
>-100%
5.1 cps

97
ACCREDITED QUALIFICATIONS

37
PIPELINE PROGRAMMES

HEQC[4] approves
Business Transfer
process
to one STADIO

[1] *Core headline earnings (HE) and core headline earnings per share (HEPS) as per Note 4*
[2] *Earnings before interest, taxation, depreciation and amortisation (EBITDA)*
[3] *Headline loss per share (HLPS)*
[4] *Higher Education Quality Committee (HEQC)*

OTHER STATISTICS

All information presented below represents the information of the underlying registered higher education institutions (HEI) owned by Stadio Holdings and its subsidiaries (the Group), presented per mode of delivery offered by the Group.

STUDENT NUMBERS

	Student numbers – First semester Unaudited					
	2017[1] 30 Jun	2018[1] 30 Jun	2019 30 Jun	2020 30 Jun	Year-on-year growth %	3-year CAGR[2] %
Modes of learning delivery						
On-campus	4 755	5 402	6 081	**6 269**	3%	10%
Distance learning	18 997	20 932	22 199	**24 784**	12%	9%
	23 752	26 334	28 280	**31 053**	10%	9%
Made up as follows:						
% On-campus	20%	21%	22%	**20%**		
% Distance learning	80%	79%	78%	**80%**		

1 *Like-for-like comparison including student numbers of all underlying HEIs as if they had been part of the Group in this period.*
2 *Compounded Annual Growth Rate*

As at August 2020, the Group had 33 586 students (August 2019: 31 573 students) enrolled, with second semester enrolments still in progress.

COMMENTARY

OVERVIEW

STADIO Holdings has been established with the purpose of widening access to quality and relevant higher education programmes in southern Africa. The Group currently owns six registered HEIs that offer both undergraduate and postgraduate programmes. During 2018, the Group resolved, subject to various regulatory approvals, to consolidate programmes offered by its various HEIs into a single registered HEI, STADIO. The move to one STADIO registered HEI brand will allow the Group to actively deliver on the marketing, operational and regulatory efficiencies of operating under a single brand.

MIGRATION TO ONE STADIO BRAND

The Group has made substantial progress towards consolidating the programmes offered to one STADIO HEI (Business Transfer). On 7 May 2020, the HEQC approved the Business Transfer process, enabling the businesses of LISOF (Pty) Ltd (LISOF), Prestige Academy (Pty) Ltd (Prestige Academy) and Southern Business School (Pty) Ltd (SBS) to be transferred to STADIO (formerly Embury Institute for Higher Education (Pty) Ltd (Embury)) during 2020.

Given Milpark Education (Pty) Ltd's (Milpark) large reliance on corporate clients and the need for a high B-BBEE rating (currently a level 2 rating), the Group has elected to exclude Milpark from the Business Transfer. Furthermore, to mitigate against the potential business risk associated with change, the Group has decided to phase in the Business Transfer of South African School of Motion Picture Medium and Live Performance (Pty) Ltd (AFDA) over a period of two years.

The Business Transfer has triggered a once-off, non-cash accounting impairment of R60 million, being the value of the trademarks (excluding Milpark) recognised at acquisition.

CA CONNECT ACQUISITION

In April 2018, the Group, through Milpark, acquired the business of CA Connect Professional Training Institution CPT (Pty) Ltd (CA Connect), which offers the Postgraduate Diploma in Accounting (PGDA) programme (a feeder qualification for students looking to become SAICA accredited chartered accountants) as well as a PGDA Bridging programme.

The consideration payable for the acquisition is subject to the performance of earnings before interest, taxation, depreciation and amortisation (EBITDA) of the CA Connect business over a three-year period.

During 2020, the actual student enrolments for this business materially outperformed expected enrolments for the period. The better than expected performance resulted in an increase in expected EBITDA and consequently in a fair value adjustment of R74 million, increasing the contingent consideration liability to account for the higher than expected purchase consideration. In accordance with IFRS 9, this movement in the fair value of the contingent consideration liability (Fair Value Adjustment) is recorded as an expense in the statement of comprehensive income.

IMPACT OF COVID-19

The COVID-19 pandemic and its full impact on the broader economy remains uncertain and challenging. The Group continues to manage the impact of this pandemic by focusing on and prioritising the health and safety of all staff and students, ensuring the continuation of the academic programme and maintaining the financial health of the business.

COMMENTARY (CONTINUED)

The Group has prioritised the delivery of the 2020 academic programme for enrolled students through online teaching and learning. Consequently, cognisant of the unfamiliar learning approach for many on-campus learning students, the Group increased student support initiatives and academic staff availability to respond to students' additional needs arising from the new approaches to teaching and learning. The Group provides on-campus students with free data to support their academic continuity. From 1 June 2020, final year students, students enrolled in programmes with technical and design requirements, and students who experience difficulties in pursuing their studies as a result of inadequate technology resources, have been permitted onto the campuses for venue-based teaching and learning, within the 33% threshold criteria and national regulations. Online teaching and learning, however, continues in all modules in addition to the on-campus learning activities.

In line with the national agenda that no student should be left behind, the Group is committed to supporting students who continue to participate in the academic programme to complete the 2020 academic year, without any compromise to the academic quality of its programmes.

Management has also taken steps to proactively manage the impact of COVID-19 on the business and has initiated various cost saving initiatives, with a directive to conserve cash, until the full extent of the impact of COVID-19 can be quantified.

The Board has accordingly resolved to delay the construction and opening of the new multi-faculty STADIO Centurion campus, which was intended to open in 2021. It is anticipated that the STADIO Centurion campus will open in 2022.

REVIEW OF RESULTS

Notwithstanding a challenging first half of the year, the Board is pleased to report the Group's interim results for the six months ended 30 June 2020 (the Financial Results).

The Group increased first semester student enrolments by 10% to 31 053 students (June 2019: 28 280). Over the same period, distance learning students grew by 12% to 24 784 students (June 2019: 22 199), and on-campus students grew by 3% to 6 269 students (June 2019: 6 081).

Distance learning student numbers reflected good overall growth, with new in-demand qualifications improving enrolments over the period. Notwithstanding the positive increase in distance learning student numbers, COVID-19 did have a pronounced negative impact on the enrolment of students on the various corporate training and learnership programmes, with student numbers relating to these programmes declining by 3% for the period.

On-campus students, particularly the Group's higher fee offering, showed a muted 3% growth over the period, with student numbers also negatively impacted by the discontinuation of new enrolments on various diploma programmes that were placed in "teach out".

EBITDA declined by 55% to R46 million (June 2019: R103 million). The decline in EBITDA was impacted by the Fair Value Adjustment in respect of the CA Connect acquisition. Excluding the impact of the Fair Value Adjustment, the Group grew EBITDA by 14% over the reporting period, to R120 million. This underlying growth in EBITDA is attributable to underlying organic growth and various cost savings initiatives implemented across the Group, offset by additional costs directly related to COVID-19 (including data costs to assist students and staff and costs to ensure compliance with health and safety regulations), as well as an increase in loss allowance for the period (following concerns over collection of student fees). The closure of campuses as a result of COVID-19 resulted in certain costs being saved during the first semester of 2020. These costs have been deferred to the second semester of 2020.

The loss allowance increased from 3.2% to 8.5%. The increase considers the expected loss allowance as a consequence of the impact of COVID-19 on the broader economy and thus collections. Collections over the period increased by 8% compared to June 2019. The Group is actively monitoring and managing collections, engaging with students and providing individual payment relief plans where possible.

For the six months ended 30 June 2020, the Group reported a loss after taxation of (R78 million) (June 2019: profit after taxation of R52 million) and a loss per share (LPS) of (8.7) cps (June 2019: earnings per share (EPS) of 5.1 cps), primarily as a result of large abnormal adjustments related to:

- The Fair Value Adjustment of R74 million relating to the CA Connect acquisition (impacting LPS and headline loss per share (HLPS)); and
- The R60 million once-off, non-cash accounting impairment of trademarks of the underlying brands (excluding Milpark) following the Business Transfer (impacting LPS).

The Group reported a headline loss of (R12 million) and HLPS of (1.5cps) for the six months ended 30 June 2020 (June 2019: headline earnings of R42 million and HEPS of 5.1 cps).

Core HEPS reflects HEPS adjusted for certain items that, in the Board's view, may distort the financial results from year-to-year, giving shareholders a more consistent reflection of the underlying financial performance of the Group. These core adjustments include once-off acquisition related costs, amortisation costs associated with client lists acquired (i.e. a non-cash charge arising as a result of the consolidation of the subsidiaries acquired), and costs relating to contingent consideration payable in respect of acquisitions. For the six months ended 30 June 2020, Core HEPS grew by 21% to 6.9 cps (June 2019: 5.7 cps). The overall growth in Core HEPS is due to the underlying growth in EBITDA (excluding the Fair Value Adjustment), as well as the inclusion of the 26% interest in SBS acquired in October 2019.

The Group reported R174 million cash inflow from operating activities for the six months ended 30 June 2020, of which R89 million relates to working capital timing differences, primarily generated from income received in advance in respect of fees paid upfront (refer to Note 9).

The Group commenced construction on its first multi-faculty campus, STADIO Centurion, in November 2019. During the period ended 30 June 2020, the Group spent R57 million on existing facilities and moveable assets, new programme development, the construction and development of STADIO Centurion, and the development of the Group's information technology system.

In June 2020, the Group repaid the full R65 million of its loan funding and currently has access to a revolving credit facility of R200 million (refer to Note 6 for further details).

The Group is in a strong cash position with a cash balance of R123 million as at 30 June 2020.

DIVIDEND

No Group dividend was declared for the six months ended 30 June 2020 (30 June 2019: Rnil).

DIRECTORATE

On 1 April 2020, Chris Vorster, founder and Chief Executive Officer (CEO) of SBS, succeeded Dr Chris van der Merwe as CEO of STADIO Holdings. Dr Chris van der Merwe was appointed as a non-executive director of the Board on the same date.

On 27 May 2020, Prof Rolf Stumpf, chairperson of the Board, resigned for medical reasons. Dr Vincent Maphai was appointed as an independent non-executive director and chairperson of the Board on 16 July 2020. On 15 July 2020, Mr Douglas Ramaphosa resigned as an independent non-executive director.

COMMENTARY (CONTINUED)

PROSPECTS

Notwithstanding the challenges presented by the COVID-19 pandemic, the Group is confident and remains committed to achieving its strategic objectives and seeking further growth opportunities. The commencement of the Business Transfer process will allow for STADIO to accommodate a wider variety of programmes at the Group's many registered sites of delivery. To this end management is actively reviewing the programmes offered at the Group's multiple registered sites with a view to optimise the utilisation of existing Group facilities whilst promoting the geographic spread of existing programmes. Furthermore, the COVID-19 pandemic has created a shift in the perception and attractiveness of distance/remote learning and, coupled with the attractive price point of the distance learning offerings, has provided an opportunity for the Group, which currently has 24 784 distance learning students, to actively pursue further growth opportunities.

The Board is of the view that the Group has adequate cash resources and debt facilities to be able to navigate the negative impacts of the COVID-19 pandemic on the business as well as to fund its current known growth projects.

On behalf of the Board,

Dr. TV Maphai
Chairperson

Mr. CPD Vorster
Chief Executive Officer

26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Year-on-year change %	2020 30 Jun Unaudited R'000	Restated 2019 30 Jun Unaudited[1,2] R'000	2019 31 Dec Audited R'000
Revenue	15%	**468 241**	408 858	815 427
Other income	7%	**3 827**	3 584	8 054
Operating expenses[1,2]	30%	**(386 185)**	(296 359)	(608 335)
Loss allowance[1]	>100%	**(39 934)**	(13 008)	(34 832)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(55%)	**45 949**	103 075	180 314
Depreciation and amortisation	13%	**(33 107)**	(29 200)	(60 890)
Impairment on intangible assets	100%	**(59 875)**	–	–
(Loss)/earnings before interest and taxation (EBIT)	(>100%)	**(47 033)**	73 875	119 424
Investment income	(53%)	**6 472**	13 669	28 047
Finance cost[2]	9%	**(11 033)**	(10 168)	(19 926)
(Loss)/profit before taxation	(>100%)	**(51 594)**	77 376	127 545
Taxation	5%	**(26 488)**	(25 149)	(43 861)
(Loss)/profit for the period	(>100%)	**(78 082)**	52 227	83 684
Attributable to:				
Owners of the parent	(>100%)	**(70 953)**	41 864	69 836
Non-controlling interests	(>100%)	**(7 129)**	10 363	13 848
Total comprehensive (loss)/income for the period	(>100%)	**(78 082)**	52 227	83 684
Headline (loss)/earnings (Note 3)	(>100%)	**(12 464)**	41 682	69 662
Core headline earnings (Note 4)	22%	**56 758**	46 482	88 211
		Cents	Cents	Cents
(Loss)/earnings per share				
– Basic	(>100%)	**(8.7)**	5.1	8.5
– Diluted	(>100%)	**(8.3)**	5.1	8.4
Headline (loss)/earnings per share				
– Basic	(>100%)	**(1.5)**	5.1	8.5
– Diluted	(>100%)	**(1.5)**	5.1	8.4
Core headline earnings per share (Core HEPS)				
– Basic	21%	**6.9**	5.7	10.8
– Diluted	18%	**6.7**	5.7	10.6
		Million	Million	Million
Number of shares in issue				
– Basic	–%	**819**	818	818
– Diluted	4%	**853**	823	829
Weighted average number of shares in issue				
– Basic	–%	**819**	818	818
– Diluted	4%	**852**	823	829

[1] *The Group restated operating expenses for the six months ended 30 June 2019 to separately disclose the loss allowance in accordance with IAS 1 Presentation of Financial Statements disclosure requirements. Refer to Note 10 for further details.*

[2] *The fair value adjustment relating to the contingent consideration liability was reclassified from finance costs to operating expenses in accordance with IFRS 9 for the six months ended 30 June 2019. Refer to Note 10 for further details.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited[1] R'000	2019 31 Dec Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**692 260**	541 460	663 358
Right-of-use assets	**87 533**	99 637	91 702
Intangible assets	**158 678**	209 868	211 522
Goodwill	**749 482**	749 482	749 482
Other financial assets	**11 394**	2 037	5 173
Trade and other receivables[1] (Note 7)	**18 516**	15 822	16 281
Deferred tax asset	**132 084**	116 482	107 026
Total non-current assets	**1 849 947**	1 734 788	1 844 544
Current assets			
Inventories	**1 922**	2 434	2 132
Trade and other receivables[1] (Note 7)	**114 595**	123 695	115 834
Loans to related parties	**694**	931	805
Tax receivable	**10 430**	7 610	9 908
Cash and cash equivalents	**122 533**	349 181	93 436
Total current assets	**250 174**	483 851	222 115
Total assets	**2 100 121**	2 218 639	2 066 659
EQUITY			
Share capital (Note 5)	**1 567 065**	1 565 675	1 565 675
Accumulated (loss)/retained earnings	**(76 501)**	89 600	(5 548)
Other reserves	**15 206**	8 319	11 033
Total equity attributable to equity holders of the Company	**1 505 770**	1 663 594	1 571 160
Non-controlling interest	**(1 117)**	47 999	12 138
Total equity	**1 504 653**	1 711 593	1 583 298
LIABILITIES			
Non-current liabilities			
Borrowings	**–**	–	65 000
Lease liabilities	**131 017**	153 986	137 061
Trade and other payables	**88 872**	20 989	18 993
Deferred tax liability	**69 793**	69 236	70 809
Total non-current liabilities	**289 682**	244 211	291 863
Current liabilities			
Borrowings	**–**	–	392
Lease liabilities	**31 674**	23 044	32 309
Loans from related parties	**96**	96	96
Trade and other payables	**77 122**	44 312	65 757
Income received in advance	**172 982**	173 704	89 786
Tax payable	**23 912**	21 679	3 158
Total current liabilities	**305 786**	262 835	191 498
Total liabilities	**595 468**	507 046	483 361
Total equity and liabilities	**2 100 121**	2 218 639	2 066 659
Net asset value per share (cents)	**184**	203	192

[1] *Reallocated non-current portion of net investment in lease receivable, in relation to 97-year lease term sub-lease of land, as at 30 June 2019, previously included in current trade and other receivables.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTHS ENDED 30 JUNE 2020

	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited R'000	2019 31 Dec Audited R'000
Balance as at 1 January	**1 583 298**	1 697 102	1 697 102
Change in accounting policy (IFRS 16)	–	(35 940)	(35 940)
Restated balance at the beginning of the period	**1 583 298**	1 661 162	1 661 162
Total comprehensive (loss)/income for the period	**(78 082)**	52 227	83 684
Issue of ordinary shares	**1 400**	1 400	1 400
Share issue costs	**(10)**	(8)	(8)
Recognition of share-based payments expense	**4 173**	3 197	5 911
Dividends paid to non-controlling shareholders	**(6 126)**	(6 385)	(13 351)
Non-controlling interest acquired	–	–	(155 500)
Balance at the end of the period	**1 504 653**	1 711 593	1 583 298

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Year-on-year change %	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited R'000	2019 31 Dec Audited R'000
Net cash flow from operating activities	23%	**173 546**	141 243	141 284
Cash generated from operations (Note 9)	28%	**213 101**	165 941	189 551
Interest income	(63%)	**4 992**	13 669	27 712
Finance cost	21%	**(12 330)**	(10 168)	(19 701)
Tax paid	14%	**(32 217)**	(28 199)	(56 278)
Net cash flow used in investing activities	>100%	**(63 330)**	(27 835)	(176 922)
Purchase of property, plant and equipment	77%	**(40 502)**	(22 906)	(157 427)
Purchase of intangible assets and curriculum development costs	53%	**(16 828)**	(11 011)	(21 430)
Proceeds from sale of property, plant and equipment	(100%)	**–**	1	35
Proceeds from loans from related parties	(100%)	**–**	1 181	–
(Addition)/disposal of other financial assets	(>100%)	**(6 000)**	4 900	1 900
Net cash flow from financing activities	>100%	**(81 119)**	(23 735)	(130 434)
Share issue costs	25%	**(10)**	(8)	(8)
(Repayment)/proceeds from loans	>100%	**(65 089)**	(1 041)	65 089
Proceeds/(repayment) from borrowings and loans with related parties	(>100%)	**112**	(4 149)	(4 042)
Repayment of lease liabilities	38%	**(13 168)**	(9 552)	(20 022)
Dividends paid to non-controlling shareholders	(94%)	**(364)**	(6 385)	(13 351)
Additional investment in subsidiary with no change in control	–%	**(2 600)**	(2 600)	(158 100)
Net movement in cash and cash equivalents for the period		**29 097**	89 673	(166 072)
Cash and cash equivalents at the beginning of the period		**93 436**	259 508	259 508
Cash and cash equivalents at the end of the period		**122 533**	349 181	93 436

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The Financial Results are prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC Interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council, the JSE Limited Listings Requirements for provisional reports, the requirements of the Companies Act of South Africa and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting.

The Financial Results have not been reviewed or audited by the Company's auditor. The Financial Results have been prepared internally under the supervision of the Chief Financial Officer, S Totaram, CA(SA) CFA.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Results are consistent in all material respects with those applied in the annual financial statements for the year ended 31 December 2019, other than the adoption of the amendments to: IFRS 3 Business Combinations – Definition of Business; IFRS 7 Financial Instruments: Disclosures; IFRS 9 Financial Instruments – Interest Rate Benchmark Reform; IAS 1 Presentation of Financial Statements – Definition of Material; and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material, all of which were effective from 1 January 2020. The adoption of these amendments do not have a material impact on the Financial Results.

For a full list of standards and interpretations that have been adopted by the Group, we refer you to the annual financial statements for the year ended 31 December 2019.

3. HEADLINE (LOSS)/EARNINGS

	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited R'000	2019 31 Dec Audited R'000
Reconciliation of headline (loss)/earnings:			
Basic (loss)/earnings	**(70 953)**	41 864	69 836
Adjustments attributable to parent:			
Impairment on intangibles assets	**58 561**	–	–
Loss on disposal of property, plant and equipment	**60**	204	265
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	**(159)**	(466)	(521)
Tax on above	**27**	80	82
Headline (loss)/earnings	**(12 464)**	41 682	69 662

The impairment on intangible assets relates to the impairment of trademarks of the underlying brands acquired (excluding Milpark) following the migration to one STADIO higher education institution.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

4. OPERATING SEGMENTS

The Group considers its Board of directors to be the chief operating decision maker and therefore the segmental disclosures below are aligned with the quarterly report provided to the Board of directors. Operating segments with similar economic characteristics have been aggregated into one reportable segment due to all the services being related to higher education services within southern Africa. However, management does make decisions based on what they constitute to be reflective of the underlying financial performance of the Group and as such, the Group has identified core headline earnings as this measure. Non-core includes certain items which may distort the Group's performance from year-to-year, and by excluding this, should provide management with a more consistent reflection of the underlying financial performance of the Group.

Reconciliation of core headline earnings

		30 Jun 2020 Unaudited		30 Jun 2019 Unaudited		31 Dec 2019 Audited	
	Year-on-year change %	(Loss)/ earnings R'000	(Loss)/ earnings per share Cents	Earnings R'000	Earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline (loss)/ earnings	(>100%)	**(12 464)**	**(1.5)**	41 682	5.1	69 662	8.5
Adjustments for non-core items attributable to parent:							
Contingent consideration adjustment	>100%	**64 483**	**7.9**	1 548	0.2	13 385	1.7
Acquisition costs	(100%)	**–**	**–**	1 397	0.2	1 398	0.2
Amortisation of client list and trademark	>100%	**5 544**	**0.6**	2 660	0.3	5 241	0.6
Tax on above	–%	**(805)**	**(0.1)**	(805)	(0.1)	(1 475)	(0.2)
Core headline earnings	22%	**56 758**	**6.9**	46 482	5.7	88 211	10.8
Core HEPS – basic	21%		**6.9**		5.7		10.8
Core HEPS – diluted	18%		**6.7**		5.7		10.6

5. SHARE CAPITAL

During the period, the Company issued ordinary shares in relation to the payment of the contingent consideration in respect of the Prestige Academy acquisition as per the share capital reconciliation below:

	Number of ordinary shares (million)	Share capital (R'000)
Balance as at 1 January	818.1	1 565 675
Issue of shares in respect of acquisitions	0.9	1 400
Share issue costs	–	(10)
Balance at the end of the period	819.0	1 567 065

6. BORROWINGS

In December 2019, the Group entered into a three-year revolving credit facility to the value of R200 million with Standard Bank of South Africa Limited.

An amount of R65 million was drawn down in December 2019. For the six months ended 30 June 2020, the Group incurred finance costs of R3 million at a three-month JIBAR plus 2.09%. During the period, borrowing costs of R1 million (June 2019: Rnil) were capitalised to qualifying assets at a capitalisation rate of 8.33% (June 2019: nil). The loan and interest were fully repaid as at 30 June 2020 and the full facility is available for use.

7. TRADE AND OTHER RECEIVABLES

	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited R'000	2019 31 Dec Audited R'000
Trade receivables	**143 524**	109 718	104 544
Less: loss allowance	**(59 381)**	(21 672)	(37 901)
Net trade receivables	**84 143**	88 046	66 643
Other receivables	**48 968**	51 471	65 472
Total trade and other receivables	**133 111**	139 517	132 115

The increased loss allowance as at 30 June 2020 considers the economic impact of COVID-19 on the collection of student fees.

8. ACQUISITIONS – CONTINGENT CONSIDERATION LIABILITY

The contingent consideration liability of R106 million as at 30 June 2020 relates to the acquisition of the CA Connect business in April 2018. Student enrolments for the PGDA and PGDA Bridging programmes outperformed expected enrolments for the period resulting in an increase in the expected EBITDA and consequently an increase in the Fair Value Adjustment of R74 million, increasing the contingent consideration liability to account for the higher than expected purchase price. The contingent consideration liability is included in trade and other payables of R166 million (June 2019: R65 million).

On 26 March 2020, the Group settled the final Prestige Academy consideration of R4 million. This was partly settled by cash of R2.6 million and partly through the issue of 0.9 million shares, valued at R1.4 million.

	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited R'000	2019 31 Dec Audited R'000
Balance as at 1 January	**35 539**	24 251	24 251
Fair value adjustment on contingent consideration payable[1]	**73 935**	1 775	15 288
Settlement of contingent consideration (not through profit and loss)[2]	**(4 000)**	(4 000)	(4 000)
Balance at the end of the period	**105 474**	22 026	35 539

[1] *In respect of the CA Connect and Prestige Academy acquisitions*
[2] *In respect of the Prestige Academy acquisition*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

9. CASH GENERATED FROM OPERATIONS

	Year-on-year change %	2020 30 Jun Unaudited R'000	2019 30 Jun Unaudited R'000	2019 31 Dec Audited R'000
(Loss)/profit before taxation	(>100%)	**(51 594)**	77 376	127 545
Non-cash and other items disclosed separately	>100%	**175 509**	30 507	74 215
	15%	**123 915**	107 883	201 760
Movements in working capital	54%	**89 186**	58 058	(12 209)
Decrease in inventories	(89%)	**210**	1 937	2 240
Decrease/(increase) in trade and other receivables	(>100%)	**232**	(33 482)	(26 070)
Increase in trade and other payables	>100%	**5 547**	2 351	8 287
Increase in income received in advance	(5%)	**83 197**	87 252	3 334
Cash generated from operations	28%	**213 101**	165 941	189 551

Non-cash items were affected by the impairment of intangible assets and Fair Value Adjustment to the contingent consideration liability (refer to Note 8).

10. RESTATEMENT

IAS 1 – Presentation of financial statements

For financial periods beginning on or after 1 January 2018, IAS 1 Presentation of financial statements requires for impairment losses recognised in accordance with IFRS 9 Financial Instruments to be disclosed as a separate line item on the face of the statement of comprehensive income. In the prior year, the loss allowance had been incorrectly disclosed within operating expenses and not represented separately on the face of the statement of comprehensive income. No third balance sheet was required because there was no impact on equity for earliest period presented.

The statement of comprehensive income has been represented to disclose the loss allowance separately.

Impact on the statement of comprehensive income for the period ended 30 June 2019:

	2019 30 Jun Unaudited R'000
Increase in loss allowance	(13 008)
Decrease in operating expenses	13 008
Change in net profit	–

IFRS 9 – Financial Instruments

In accordance with IFRS 9 Financial Instruments, the subsequent measurement of a contingent consideration recognised by an acquirer through an IFRS 3 business combination, shall be measured at fair value with the changes recognised through profit and loss. In the prior year, the change in fair value due to the subsequent measurement of the contingent consideration was incorrectly disclosed in finance costs in the statement of comprehensive income, whereas it should have been disclosed within operating expenses. No third balance sheet was required because there was no impact on equity for earliest period presented.

The statement of comprehensive income has been represented to disclose the fair value adjustment within operating expenses.

Impact on the statement of comprehensive income for the period ended 30 June 2019:

	2019 30 Jun Unaudited R'000
Increase in operating expenses	(1 775)
Decrease in finance costs	1 775
Change in net profit	–

11. FINANCIAL INSTRUMENTS – FAIR VALUE ESTIMATION

The information below analyses financial assets and liabilities which are carried at fair value by level of hierarchy. The different levels of hierarchy are defined as follows:

Level 1: the fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

Level 2: the fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: the fair value is based on unobservable inputs.

The carrying value of financial assets and liabilities carried at amortised cost approximates their fair value, while those measured at fair value can be summarised as follows:

	30 Jun 2020 – Unaudited			30 Jun 2019 – Unaudited			31 Dec 2019 – Audited		
Fair value hierarchy	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Other financial assets	11 394	–	–	2 037	–	–	5 173	–	–
Contingent consideration	–	–	105 474	–	–	22 026	–	–	35 539

There were no transfers between these categories during the period.

The valuation technique used in Level 3 fair value measurement of the contingent consideration (refer to Note 8) is the income approach method with the significant unobservable inputs being the discount and earnings growth rates as detailed below:

- Discount rate – 19%

  A change in the discount rate by 1% would increase/decrease the fair value by approximately R1 million.

- Earnings growth rate – 5%

  A change in the earnings growth rate by 5% would increase/decrease the fair value by approximately R5 million.

12. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

STATUTORY AND ADMINISTRATION

Stadio Holdings Limited
Incorporated in the Republic of South Africa (Registration number: 2016/371398/06)
JSE share code: SDO
ISIN: ZAE000248662
LEI: 3789007C8FB26515D966
(STADIO Holdings or the Group)

Directors: CPD Vorster*; S Totaram*; D Singh*; TV Maphai^; MG Mokoka^; CB Vilakazi^; TH Brown^; CR van der Merwe**; PN de Waal**; A Mellet** (Alternate to PN de Waal)
** Executive director ** Non-executive director ^ Independent non-executive director*

Company secretary: Stadio Corporate Services Proprietary Limited

Registered office: Office 101, The Village Square, c/o Queen and Oxford Streets, Durbanville, 7550

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. Private Bag, X9000, Saxonwold, 2132

Corporate adviser and sponsor: PSG Capital Proprietary Limited

Joint independent sponsor: UBS South Africa

Website: www.stadio.co.za

Announcement date

26 August 2020

TOWARDS

STADIO

[AFDA]
film • television • performance • business innovation & technology
the school for the creative economy

STADIO
FACULTY OF EDUCATION & HUMANITIES
SCHOOL OF EDUCATION
FORMERLY
EMBURY
INSTITUTE FOR HIGHER EDUCATION

LISOF
LEADERS IN FASHION EDUCATION

PRESTIGE ACADEMY

SBS
Southern Business School

MILPARK EDUCATION
M

www.stadio.co.za