

STADIO

— HOLDINGS —

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

PRESENTING

MILPARK
EDUCATION



STADIO



FORMERLY

SBS



EMBURY

LISOF

PRESTIGE
ACADEMY



[AFDA]

HIGHLIGHTS

REVENUE
R548 million
⬆️ 17%
R468 million

STUDENT NUMBERS
34 494
⬆️ 11%
31 053

EBITDA¹
R161 million
⬆️ >100%
R46 million

Adjusted EBITDA²
R161 million
⬆️ 34%
R120 million

Core HE³
R82 million
⬆️ 44%
R57 million

Core HEPS³
9.7 cps
⬆️ 41%
6.9 cps

**STADIO PARTNERS
WITH CAPITEC
ON
CREDIT-FOR-EDUCATION
PRODUCT**

**STADIO
CENTURION
COMPLETED
OPENING
2022**

¹ Earnings before interest, taxation, depreciation and amortisation (EBITDA)

² Adjusted EBITDA excludes the fair value adjustment in respect of the CA Connect acquisition

³ Core headline earnings (HE) and core headline earnings per share (HEPS) as per Note 4

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

	Semester One – Unaudited					Year-on-year growth %	4-year CAGR ² growth %
	2017 ¹ 30 Jun	2018 ¹ 30 Jun	2019 30 Jun	2020 30 Jun	2021 30 Jun		
Modes of learning delivery							
Contact learning	4 755	5 402	6 081	6 269	5 921	(6%)	6%
Distance learning	18 997	20 932	22 199	24 784	28 573	15%	11%
	23 752	26 334	28 280	31 053	34 494	11%	10%
Made up as follows:							
% Contact learning	20%	21%	22%	20%	17%		
% Distance learning	80%	79%	78%	80%	83%		

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 2021, the Group had 38 101 students (August 2020: 33 586 students) enrolled, with second semester enrolments still in progress.

COMMENTARY

OVERVIEW

STADIO Holdings was established with the purpose of widening access to quality and relevant higher education programmes in southern Africa. STADIO Holdings owns three registered higher education institutions, namely, STADIO Proprietary Limited (STADIO Higher Education), The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA) and Milpark Education Proprietary Limited (Milpark), offering both undergraduate and postgraduate programmes on the contact and distance learning modes of delivery.

CORPORATE ACTIVITIES DURING 2021

The Group engaged in the following notable corporate activities during the six-month period ended 30 June 2021:

- Effective 1 January 2021, the Group, through STADIO Higher Education, acquired the remaining 26% equity interest in STADIO Namibia Proprietary Limited (previously Southern Business School of Namibia Proprietary Limited) (STADIO Namibia);
- In February 2021, the Group took transfer of land earmarked for development of a STADIO mega-campus in Durbanville (STADIO Durbanville), in the Western Cape, with an anticipated opening date of January 2024;
- Effective 8 June 2021, the Group, through Milpark, concluded the early settlement agreement in respect of the acquisition of the CA Connect business. This resulted in the Group settling R48 million in cash and R20 million through the issue of STADIO Holdings shares to the CA Connect shareholders in June 2021. The final tranche of the CA Connect settlement will be concluded in April 2022 through the payment of R33 million in cash and R100 million through the issue of Milpark shares. Post the conclusion of the transaction the CA Connect shareholders will own 18.7% of Milpark. The total purchase consideration (including amounts settled to date) will equal an amount of R258 million. This early settlement will align the focus of the CA Connect management team to pursue growth opportunities beyond the successful Postgraduate Diploma in Accounting programmes and to retain the knowledge and skill of the CA Connect management team within the wider Milpark business; and
- During June 2021, the Group completed the construction of Phase I of STADIO Centurion, the Group's first mega-campus in Gauteng. The campus will open for new students in 2022.

REVIEW OF RESULTS

Notwithstanding the challenging economic environment, and the continuing impact of the COVID-19 pandemic, the Board is pleased to report the Group's results for the six-month period ended 30 June 2021 (the Financial Results).

At 30 June 2021, the Group increased semester one student enrolments by 11% to 34 494 students (June 2020: 31 053). Over the same period, semester one distance learning students grew by 15% to 28 573 students (June 2020: 24 784), and contact learning students declined by 6% to 5 921 students (June 2020: 6 269).

Distance learning student numbers reflected good overall growth, with online professional qualifications showing significant growth in enrolments over the period.

The decline in contact learning students is mainly due to students delaying or deferring studies given the uncertainties of COVID-19. Furthermore, regulatory delays in accrediting programmes and site extensions impacted the Group's growth plans for many of its contact learning sites. The Group believes that the contact learning student numbers will recover once normalcy and stability return to campuses going forward and once regulatory approvals are finalised.

Over the six-month period to 30 June 2021 revenue grew by 17% to R548 million (June 2020: R468 million).

EBITDA grew by more than 100% to R161 million (June 2020: R46 million). The large increase is primarily due to organic growth and the material impact of the fair value adjustment of R74 million, in respect of the CA Connect acquisition, which impacted the prior year EBITDA.

Excluding the impact of the fair value adjustment in the prior year, the Group grew EBITDA by 34% over the reporting period to R161 million (June 2020: R120 million) largely as a result of organic growth in the underlying businesses.

COMMENTARY (CONTINUED)

The loss allowance declined from 8.5% to 6.0% of revenue. The decline takes into account the impacts of both COVID-19 and the better-than-expected collections in 2021. The growth in the debtors book at 30 June 2021 is also attributable to the later start of the academic year resulting in students settling semester one fees post 30 June 2021. Receipts post 30 June 2021 through to August 2021 has seen a significant reduction in the semester one debtors book at 30 June 2021.

For the six-month period ended 30 June 2021, the Group reported a profit after taxation of R85 million (June 2020: loss after taxation of (R78 million), earnings per share (EPS) of 9.6 cps (June 2020: loss per share (LPS) of (8.7 cps)), and headline earnings per share (HEPS) of 9.4 cps (June 2020: headline loss per share (HLPS) of (1.5 cps)). The large increase in profit after taxation, EPS and HEPS for the six-month period to 30 June 2021 was primarily due to organic growth and the significant once-off adjustments in the prior year. These adjustments included:

- 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 migration of the various brands to STADIO Higher Education (impacting LPS).

At 30 June 2020, the Board had taken the decision to migrate AFDA, together with LISOF Proprietary Limited (LISOF), Southern Business School Proprietary Limited (SBS) and Prestige Academy Proprietary Limited (Prestige) to STADIO Higher Education. As a result, at 30 June 2020, the Group raised an impairment of R20 million relating to the AFDA trademark. In November 2020, the Board having regard to the strength of the AFDA brand as well as the high fee niche offering, resolved to exclude AFDA from the business transfer to STADIO Higher Education and as such reversed the impairment related to the AFDA trademark. Refer to Note 6 for further details.

The Group utilises core headline earnings to measure and benchmark the underlying performance of the business. 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 and costs relating to contingent consideration payable in respect of acquisitions. Accordingly, for the six-month period ended 30 June 2021, Core HEPS grew by 41% to 9.7 cps (June 2020: 6.9 cps). The overall growth in Core HEPS is due to the underlying organic growth in EBITDA, as well as additional cost savings due to the protracted lockdowns through the six months to 30 June 2021. Whilst certain savings have been achieved in semester one, we expect an increase in costs in the second semester from July to December 2021 assuming that campuses return to some level of normalcy in the latter half of the year. Over and above this, academic costs are generally higher in the second semester for the various programmes offered.

The Group generated R187 million cash from operations for the six-month period (refer to Note 11). Included in the working capital trade and payables movement is R33 million of the cash-settled portion of the CA Connect early settlement agreement settled by STADIO Holdings. The remaining R15 million of the R48 million cash-settled portion was paid by the non-controlling shareholder of Milpark.

For the six-month period ended 30 June 2021, the Group invested R41 million into the completion of the STADIO Centurion campus (refer to Note 5). The Group invested a further R71 million for the transfer of and for development contributions related to the STADIO Durbanville land. A further R23 million was invested across the Group on existing facilities and moveable assets.

At 30 June 2021, the Group had drawn down on R55 million of debt funding and had access to a revolving credit facility of R145 million (refer to Note 9). The Group has adequate cash resources on hand and access to a debt facility to be able to meet its cash obligations due within 12 months. At 30 June 2021, the current liabilities of the Group exceeded the current assets by R142 million. It is noted that the current portion of the contingent consideration liability, currently included in current liabilities, will be settled partly in cash (R33 million) and through the issue of Milpark shares (R100 million) during April 2022. Furthermore, the contract liabilities of R196 million will be settled through the rendering of educational services. On adjusting for the impact of the non-cash settled current portion of the contingent consideration liability and the contract liabilities, current assets will exceed current liabilities.

The Group is in a strong cash position with a cash balance of R111 million as at 30 June 2021.



DIVIDEND

No Group dividend was declared for the six months ended 30 June 2021 (30 June 2020: Rnil).

PROSPECTS

South Africa is battling the devastating effects of both the COVID-19 pandemic as well as the mass riots and looting in July 2021. The Board recognises that both COVID-19 and the civil unrest will have lasting negative consequences on an already fragile South African economy. As such, the Group continues to manage the impacts of this by focusing on and prioritising the health and safety of all staff and students, ensuring the continuation of the academic programme, without compromise to the academic quality of its programmes, and maintaining the financial health of the business.

Higher education forms a fundamental pillar of social and economic empowerment that will be used as a catalyst to promote growth in the country. It is for this reason that the Board believes that the STADIO Group is well positioned to meet the growing demands of the country's higher education needs and in doing so, will contribute to long term growth in the economy.

The Board is of the view that the Group has adequate cash resources and debt facilities to be able to navigate the effects 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

31 August 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Year-on-year change %	2021 30 Jun Unaudited R'000	Restated 2020 30 Jun Unaudited ^{1,2} R'000	2020 31 Dec Audited R'000
Revenue	17%	547 931	468 241	932 944
Other income	(6%)	3 611	3 827	3 570
Loss allowance	(18%)	(32 741)	(39 934)	(80 485)
Fair value losses on financial instruments ¹	(99%)	(575)	(73 935)	(207 209)
Operating expenses	15%	(357 683)	(312 250)	(602 994)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	>100%	160 543	45 949	45 826
Depreciation and amortisation	(2%)	(32 383)	(33 107)	(64 579)
Impairment on intangible assets	(>100%)	–	(59 875)	(51 216)
Earnings/(loss) before interest and taxation (EBIT)	>100%	128 160	(47 033)	(69 969)
Investment income	(19%)	5 258	6 472	11 841
Finance cost	(3%)	(10 744)	(11 033)	(20 502)
Profit/(loss) before taxation	>100%	122 674	(51 594)	(78 630)
Taxation	44%	(38 169)	(26 488)	(59 730)
Profit/(loss) for the period	>100%	84 505	(78 082)	(138 360)
Attributable to:				
Owners of the parent	>100%	80 644	(70 953)	(119 751)
Non-controlling interests	>100%	3 861	(7 129)	(18 609)
Total comprehensive income/(loss) for the period	>100%	84 505	(78 082)	(138 360)
Headline earnings/(loss) (Note 3)	>100%	79 206	(12 464)	(69 985)
Core headline earnings (Note 4)	44%	81 695	56 758	117 399
		Cents	Cents	Cents
Earnings/(loss) per share				
– Basic	>100%	9.6	(8.7)	(14.5)
– Diluted ²	>100%	9.4	(8.7)	(14.5)
Headline earnings/(loss) per share				
– Basic	>100%	9.4	(1.5)	(8.5)
– Diluted ²	>100%	9.2	(1.5)	(8.5)
Core headline earnings per share (Core HEPS)				
– Basic	41%	9.7	6.9	14.2
– Diluted ²	41%	9.5	6.7	12.5
		Million	Million	Million
Number of shares in issue				
– Basic	4%	848	819	841
– Diluted ²	2%	869	853	957
Weighted average number of shares in issue				
– Basic	3%	842	819	824
– Diluted ²	1%	862	852	940

¹ The Group has chosen to present the fair value losses on financial instruments separately due to it being a material item for the 2020 financial period. The prior year has accordingly been restated to reflect the necessary disclosure. Refer to Note 10 for further information.

² Share options and contingent consideration liabilities partly settled in shares, are considered to be potential ordinary shares in the calculation of diluted shares. For the comparative periods ended 30 June 2020 and 31 December 2020, the impact of potential ordinary shares to be issued has not been used in the calculation of diluted basic and headline loss per share as they are anti-dilutive for these periods. The prior year 30 June 2020 diluted loss per share has accordingly been restated.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment (Note 5)	841 346	692 260	717 120
Right-of-use assets	109 402	87 533	95 996
Goodwill	749 482	749 482	749 482
Intangible assets (Note 6)	161 092	158 678	168 967
Trade and other receivables (Note 7)	17 770	18 516	17 254
Other financial assets	1 822	11 394	11 620
Deferred tax asset	131 710	132 084	129 534
Total non-current assets	2 012 624	1 849 947	1 889 973
Current assets			
Inventories	1 628	1 922	1 588
Loans to related parties	120	694	591
Trade and other receivables (Note 7)	176 439	114 595	106 073
Current tax receivable	8 564	10 430	7 107
Cash and cash equivalents	111 213	122 533	116 803
Total current assets	297 964	250 174	232 162
Total assets	2 310 588	2 100 121	2 122 135
EQUITY			
Share capital (Note 8)	1 617 457	1 567 065	1 597 512
Other reserves	27 544	15 206	21 159
Accumulated loss	(44 169)	(76 501)	(125 299)
Total equity attributable to equity holders of the Company	1 600 832	1 505 770	1 493 372
Non-controlling interest	(8 348)	(1 117)	(7 381)
Total equity	1 592 484	1 504 653	1 485 991
LIABILITIES			
Non-current liabilities			
Borrowings (Note 9)	55 000	-	45 000
Lease liabilities	146 206	131 017	134 580
Deferred tax liability	76 739	69 793	72 321
Trade and other payables	-	88 872	132 694
Total non-current liabilities	277 945	289 682	384 595
Current liabilities			
Borrowings (Note 9)	-	-	79
Lease liabilities	33 895	31 674	33 385
Loans from related parties	96	96	96
Trade and other payables	197 248	77 122	116 303
Contract liabilities	195 628	172 982	88 542
Tax payable	13 292	23 912	13 144
Total current liabilities	440 159	305 786	251 549
Total liabilities	718 104	595 468	636 144
Total equity and liabilities	2 310 588	2 100 121	2 122 135
Net asset value per share (cents)	189	184	178

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
Balance as at 1 January	1 485 991	1 583 298	1 583 298
Total comprehensive income /(loss) for the period	84 505	(78 082)	(138 360)
Issue of ordinary shares	20 000	1 400	31 919
Share issue costs	(55)	(10)	(82)
Recognition of share-based payments expense	6 385	4 173	10 126
Dividends paid to non-controlling shareholders	(11 693)	(6 126)	(6 124)
Non-controlling interest acquired	7 351	-	5 214
Balance at the end of the period	1 592 484	1 504 653	1 485 991

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Year-on- year change %	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
Net cash flow from operating activities	(18%)	141 494	173 546	194 881
Cash generated from operations (Note 11)	(12%)	186 651	213 101	274 386
Interest income	(24%)	3 796	4 992	8 881
Finance cost	(5%)	(11 758)	(12 330)	(20 637)
Tax paid	15%	(37 195)	(32 217)	(67 749)
Net cash flow used in investing activities	97%	(125 024)	(63 330)	(110 093)
Purchase of property, plant and equipment (Note 5)	>100%	(134 691)	(40 502)	(78 353)
Purchase of intangible assets and curriculum development costs	(97%)	(448)	(16 828)	(26 219)
Proceeds from sale of property, plant and equipment	>100%	115	–	265
Proceeds received from loans to related parties	–%	–	–	214
Disposal/(addition) of other financial assets	>100%	10 000	(6 000)	(6 000)
Net cash flow from financing activities	(73%)	(22 060)	(81 119)	(61 421)
Share issue costs	(100%)	–	(10)	(82)
Proceeds from borrowings and loans with related parties	>100%	82 471	112	45 079
Repayment of borrowings	11%	(72 079)	(65 089)	(65 392)
Payment of principal portion of lease liabilities	7%	(14 027)	(13 168)	(27 290)
Dividends paid to non-controlling shareholders	>100%	(10 415)	(364)	(6 124)
Additional investment in subsidiary with no change in control (Note 10)	>100%	(8 010)	(2 600)	(7 612)
Net movement in cash and cash equivalents for the period		(5 590)	29 097	23 367
Cash and cash equivalents at the beginning of the period		116 803	93 436	93 436
Cash and cash equivalents at the end of the period		111 213	122 533	116 803

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, 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 in terms of IFRS and are consistent in all material respects with those applied in the annual financial statements for the year ended 31 December 2020.

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 2020.

3. HEADLINE EARNINGS/(LOSS)

	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
Reconciliation of headline earnings/(loss):			
Basic earnings/(loss)	80 644	(70 953)	(119 751)
<i>Adjustments attributable to parent:</i>			
Impairment on intangibles assets	–	58 561	49 902
Loss on disposal of property, plant and equipment	65	60	90
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	(2 063)	(159)	(279)
Tax on above	560	27	53
Headline earnings/(loss)	79 206	(12 464)	(69 985)

4. OPERATING SEGMENTS

The Group considers its executive directors to be the chief operating decision-maker and therefore the segmental disclosures below are aligned with the quarterly report provided to the executive 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

	Year-on-year change %	30 Jun 2021 Unaudited		30 Jun 2020 Unaudited		31 Dec 2020 Audited	
		Earnings R'000	Earnings per share Cents	(Loss)/ Earnings R'000	(Loss)/ Earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline earnings/ (loss)	>100%	79 206	9.4	(12 464)	(1.5)	(69 985)	(8.5)
<i>Adjustments for non-core items attributable to parent:</i>							
Fair value loss on contingent consideration	(99%)	500	0.1	64 483	7.9	180 676	21.9
Amortisation of client list and trademark	(50%)	2 794	0.3	5 544	0.6	8 250	1.0
Tax on above	–%	(805)	(0.1)	(805)	(0.1)	(1 542)	(0.2)
Core headline earnings	44%	81 695	9.7	56 758	6.9	117 399	14.2
Core HEPS – basic	41%		9.7		6.9		14.2
Core HEPS – diluted	41%		9.5		6.7		12.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

For the six-month period ended 30 June 2021, the Group invested R135 million into infrastructure and capital assets (June 2020: R41 million). The Group invested R41 million to complete Phase I of the STADIO Centurion campus. The campus will open for new students in 2022. To June 2021, the Group has invested R223 million to acquire and complete Phase I of the STADIO Centurion development. In February 2021, the Group took transfer of the STADIO Durbanville land, earmarked for the development of a STADIO Durbanville mega-campus in the Western Cape. The Group invested R71 million for the transfer of and for development contributions related to the STADIO Durbanville land. A further R23 million was invested across the Group on existing facilities and moveable assets.

6. INTANGIBLE ASSETS

At 30 June 2020, the Board had taken the decision to migrate AFDA, LISOF, SBS and Prestige to STADIO Higher Education and consequently impaired R60 million relating to the trademark of the aforementioned brands, R20 million of which related to the AFDA brand. In November 2020, the Board having regard to the strength of the AFDA brand as well as the high fee niche offering, resolved to exclude AFDA from the migration to STADIO Higher Education and as such, the impairment relating to the AFDA trademark was reversed thereby reducing the total trademark impairment taken at 30 June 2020 by R20 million.

An impairment assessment at 31 December 2020, including sensitivity analyses, was performed on the AFDA trademark following the decision to exclude AFDA from the business transfer. The result of the impairment assessment indicated that the recoverable amount exceeded the original carrying value of the trademark and as a result the impairment recognised at 30 June 2020 was subsequently reversed.

	30 Jun 2021 – Unaudited			30 Jun 2020 – Unaudited			31 Dec 2020 – Audited		
	Trade-marks R'000	Other intangible assets R'000	Total R'000	Trade-marks R'000	Other intangible assets R'000	Total R'000	Trade-marks R'000	Other intangible assets R'000	Total R'000
Opening balance	57 551	111 416	168 967	100 496	111 026	211 522	100 496	111 026	211 522
Additions and internally generated	-	448	448	2	16 821	16 823	2	26 217	26 219
Amortisation	-	(8 323)	(8 323)	(2 770)	(7 022)	(9 792)	(2 770)	(14 788)	(17 558)
Impairment	-	-	-	(59 875)	-	(59 875)	(40 177)	(11 039)	(51 216)
Closing balance	57 551	103 541	161 092	37 853	120 825	158 678	57 551	111 416	168 967

7. TRADE AND OTHER RECEIVABLES

	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
Trade receivables	227 969	143 524	145 632
Less: Loss allowance	(87 185)	(59 381)	(77 647)
Net trade receivables	140 784	84 143	67 985
Other receivables	53 425	48 968	55 342
Total trade and other receivables	194 209	133 111	123 327

8. SHARE CAPITAL

During the period, the Company issued ordinary shares in relation to the settlement of the contingent consideration in respect of the CA Connect acquisition (refer to Note 10.1) as per the share capital reconciliation below:

	Number of ordinary shares (million)	Share capital R'000
Balance as at 1 January	841.0	1 597 512
Issue of shares in respect of acquisitions	6.7	20 000
Share issue costs	-	(55)
Balance at the end of the period	847.7	1 617 457

9. BORROWINGS

The Group currently has a revolving credit facility to the value of R200 million with Standard Bank of South Africa Limited.

At 30 June 2021, the Group had drawn down an amount of R55 million (30 June 2020: Rnil). For the six months ended 30 June 2021, the Group incurred finance costs of R2.4 million at a three-month JIBAR plus 2.09%. During the period, borrowing costs of R1 million (June 2020: R1 million) were capitalised to qualifying assets at a capitalisation rate of 5.71% (June 2020: 8.33%). At 30 June 2021, the Group has access to R145 million of the remaining undrawn facility.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

10. ACQUISITIONS

10.1 CONTINGENT CONSIDERATION LIABILITY

The contingent consideration liability of R131 million at 30 June 2021 relates to the acquisition of the CA Connect business in April 2018. The Group concluded an early settlement agreement with CA Connect for a final settlement amount of R200 million. In June 2021, R68 million was settled partly through the issue of R20 million of STADIO Holdings shares and R48 million in cash. The contingent consideration liability comprises the outstanding amount due of R133 million less the non-controlling interest amount of R2 million recognised at acquisition in April 2018. The outstanding amount will be settled partly in cash (R33 million) and through the issue of Milpark shares (R100 million). The contingent consideration liability is included in trade and other payables of R197 million (June 2020: R166 million).

	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
Balance as at 1 January	197 978	35 539	35 539
Fair value adjustment on contingent consideration payable	573	73 935	207 184
Settlement of contingent consideration (not through profit and loss)	(68 000)	(4 000)	(44 745)
Balance at the end of the period	130 551	105 474	197 978

10.2 NON-CONTROLLING INTEREST ACQUIRED

Effective 1 January 2021, the Group, through STADIO Higher Education, acquired the remaining 26% equity interest in STADIO Namibia for a cash purchase consideration of R8 million. There was no change in control following this acquisition.

11. CASH GENERATED FROM OPERATIONS

	Year-on-year change %	2021 30 Jun Unaudited R'000	2020 30 Jun Unaudited R'000	2020 31 Dec Audited R'000
Profit/(loss) before taxation	>100%	122 674	(51 594)	(78 630)
Non-cash and other items disclosed separately	(74%)	44 957	175 509	341 622
	35%	167 631	123 915	262 992
Movements in working capital		19 020	89 186	11 394
(Increase)/decrease in inventories	(>100%)	(40)	210	544
(Increase)/decrease in trade and other receivables	(>100%)	(69 729)	232	11 201
Increase in trade and other payables	(>100%)	14 342	5 547	892
Decrease in trade and other payables – contingent consideration ¹	(>100%)	(32 639)	–	–
Increase/(decrease) in contract liabilities	29%	107 086	83 197	(1 243)
Cash generated from operations	(12%)	186 651	213 101	274 386

¹ Included in trade and other payables working capital movement is the cash-settled portion of the CA Connect early settlement agreement of R33 million by STADIO Holdings. The remaining R15 million of the R48 million cash-settled portion was paid by the non-controlling shareholder of Milpark. Refer to Note 10 further information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

12. 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:

Fair value hierarchy	30 Jun 2021 – Unaudited			30 Jun 2020 – Unaudited			31 Dec 2020 – Audited		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other financial assets	1 822	–	–	11 394	–	–	11 620	–	–
Contingent consideration liability	–	–	130 551	–	–	105 474	–	–	197 978

There were no transfers between these categories during the period.

The valuation technique used in Level 3 fair value measurement of the contingent consideration liability is the income approach method with the significant unobservable inputs being the discount rate and EBITDA growth rate as detailed below:

- The estimated future cash flows based on management's forecast which are discounted using a pre-tax discount rate.
- The future cash flow assumption reflects the following key assumptions:
 - pre-tax discount rate, which reflects the specific risks to the valuation
 - EBITDA which takes into account student number growth, based on historical experience and estimated growth in enrolment numbers; and operating expenses, which are a function of growth in student numbers and inflation.

Key assumptions:

- Discount rate – 20% (June 2020: 19%)

A change in the discount rate by 1% would increase/decrease the fair value by approximately R3 million (June 2020: R1 million).

- EBITDA growth rate – 53% (June 2020: 5%)

A change in the EBITDA growth rate by 5% would increase/decrease the fair value by approximately R11 million (June 2020: R 5 million).

13. 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

Independent joint sponsor: UBS South Africa

Website: www.stadio.co.za

Announcement date

31 August 2021

STADIO

— HOLDINGS —

www.stadio.co.za

