STADIO

HOLDINGS

SUMMARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

PRESENTING

MILPARK EDUCATION

STADIO

FORMERLY

SBS EMBURY

LISOF PRESTIGE ACADEMY

[AFDA]

film • television • performance • business innovation & technology

the school for the creative economy

HIGHLIGHTS

REVENUE ↑ 14% to R933 million	STUDENT NUMBERS ↑ 10% to 35 031
EBITDA[1] ↓ 75% to R46 million	Adjusted EBITDA[2] ↑ 29% to R253 million
Core HE[3] ↑ 33% to R117 million	CHEPS[4] ↑ 31% to 14.2 cents
GRADUATES ↑ 13% to 8 224	MODULE SUCCESS RATE 83% from 81%

MIGRATION OF VARIOUS BRANDS TO ONE STADIO EFFECTIVE 26 OCTOBER 2020

[1] *Earnings before interest, tax, depreciation, amortisation.*
[2] *Adjusted to exclude the fair value adjustment in respect of the CA Connect acquisition.*
[3] *Core headline earnings.*
[4] *Core headline earnings per share.*

STUDENT NUMBERS

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.

Students numbers have been presented to show the students enrolled in programmes for Semester One (January to June) and Semester Two (July to December) to illustrate the impact on new student enrolments, mainly in the distance learning mode of delivery, that occurs during Semester Two.

	Semester One unaudited						Semester Two unaudited					
	2017[1] 30 Jun	2018[1] 30 Jun	2019 30 Jun	2020 30 Jun	Year-on-year growth %	3-year CAGR growth %	2017[1] 31 Dec	2018[1] 31 Dec	2019 31 Dec	**2020 31 Dec**	**Year-on-year growth %**	**3-year CAGR growth %**
Modes of learning delivery												
Contact learning	4 755	5 402	6 081	6 269	3%	10%	4 833	5 500	6 197	**6 367**	**3%**	**10%**
Distance learning	18 997	20 932	22 199	24 784	12%	9%	22 751	24 385	25 672	**28 664**	**12%**	**8%**
	23 752	26 334	28 280	31 053	10%	9%	27 584	29 885	31 869	**35 031**	**10%**	**8%**
Made up as follows:												
% Contact learning	20%	21%	22%	20%			18%	18%	19%	**18%**		
% Distance learning	80%	79%	78%	80%			82%	82%	81%	**82%**		

[1] *Like-for-like comparison including student numbers of all underlying HEIs as if they had been a part of the Group in this period.*

COMMENTARY

OVERVIEW

STADIO Holdings has been established with the purpose of widening access to quality and relevant higher education programmes in southern Africa. STADIO Holdings currently owns three registered higher education institutions, namely, STADIO Proprietary Limited (STADIO), 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, distance and hybrid learning modes of delivery.

MIGRATION TO ONE STADIO BRAND

During 2020, the Group achieved a major strategic milestone in successfully transferring the businesses of LISOF Proprietary Limited (LISOF), Prestige Academy Proprietary Limited (Prestige Academy) and Southern Business School Proprietary Ltd (SBS) to a single registered higher education institution, STADIO (formerly Embury Institute for Higher Education Proprietary Limited (Embury)) (Business Transfer). The Business Transfer will unlock opportunities to actively deliver on the marketing, operational and regulatory efficiencies that arise from operating as a single registered higher education institution.

Due to Milpark's specialised and strategic focus on corporate clients (including a requirement for a high B-BBEE rating (currently level two)), the Group has elected to continue operating Milpark as a stand-alone higher education institution focusing on the corporate business-to-business (B2B) market.

Given the strong brand, niche focus and premium price point of the AFDA programmes, the Board, in December 2020, reconsidered the positioning of AFDA within the Group and resolved not to transfer AFDA into STADIO, but instead continue operating AFDA as a stand-alone higher education institution with a specific focus on expanding its niche, premium offerings within the creative economy.

For the 2020 financial year the Business Transfer has triggered a once-off, non-cash accounting impairment of R40 million, being the value of the trademarks (excluding Milpark and AFDA) recognised at acquisition.

CA CONNECT ACQUISITION

In April 2018, the Group, through Milpark, acquired the business of CA Connect Professional Training Institution CPT Proprietary Limited (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 (Earn-Out), which ends in June 2022.

The enrolments on the PGDA and PGDA Bridging programme have continued to exceed expectations over the last two years. The better-than-expected student enrolments in 2020 resulted in an increased EBITDA expectation over the Earn-Out period and thus increased the contingent consideration liability in respect of this acquisition.

During 2020, the Group recorded a total fair value adjustment of R207 million (Fair Value Adjustment) to account for the higher-than-expected purchase consideration payable.

In accordance with IFRS 9, this Fair Value Adjustment is recorded as an expense in the statement of comprehensive income. The full liability of R200 million will be settled in shares and cash during 2021 and 2022.

IMPACT OF COVID-19

2020 has been both a challenging and rewarding year for the Group. Throughout 2020, the Group has taken all necessary and responsible steps to manage the impact of the COVID-19 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. Despite the challenges presented, the Group prioritised the delivery of the 2020 academic programme for enrolled students through various online teaching and learning interventions. This allowed the Group to successfully complete the 2020 academic year in 2020. Furthermore, the "COVID-19 way" of operating has created substantial opportunities for the Group to further expand its distance, online and hybrid offerings.

During 2020, the Board further resolved to delay the construction and opening of the new large scale multi-faculty STADIO Centurion campus, which was intended to open in 2021. The Group will conclude the construction of the campus by June 2021 for opening in 2022.

REVIEW OF RESULTS

Notwithstanding a challenging year, the Board is pleased to report the Group's year-end results for the period ended 31 December 2020 (the Financial Results).

At 31 December 2020, the Group increased student enrolments by 10% to 35 031 students (2019: 31 869). Over the same period, distance learning students grew by 12% to 28 664 students (2019: 25 672), and contact learning students grew by 3% to 6 367 students (2019: 6 197).

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 negative impact on the enrolment of students on the various corporate training and learnership programmes, with overall student numbers relating to these programmes declining by 1% for the period.

Contact learning students, particularly the Group's higher fee offering, showed a muted 3% growth over the period.

EBITDA declined by 75% to R46 million (2019: R180 million). The decline in EBITDA was impacted by the Fair Value Adjustment of R 207 million (2019: R15 million) in respect of the CA Connect acquisition. Excluding the impact of the Fair Value Adjustment, the Group grew EBITDA by 29% over the reporting period, to R253 million (2019: R196 million).

This underlying growth in EBITDA is attributable to the underlying organic growth, academic delivery cost savings arising from the alteration of teaching and learning practices to accommodate students during the various COVID-19 lock-down levels, and general cost saving initiatives implemented across the Group. These savings were 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 which were partially offset by the COVID-19 government relief benefits, including TERS). Certain cost savings arose due to the postponement of various projects on campuses, which were closed during lockdown, and the directive to conserve cash, given the uncertainties around COVID-19. It is expected that these costs will be incurred in 2021 and beyond.

The loss allowance increased from 4.3% to 8.6% of revenue. The increase considers the expected loss allowance, including the impact of COVID-19 on the broader economy and thus collections. The Group is actively monitoring and managing collections, engaging with students and providing individual payment relief plans where possible.

During 2019, the Group engaged in the implementation of both a new ERP system (Unit 4 ERP) as well as a new student management system (Unit 4 Student Management). During 2020, it became evident that the initial time and costs to complete the implementation of the Unit 4 Student Management system were substantially greater than originally agreed to with the various service providers. As such, given the infancy of the system and considering the stage of life and size of the business, management agreed to terminate the implementation of the Unit 4 Student Management system. The Group has, however, continued with the implementation of the Unit 4 ERP system and has successfully concluded the implementation across two of the Group's entities. The remaining Group entities will roll out Unit 4 ERP system during 2021. The discontinuation of the Unit 4 Student Management System has resulted in an impairment of R11 million, being the costs incurred to date on the implementation of the Unit 4 Student Management system. Management has reviewed the capacity and functionality of the current student management systems within the Group and is able to utilise the existing systems to cater for its medium-term growth plans and continues to investigate appropriate alternatives for its long-term plans.

For the year ended 31 December 2020, taking into account the large abnormal adjustments set out below, the Group reported a loss after taxation of (R138 million) (2019: profit after taxation of R84 million) and a loss per share (LPS) of (14.5) cps (2019: earnings per share (EPS) of 8.5 cps), primarily as a result of:

- The Fair Value Adjustment of R207 million relating to the CA Connect acquisition (impacting LPS and headline loss per share (HLPS));
- The R51 million once-off, non-cash accounting impairment of trademarks of intangible assets, predominantly related to the impairment of trademarks (R40 million) following the successful Business Transfer and R11 million in respect of other intangible assets, including computer software as set out above.

The Group reported a headline loss of (R70 million) and HLPS of (8.5cps) for the year ended 31 December 2020 (2019: headline earnings of R70 million and headline earnings per share (HEPS) of 8.5 cps), primarily as a result of the Fair Value Adjustment.

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 year ended 31 December 2020, Core HEPS grew by 31% to 14.2 cps (2019: 10.8 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 generated R274 million cash from operations for the year ended 31 December 2020, of which R11 million relates to positive working capital timing differences (refer to Note 9).

The Group commenced construction on its first large scale multi-faculty campus, STADIO Centurion, in November 2019. During the period ended 31 December 2020, the Group spent R57 million on the construction and development of STADIO Centurion and R47 million on existing facilities and moveable assets, new programme development and the development of the Group's information technology system.

At 31 December 2020, the Group had drawn down on R45 million of debt funding and had access to a revolving credit facility of R155 million (refer to Note 10). 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. It is noted that the current portion of the contingent consideration liability will be settled partly in cash and by the issue of shares.

The Group is in a strong cash position with a cash balance of R117 million at 31 December 2020.

FUTURE EXPANSION INITIATIVES

GREENFIELD EXPANSION OPPORTUNITIES

The Group entered into agreements in 2018 to acquire vacant land (located in Durbanville, Western Cape) with a view to open a large-scale multi-faculty campus in the Western Cape. The Group took transfer of the land early in 2021 and intends to develop this large-scale campus for opening between 2023 and 2024.

QUALIFICATIONS

The Group continues to review its programme and qualification mix for both contact learning and distance learning modes of delivery.

The Group currently has 95 programmes that are accredited, with an additional 35 programmes across both contact and distance learning modes of learning delivery (including programmes in law, engineering, architecture and spatial design, and information technology) in the process of development and/or accreditation.

In addition to formal qualifications, the Centre for Lifelong Learning, offering a variety of short courses, was launched in 2020.

COMMENTARY (CONTINUED)

ACADEMIC PERFORMANCE

In 2020, 8 224 students graduated from the Group's institutions (2019: 7 294), with an overall annual module success rate of 83.2% (2019: 80.9%). The continued emphasis on proactive and responsive student support is a significant contributor to the improving pass rates and student success.

DIVIDEND

No Group dividend was declared for the year ended 31 December 2020 (2019: Rnil).

DIRECTORATE

On 1 April 2020, Chris Vorster, founder and former 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.

PROSPECTS

Notwithstanding the challenges presented by the COVID-19 pandemic, and the uncertainties created by the second wave of infections, the Group is confident and remains committed to achieving its strategic objectives and seeking further growth opportunities.

The successful Business Transfer to STADIO has unlocked an opportunity for STADIO to accommodate a wider variety of programmes at STADIO's many registered sites of delivery. To this end management is actively reviewing the programmes offered at the multiple registered sites with a view to optimise the utilisation of existing 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 learning and coupled with the attractive price point of the distance learning offerings, has provided an opportunity for the Group 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

12 March 2021

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Year-on-year change %	Audited 2020 R'000	Restated[1] Audited 2019 R'000
Revenue	14%	**932 944**	815 427
Other income	(56%)	**3 570**	8 054
Loss allowance	>100%	**(80 485)**	(34 832)
Fair value losses on financial instruments[1]	>100%	**(207 209)**	(15 277)
Operating expenses	2%	**(602 994)**	(593 058)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(75%)**	**45 826**	180 314
Depreciation and amortisation	6%	**(64 579)**	(60 890)
Impairment on intangible assets	>100%	**(51 216)**	–
(Loss)/earnings before interest and taxation (EBIT)	(>100%)	**(69 969)**	119 424
Investment income	(58%)	**11 841**	28 047
Finance cost	3%	**(20 502)**	(19 926)
(Loss)/profit before taxation	**(>100%)**	**(78 630)**	127 545
Taxation	36%	**(59 730)**	(43 861)
(Loss)/profit for the period	**(>100%)**	**(138 360)**	83 684
Attributable to:			
Owners of the parent	(>100%)	**(119 751)**	69 836
Non-controlling interests	(>100%)	**(18 609)**	13 848
Total comprehensive (loss)/income for the period	(>100%)	**(138 360)**	83 684
Headline (loss)/earnings (Note 3)	(>100%)	**(69 985)**	69 662
Core headline earnings (Note 4)	33%	**117 399**	88 211
		Cents	Cents
(Loss)/earnings per share			
– Basic	(>100%)	**(14.5)**	8.5
– Diluted[2]	(>100%)	**(14.5)**	8.4
Headline (loss)/earnings per share			
– Basic	(>100%)	**(8.5)**	8.5
– Diluted[2]	(>100%)	**(8.5)**	8.4
Core headline earnings per share (Core HEPS)			
– Basic	31%	**14.2**	10.8
– Diluted[2]	18%	**12.5**	10.6
		Million	Million
Number of shares in issue			
– Basic	3%	**841**	818
– Diluted[2]	15%	**957**	829
Weighted average number of shares in issue			
– Basic	1%	**824**	818
– Diluted[2]	13%	**940**	829

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 8 for further information.

2 Share options and contingent consideration liabilities partly settled in shares, are considered to be potential ordinary shares. These options and shares are not included in the calculation of the diluted basic and headline loss per share because they are anti-dilutive for the year ended 31 December 2020. Diluted basic and headline loss per share is calculated using the 824 million weighted average number of shares in issue.

The share options and contingent consideration liabilities partly settled in shares are dilutive for the core headline earnings per share for the year ended 31 December 2020. Diluted core headline earnings per share has been calculated using the 940 million weighted average number of shares in issue which adjusts for the dilutive impact of the share options and contingent consideration liabilities partly settled in shares.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Audited 2020 R'000	Audited 2019 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**717 120**	663 358
Right-of-use assets	**95 996**	91 702
Goodwill	**749 482**	749 482
Intangible assets (Note 6)	**168 967**	211 522
Trade and other receivables (Note 7)	**17 254**	16 281
Other financial assets	**11 620**	5 173
Deferred tax asset	**129 534**	107 026
Total non-current assets	**1 889 973**	1 844 544
Current assets		
Inventories	**1 588**	2 132
Loans to related parties	**591**	805
Trade and other receivables (Note 7)	**106 073**	115 834
Current tax receivable	**7 107**	9 908
Cash and cash equivalents	**116 803**	93 436
Total current assets	**232 162**	222 115
Total assets	**2 122 135**	2 066 659
EQUITY		
Share capital (Note 5)	**1 597 512**	1 565 675
Other reserves	**21 159**	11 033
Accumulated loss	**(125 299)**	(5 548)
Total equity attributable to equity holders of the Company	**1 493 372**	1 571 160
Non-controlling interest	**(7 381)**	12 138
Total equity	**1 485 991**	1 583 298
LIABILITIES		
Non-current liabilities		
Borrowings	**45 000**	65 000
Lease liabilities	**134 580**	137 061
Deferred tax liability	**72 321**	70 809
Trade and other payables	**132 694**	18 993
Total non-current liabilities	**384 595**	291 863
Current liabilities		
Borrowings	**79**	392
Lease liabilities	**33 385**	32 309
Loans from related parties	**96**	96
Trade and other payables	**116 303**	65 757
Contract liabilities	**88 542**	89 786
Tax payable	**13 144**	3 158
Total current liabilities	**251 549**	191 498
Total liabilities	**636 144**	483 361
Total equity and liabilities	**2 122 135**	2 066 659
Net asset value per share (cents)	**178**	192

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Audited 2020 R'000	Audited 2019 R'000
Balance as at 1 January	**1 583 298**	1 661 162
Total comprehensive (loss)/income for the period	**(138 360)**	83 684
Issue of ordinary shares	**31 919**	1 400
Share issue costs	**(82)**	(8)
Recognition of share-based payments expense	**10 126**	5 911
Dividends paid to non-controlling shareholders	**(6 124)**	(13 351)
Non-controlling interest acquired	**5 214**	(155 500)
Balance at the end of the period	**1 485 991**	1 583 298

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Year-on-year change %	Audited 2020 R'000	Restated Audited[1] 2019 R'000
Net cash flow from operating activities	38%	**194 881**	141 284
Cash generated from operations (Note 9)	45%	**274 386**	189 551
Interest income	(68%)	**8 881**	27 712
Finance cost	5%	**(20 637)**	(19 701)
Tax paid	20%	**(67 749)**	(56 278)
Net cash flow used in investing activities	(37%)	**(110 093)**	(175 773)
Purchase of property, plant and equipment	(50%)	**(78 353)**	(157 427)
Purchase of intangible assets and curriculum development costs	22%	**(26 219)**	(21 430)
Proceeds from sale of property, plant and equipment	>100%	**265**	35
Proceeds received from loans to related parties	(81%)	**214**	1 149
(Addition)/disposal of other financial assets	(>100%)	**(6 000)**	1 900
Net cash flow from financing activities	>100%	**(61 421)**	(131 583)
Share issue costs	>100%	**(82)**	(8)
Proceeds from borrowings and loans with related parties	(31%)	**45 079**	65 089
Repayment of borrowings and loans with related parties	>100%	**(65 392)**	(5 191)
Payment of principal portion of lease liabilities	36%	**(27 290)**	(20 022)
Dividends paid to non-controlling shareholders	(54%)	**(6 124)**	(13 351)
Additional investment in subsidiary with no change in control	(95%)	**(7 612)**	(158 100)
Net movement in cash and cash equivalents for the period		**23 367**	(166 072)
Cash and cash equivalents at the beginning of the period		**93 436**	259 508
Cash and cash equivalents at the end of the period		**116 803**	93 436

1 *The prior year was restated to separately disclose and reallocate proceeds from loans to related parties to net cash flow used in investing activities from net cash flow from financing activities*

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 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 been prepared internally under the supervision of the Chief Financial Officer, S Totaram CA(SA), CFA, and approved by the Board of Directors on 12 March 2021.

The Financial Results were audited by the Group's external auditor, PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. Any reference to future financial performance included in this announcement, has not been audited or reported on by the Group's auditor.

The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these Financial Results were derived. Copies of the auditor's report on the Financial Results appears at the end of this report. A copy of the Group's Consolidated Annual Financial Statements is available for inspection at the Company's registered office and on the Company's website, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all the information contained in this announcement. Users are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

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 2020, 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 2020 which can be found on our website.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. HEADLINE EARNINGS PER SHARE

	Audited 2020 R'000	Audited 2019 R'000
Reconciliation of headline (loss)/earnings:		
Basic (loss)/earnings	**(119 751)**	69 836
Adjustments attributable to parent:		
Impairment on intangibles assets	**49 902**	–
Loss on disposal of property, plant and equipment	**90**	265
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	**(279)**	(521)
Tax on above	**53**	82
Headline (loss)/earnings	**(69 985)**	69 662

4. SEGMENTAL INFORMATION

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

		Audited 2020		Audited 2019	
	Year-on-year change %	(Loss)/earnings R'000	(Loss)/earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline (loss)/earnings	(>100%)	**(69 985)**	**(8.5)**	69 662	8.5
Adjustments for non-core items attributable to parent:					
Fair value loss on contingent consideration	>100%	**180 676**	**21.9**	13 385	1.7
Acquisition costs	>100%	**–**	**–**	1 398	0.2
Amortisation of client list and trademark	57%	**8 250**	**1.0**	5 241	0.6
Tax on above	5%	**(1 542)**	**(0.2)**	(1 475)	(0.2)
Core headline earnings	33%	**117 399**	**14.2**	88 211	10.8
Core HEPS – basic	31%		**14.2**		10.8
Core HEPS – diluted	18%		**12.5**		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 and CA Connect acquisition (refer to Note 8) as per the share capital reconciliation below:

	Audited Number of ordinary shares (million)	Audited Share capital R'000
Balance at 1 January 2020	818	1 565 675
Issue of shares in respect of acquisitions	23	31 919
Share issue costs	–	(82)
Balance at 31 December 2020	841	1 597 512

6. INTANGIBLE ASSETS

	Audited 2020			Audited 2019		
	Trademarks R'000	Other intangible assets R'000	Total R'000	Trademarks R'000	Other intangible assets R'000	Total R'000
Opening balance	100 496	111 026	211 522	101 304	104 924	206 228
Additions and internally generated	2	26 217	26 219	–	21 430	21 430
Disposals	–	–	–	–	(59)	(59)
Amortisation	(2 770)	(14 788)	(17 558)	(808)	(15 269)	(16 077)
Impairment	(40 177)	(11 039)	(51 216)	–	–	–
Closing balance	57 551	111 416	168 967	100 496	111 026	211 522

Following the successful Business Transfer, an impairment of R40 million of trademarks of the underlying brands acquired (excluding Milpark and AFDA) was recognised. Furthermore, following a strategic review of the Group's operational and business systems requirements post the Business Transfer process, an impairment of R11 million was recognised in respect of other intangible assets, including computer software.

7. TRADE AND OTHER RECEIVABLES

	Year-on-year change %	Audited 2020 R'000	Audited 2019 R'000
Trade receivables	39%	145 632	104 544
Less: loss allowance	>100%	(77 647)	(37 901)
Net trade receivables	2%	67 985	66 643
Other receivables	(15%)	55 342	65 472
Total trade and other receivables	(7%)	123 327	132 115

The increased loss allowance at 31 December 2020 considers the economic impact of COVID-19 on the collection of student fees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. ACQUISITIONS – CONTINGENT CONSIDERATION LIABILITY

The Group, in April 2018, through Milpark, acquired the business of CA Connect, with the total consideration payable being subject to an Earn-Out to June 2022. The CA Connect business is responsible for the offer of the PGDA programme as well as the PGDA Bridging programme. Both programmes were first offered from 1 July 2019. During 2020, the CA Connect business outperformed with actual student enrolments significantly exceeding expected enrolments for the period. The better-than-expected performance resulted in a Fair Value Adjustment of R207 million to 31 December 2020 (2019: R15 million), increasing the contingent consideration liability to account for the higher-than-expected purchase consideration due. On 5 October 2020, the Group settled the first tranche of the Earn-Out of R41 million. This was partly settled by cash of R10 million and partly through the issue of 22 million Company shares, valued at R31 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.

The CA Connect contingent consideration liability of R198 million (2019: R36 million) is included in trade and other payables.

	Audited 2020 R'000	Audited 2019 R'000
Balance as at 1 January	35 539	24 251
Fair value adjustment on contingent consideration payable[1]	207 184	15 288
Settlement of contingent consideration liability	(44 745)	(4 000)
Balance at the end of the period	**197 978**	35 539

[1] *The Fair Value Adjustment is included in the fair value losses on financial instruments disclosure on the statement of comprehensive income*

9. CASH GENERATED FROM OPERATIONS

	Year-on-year change %	Audited 2020 R'000	Audited 2019 R'000
(Loss)/profit before taxation	(>100%)	(78 630)	127 545
Non-cash and other items disclosed separately	>100%	341 622	74 215
	30%	262 992	201 760
Movements in working capital	>100%	11 394	(12 209)
Decrease in inventories	(76%)	544	2 240
Decrease/(increase) in trade and other receivables	>100%	11 201	(26 070)
Increase in trade and other payables	(89%)	892	8 287
(Decrease)/increase in income received in advance	(>100%)	(1 243)	3 334
Cash generated from operations	45%	274 386	189 551

Non-cash items were affected by the impairment of intangible assets (refer to Note 6) and the Fair Value Adjustment to the contingent consideration liability (refer to Note 8).

10. BORROWINGS

The Group has secured a revolving credit facility with Standard Bank of South Africa Limited for R200 million with an opportunity to raise a further R100 million subject to meeting certain requirements.

At 31 December 2020, the Group had drawn down R45 million (2019: R65 million) of the facility. Finance costs incurred for the period of R2.9 million (2019: R0.3 million) were fully paid. During the year, borrowing costs of R1 million (2019: R0.01 million) were capitalised to qualifying assets. The total amount of undrawn facilities available for future operating activities and commitments is R155 million (2019: R135 million).

The Group complied with the facilities financial covenant requirements for the 2020 and 2019 financial year-ends.

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:

	Audited 2020			Audited 2019		
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
Other financial assets	11 620	–	–	5 173	–	–
Contingent consideration	–	–	197 978	–	–	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 rate and EBITDA growth rate as stated below:

- Discount rate – 20% (2019: 19%)

  A change in the discount rate by 1% would increase/decrease the fair value by approximately R3 million (2019: R1 million).

- EBITDA growth rate – 53% (2019: 25%)

  A change in the EBITDA growth rate by 5% would increase/decrease the fair value by approximately R11 million (2019: R5 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. EVENTS AFTER THE REPORTING PERIOD

The Group entered into negotiations to acquire the remaining 26% interest in Southern Business School of Namibia Proprietary Limited for a cash purchase consideration of R8 million subject to meeting certain conditions.

The Group also entered into negotiations to early settle the remaining Earn-Out in respect of the CA Connect acquisition for a final settlement amount of R200 million, thereby aligning the focus of the management team of CA Connect and Milpark to pursue growth opportunities beyond the PGDA programmes.

The Group entered into agreements in 2018 to acquire vacant land located in Durbanville (Western Cape), with a view to open a large-scale multi-faculty campus in the Western Cape. The Group took transfer of the land and paid a consideration of R52 million in February 2021 and intends to develop this campus for opening between 2023 and 2024.

The impact of COVID-19 has been considered up to 31 December 2020. The pandemic is considered to be ongoing and there is no immediate concern around going concern. Management are continually assessing and monitoring developments with regard to the pandemic and its impact on the business.

Subsequent to year end, there have been no significant changes in the COVID-19 restrictions impacting the Group and thus no subsequent events related to COVID-19 have occurred.

Save as set out above, the directors are not aware of any further material events which occurred after the reporting date and up to the date of this report.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Stadio Holdings Limited

OPINION

The summary consolidated financial statements of Stadio Holdings Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 December 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Stadio Holdings Limited for the year ended 31 December 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 12 March 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
12 March 2021

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. PO Box 61051, Marshalltown, 2107

Corporate adviser and sponsor: PSG Capital

Independent joint sponsor: UBS South Africa

Website: www.stadio.co.za

Announcement date
15 March 2021

STADIO
HOLDINGS

www.stadio.co.za