

STADIO HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2016/371398/06)

Share code: SDO

ISIN: ZAE000248662

LEI: 3789007C8FB26515D966

("the Company" or "the STADIO Group")



TRADING STATEMENT

OVERVIEW

2020 has been both a challenging and a rewarding year for the STADIO Group.

Throughout 2020, the STADIO 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.

Notwithstanding the many challenges presented in 2020, the STADIO Group is pleased to report a 10% growth in student numbers to 35 031 for the year ended 31 December 2020 with the successful completion of the 2020 academic year on time, as planned. Furthermore, on 26 October 2020, the STADIO Group achieved a major strategic milestone in finalising the transfer of the underlying businesses of Lisof (Pty) Ltd, Prestige Academy (Pty) Ltd and Southern Business School (Pty) Ltd (SBS) into STADIO (formerly Embury Institute for Higher Education (Pty) Ltd) (Business Transfer). The Business Transfer will unlock opportunities to actively deliver on the marketing, operating and regulatory efficiencies that stem from operating as a single registered higher education institution, STADIO.

TRADING STATEMENT

The STADIO Group utilises core headline earnings to measure and benchmark the underlying performance of the business. Core headline earnings represents headline earnings adjusted for certain non-recurring or non-cash items that, in the Board's view, may distort the financial results from year to year.

During 2020, as a result of strong organic growth, the acquisition of the remaining 26% interest in SBS and various cost savings initiatives, including savings arising from the alteration of various teaching and learning practices to accommodate students during the many COVID-19 lock-downs, the STADIO Group was able to deliver good growth in core headline earnings.

Accordingly, we are pleased to report that a reasonable degree of certainty exists that the core headline earnings per share (CHEPS) for the year ended 31 December 2020, will be between 13.1 cents and 15.3 cents, being between 21% and 41% higher than the 10.8 cents per share reported for the year ended 31 December 2019.

Furthermore, shareholders are advised that, as a result of certain abnormal, once-off accounting adjustments, as disclosed in our interim results for the period ended 30 June 2020 and as further explained below, a reasonable degree of certainty exists that, for the year ended 31 December 2020, the STADIO Group will report a:

- Loss per share of between (15.5) cents and (13.8) cents and a headline loss per share of between (9.4) cents and (7.7) cents, compared to earnings and headline earnings per share of 8.5 cents reported for the year ended 31 December 2019.

The decline in earnings per share and headline earnings per share were negatively impacted by the following abnormal, once-off accounting adjustments:

1. Following the outperformance of enrolments (both 1st and 2nd semester enrolments) on the Post Graduate Diploma in Accounting (PGDA) and the PGDA Bridging Programme, the group recorded a total abnormal accounting fair value adjustment of R207m for the year ended 31 December 2020 (June 2020: R74m) reflecting an increase in the contingent consideration liability to account for the higher-than-expected purchase consideration payable for the CA Connect acquisition (Fair Value Adjustment). The Fair Value Adjustment has had a negative impact on earnings and headline earnings per share.
2. The once-off, non-cash impairment of intangible assets, primarily due to the successful Business Transfer, resulting in the impairment of trademarks of the underlying brands participating in the Business Transfer. The impairment of intangibles has had a negative impact on earnings per share.

Further details relating to these adjustments are set out below.

1. FAIR VALUE ADJUSTMENT

- In March 2018, the STADIO Group, through Milpark, acquired the business of CA Connect, with a portion of the consideration payable in cash (25%) and shares (75%), subject to meeting certain profit targets over a 3-year period.
- The CA Connect business is responsible for the offer of the PGDA programme (a feeder qualification for students looking to become SAICA accredited chartered accountants) as well as the PGDA Bridging programme. Both programmes were offered from 1 July 2019.
- During 2020, CA Connect out-performed with actual student enrolments, in both the 1st and 2nd semesters, exceeding expected enrolments for the period. The better-than-expected performance resulted in a total Fair Value Adjustment of R207m for the year ended 31 December 2020, increasing the contingent consideration liability to account for the higher-than-expected purchase consideration due. In accordance with IFRS 9, the movement in the fair value of the contingent consideration liability is recorded as an expense in the income statement.

2. IMPAIRMENT OF INTANGIBLE ASSETS

- During the financial year ended 31 December 2020, the STADIO Group recognised impairments of intangible assets to the value of R51m, predominantly related to the impairment of trademarks (R40m), following the successful Business Transfer. Further impairments of approximately R11m were recognised in respect of other intangible assets, including computer software, following a strategic review of the STADIO Group's operational and business systems requirements post the Business Transfer process.

The financial information on which this trading statement is based, has not been reviewed or reported on by the Company's external auditors.

ANNUAL RESULTS PRESENTATION

The results for the year ended 31 December 2020 are expected to be published on or about 15 March 2021.

STADIO Holdings will be hosting a virtual presentation on Monday, 15 March 2021, at 10:00 to present the results to investors.

Please register to attend the presentation ahead of time by clicking on the following link:
<https://attendee.gotowebinar.com/register/1687612222929928206>

Participants will be able to download the results as well as the slides from the portal during the presentation.

Participants can send through questions using the portal, during and after the presentation, or may also email any questions to investorrelations@stadio.co.za.

Durbanville
17 February 2021

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