

# STADIO

— HOLDINGS —

2020 Annual Results Presentation  
15 March 2021

PRESENTING:

MILPARK  
EDUCATION



STADIO



FORMERLY



EMBURY

LISOF

PRESTIGE  
ACADEMY



[AFIDA]

# PRESENTATION OVERVIEW

- 
- 1 2020 feedback
  - 2 High-level financial overview
  - 3 Looking ahead to 2021 and beyond
  - 4 2020 Financial Results



**OUR PURPOSE:**

To empower  
the nation by  
widening access to  
higher education

**OUR VISION:**

To be a leading Higher  
Education provider,  
offering qualifications  
aligned with the needs  
of societies, students  
and the world of work

A young woman with voluminous, curly brown hair is laughing joyfully. She has her eyes closed and a wide, open-mouthed smile showing her teeth. Her hands are pressed against her cheeks, and she has black nail polish on her fingers. She is wearing a black top. The background is a bright, slightly blurred indoor setting.

# 2020 OVERVIEW

# COVID-19

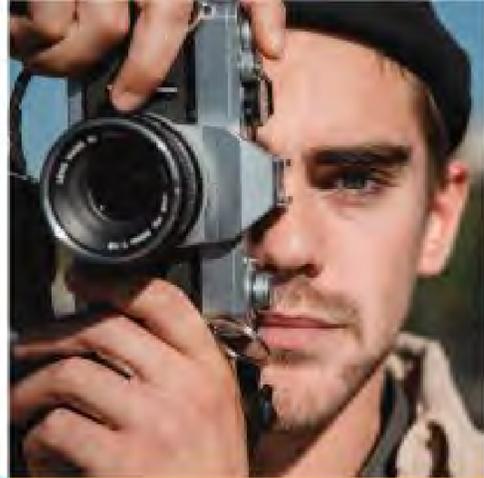
 **The Health and Safety of  
our staff and students**

 **The continuation of the  
academic project**

 **The protection of financial  
resources as well as  
stakeholders' interests:**



# 2020 HIGHLIGHTS (DESPITE COVID-19 CHALLENGES)

<p>STADIO registered as a <b>NEW</b> private higher education institution</p>		<p>Successful Business Transfer into <b>STADIO</b></p>	<p>26 Oct 2020 Official Brand Launch</p>		
<p>2020 Academic Year successfully completed in 2020</p>	<p>Student drop-out rates decreased</p> 		 <p>Module success rates increased</p>		<p>Accreditation of Doctorate in Management (DL) &amp; Doctorate in Policing (DL)</p>
<p>Appointment of Dr Vincent Maphai as chairperson of the Board</p>		<p>Commenced construction of <b>STADIO</b> Centurion, 1st mega-campus</p>		<p><b>GOOD ORGANIC GROWTH</b> Core Headline Earnings up by 33%</p>	



# INTRODUCING STADIO



A NEW VISION IN HIGHER EDUCATION

Higher Education & Training  
Sector Skills Councils  
100 Waterlooville Road, Waterlooville, Cape Town, South Africa  
Tel: +27 (0) 21 756 1000 | Fax: +27 (0) 21 756 1001 | Email: info@seta.gov.za

Dr. G Singh  
Chief Academic Officer  
STADIO (Pty) Ltd  
Edmoreville  
2020

Dear Dr Singh

**ASSIGNMENT OF REGISTRATION OF STADIO (PTY) LTD AS A PRIVATE HIGHER EDUCATION INSTITUTION (PHEI) FILE NO. 15251945**

Thank you for the Application for Assignment dated 8 September 2020 which was submitted on behalf of STADIO (Pty) Ltd in accordance with Section 28 of the Higher Education Act 109 of 1997 (HEA 109) as amended the Act and Regulation 4 of the Regulations for the Registration of Private Higher Education Institutions 2015 (the Regulations), which was received by the Director on 26 September 2020 and deemed complete on 8 October 2020.

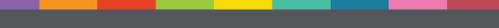
I have considered and authorized the Application for Assignment in accordance with Section 28 of the Act and Regulation 4(1), 17 and also considered the report dated 26 September 2020 issued by the Higher Education Quality Committee (HEQC) of the Council on Higher Education (CHE) (P.O. Box 177, Durban) and signed by the Director.

On the basis of the evaluation, I have approved the Application for Assignment in terms of the programme and view as noted on the application.

Accordingly, the registration of STADIO (Pty) Ltd is hereby assigned in terms of sections 102(3)(a), 103(1) and 104(1) of the Act and Regulation 7(2)(a) to read as follows:

**Programme:**

STADIO (Pty) Ltd is registered as a private higher education institution in terms of Section 28(1)(a) of the Act and Regulation 17A(1)(a) to offer the following education programmes in accordance with the criteria of registration requirements outlined in Section 1 of the Act and Regulation 28(1) of the Act (of which are set out in Table 1 below):



. . . An institution for the real-world

# STADIO BRAND

STADIO  
— HOLDINGS —



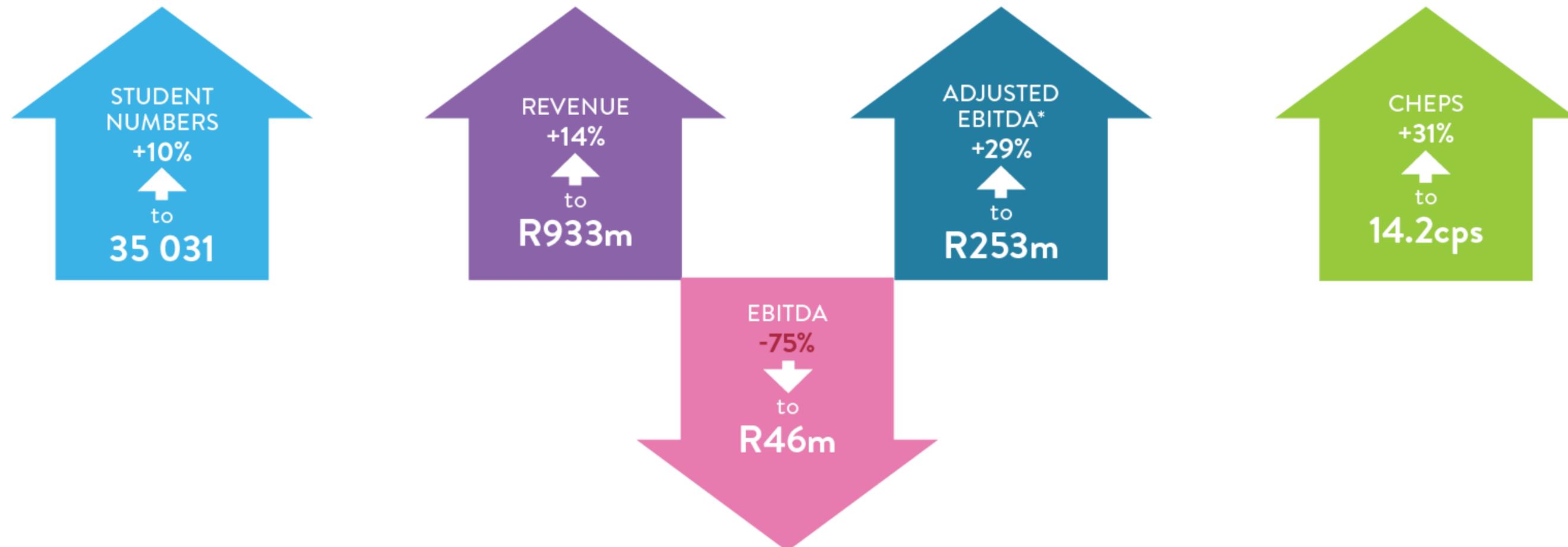
# STADIO BRAND



OR TAMBO INTERNATIONAL AIRPORT

# FINANCIAL HIGHLIGHTS FROM 2019 TO 2020

- EBITDA adjusted to exclude the CA Connect fair value adjustment



- Fair value adjustment in respect the CA Connect acquisition due to outperformance of the PGDA
- Increase in loss allowance

# 5 YEAR FINANCIAL OVERVIEW

	2016	2017	2018	2019	2020
Student Numbers	840	12 976	29 885	31 869	35 031
Revenue (Rm)	46	122	633	815	933
EBITDA - adjusted (Rm)	11	0.5	129	196	253
Core Headline Earnings (Rm)	8	3	70	88	117
Core Headline Earnings per share (cents)	1.7	0.6	8.6	10.8	14.2

A close-up, low-angle shot of a person's legs and feet as they stand on a set of concrete steps. The person is wearing bright orange and blue athletic sneakers. The steps are made of dark, textured concrete. The lighting is natural, creating soft shadows. The overall mood is one of readiness and movement.

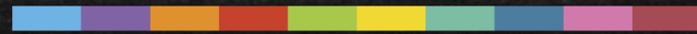
**WHERE ARE  
WE GOING?**

# 2021 – WHAT’S IN STORE?

- **COVID-19** is still here
  - will challenge all modes of learning delivery (contact classes, assessments, graduations, etc)
  - will challenge corporate clients and learnerships
  - requires flexibility and good communication
- **We are STADIO**
  - Expanding infrastructure for both distance learning and contact learning
  - Introduction of new products and programmes to attract new students
  - Enter into agreements with international institutions – opening new markets
  - Change management continues - implement new structure
  - Create a NEW culture
  - Alignment of institutional policies and procedures with implementation of “new” STADIO way
  - New systems and use of shared services (synergies)



# STADIO



80% DISTANCE LEARNING  
20% CONTACT LEARNING

**840**  
STUDENTS

**12 976**  
STUDENTS

**35 031**  
STUDENTS

**56 000**  
STUDENTS

**100 000+**  
STUDENTS

**?**

JAN  
2017

3 OCT  
2017

DEC  
2020

PAT R500m  
2026\*





2017

2018

2019

2020

2021

2022

2026

### POSITIONING

- Acquisition of quality brands

### CONSOLIDATION

- Registration of single higher education institution, STADIO
- Migration of underlying brands into ONE BRAND
- Launch of STADIO
- Building systems, processes, policies
- Developing the 'STADIO Way'
- Optimisation of current campuses
- Investment into DL infrastructure
- Construction of STADIO Centurion, the Group's first mega multi-faculty campus

### GROWTH

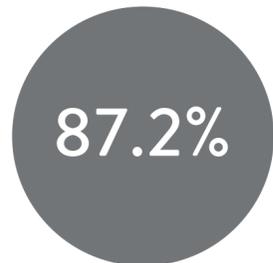
- Multi-faculty campuses open
- Expansion of programme offerings through mode and streams
- Continue to 'get fit' for 56 000 students by 2026, 100 000 + students over time

# 3 DISTINCT INSTITUTIONS



## STADIO INVESTMENT HOLDINGS (PTY) LTD

Product Leadership



Operational Excellence



FORMERLY



Product Leadership



14  
CAMPUSES

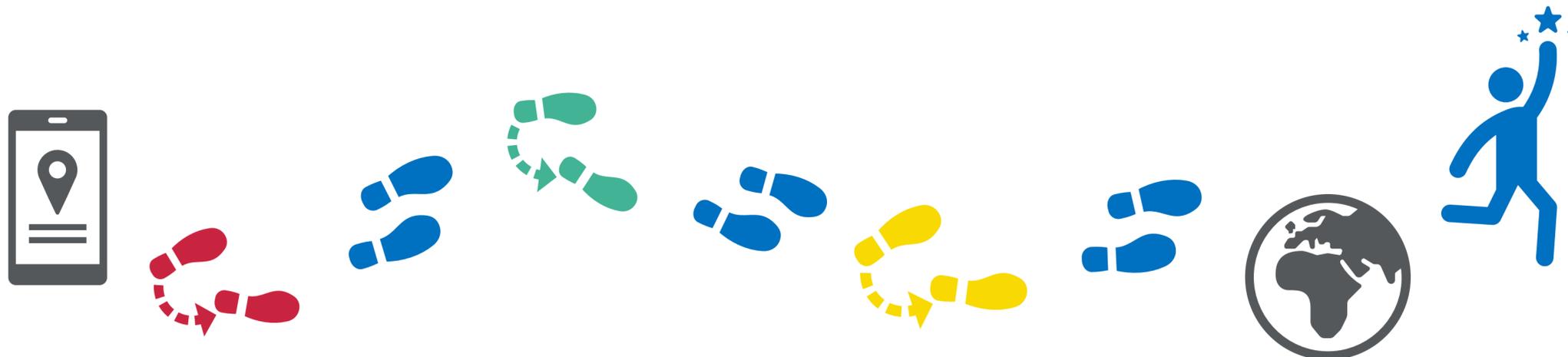
PTA • JHB • CPT • KZN • PE • Windhoek



# WHAT WE STAND FOR

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- We are not striving to be another public university
- We're an institution for the “real-world”
- Offering programmes which are
  - Relevant
  - Flexible
  - Aligned to the world-of work
  - Fill the skills-gap, and
  - Meet the high academic standards of a registered higher education provider



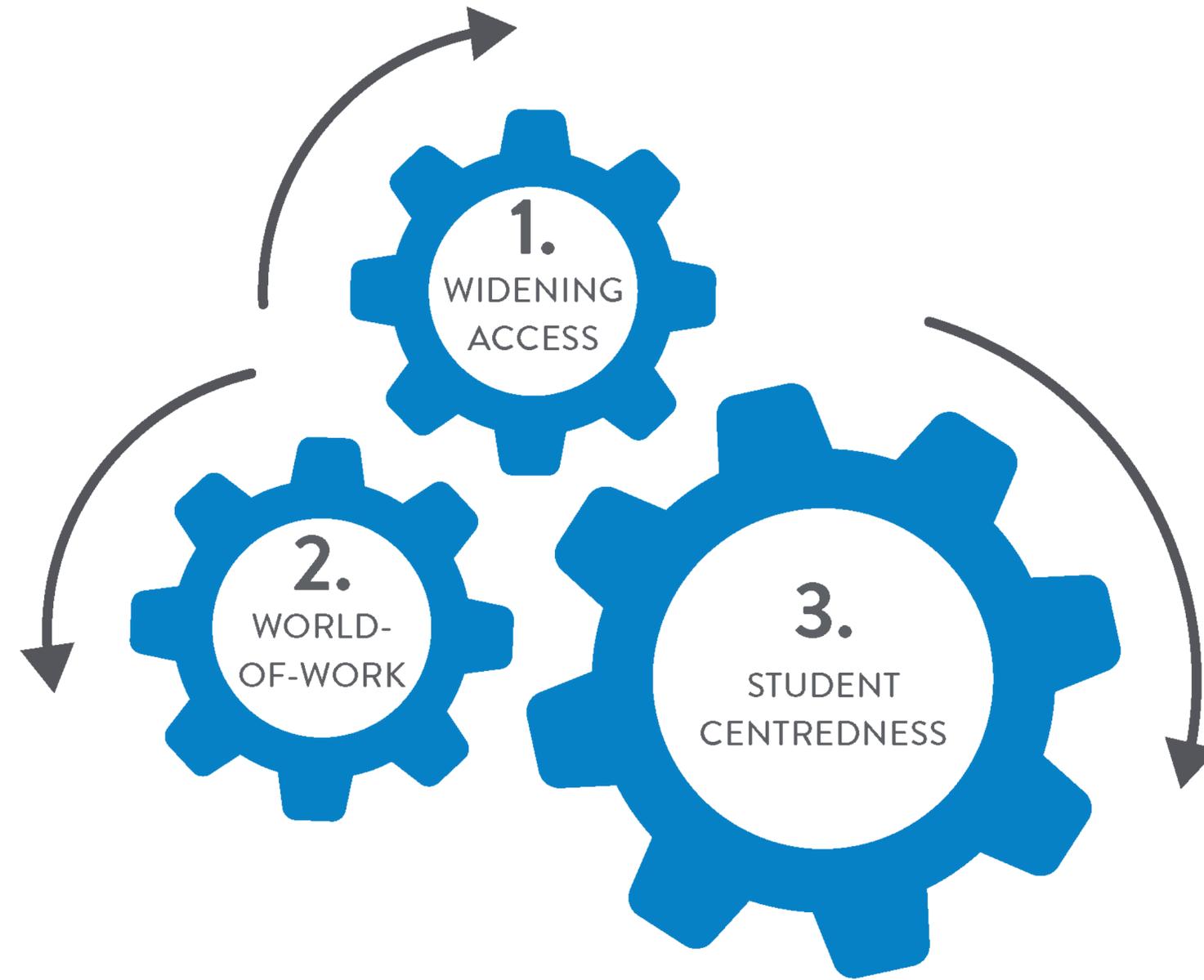
# WHAT WE STAND FOR

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- We are opening the doors of Higher Education to more individuals
- Making higher education more affordable and accessible
- Providing International partnerships and opportunities
- With a strong focus on employability



# SUPPORTED BY OUR KEY FOCUS AREAS - 'WWS'



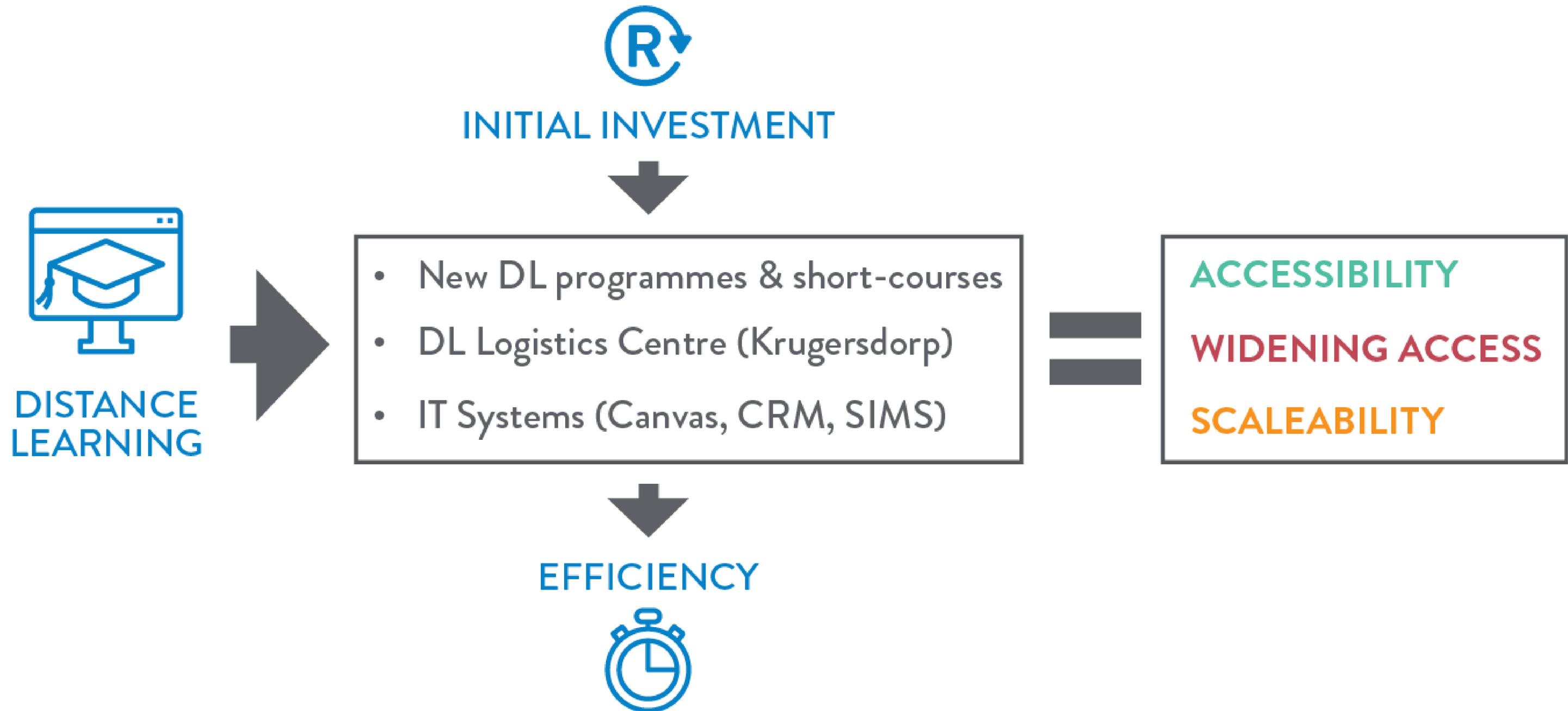
Operational Excellence, Customer Intimacy, Product Leadership

# WIDENING ACCESS



- Higher education is AVAILABLE to more individuals
- HIGHER CERTIFICATES to Doctorates
- AFFORDABILITY
- Expansion of DISTANCE LEARNING offerings
- GEOGRAPHIC EXPANSION - new Centurion mega-campus

# WIDENING ACCESS THROUGH DISTANCE LEARNING





February 2021

# WIDENING ACCESS THROUGH GEOGRAPHIC EXPANSION

# WIDENING ACCESS – STADIO CENTURION

STADIO  
— HOLDINGS —

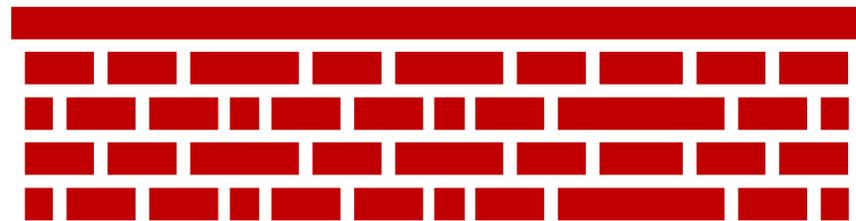
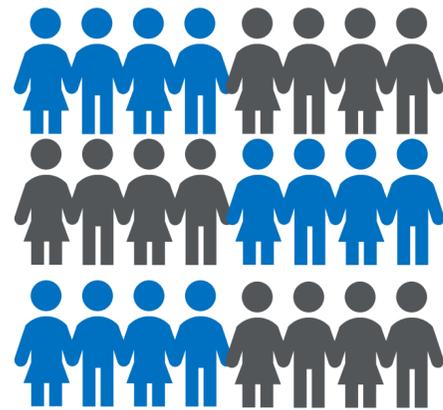


# WIDENING ACCESS – GEOGRAPHICAL EXPANSION

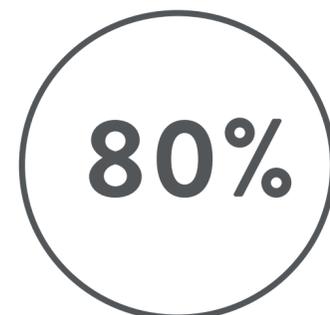
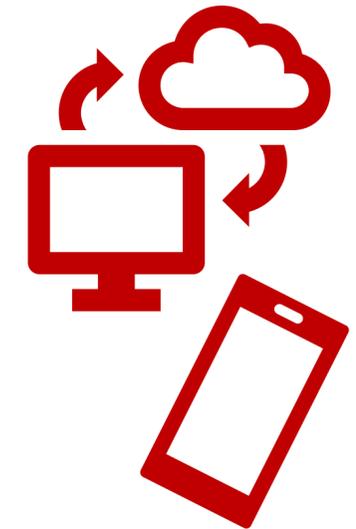
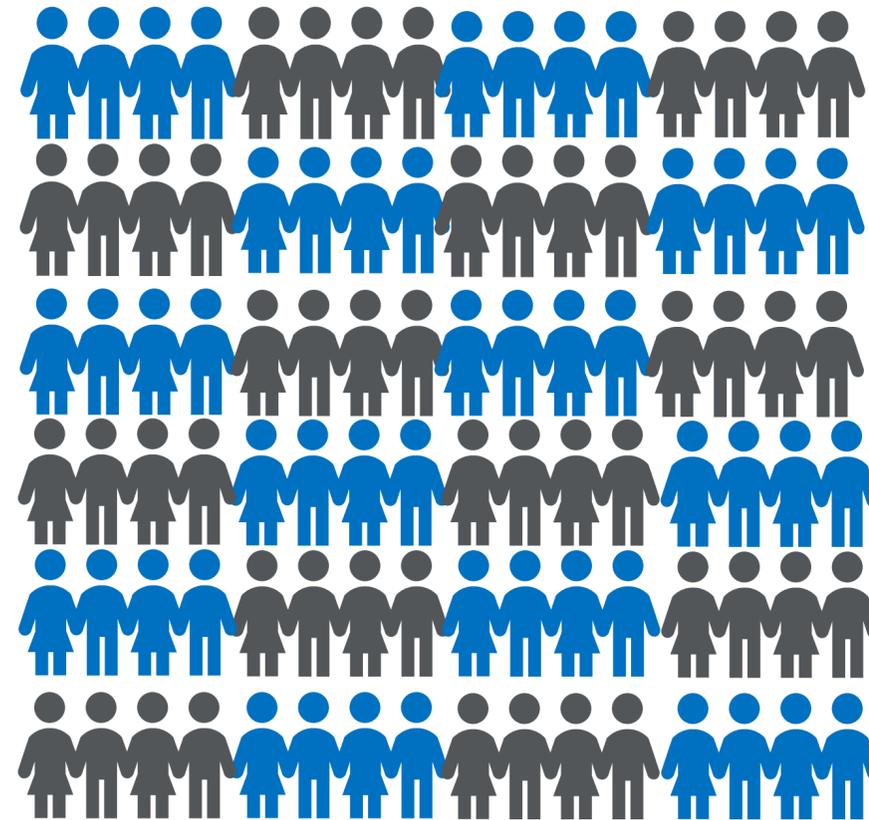


## CONTACT LEARNING

Our strategy is not to build a mega-campus in every major city



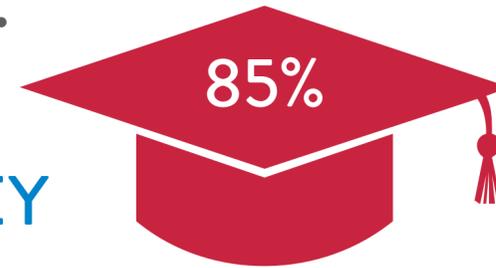
## DISTANCE LEARNING



# WORLD-OF-WORK

OTHERS PROMISE IT, WE LIVE IT...

## GRADUATE DESIRABILITY SURVEY



85% of respondents viewed STADIO's graduates as "work ready"

45% of respondents actively recruited graduates from STADIO

Overall, significant satisfaction with

- (i) graduates' discipline knowledge, emphasising the practical nature of the learning; and
- (ii) graduates' work ethic.

## EMPLOYMENT SUCCESS RATE



\* majority of DL students are working adults

^ according to 2020 Graduate Employment Status Survey Report

# WORLD-OF-WORK



- 2021 Academic strategy is focused on ensuring **relevance and alignment with industry**
  - **Industry participation** in new programme development, curriculum design, and content development
  - **Lectures and seminars** by members of industry built into the teaching and learning programme
  - Industry members involved in **external moderation**, especially in technical, professional and design modules
- **Centre for Lifelong Learning** is actively engaging with industry

# STUDENT CENTREDNESS



The Academic Promise is built on the principles of  
**STUDENTS AT THE CENTRE - LEARNING AT THE CORE**

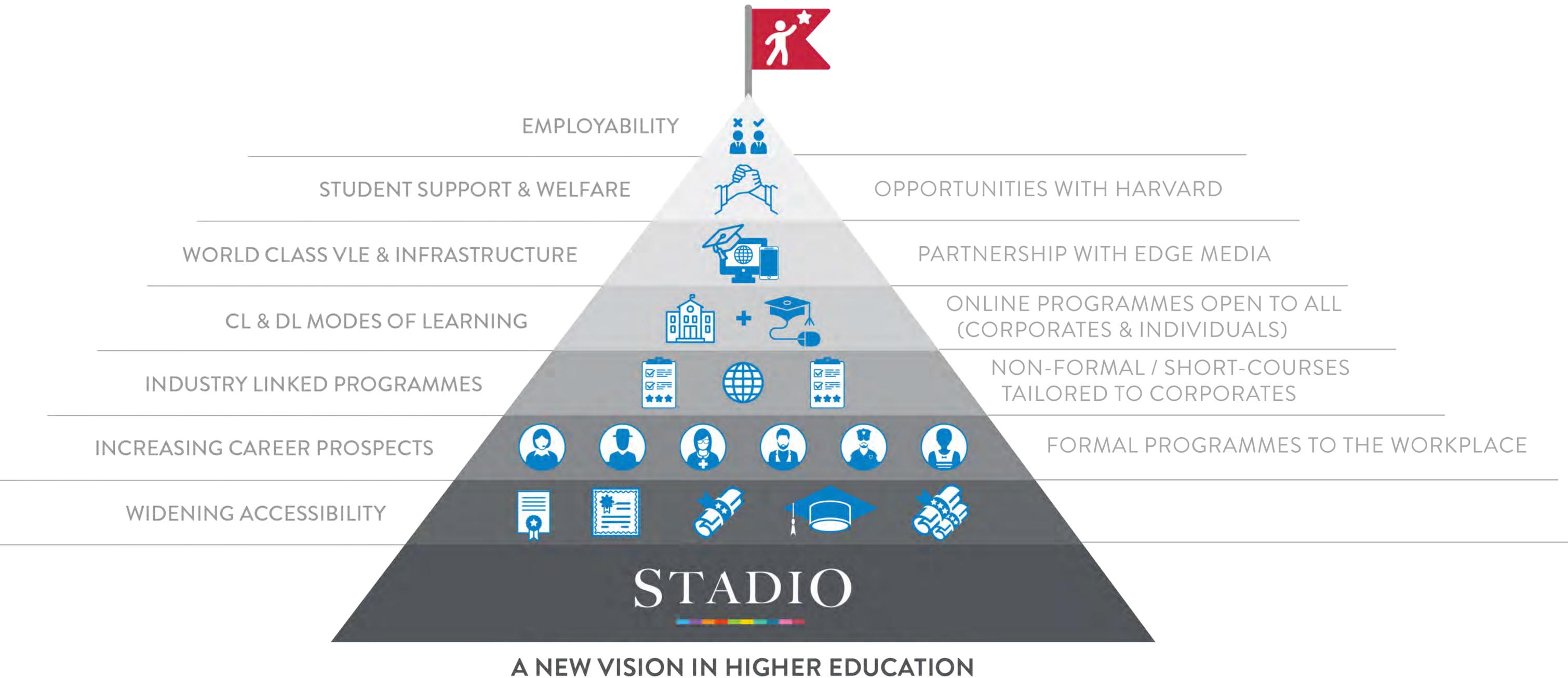
“We believe that having admitted you as a student, we must do all things reasonable and practical to support you to succeed. It is our commitment to provide the enabling environment that will help all our students achieve academic success.” [ACADEMIC PROMISE, 2018 Board approved]

- DL and CL Student Journey has been completed (aligning resource allocation and budget planning)

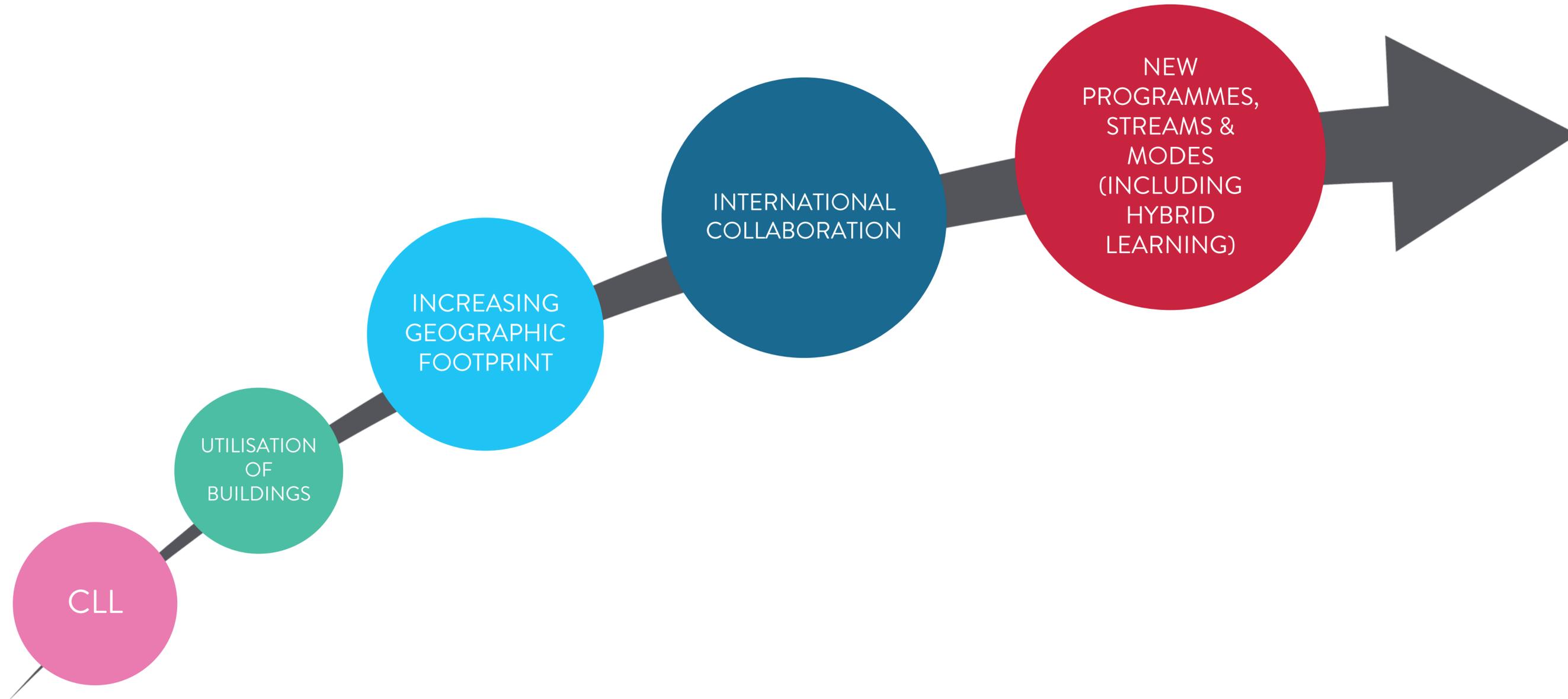
	CONTACT LEARNING		DISTANCE LEARNING	
	2020	2019	2020	2019
AVG. MODULE PASS RATE	83.5%	84.5%	83.0%	76.8%
AVG. MODULE DROP-OUT RATE	2.5%	3.6%	6.1%	11.4%

- Focus on student success, student support, and student wellness (SADAG)
- Virtual learning environment (CANVAS)

# CENTRE FOR LIFELONG LEARNING



# GROWTH OPPORTUNITIES



# NEW PROGRAMMES FOR 2021

## STADIO HIGHER EDUCATION:

- Doctorate in Management (DL)
- Doctorate in Policing (DL)
- Diploma in Policing (DL)
- BCom Project Management (CL)
- HC in Digital Marketing (CL)
- BA Law (DL)

DL – DISTANCE LEARNING

CL – CONTACT LEARNING

## WIDER GROUP:

- BA in Creative Writing (CL)
- Post Graduate Diploma in Entrepreneurship & Innovation (CL)
- Post Graduate Diploma in Public Administration (DLO)

Currently have **95** accredited qualifications, **35** pipeline programmes

# NEW PROGRAMMES FOR 2021

35 pipeline programmes, 9 of which have been submitted

Across distance learning and contact learning modes of delivery.

Covering the following areas:

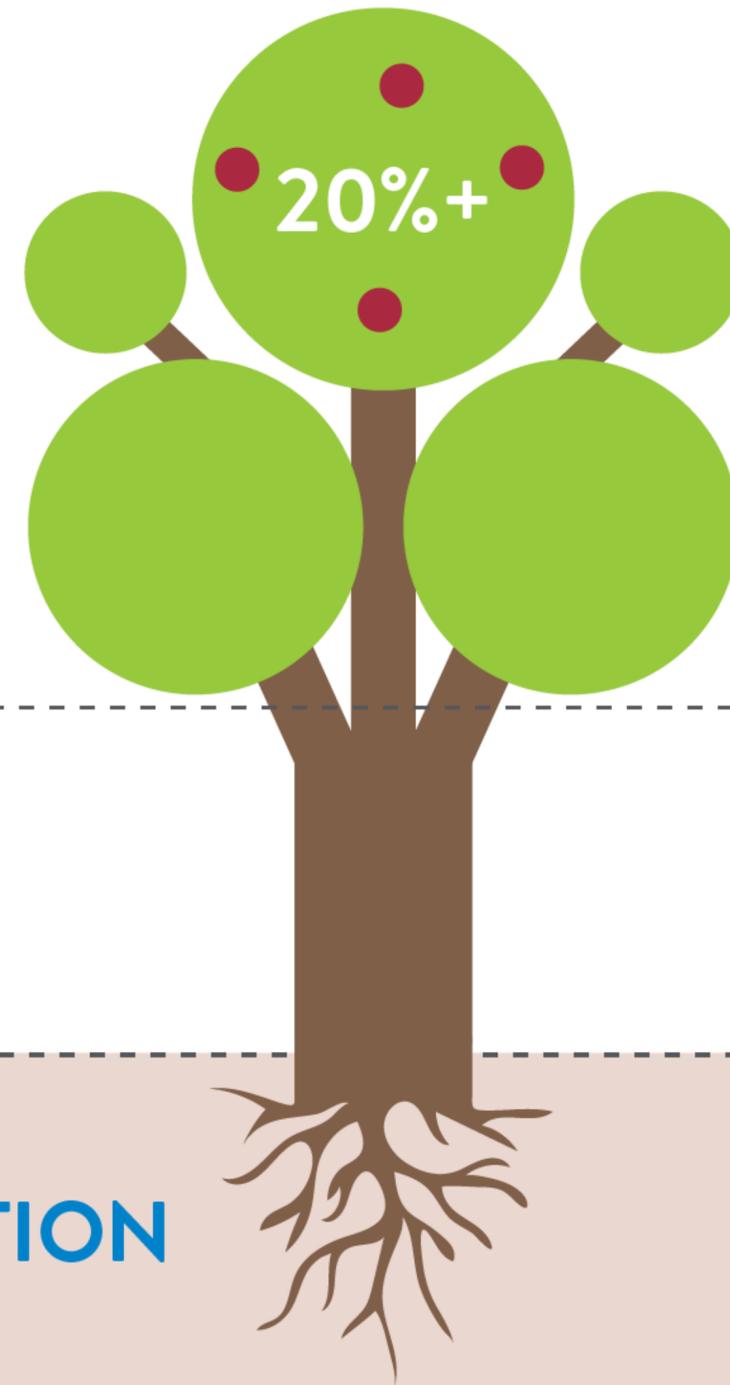
- Accounting
- Architecture
- Agriculture
- Arts and Design
- Education (including Technical and Vocational Training)
- Engineering
- IT
- Law

**AIM:** 1 Higher Certificate per School (access) ➡ Postgraduate (credibility and breadth)

## 2021 CORPORATE DEVELOPMENTS

- Feb 2021: Transfer of Durbanville land (to develop for likely opening in 2024)
- End of March: Acquisition of SBS Namibia (26%)
- CA Connect - entered into negotiations to early settle the remaining earn-out
  - building a professional School of Accounting
  - retention of CA Connect team

# TO RECAP HOW WE SEE IT



## GROWTH



## STRONG FOUNDATION

- Site extensions & new buildings
- New programme development
- Centre for lifelong learning
- Quality assurance
- International collaborations

- New organisational structure
- Consolidation of businesses
- Infrastructure development
- Development & implementation of policies, procedures & systems
- Staff Development

“If we can recognise that change and uncertainty are basic principles, we can greet the future and the transformations we are undergoing with the understanding that... we do not know enough to be pessimistic.”

*Hazel Henderson*

A pair of tortoiseshell glasses with dark frames and light-colored lenses is resting on an open book. The book's pages are filled with text and numbers, suggesting financial data or a report. The background is a blurred office setting with a computer monitor and other papers. The overall color palette is cool, dominated by blues and greys.

2020  
ANNUAL FINANCIAL RESULTS

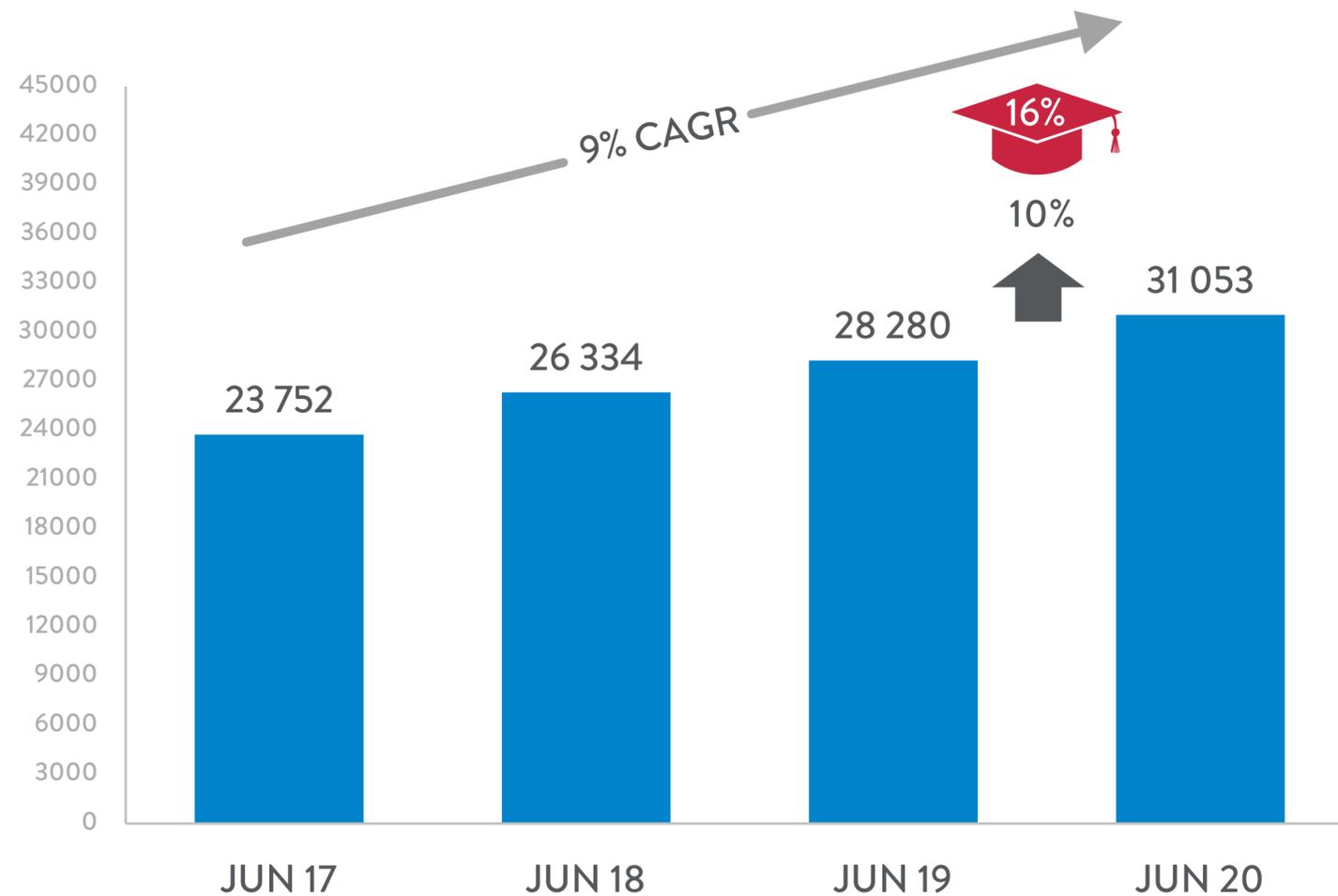
# 2020 HIGHLIGHTS



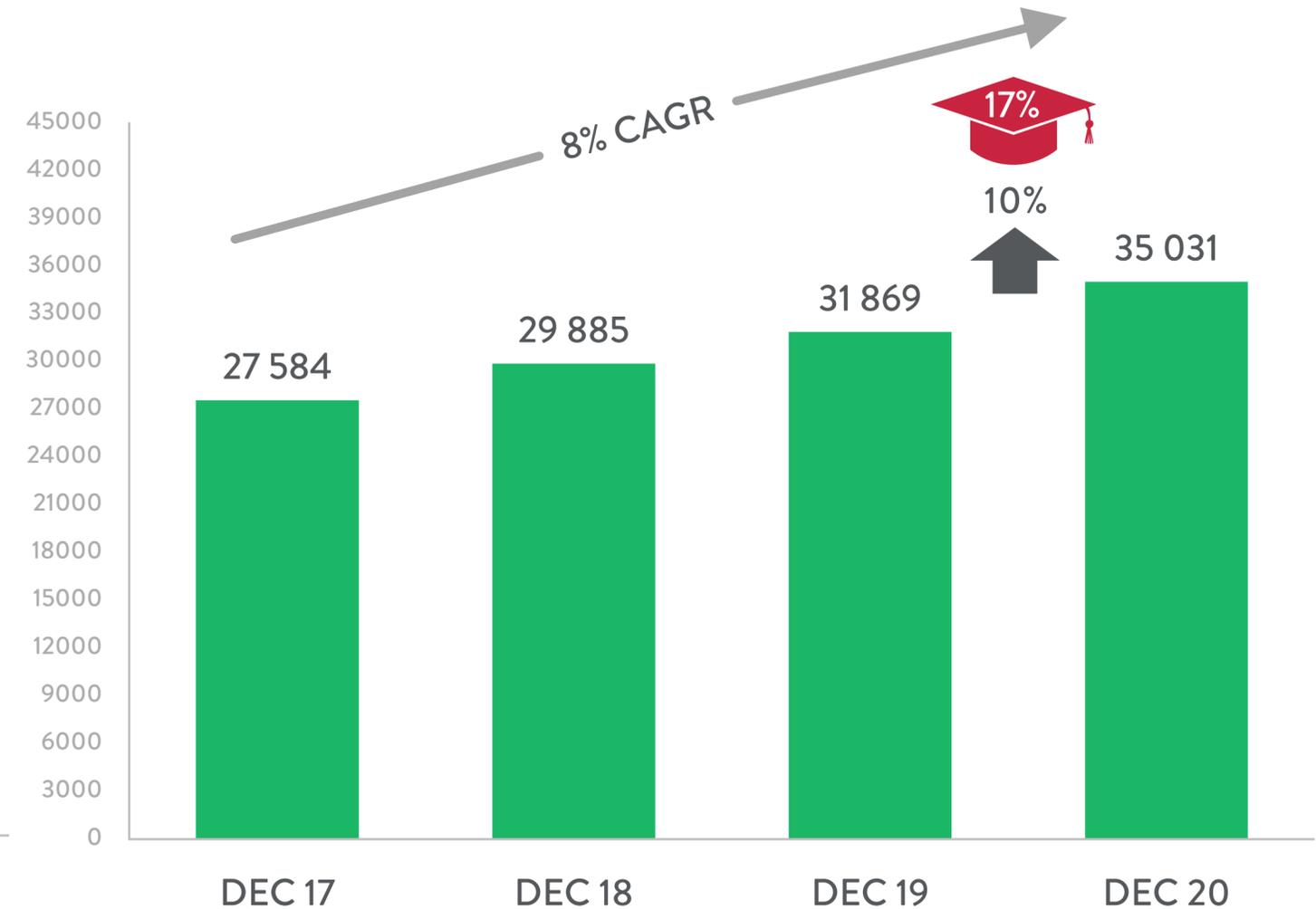
- 26 October 2020 – Business Transfer to STADIO Higher Education approved
  - Trademark impairment of R40m
- Outperformance of PGDA and PGDA Bridging programme
  - Revised fair value loss adjustment of R207m
- COVID-19 pandemic
  - Successfully completed 2020 academic year in 2020
  - Lower revenue contribution from B2B business
  - Slow down in collection of debtors causing increased loss allowance
  - Cost savings initiated across the Group
  - Pause on non-core capex spending to conserve cash
- Paused and then recommenced construction of STADIO Centurion
  - to be completed by June 2021 for opening in 2022
- Change in focus on student management system
  - Impairment of R11m

# TOTAL STUDENT NUMBERS (LIKE-FOR-LIKE)

SEMESTER 1: 30 JUNE



SEMESTER 2: 31 DECEMBER

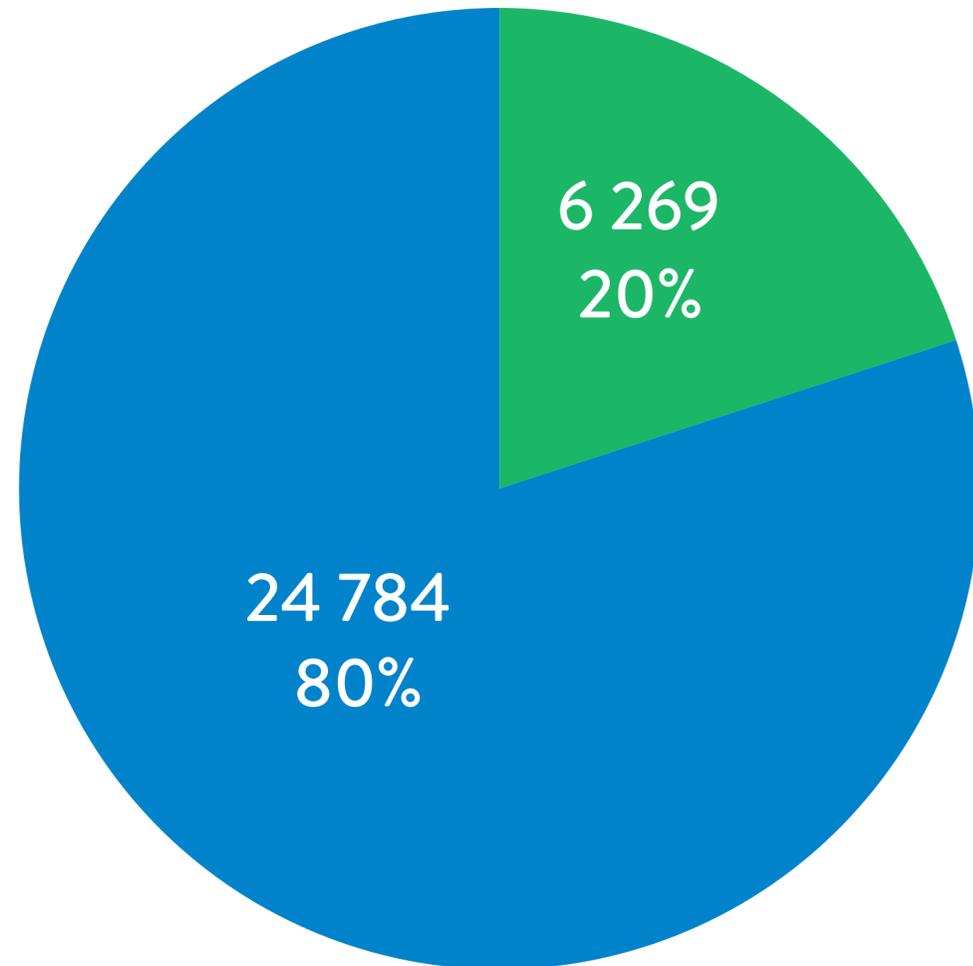


 EXCLUDING CYCLICAL B2B

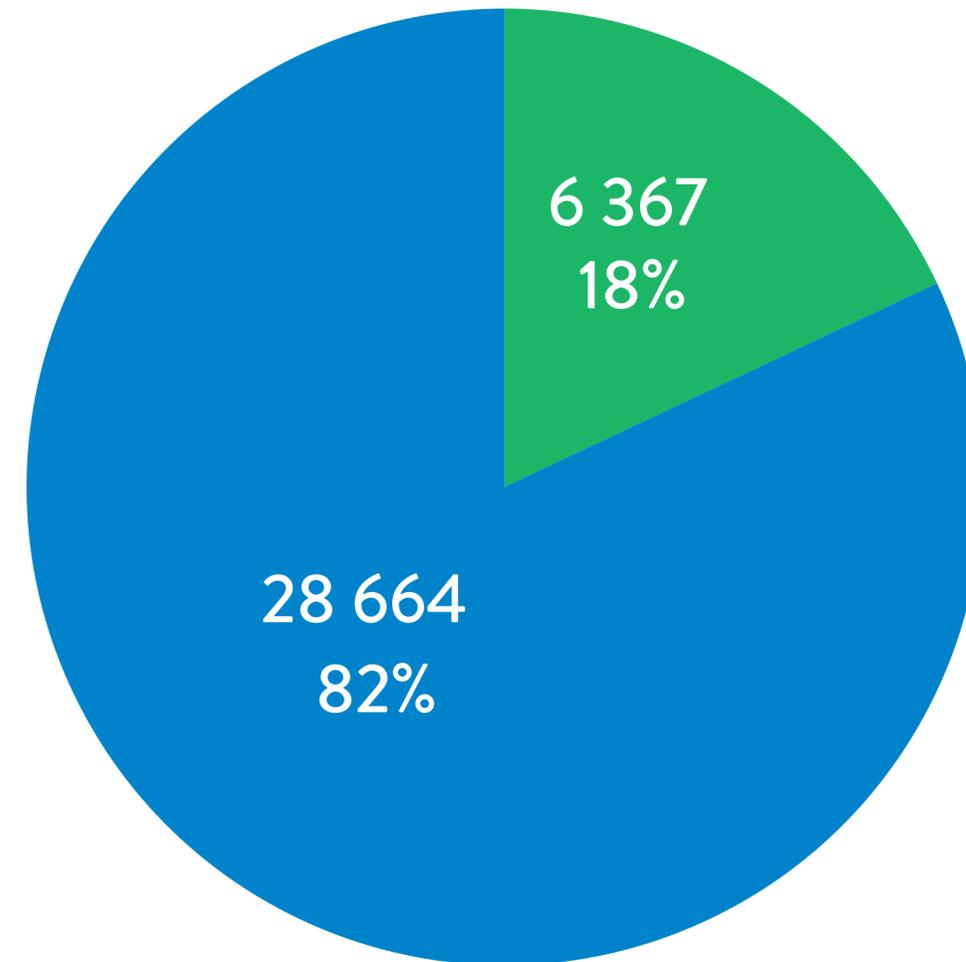


# STUDENT MIX: TOTAL STUDENT NUMBERS (LIKE-FOR-LIKE)

SEMESTER 1: 30 JUNE



SEMESTER 2: 31 DECEMBER



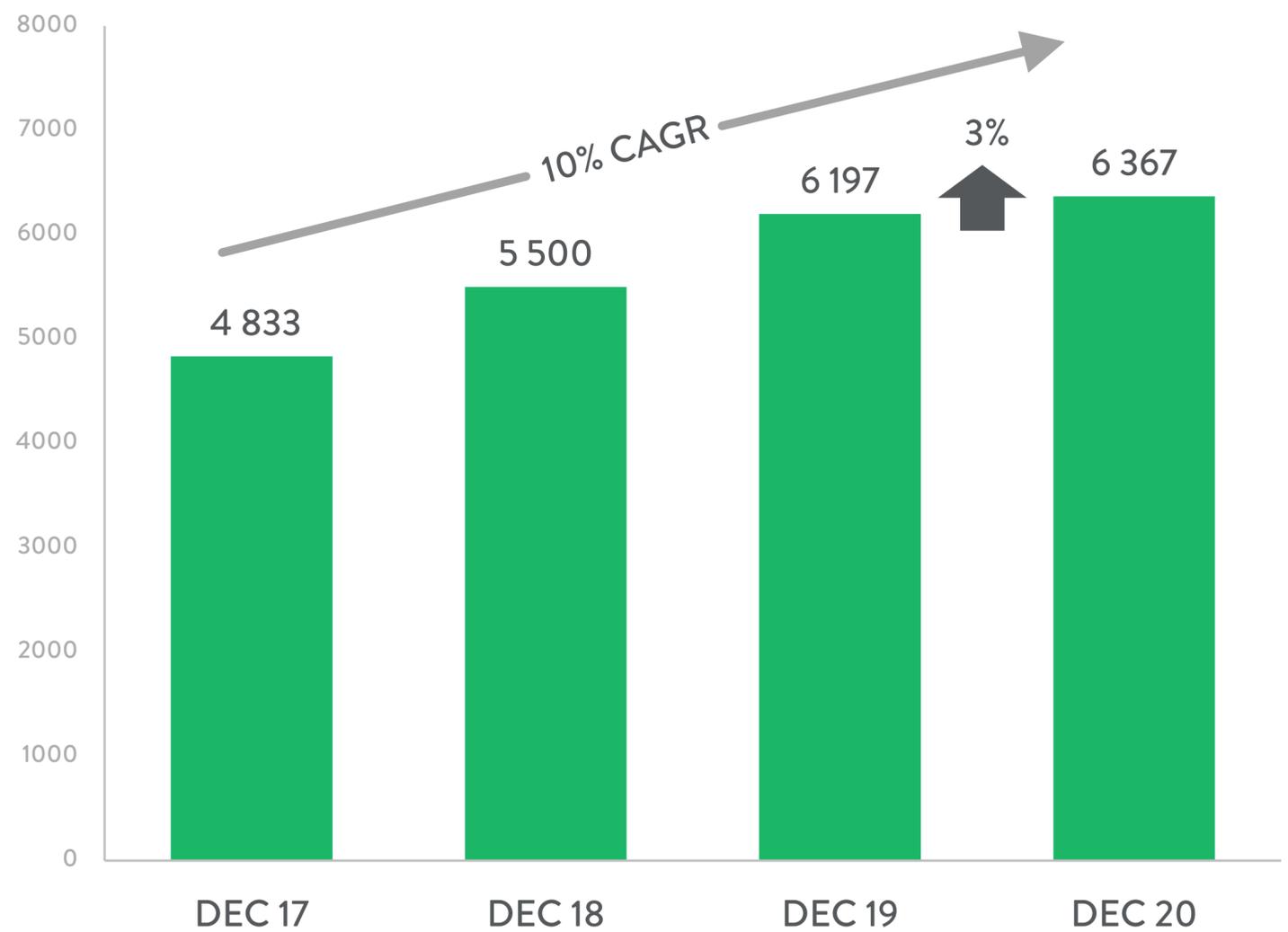
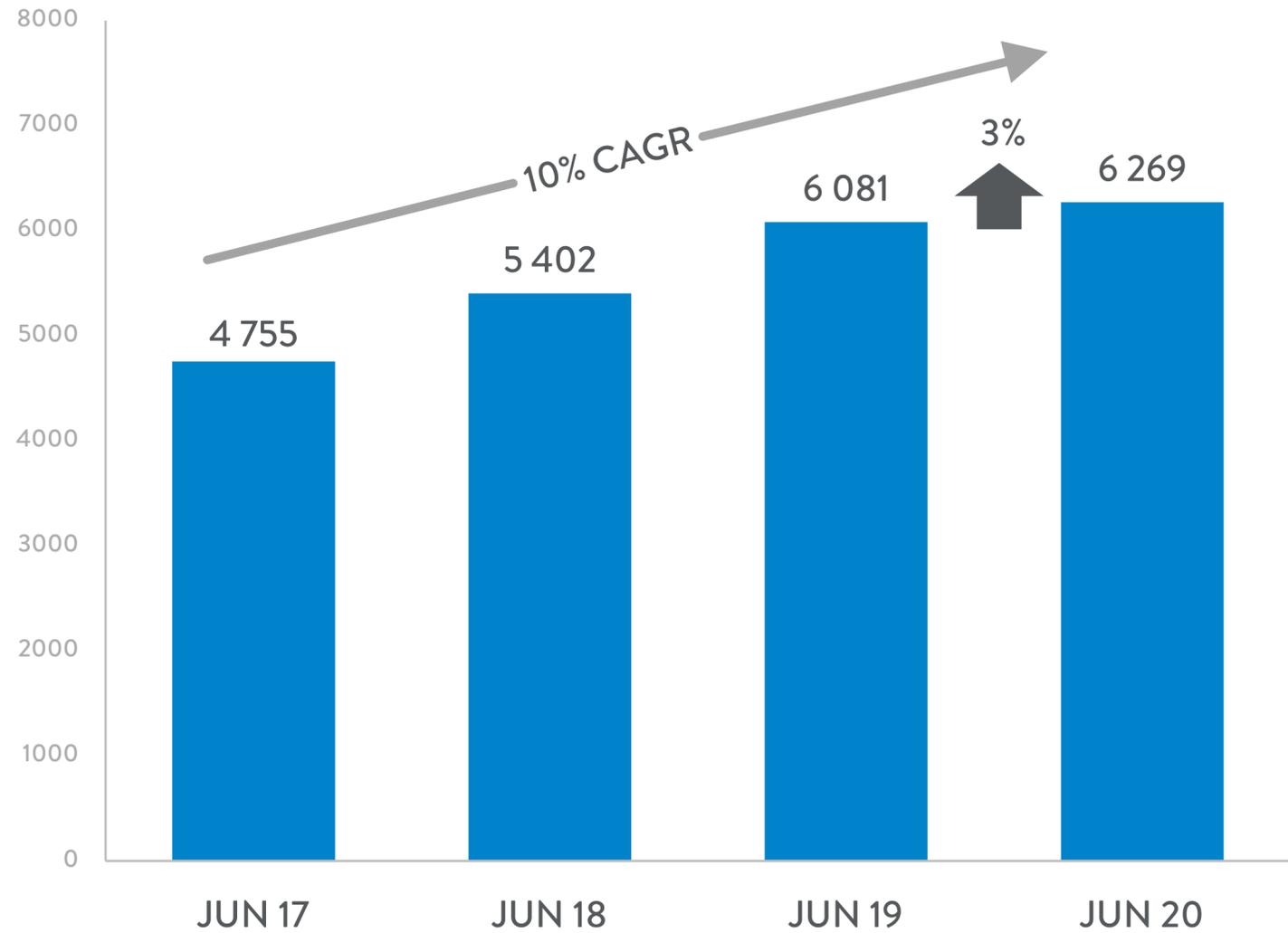
■ DISTANCE LEARNING

■ CONTACT LEARNING

# STUDENT NUMBERS - CONTACT LEARNING

SEMESTER 1: 30 JUNE

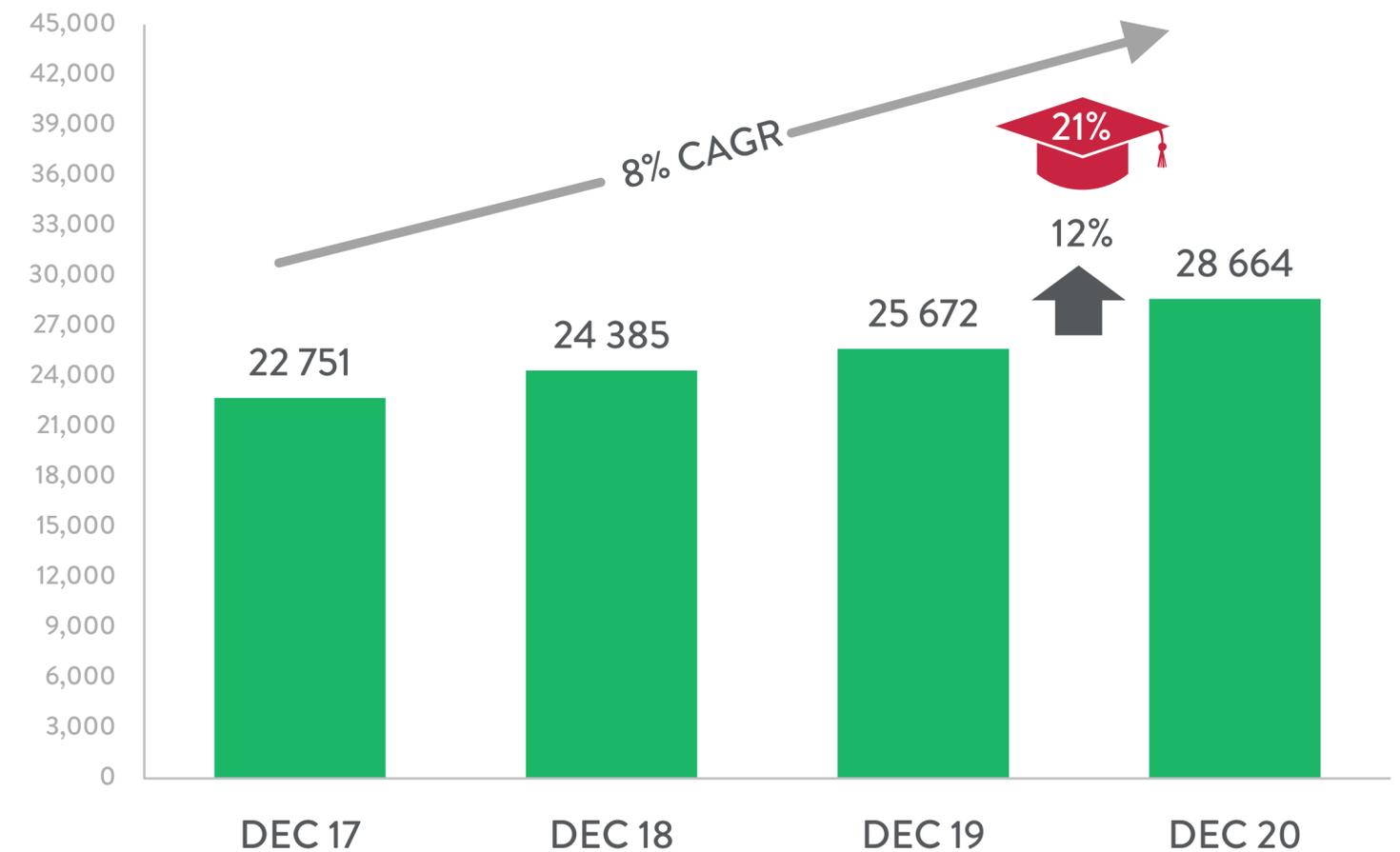
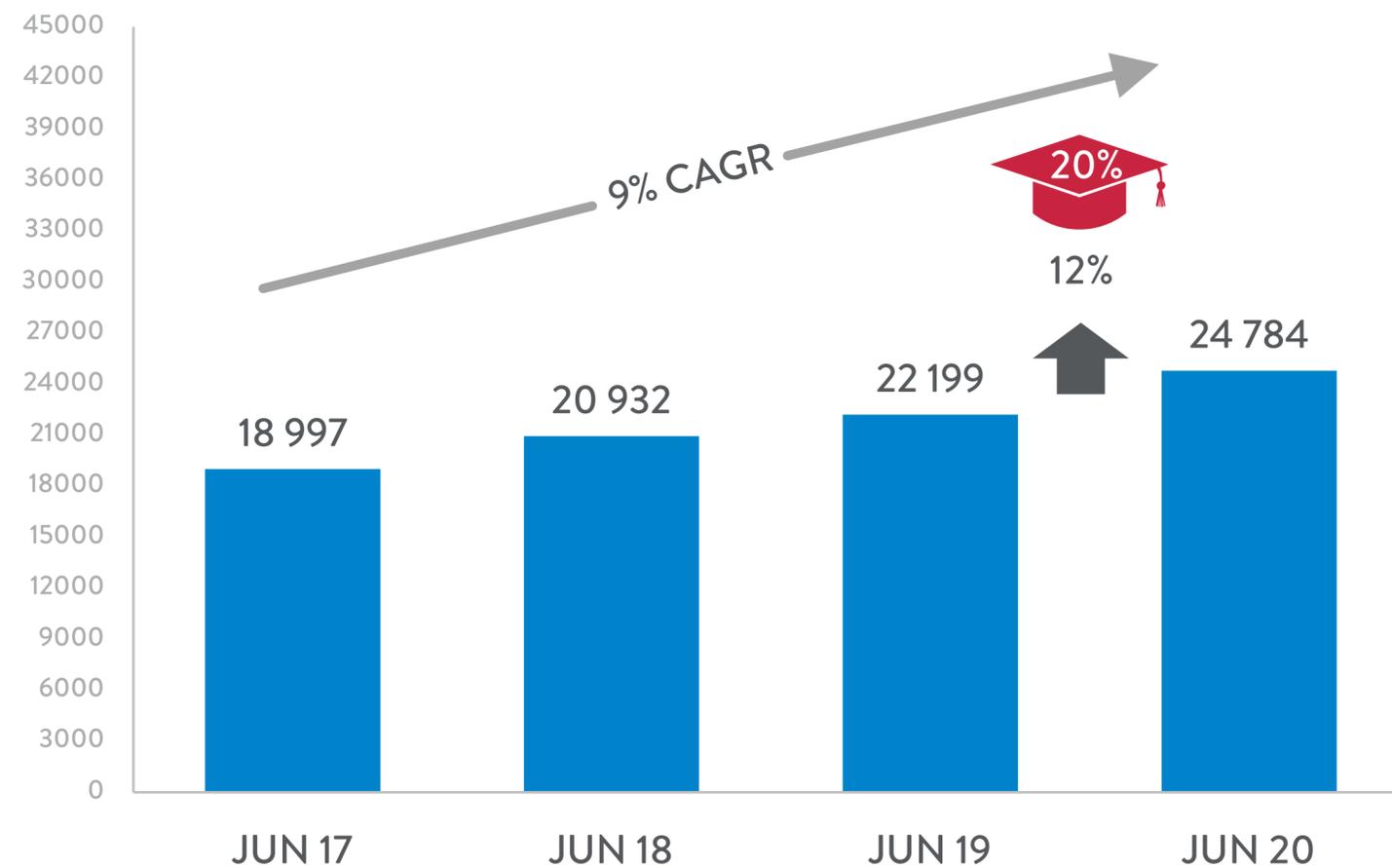
SEMESTER 2: 31 DECEMBER



# STUDENT NUMBERS - DISTANCE LEARNING

SEMESTER 1: 30 JUNE

SEMESTER 2: 31 DECEMBER

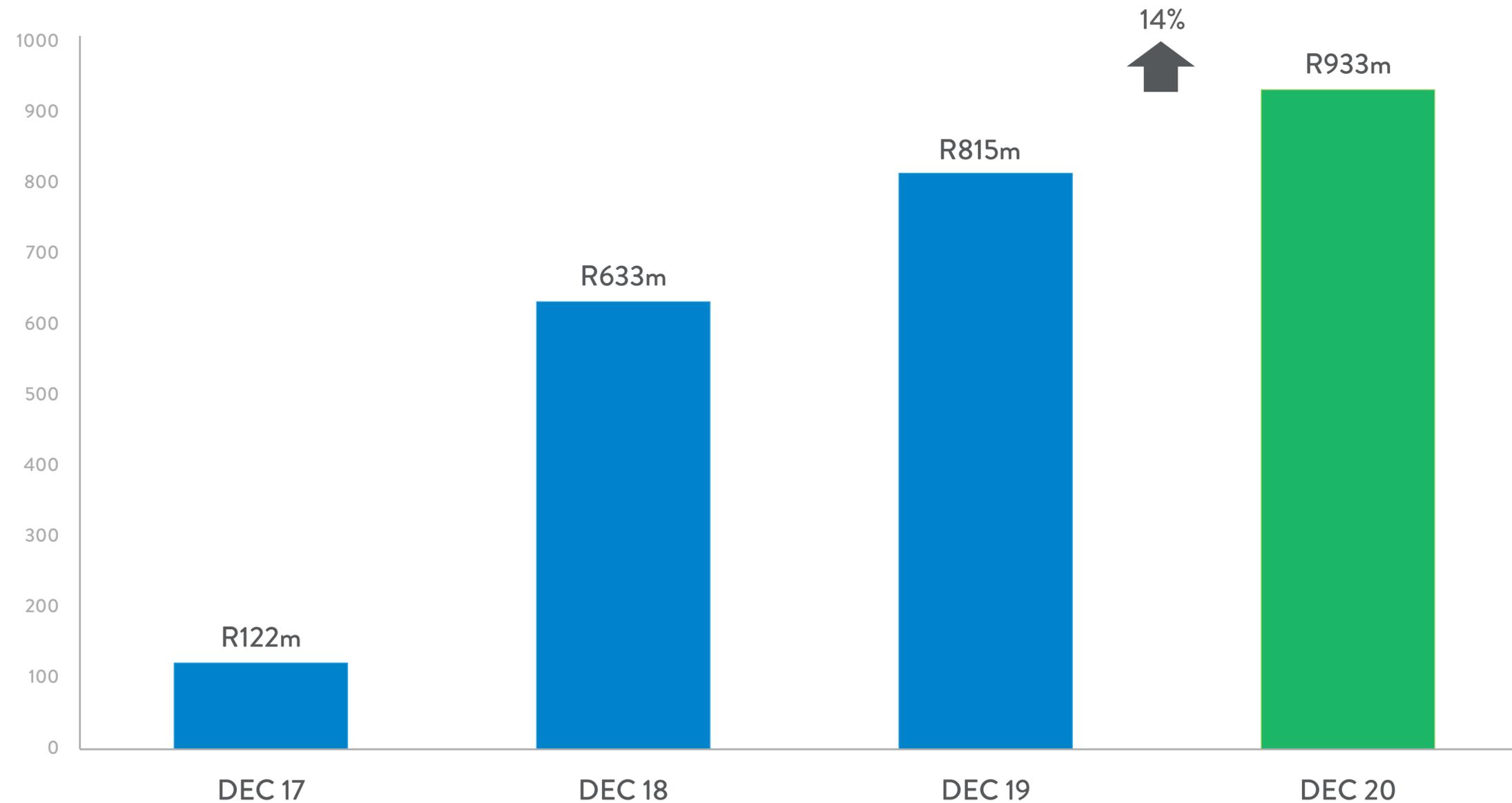


 EXCLUDING CYCLICAL B2B

# REVENUE

STADIO  
— HOLDINGS —

## REVENUE (R millions)



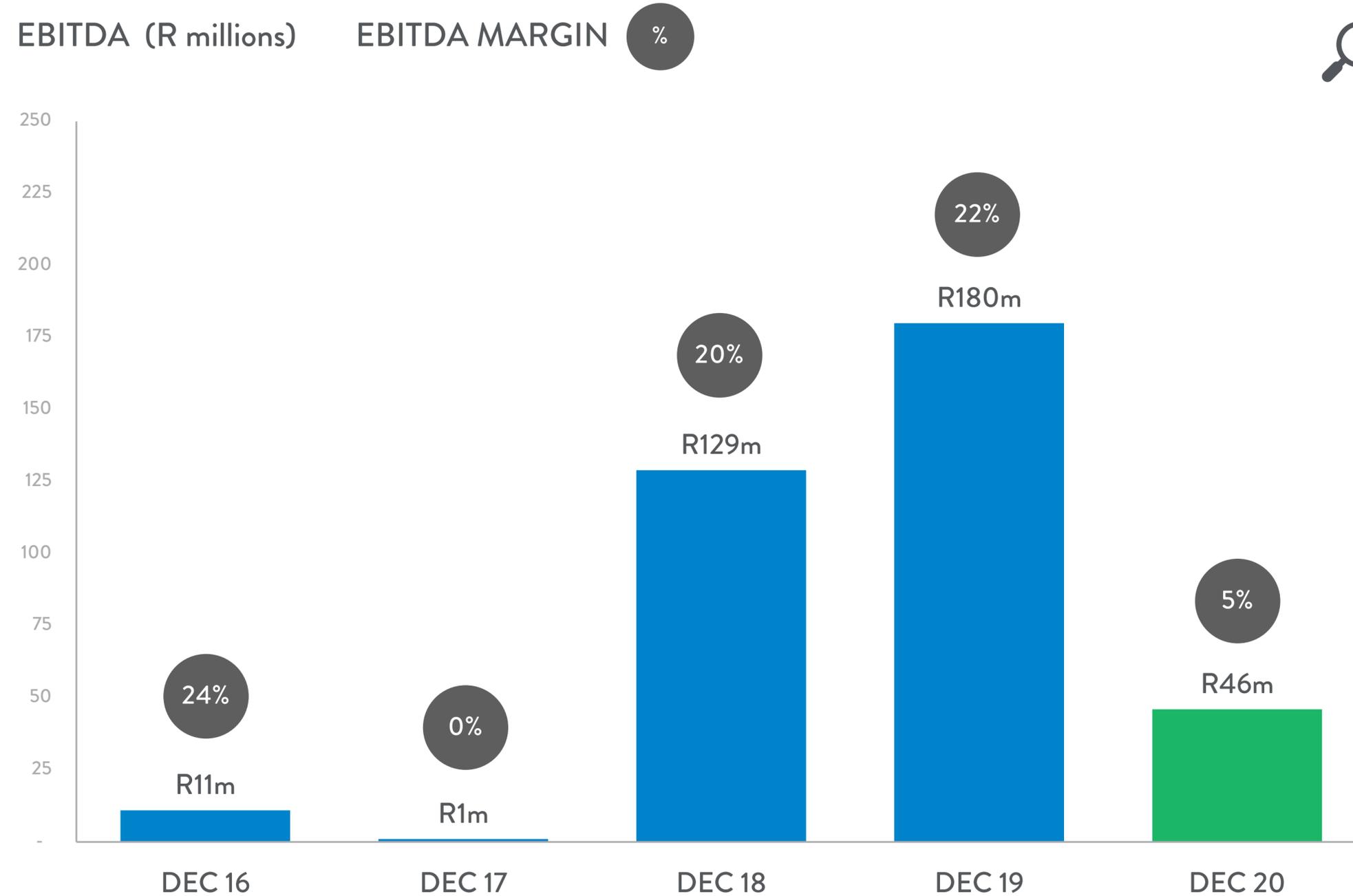
### COVID-19 IMPLICATIONS

Lower contributions from

- R39m of corporate business/learnerships deferred or cancelled (mainly banking sector)
- Short courses: (R4m)
- Sundry income\*: (R2m)

\* Includes hostel income, canteen sales, graduation income, supplementary exams etc.

# EBITDA & EBITDA MARGIN

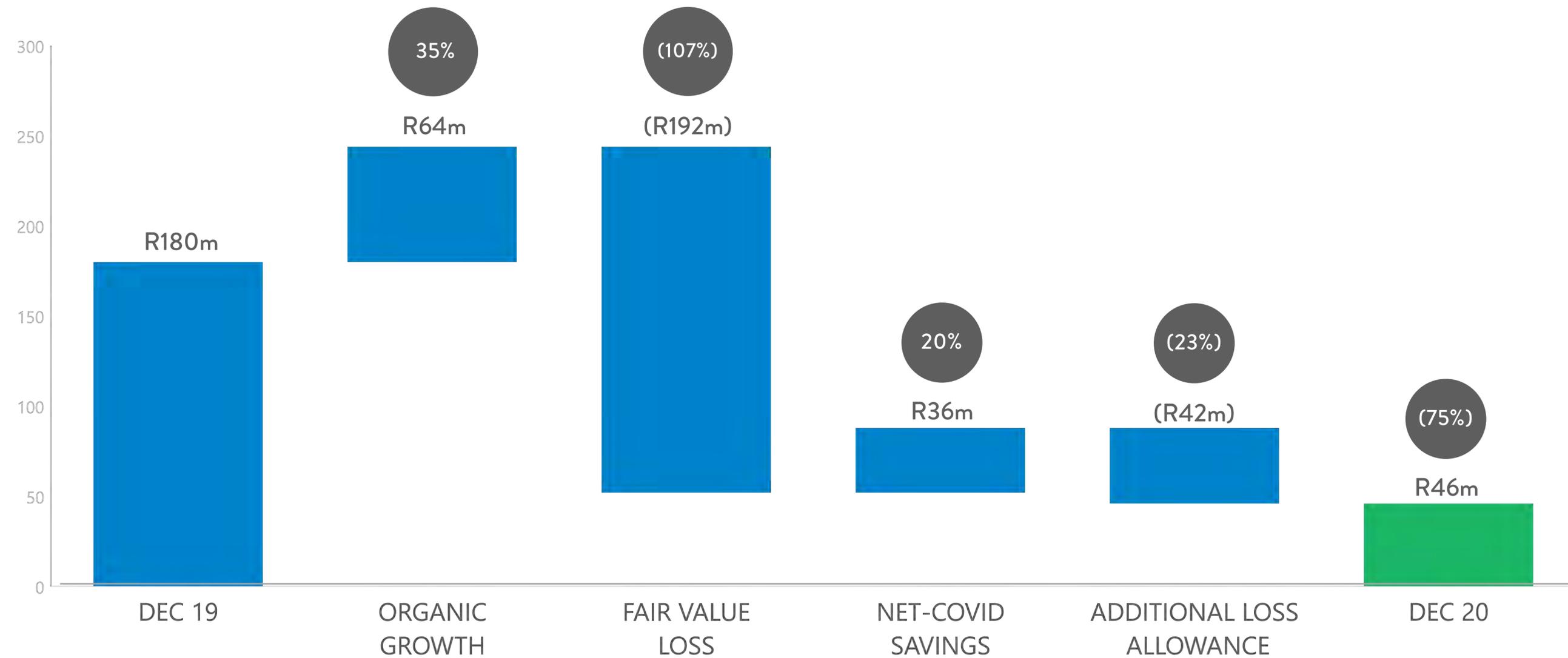


## IMPACTED BY:

- Fair value loss adjustment: (R207m)
- Increase in loss allowance: (R42m)
- Additional COVID-19 related costs: (R4m)
- COVID-19 related savings: R40m

# EBITDA MOVEMENT

EBITDA MOVEMENT (R millions)

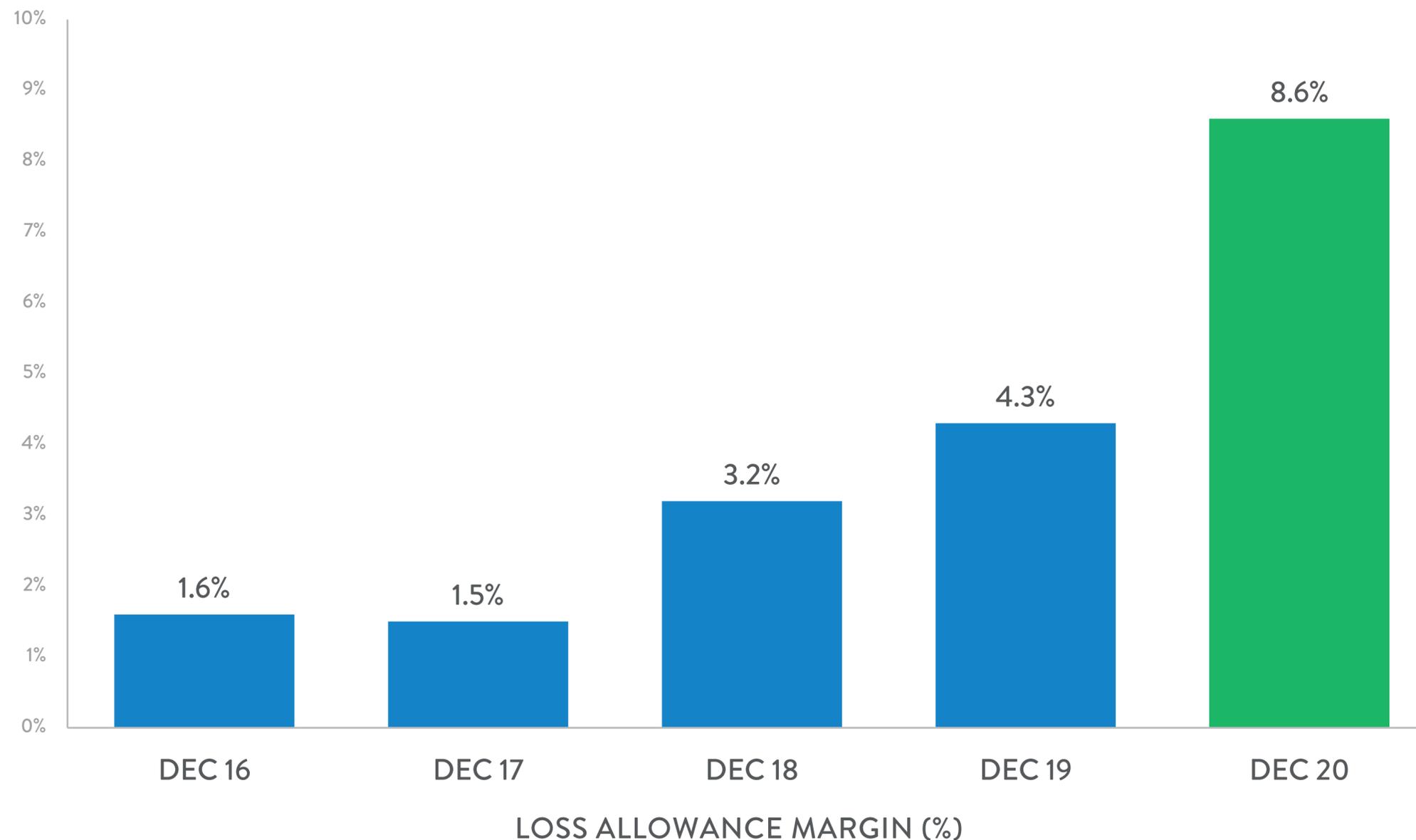


# CA CONNECT ACQUISITION

- Acquired CA Connect in April 2018
- Specialists in the offering of the Post Graduate Diploma in Accounting (feeder qualification for students aspiring towards becoming SAICA accredited chartered accountants)
- Acquisition price was subject to an earnout
  - 4.5x growth in EBITDA earned over a 3 year-period (July 2019 – June 2022)
- Acquisition price is settled in tranches based on growth in EBITDA
  - 75% settled in shares
  - 25% settled in cash
  - For first 2 tranches, a further 25% of the consideration value is retained until the last tranche in 2022
- Actual enrolments in 2020 (both S1 and S2) far exceeded expected enrolments
- Fair value adjustment for the year R207 million (Jun 2020: R74m) to revalue contingent consideration liability
- Entered into negotiations to early settle earn-out to ensure retention and to explore further opportunities in Milpark

# LOSS ALLOWANCE AS % OF REVENUE

## LOSS ALLOWANCE AS % OF REVENUE

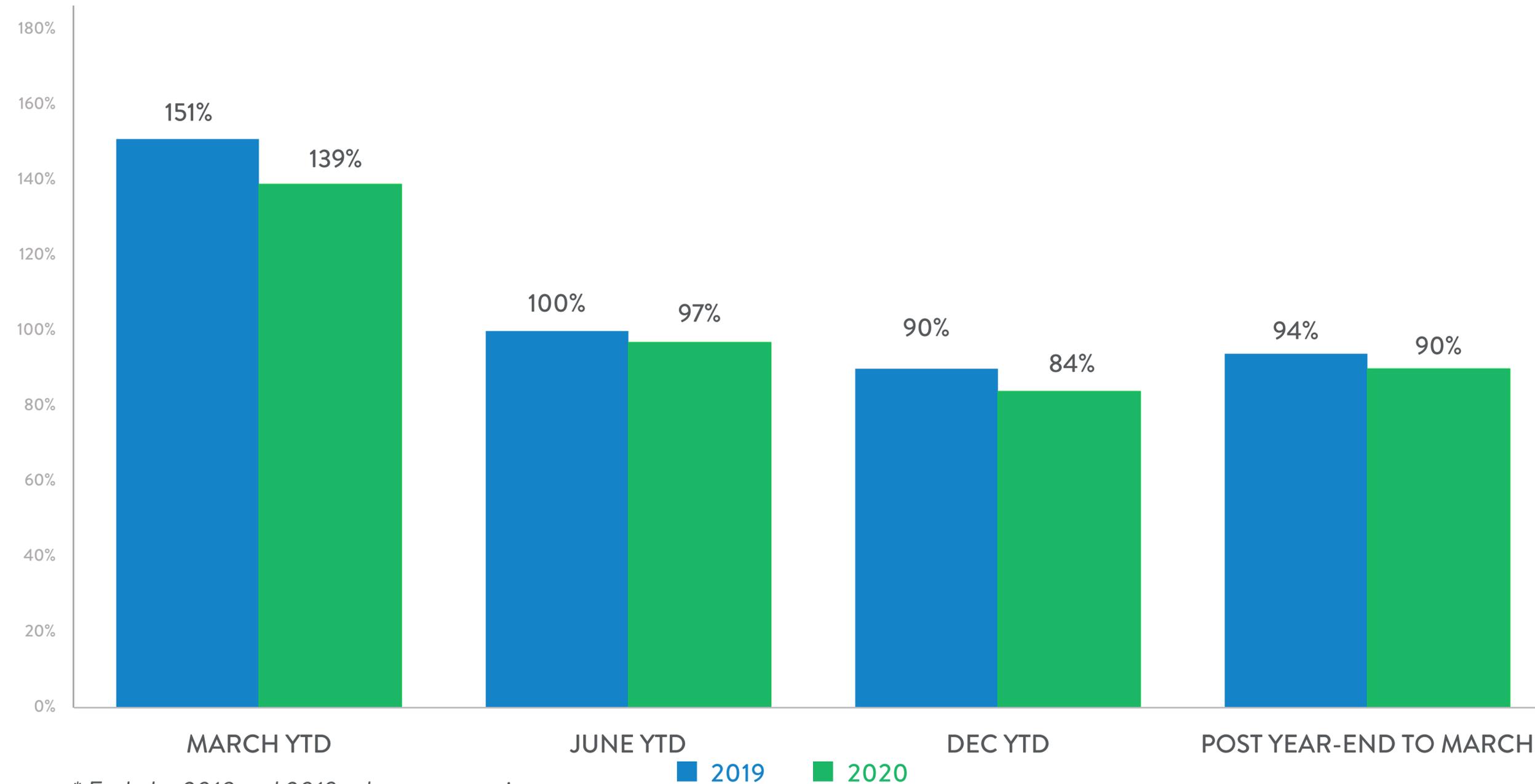


### COVID-19 IMPLICATIONS

- Slow down in collections relative to 2019
- 7% increase in total collections (Dec 2020 vs Dec 2019)
- Increased loss allowance to account for economic impact of COVID-19

# CASH COLLECTIONS AS % OF REVENUE

## COLLECTIONS AS A % of REVENUE



\* Excludes 2018 and 2019 subsequent receipts



# COVID-19 SAVINGS/(COSTS)

EXPENSE ANALYSIS (R millions)	2019	2020	% CHANGE
Employee cost (gross)	395	401	2%
Employee cost as % of revenue	49%	43%	
Other operating expenses	209	210	0%
Other operating expenses % of revenue	26%	23%	

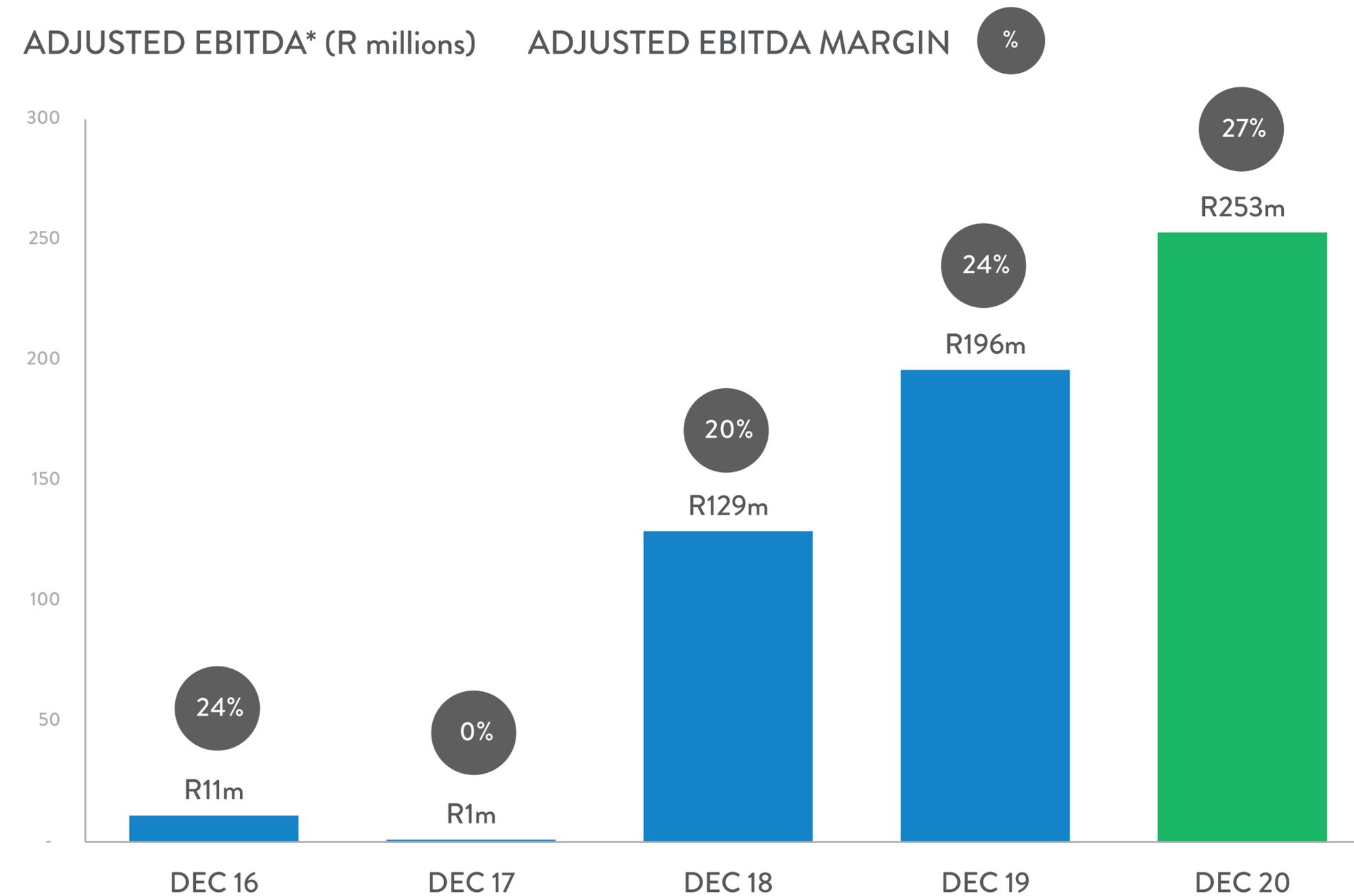


## COVID-19 IMPLICATIONS

- Freeze on new hires
- Government relief initiatives
- Significant savings on academic expenses (exam venue hire, courier costs, invigilators, graduations) as well as general expenses (travel, printing & stationery etc.)

# ADJUSTED EBITDA & EBITDA MARGIN

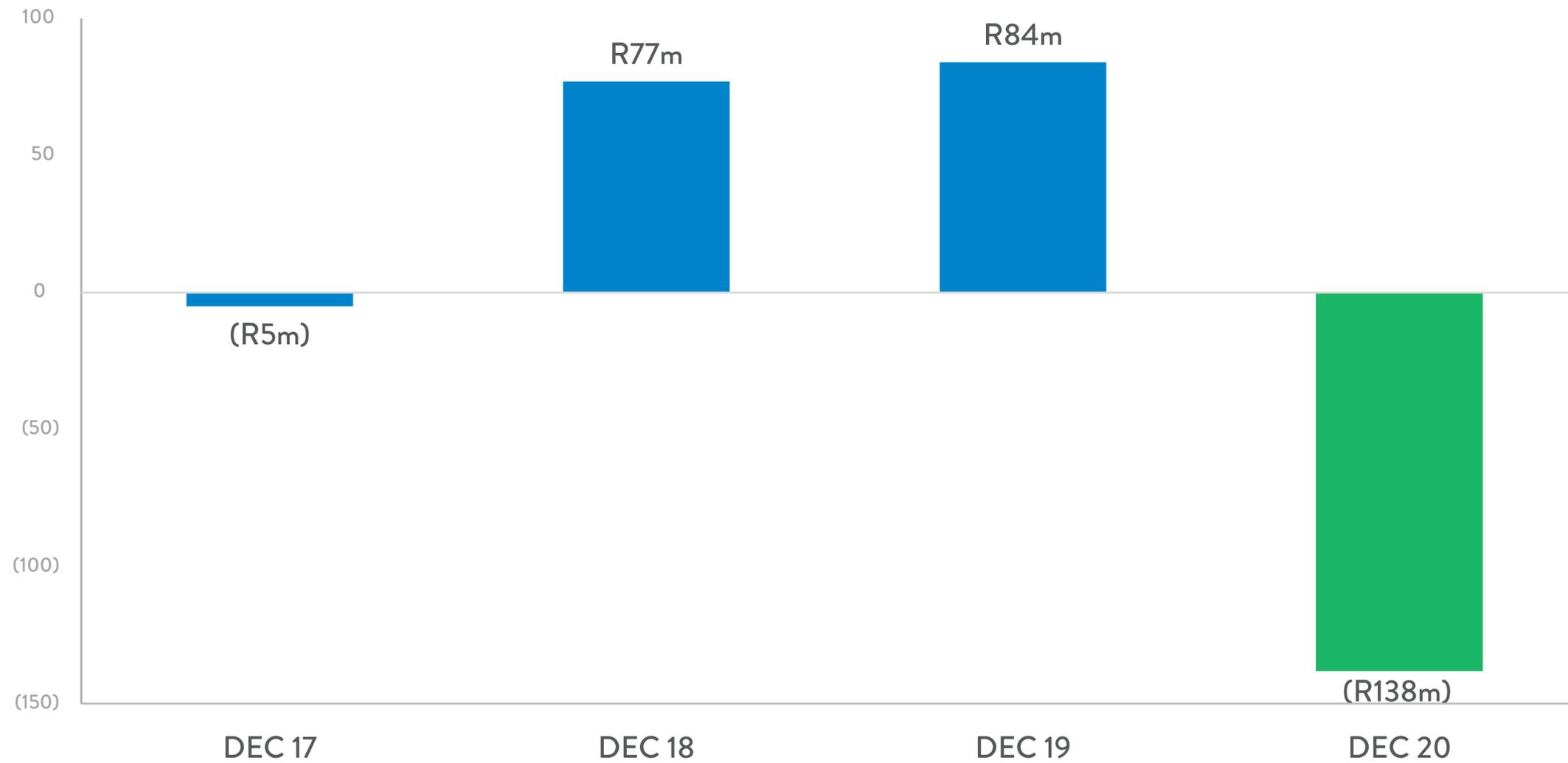
STADIO  
— HOLDINGS —



\* Adjusted for fair value loss adjustment

# PROFIT/ (LOSS) FOR PERIOD

PROFIT/(LOSS) FOR PERIOD (R millions)



IMPACTED BY:

- Fair value loss adjustment: (R207m)
- Impairment of intangible assets: (R51m)

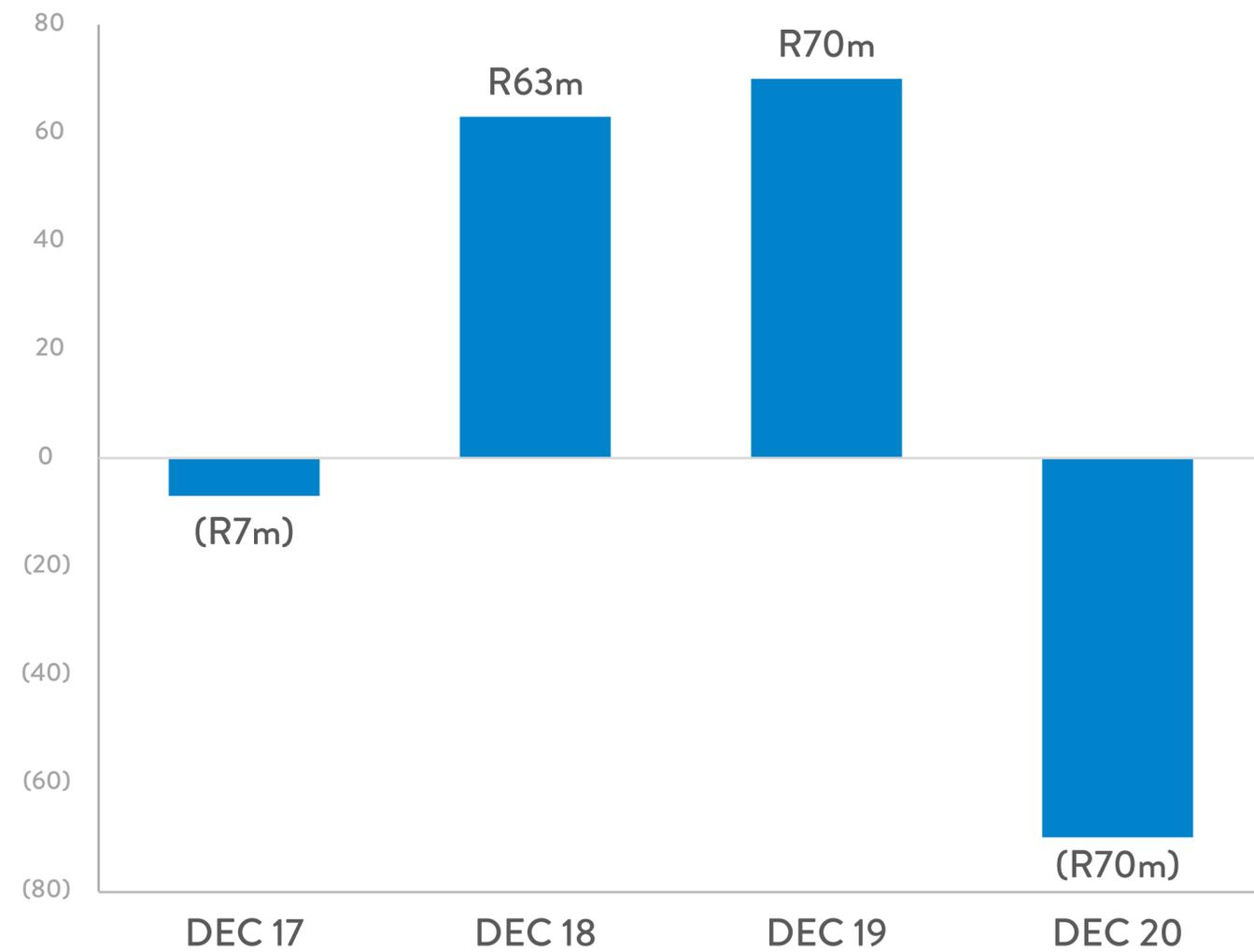
# IMPAIRMENT OF INTANGIBLES

- Business Transfer approved in October 2020
- R40m impairment of brands (excl Milpark, AFDA)
- R11m impairment of computer software:
  - Reassessed system requirements
  - Will utilise existing systems in the medium term
  - Cancelled contract with supplier (after considering ongoing costs and time required to finish development)

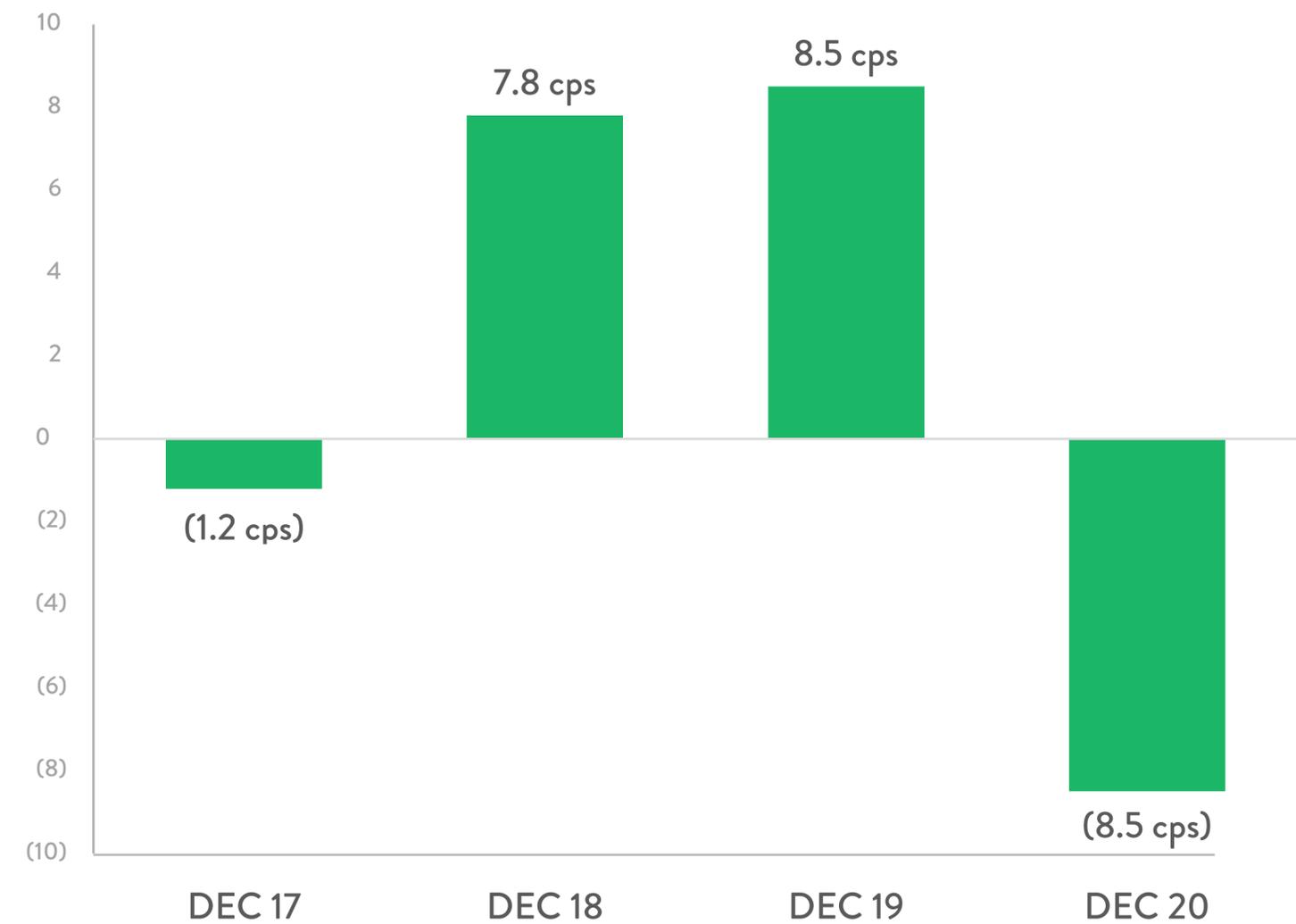
	DEC 2020		
INTANGIBLE ASSETS (R millions)	TRADEMARKS	OTHER INTANGIBLES	TOTAL
Opening carrying value	101	111	212
Additions	-	26	26
Amortisation	(3)	(15)	(18)
Impairment	(40)	(11)	(51)
<b>CLOSING CARRYING VALUE</b>	<b>58</b>	<b>111</b>	<b>169</b>

# HEADLINE EARNINGS/(LOSS)

## HEADLINE EARNINGS/(LOSS) (R millions)



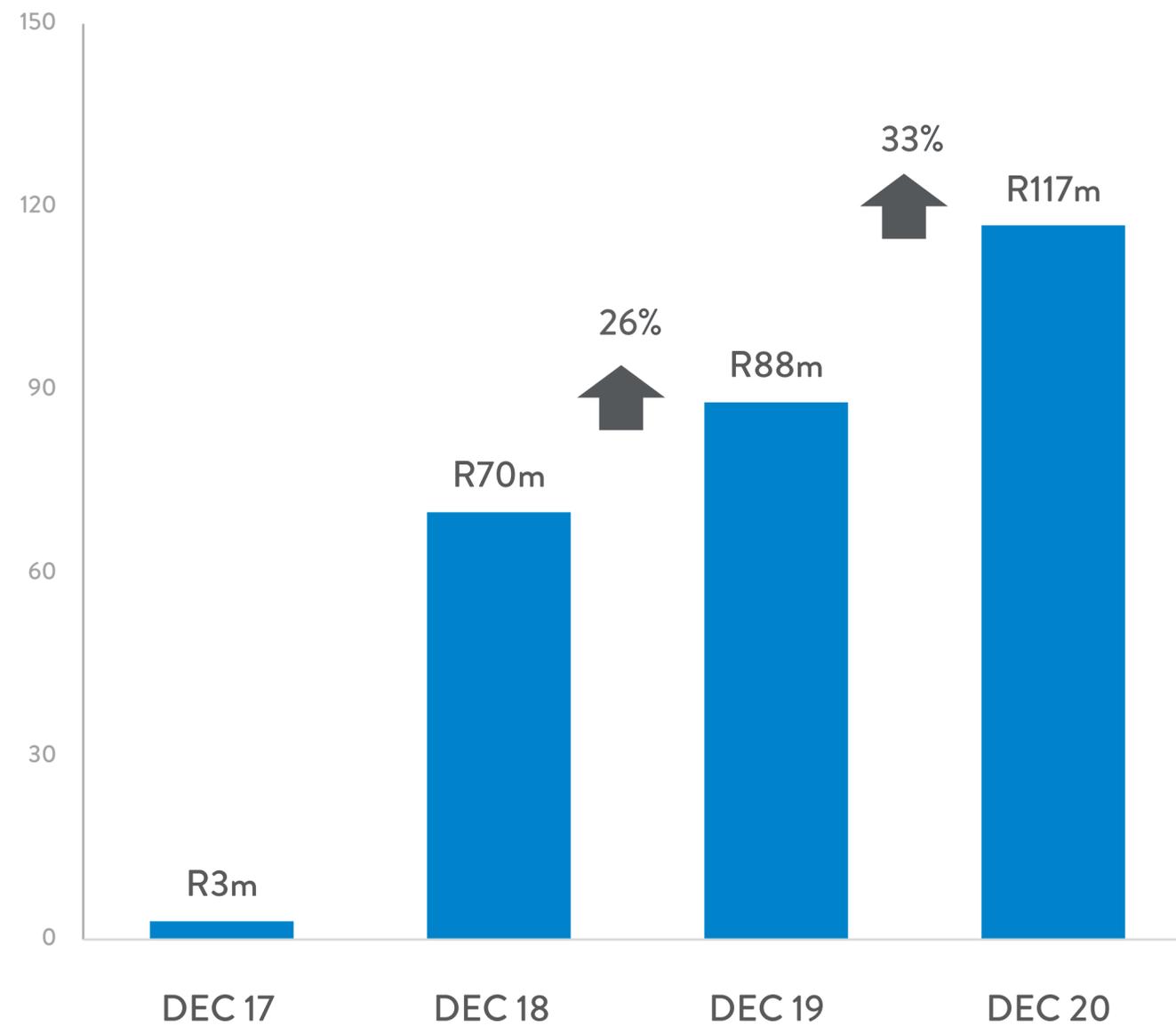
## HEPS (cps)



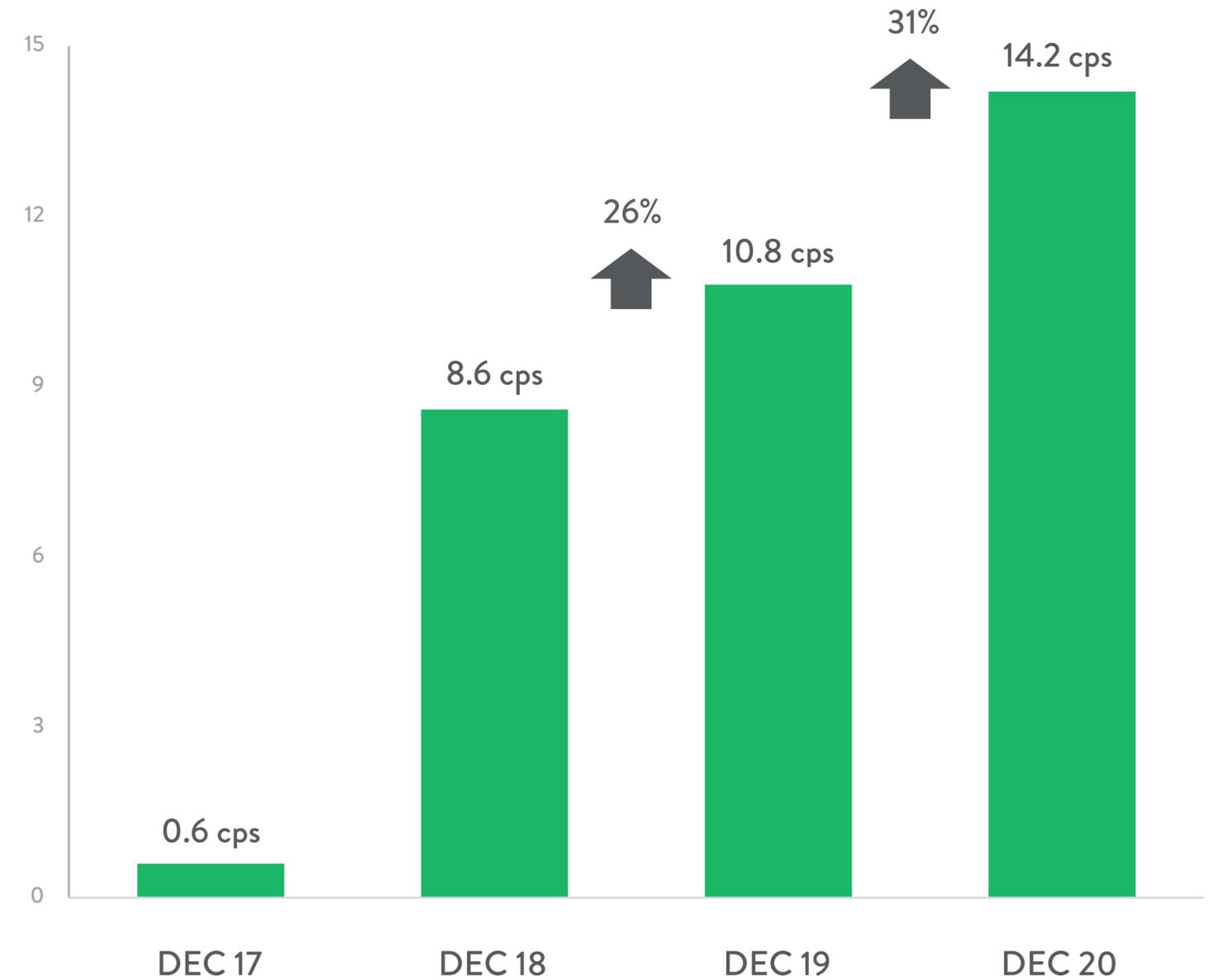
# CORE HEADLINE EARNINGS

STADIO  
— HOLDINGS —

CORE HEADLINE EARNINGS (R millions)

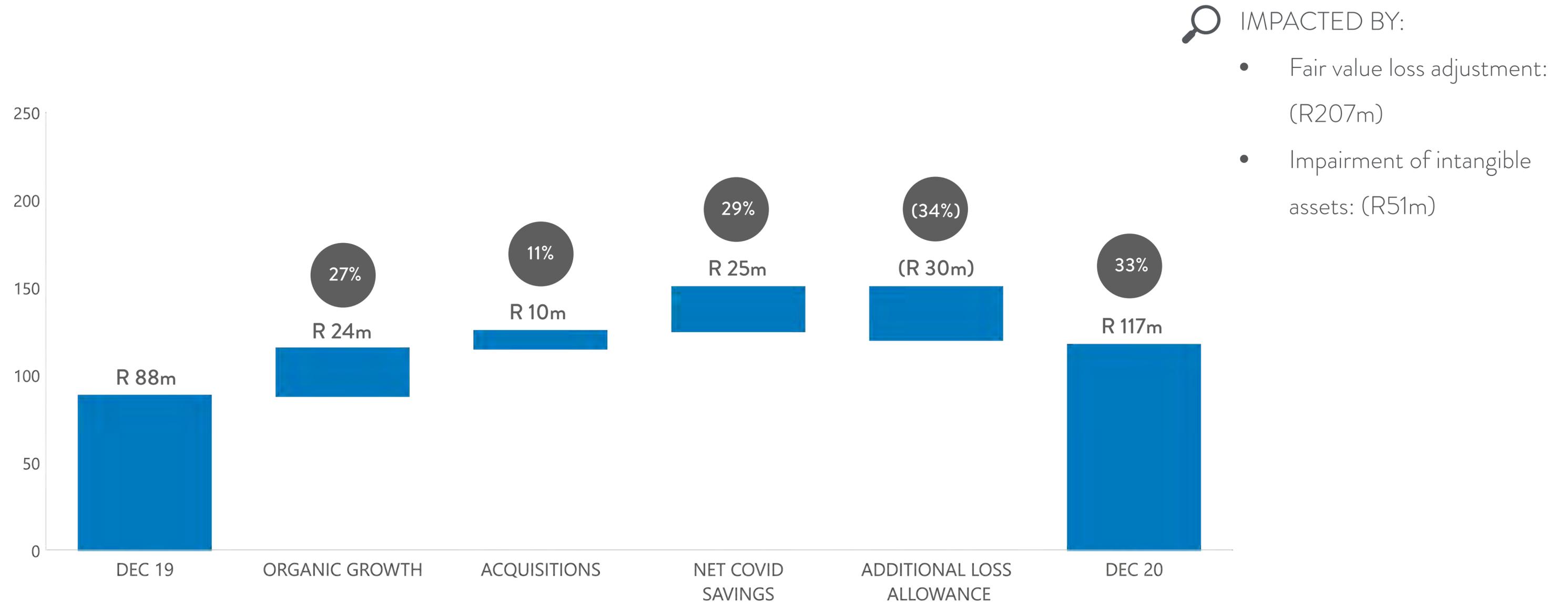


CORE HEPS (cps)



# CORE HEADLINE EARNINGS MOVEMENT

STADIO  
— HOLDINGS —



# STATEMENT OF FINANCIAL POSITION

STATEMENT OF CONSOLIDATED FINANCIAL POSITION	DEC 2019	DEC 2020
	R millions	R millions
<b>Total assets</b>	2 067	2 122
Right-of-use asset	92	96
Other assets	1 975	2 026
<b>Total equity</b>	1 583	1 486
Attributable to equity holders	1 571	1 493
Non-controlling interests	12	(7)
<b>Total liabilities</b>	484	636
Borrowings & loans from related parties	65	45
Lease liabilities	169	168
Income received in advance	90	89
Other liabilities	160	334
Number of shares in issue (millions)	818	841
NAV per shares (cents)	192	178
<b>Gearing ratio</b>	15%	14%
<b>Gearing ratio (excluding IFRS 16:Lease liability)</b>	4%	3%



- Invested R105m on capital expenditure
- Impaired R51m of intangible assets
- Debt at year end R45m
- R117m of cash on hand
- Gearing ratio 14% (3% excluding IFRS 16 lease liability)

# CASH FLOW GENERATION

CASH GENERATED FROM OPERATIONS (R millions)	DEC 2019	DEC 2020
Net cash generated from operations (before working capital)	202	263
Working capital changes	(12)	11
<b>Net cash generated from operations</b>	<b>190</b>	<b>274</b>
Cash generated from operations (as % of adjusted EBITDA)*	97%	108%
Free cash flow less recurring capex	115	183

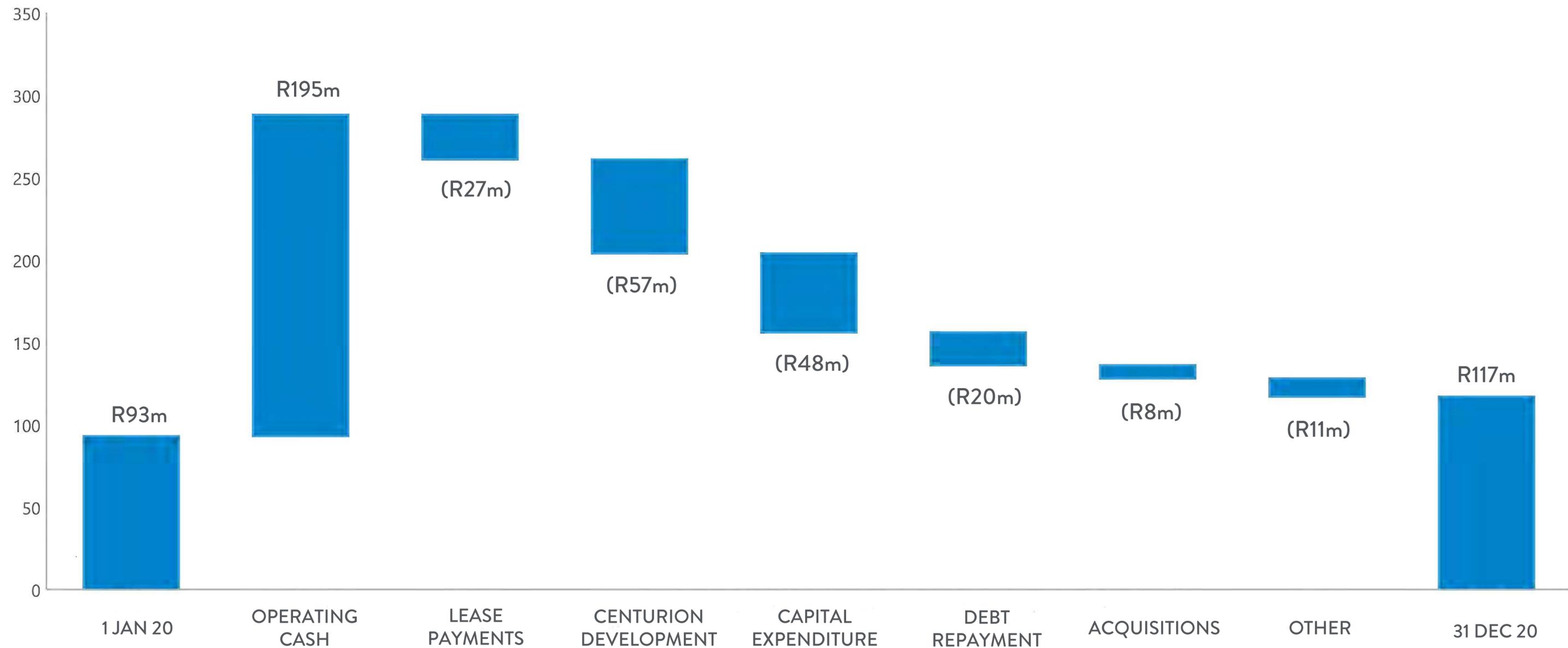
\* EBITDA excluding fair value loss adjustment

# CAPITAL INVESTED

CAPITAL INVESTED (R millions)	DEC 2016	DEC 2017	DEC 2018	DEC 2019	DEC 2020
Acquisitions	-	594	440	156	-
Infrastructure development and capital assets	73	272	26	168	98
Programme development	12	11	15	10	7
<b>Total</b>	<b>85</b>	<b>877</b>	<b>481</b>	<b>334</b>	<b>105</b>
<b>CUMULATIVE INVESTMENT</b>	<b>85</b>	<b>962</b>	<b>1 443</b>	<b>1 777</b>	<b>1 882</b>

# CASH UTILISATION

CASH UTILISATION (R millions)



## 2021 CAPITAL EXPENDITURE: GROWTH PROJECTS & ACQUISITIONS **STADIO** — HOLDINGS —

2021 CAPITAL EXPENDITURE (R millions)	2021
STADIO Centurion	40
DL Logistics Centre (Krugersdorp) - Transfer & Development	52
Durbanville transfer (incl development contributions)	60
<b>GROWTH PROJECTS</b>	<b>152</b>

A group of graduates in silhouette are celebrating on a hill at sunset. They are throwing their caps into the air, and the caps are seen flying through the sky. The text 'Q&A' is centered in the upper half of the image.

# Q&A

**OUR PURPOSE:** To empower the nation by widening access to higher education



THANK YOU  
ENKOSI  
RE A LEBOGA  
DANKIE