

STADIO HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2016/371398/06)

Share code: SDO

ISIN: ZAE000248662

LEI: 3789007C8FB26515D966



("STADIO" or "Company")

AMENDMENTS TO THE CA CONNECT ACQUISITION – CATEGORY 2 ACQUISITION

1. INTRODUCTION

As previously disclosed, and as specifically referenced and noted in the trading statement released by the Company on SENS on 17 February 2021 ("**Trading Statement**") and in note 17 on page 68 of the Annual Financial Statements of the Company for the year ended 31 December 2020 ("**AFS**"), STADIO, through its subsidiary Milpark Education Proprietary Limited ("**Milpark**"), acquired the business ("**Business**") of CA Connect Professional Training Institution CPT Proprietary Limited ("**CA Connect**") ("**Acquisition**"), which Acquisition became effective on 12 April 2018 ("**Effective Date**").

A portion of the purchase consideration for the Business ("**Purchase Consideration**") (which is payable in a combination of cash (25%) and Stadio shares (75%)) is subject to certain targets being met over a 3-year period as set out in the sale agreement ("**Agreement**") concluded with CA Connect and the CA Connect founders and management team ("**CA Connect management team**").

To date Milpark has settled an aggregate of R57 256 935 of the total Purchase Consideration (in cash (R18 732 343) and Stadio shares (R38 524 592)), in accordance with the terms of the Agreement. As announced in the Trading Statement and AFS, STADIO has recognised fair value adjustments of R207 090 567 for the year ended 31 December 2020, increasing the contingent consideration liability to account for the remaining portion of the Purchase Consideration due.

The CA Connect Business is responsible for the offer of the post graduate diploma in accounting ("**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 by Milpark from 1 July 2019 and the enrolments, and EBITDA earnings, of the programmes have continued to exceed expectations over the last two years. STADIO believes significant opportunities exist to expand the academic model adopted on the PGDA and the PGDA bridging programme to further accounting-based and other qualifications within Milpark.

As such, the parties have agreed to early settle the remaining portion of the Purchase Consideration on such terms and subject to such conditions as set out in an addendum and supplementary agreement to the Agreement ("**Addendum**") concluded between the parties on 2 June 2021.

The early settlement transaction contemplated in the Addendum will align the focus of the CA Connect management team to pursue growth opportunities beyond the PGDA

programmes and to retain the knowledge and skill of the CA Connect management team within the wider Milpark business.

In terms of the Addendum the remaining portion of the Purchase Consideration will be settled in two tranches as follows:

- a fixed amount of R68 000 000 to be settled on or about 7 June 2021, R48 000 000 of which will be settled in cash and R20 000 000 of which will be settled in STADIO shares; and
- a fixed amount of R133 120 000 to be settled on 15 April 2022, R33 120 000 of which will be settled in cash and R100 000 000 of which will be settled by the issue of Milpark ordinary shares ("**Milpark Shares**"),

amounting to a total final payment of R201 120 000.

The R100 000 000 portion of the Purchase consideration which will be settled in Milpark Shares, will make the CA Connect management team 18.7% shareholders in Milpark.

It is furthermore recorded that the implementation of the early settlement transaction contemplated in the Addendum may result in the dilution of the Black ownership and Black Economic Empowerment ("**BEE**") score of Milpark and accordingly the parties have agreed to implement a BEE transaction in terms of which up to 3% of the shares in Milpark will be issued to a BEE educational trust in order to maintain the Black ownership and BEE score of Milpark.

2. PURCHASE CONSIDERATION

As noted above R57 256 935 of the total Purchase Consideration has already been settled in cash and STADIO shares, and the remaining amount to be settled in cash, STADIO shares and Milpark Shares (as set out above) amounts to R201 120 000.

Accordingly, the total Purchase Consideration will equal to an amount of R258 376 935.

3. FINANCIAL INFORMATION

The net assets comprising the Business were all intangible assets, comprising mainly of the PGDA and PGDA bridging programmes.

The audited profits after tax attributable to the Business for the year ended 31 December 2020, was R23 753 397, based on the audited annual financial statements of STADIO for the year ending 31 December 2020, which were prepared in terms of IFRS.

4. EFFECTIVE DATE OF THE ACQUISITION AND ADDENDUM

The Acquisition was effective on the Effective Date and the Addendum is not subject to any outstanding conditions precedent.

5. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement contains representations and warranties by the CA Connect management team in favour of Milpark which are standard for a transaction of such nature.

6. CLASSIFICATION OF THE ACQUISITION

Given the Addendum and the change to the Purchase Consideration, the Acquisition has been categorised using the amended total Purchase Consideration and constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

Durbanville
3 June 2021

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