STADIO

HOLDINGS

Interim unaudited financial results for the six months ended 30 June 2023

PRESENTING

STADIO

HOLDINGS

MILPARK EDUCATION

STADIO

HIGHER EDUCATION

[AFDA]

THREE DISTINCT PRIVATE HIGHER EDUCATION INSTITUTIONS

Highlights

NEW STUDENTS

↑13%

STUDENTS

41 865

↑ 9%

38 348

REVENUE

R714 million

↑ 16%

R618 million

EBITDA[1]

R210 million

↑10%

R192 million

PAT[2]

R127 million

↑ 21%

R105 million

Core HE[3]

R116 million

↑20%

R96 million

Core HEPS[3]

13.6 cps

↑20%

11.3 cps

91

Qualifications

47 Pipeline

Programmes

1 *Earnings before interest, taxation, depreciation and amortisation (EBITDA)*
2 *Profit after taxation (PAT)*
3 *Core headline earnings (HE) and core headline earnings per share (HEPS) as per Note 7*

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								
	2017[1] 30 Jun	**2018**[1] 30 Jun	**2019**[1] 30 Jun	**2020**[1] 30 Jun	**2021** 30 Jun	**2022** 30 Jun	**2023 30 Jun**	Year-on-year growth %	6-year CAGR[2] growth %
Modes of learning delivery									
Contact learning	4 755	5 402	6 081	6 269	5 921	5 662	**5 807**	3%	3%
Distance learning	18 997	20 932	22 199	24 784	28 573	32 686	**36 058**	10%	11%
	23 752	26 334	28 280	31 053	34 494	38 348	**41 865**	9%	10%
Made up as follows:									
% Contact learning	20%	21%	22%	20%	17%	15%	**14%**		
% Distance learning	80%	79%	78%	80%	83%	85%	**86%**		

[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 2023, the Group had 46 254 students (August 2022: 41 544 students) enrolled, with second semester enrolments still in progress.

Commentary

OVERVIEW

STADIO Holdings' has been established to service the needs of the higher education market in South Africa with a vision to empower the nation by widening access to higher education. The STADIO Group is one of the largest higher education providers in the country, providing quality education offerings to approximately 46 000 students.

STADIO Holdings currently owns three registered private Higher Education Institutions (HEIs), namely:

- STADIO Proprietary Limited (STADIO Higher Education);
- Milpark Education Proprietary Limited (Milpark Education); and
- The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA).

COMMENTARY ON INSTITUTIONS

STADIO HIGHER EDUCATION

STADIO Higher Education is a comprehensive institution offering qualifications across various disciplines including, education, commerce, management and administration, policing, law, information technology, fashion, media, design and architecture and spatial design. Qualifications are offered on both the contact and distance learning modes of delivery. STADIO Higher Education follows an operational excellence strategy with its core focus being on achieving university status and providing a credible alternative to the public universities and other higher education providers in South Africa. STADIO Higher Education has made significant progress in terms of optimising its contact learning campuses as well as positioning its distance learning offerings for growth. During 2023 STADIO Higher Education accredited new qualifications, for offer in 2024, in information technology, management, fashion and accounting. STADIO Higher Education showed good growth for the year particularly in the distance mode of delivery, with positive growth in new students on the contact learning mode of delivery. It is still the intention of STADIO Higher Education to develop a comprehensive campus in Durbanville, Western Cape. Given the timing of regulatory approvals, we estimate that new students will have access to the campus in 2026.

MILPARK EDUCATION

Milpark Education is becoming the South African leader in online distance learning. Milpark Education follows a product leadership strategy focusing on offering niche digitally enhanced distance learning offerings online in the finance and accounting specialisations. The Postgraduate Diploma in Accounting (PGDA) and PGDA Bridging programmes continued to deliver solid growth for the year, with the business launching new programmes in accounting in 2023. During 2023, Milpark Education has invested significantly into various systems and structures to improve on the teaching and learning model and overall student experience. This initial investment will allow the institution to position itself as a leader in its niche offerings and align the business for growth. During 2023, Milpark Education became the largest provider of candidates sitting for the Chartered Accountant examinations, and topped the list for the highest number of first time passes compared to its peers.

AFDA

AFDA is a contact learning provider specialising in the offer of high-end qualifications in the creative economy (encompassing film, live performance, business and innovation, and creative writing). AFDA follows a product leadership strategy focusing on entrenching its position as the leading film and television school in the country, with its students and alumni continuing to win prestigious industry awards. The business continues to optimise its offerings on its four campuses located in Johannesburg, Durban, Gqeberha and Cape Town, whilst looking at further expansion opportunities.

Commentary (CONTINUED)

REVIEW OF RESULTS

The Board is pleased to present the results for the six month period ended 30 June 2023 (the Financial Results).

The Group monitors student numbers on a semester basis. As at 30 June 2023, the Group increased semester 1 student enrolments by 9% to 41 865 students (June 2022: 38 348).

Distance learning student numbers reflected good overall growth of 10% to 36 058 at 30 June 2023 (June 2022: 32 686). Strong demand in professional qualifications continued to drive growth in registrations for the period. The Group's distance learning student numbers are still impacted by the legacy business-to-business (B2B) Milpark Education business offerings. Excluding the B2B business the distance learning students numbers grew by 16% to 28 263 at June 2023 (June 2022: 24 429). Milpark Education is focusing on repositioning the business to become less reliant on the B2B business.

Contact learning student numbers showed a reassuring 3% growth to 5 807 at 30 June 2023 (June 2022: 5 662), following a 4% decline in student numbers in the prior year. Registrations of new contact learning students have increased by 15% for the semester. This follows the strategy of accrediting new programmes as well as expanding the offering of qualifications to new campuses. The overall growth of 3% is muted as a result of lower intakes in the prior years (2020 and 2021), resulting in a lower roll forward of returning students in 2023. The last of the Milpark Education contact learning students are also now transitioning out of the student number base for the period in accordance with Milpark Education's shift in strategy to focus only on the online distance learning mode of delivery.

The Group grew revenue by 16% to R714 million (June 2022: R618 million), with EBITDA growing by 10% to R210 million (June 2022: R192 million).

EBITDA margin declined to 29% (June 2022: 31%), however, it remains in line with the EBITDA margin for the full year at 31 December 2022, of 29%. The largest contributor to the lower EBITDA margin was the increase in the loss allowance, which as a percentage of revenue, increased to 8% (June 2022: 6% and 7% for the full year to December 2022). Other operating expenses which negatively impacted the EBITDA margin were an increase in computer and licence fees for the year (following a strategic initiative to invest in processes across the Group to enhance operating efficiencies); additional fuel costs of R1.3 million as a result of running generators on the campuses to curb the impact of load-shedding; and increased staff training costs in the period following lower historic spend on training in prior years due to COVID-19.

This increase in loss allowance follows an increase in the debtors' book and associated potential risks in collections, particularly for distance learning students. The payment trends of distance learning students are generally over a longer period of time than for contact learning students and given the growth in distance learning across the Group this has impacted the overall age of the debtors' book. Furthermore, in the prior year comparative period, the Group was able to release unutilised loss allowance provisions due to better collections than expected during COVID-19. This resulted in the overall lower loss allowance margin of 6% for the period ended 30 June 2022. The large size of the debtors' book at 30 June is also impacted by the timing of receipts with students generally only opting to pay following the release of results in July. Bad debts recovered was R2.3 million for the period (June 2022: R1.8 million).

For the six month period ended 30 June 2023, the Group reported a profit after taxation of R127 million (June 2022: R105 million), earnings per share (EPS) of 13.6 cents per share (cps) (June 2022: 11.2 cps), and headline earnings per share (HEPS) of 13.5 cps (June 2022: 11.1 cps).

The growth in profit after taxation, EPS and HEPS for the year was primarily due to organic growth in the underlying institutions, as well as lower growth in depreciation for the period of 2%. Higher cash balances and increases in interest rates also resulted in a net interest income position of R1.1 million (June 2022: net interest expense of R4.3 million).

The change in the South African corporate tax rate from 28% to 27% in 2023 also impacted results for the period. The prior year comparative taxation expense was impacted by the once off additional deferred taxation expense of R3.4 million as a result of the change in the tax rate and the Group being in a net deferred tax asset position.

The Group utilises Core HEPS 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, once-off costs in respect of onerous contracts and costs relating to contingent consideration payable in respect of acquisitions.

For the six month period ended 30 June 2023, Core HEPS grew by 20% to 13.6 cps (June 2022: 11.3 cps).

The Group generated R255 million cash from operations for the period (refer to Note 12), with a positive working capital change of R38 million.

For the six months ended 30 June 2023, R31.5 million was invested in capital expenditure, of which R9.2 million related to the development of curriculum intangibles and computer systems. Further details are set out in Note 8.

At 30 June 2023, the Group had no outstanding loan funding. The Group currently has access to a revolving credit facility of R100 million (refer to Note 11) with an option to extend for a further R100 million.

The Group is in a strong cash position with a cash balance of R175 million as at 30 June 2023.

SHARE ISSUES AND SHARE BUY BACK

During the year STADIO Holdings issued 3.15 million shares to settle the obligations of the STADIO Group Share incentive Trust (SIT) and transferred 0.235 million shares held by the SIT to employees to settle the SIT obligations in terms of the scheme.

The Board subsequently approved a repurchase programme whereby STADIO Holdings will repurchase the 3.15 million shares during the year, which will be cancelled. As at the date of this report, 3.13 million shares (R14.1 million) were purchased and cancelled. Furthermore, the Board has provided the SIT with the mandate (subject to certain prescribed limits) to continue to purchase STADIO Holdings shares in the market to settle future obligations. As at 30 June 2023, the SIT held 3.3 million shares which are treated as treasury shares.

DIVIDEND

The Board has adopted a policy of declaring and paying dividends on an annual basis based on excess free-cash flow considering the capital needs for future growth projects. After the financial year-end 31 December 2022, a dividend of R76 million was declared on 14 March 2023 and paid on 17 April 2023. No interim dividend has been declared for the six months ended 30 June 2023.

PROSPECTS

There continues to be a high demand for quality higher education in South Africa. We are encouraged by the positive growth in new students on our contact learning mode of delivery and are excited about the growth opportunities evident in the distance learning mode of delivery. All underlying HEIs continue to effectively execute on their strategic mandates to create a Group focusing on creating access opportunities to quality higher education.

Notwithstanding the low growth economy and the financial pressures experienced by our customers, there continues to be high demand for our offerings as students invest in themselves to create more prosperous opportunities. The Group therefore continues to improve its offerings to deliver on its vision of widening access to quality higher education as well as becoming a first choice higher education institution in South Africa.

On behalf of the Board.

Vincent Maphai
Chairperson

Chris Vorster
Chief Executive Officer

30 August 2023

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2023

	Year-on-year change %	2023 30 Jun Unaudited R'000	2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Revenue (Note 5)	16%	**713 542**	617 530	1 213 812
Other income	36%	**6 359**	4 665	6 165
Loss allowance (Note 9)	59%	**(54 666)**	(34 383)	(79 494)
Fair value (losses)/gains on financial instruments	>100%	**(8)**	–	127
Employee costs	14%	**(292 976)**	(256 944)	(515 254)
Operating expenses[1]	16%	**(162 116)**	(139 212)	(274 219)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	10%	**210 135**	191 656	351 137
Depreciation and amortisation	2%	**(34 353)**	(33 751)	(68 353)
Impairment	–	**–**	–	(6 456)
Earnings before interest and taxation (EBIT)	11%	**175 782**	157 905	276 328
Investment income[2]	>100%	**9 882**	4 926	12 038
Finance cost	(4%)	**(8 850)**	(9 235)	(18 650)
Profit before taxation	15%	**176 814**	153 596	269 716
Taxation	3%	**(50 206)**	(48 907)	(83 228)
Profit for the period	21%	**126 608**	104 689	186 488
Attributable to:				
Owners of the parent	22%	**115 274**	94 667	165 638
Non-controlling interests	13%	**11 334**	10 022	20 850
Total comprehensive income for the period	21%	**126 608**	104 689	186 488
Headline earnings (Note 6)	22%	**114 970**	94 606	169 826
Core headline earnings (Note 7)	20%	**115 759**	96 135	175 571
		Cents	**Cents**	Cents
Earnings per share				
– Basic	21%	**13.6**	11.2	19.5
– Diluted	22%	**13.3**	10.9	19.1
Headline earnings per share				
– Basic	22%	**13.5**	11.1	20.0
– Diluted	22%	**13.3**	10.9	19.6
Core headline earnings per share (Core HEPS)				
– Basic	20%	**13.6**	11.3	20.7
– Diluted	21%	**13.4**	11.1	20.2
		Million	**Million**	**Million**
Number of shares in issue				
– Basic	(0.1%)	**850**	851	849
– Diluted	(0.1%)	**865**	866	868
Weighted average number of shares in issue				
– Basic	0.2%	**851**	849	849
– Diluted	0.0%	**865**	865	868

[1] *Contributing to the increase in operating expenses for the period includes additional fuel costs of R1.3 million for operating generators during load-shedding. Additional computer expenses, licence fees and staff training also contributed to the increase in expenditure for the period.*

[2] *Included in investment income is interest income. The growth in interest income is due to higher cash balances on hand and higher interest rates compared to the prior period.*

Condensed consolidated statement of financial position

As at 30 June 2023

	2023 30 Jun Unaudited R'000	Restated[1] 2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment (Note 8.1)	**874 102**	839 845	866 846
Right-of-use assets (Note 8.2)	**75 866**	98 448	84 533
Goodwill	**751 083**	751 082	751 082
Intangible assets	**144 505**	144 977	141 147
Trade and other receivables (Note 9)	**21 071**	18 831	19 377
Other financial assets	**15 142**	14 355	14 740
Deferred tax asset	**122 645**	113 211	86 783
Total non-current assets	**2 004 414**	1 980 749	1 964 508
Current assets			
Trade and other receivables (Note 9)[1]	**253 053**	201 304	158 858
Current tax receivable	**4 128**	2 924	9 592
Cash and cash equivalents	**174 945**	166 733	148 207
Total current assets	**432 126**	370 961	316 657
Total assets	**2 436 540**	2 351 710	2 281 165
EQUITY			
Share capital (Note 10)	**1 642 963**	1 628 517	1 628 517
Treasury shares (Note 10)	**(13 933)**	–	(145)
Other reserves	**4 375**	23 982	16 960
Accumulated profit	**166 447**	55 882	126 853
Total equity attributable to equity holders of the Company	**1 799 852**	1 708 381	1 772 185
Non-controlling interest	**103 506**	98 689	109 517
Total equity	**1 903 358**	1 807 070	1 881 702
LIABILITIES			
Non-current liabilities			
Lease liabilities	**112 514**	150 388	127 455
Deferred tax liability	**45 890**	38 747	43 320
Trade and other payables	**2 346**	–	2 676
Total non-current liabilities	**160 750**	189 135	173 451
Current liabilities			
Borrowings (Note 11)	**–**	–	68
Lease liabilities	**44 671**	33 625	42 325
Loans from related parties	**96**	96	96
Trade and other payables	**73 224**	68 651	67 133
Contract liabilities[2]	**229 604**	210 127	96 270
Tax payable	**24 837**	43 006	20 120
Total current liabilities	**372 432**	355 505	226 012
Total liabilities	**533 182**	544 640	399 463
Total equity and liabilities	**2 436 540**	2 351 710	2 281 165
Number of shares in issue (millions)	**850**	849	849
Net asset value per share (cents)	**212**	201	209

[1] *The prior year trade and other receivable balance has been restated to correctly reallocate income received in advance to contract liabilities. Refer to note 14 for further information.*

[2] *The increase in contract liabilities is due to the higher upfront cash receipts from customers for studies over future periods. This balance will reduce over the year as services are performed.*

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2023

	2023 30 Jun Unaudited R'000	2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Balance as at 1 January	**1 881 702**	1 751 177	1 751 177
Total comprehensive income for the period	**126 608**	104 689	186 488
Dividends paid to ordinary shareholders	**(75 676)**	(39 975)	(39 975)
Issue of ordinary shares	**14 651**	9 756	9 757
Share issue costs	**(60)**	(56)	(57)
Purchase of treasury shares	**(15 024)**	–	(14 862)
Issue of treasury shares to employees	**1 092**	–	14 717
Share-based payments expenses and vesting of share incentive scheme	**(12 590)**	(7 960)	(14 982)
Dividends paid to non-controlling shareholders	**(17 345)**	(18 921)	(18 922)
Transaction with non-controlling interest	**–**	–	(2 022)
Capital contribution from non-controlling shareholder in subsidiary	**–**	8 360	10 383
Balance as at 30 June	**1 903 358**	1 807 070	1 881 702

Condensed consolidated statement of cash flows

for the six months ended 30 June 2023

	Year-on-year change %	2023 30 Jun Unaudited R'000	2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Net cash flow from operating activities		**180 707**	174 994	229 926
Cash generated from operations (Note 12)	18%	**254 772**	215 995	307 696
Interest income received	>100%	**8 105**	3 503	9 022
Finance cost paid	(4%)	**(8 849)**	(9 235)	(18 650)
Taxation paid	>100%	**(73 321)**	(35 269)	(68 142)
Net cash flow used in investing activities		**(31 117)**	4 276	(45 197)
Purchase of property, plant and equipment (Note 8)	(48%)	**(22 215)**	(42 359)	(85 028)
Purchase of internally generated intangible assets	>100%	**(9 187)**	(529)	(7 838)
Proceeds from sale of property, plant and equipment	(99%)	**285**	52 164	52 669
Acquisition of other financial assets	(100%)	**–**	(5 000)	(5 000)
Net cash flow used from financing activities		**(122 852)**	(78 129)	(102 114)
Share issue costs	100%	**(60)**	–	(57)
Issue of ordinary shares	>100%	**2 743**	997	997
Proceeds from non-controlling interest with no change in control	(100%)	**–**	10 384	10 383
Proceeds from borrowings	–%	**–**	–	68
Repayment of borrowings	(>100%)	**(68)**	(15 066)	(15 065)
Payment of principal portion of lease liabilities	14%	**(17 712)**	(15 548)	(31 567)
Dividends paid to non-controlling interests in subsidiaries	(8%)	**(17 345)**	(18 921)	(18 922)
Dividends paid to shareholders	89%	**(75 676)**	(39 975)	(39 975)
Cash received on exercise of share options by employees	100%	**290**	–	6 886
Share repurchase	100%	**(15 024)**	–	(14 862)
Net movement in cash and cash equivalents for the period	(74%)	**26 738**	101 141	82 615
Cash and cash equivalents at the beginning of the period	>100%	**148 207**	65 592	65 592
Cash and cash equivalents at the end of the period	5%	**174 945**	166 733	148 207

Notes to the financial statements

1. STATEMENT OF COMPLIANCE

The condensed consolidated unaudited interim financial statements for the six months ended 30 June 2023 (Interim Results) have been 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 Interim Results do not include all the notes of the type normally included in consolidated annual financial statements. Accordingly, the Interim Results are to be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2022.

The Interim Results have not been reviewed or audited by the Group's auditor. The Interim 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 Interim 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 2022.

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 2022.

3. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

4. NATURE OF OPERATIONS

Due to the nature of the operations and new enrolments in both the first semester ("S1" January to June) and the second semester ("S2" July to December), revenue and EBITDA in the second half of the financial year will not necessarily be in line with the first six months reported on.

5. REVENUE

	Year-on-year change %	2023 30 Jun Unaudited R'000	2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Revenue from contracts with customers				
The Group disaggregates revenue from customers as follows:				
Tuition and education services – Over time				
Tuition fees	15%	**674 559**	584 898	1 166 156
Registration and enrolment fees	22%	**39 376**	32 374	55 872
Discounts and bursaries granted	31%	**(19 219)**	(14 648)	(30 850)
Other academic income	2%	**9 431**	9 291	13 213
Hostel income	(36%)	**159**	247	298
	15%	**704 306**	612 162	1 204 689
Sale of goods - At a point in time				
Learning Material	76%	**8 309**	4 717	7 796
Canteen	42%	**927**	651	1 327
	72%	**9 236**	5 368	9 123
Total revenue from contracts with customers	16%	**713 542**	617 530	1 213 812

6. HEADLINE EARNINGS

	Year-on-year change %	2023 30 Jun Unaudited R'000	2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Reconciliation of headline earnings:				
Basic earnings	22%	**115 274**	94 667	165 638
Adjustments attributable to parent:				
Impairment on intangibles assets, right-of-use assets and property, plant and equipment		**–**	–	5 820
(Profit)/loss on disposal of property, plant and equipment	(>100%)	**(67)**	314	1 257
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	(13%)	**(349)**	(399)	(1 017)
Tax on above	>100%	**112**	24	(1 872)
Headline earnings	22%	**114 970**	94 606	169 826

Notes to the financial statements

(CONTINUED)

7. 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 2023 Unaudited Earnings R'000	30 Jun 2022 Unaudited Earnings R'000	31 Dec 2022 Audited Earnings R'000
Headline earnings	22%	**114 970**	94 606	169 826
Adjustments for non-core items attributable to parent:				
Amortisation of client list and trademark	(49%)	**1 081**	2 127	4 247
Onerous contract	0%	**–**	–	5 471
Less: Non-controlling interest	0%	**–**	–	(1 337)
Less: Taxation	(51%)	**(292)**	(598)	(2 636)
Core headline earnings	20%	**115 759**	96 135	175 571
Core HEPS – basic (cents)	20%	**13.6**	11.3	20.7
Core HEPS – diluted (cents)	21%	**13.4**	11.1	20.2

8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

8.1 PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2023, the Group invested R22 million into infrastructure and capital assets (June 2022: R42 million), which included R3 million initial investment into solar projects for the Group. A further R2 million was invested in the Durbanville campus construction, which is due for completion during 2025. Depreciation of R14 million (June 2022: R12 million) was incurred for the period.

8.2 RIGHT-OF-USE ASSET

During the period, the Group extended leases which resulted in an increase in right-of-use asset by R5 million. Depreciation of R14 million (June 2022: R14 million) was incurred for the period.

9. TRADE AND OTHER RECEIVABLES

	2023 30 Jun Unaudited R'000	Restated 2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Trade receivables	**383 912**	312 154	260 412
Less: Loss allowance	**(166 806)**	(135 328)	(132 971)
Net trade receivables	**217 106**	176 826	127 441
Other receivables[1]	**57 018**	43 309	50 794
Total trade and other receivables	**274 124**	220 135	178 235

[1] *Included in other receivables is the non-current portion of the net investments in lease of R21 million (June 2022: R19 million). The increase on prior year is largely due to the increase in prepayments for license fees across the Group.*

The growth in trade receivables to 30 June 2023 is as a result of slower payments from customers over the period, particularly distance learning customers. Payment trends of distance learning students are generally over a longer period than contact learning students. The growth in distance learning students has also contributed to the growth in the debtors book over the period. Furthermore, the trade receivables book is generally at its peak at 30 June of each year and declines as customers make payments following the release of the semester 1 results and prior to semester 2 registrations. The increase in the loss allowance provision accordingly accounts for the increased risk in trade receivables balance at 30 June 2023. During the period, the Group had written off R23 million (June 2022: R23 million) of bad debts against the loss allowance provision. Bad debts recovered amounted to R2.3 million (June 2022: R1.8 million) for the period.

10. SHARE CAPITAL

During the period, the Company issued ordinary shares in relation to the settlement of employee share options as per the share capital reconciliation below:

Number of shares	2023 30 Jun Unaudited '000	2022 30 Jun Unaudited '000	2022 31 Dec Audited '000
Ordinary shares			
Balance as at 1 January	**850 527**	848 193	848 193
Issued during the year	**3 151**	2 334	2 334
	853 678	850 527	850 527
Treasury shares			
Balance as at 1 January	**(235)**	–	–
Treasury shares issued to employees	**235**	–	3 760
Treasury shares repurchased	**(3 315)**	–	(3 995)
	(3 315)	–	(235)
Balance at the end of the period	**850 363**	850 527	850 292

Subsequent to the period-end, the Group repurchased 3.13 million shares (R14 million) which have been cancelled.

Notes to the financial statements

(CONTINUED)

11. BORROWINGS

The Group currently has access to a revolving credit facility of R100 million with Standard Bank of South Africa Limited.

The Group utilised existing cash resources during the period to operate. The entire available facility has been undrawn for the year.

12. CASH GENERATED FROM OPERATIONS

	Year-on-year change %	2023 30 Jun Unaudited R'000	Restated 2022 30 Jun Unaudited R'000	2022 31 Dec Audited R'000
Profit before taxation	15%	**176 814**	153 596	269 716
Non-cash and other items disclosed separately	(9%)	**40 142**	43 984	91 300
	10%	**216 956**	197 580	361 016
Movements in working capital	>100%	**37 816**	18 415	(53 320)
Increase in trade and other receivables[1]	10%	**(94 523)**	(85 618)	(42 429)
(Decrease)/increase in trade and other payables	(>100%)	**(994)**	3 806	2 738
Decrease in trade and other payables – consideration payable[2]	(100%)	**–**	(33 120)	(33 120)
Increase in contract liabilities[3]	0%	**133 333**	133 347	19 491
Cash generated from operations		**254 772**	215 995	307 696

[1] *The increase in the trade receivables balance is due to reasons as set out in Note 9.*
[2] *In the prior year, included in trade and other payables working capital movement is the cash-settled portion of the CA Connect Early Settlement Agreement of R33 million.*
[3] *The increase in contract liabilities is mainly due to the seasonality of the business and payments received by students in advance. These contract liabilities will decline over the remainder of the year as services are performed.*

13. DIVIDENDS DECLARED AND PAID

STADIO Holdings declared an annual dividend of 8.9 cents per share on 14 March 2023 and R76 million was paid to shareholders on 17 April 2023.

14. PRIOR PERIOD RESTATEMENT

Reclassification from trade and other receivables to contract liabilities

Trade and other receivables balance and contract liabilities have been restated for the six months ended 30 June 2022 to correctly reallocate income received in advance balances previously set-off against trade debtors to contract liabilities.

Prior period restatement

14.1 STATEMENT OF FINANCIAL POSITION (EXTRACT)

	Unaudited June 2022 R'000	Increase/ (Decrease) R'000	Restated unaudited June 2022 R'000
Statement of financial position			
Current Assets			
Trade and other receivables	194 790	6 514	201 304
Current liabilities			
Contract liabilities	(203 613)	(6 514)	(210 127)

15. EVENTS AFTER THE REPORTING PERIOD

During July and August 2023, the Company repurchased and cancelled 3.13 million (R14 million) of its shares. Save as set out above, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

16. GOING CONCERN

The Group currently has a strong balance sheet with no external debt funding and continues to generate strong profits and cash flows. Based on the above the Board is satisfied that the Group is in a sound financial position and has adequate cash resources and access to borrowings to continue to operate as a going concern in the foreseeable future.

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 Proprietary Limited

Website: www.stadio.co.za

Announcement date

30 August 2023

STADIO

HOLDINGS

www.stadio.co.za