

STADIO HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2016/371398/06)

Share code: SDO

ISIN: ZAE000248662

("STADIO" or "the Company")



CATEGORY 2 ACQUISITION ANNOUNCEMENT

1. INTRODUCTION

1.1. Shareholders are advised that on 7 December 2019, the Company, through its wholly owned subsidiary, STADIO Investment Holdings Proprietary Limited ("**SIH**") and its subsidiary Southern Business School Proprietary Limited ("**SBS**"), in which SIH holds 74% of the total issued share capital, entered into a sale of shares agreement ("**Sale of Shares Agreement**") with Bredamonti Proprietary Limited ("**Bredamonti**") and Christian Phillipus David Vorster ("**Vorster**"), in terms of which SBS will:

1.1.1. settle the existing shareholders loan claim of R35 000 000 which Bredamonti holds against SBS ("**Loan Claim**"); and

1.1.2. repurchase 54 ordinary shares in the issued share capital of SBS, held by Bredamonti ("**Sale Shares**"), which Sale Shares constitute the remaining 26% of the issued share capital of SBS, which is not held by SIH,

for a total consideration of R155 500 000 ("**SBS Consideration**") ("**SBS Acquisition**").

1.2. Shareholders are further advised that on 7 December 2019, the Company, through its wholly owned subsidiary, STADIO Corporate Services Proprietary Limited ("**SCS**"), entered into a sale of rental enterprise agreement ("**Sale of Rental Enterprise Agreement**") with Citac Africa Proprietary Limited ("**Citac**") and Vorster, in terms of which SCS will acquire the rental enterprise owned and operated by Citac, which comprises:

1.2.1. the immovable property known as Holding 10 Diswilmar Agricultural Holdings, Division IQ, Province of Gauteng, as indicated on SG Diagram No. 1597/56, also known as Erven 679 and 680 Homes Haven Extension 30, in extent 1,7095 and all improvements situated thereon ("**Property**"); and

1.2.2. all rights, title and interest of Citac in and to the lease agreement concluded between Citac and SBS, in terms of which Citac lets the Property to SBS ("**Lease Agreement**"),

for a total consideration of R28 500 000 (inclusive of VAT at the rate of 0%), ("**Property Consideration**") ("**Property Acquisition**").

2. RATIONALE FOR THE ACQUISITIONS

2.1. The SBS Acquisition forms part of STADIO's intention to consolidate its various programmes and institutions under a single brand. This will allow all stakeholders to benefit from the marketing, operational and regulatory advantages of doing so.

- 2.2. It is STADIO's vision to accommodate over 100 000 students in the future of which 80 000 are anticipated to be off campus (distance learning) students. It is the intention of STADIO to utilise the Property Acquisition as a base from which to expand STADIO's administrative and logistical support for off campus (distance learning) students.

3. TERMS OF THE SBS ACQUISITION

3.1. Purchase Consideration and Payment

In terms of the Sale of Shares Agreement, the Company shall, on the fifth business day after the last of the conditions precedent to the Sale of Shares Agreement (as listed in clause 3.2 below) is fulfilled or waived ("**Closing Date**"), pay the SBS Consideration as follows:

- 3.1.1. R145 500 000 ("**Initial Consideration**") to Bredamonti in settlement of the Loan Claim and as consideration for the Sale Shares; and
- 3.1.2. R10 000 000 ("**Escrow Amount**") into an escrow account to be held in escrow until such time as the outcome of the dispute which is the subject of certain warranties and indemnities given by Bredamonti and Vorster to the Company has been finally determined as detailed in the Sale of Shares Agreement.

3.2. Conditions Precedent

The SBS Acquisition is subject to the fulfilment of the following outstanding conditions precedent, that by not later than 13 December 2019, or such later date as agreed to in writing by the parties to the Sale of Shares Agreement:

- 3.2.1. an escrow agreement has been concluded by Bredamonti, SBS and an escrow agent and such agreement has become unconditional in accordance with its terms, save for any condition therein requiring the conclusion of the Sale of Shares Agreement; and
- 3.2.2. the Sale of Rental Enterprise Agreement has been concluded by the parties thereto and such agreement has become unconditional in accordance with its terms, save for any condition therein requiring the conclusion of the Sale of Shares Agreement or alternatively, the Lease Agreement has been renewed on such terms as may be acceptable to SBS.

3.3. Closing Date and Effective Date of the SBS Acquisition

The SBS Acquisition will be implemented on the Closing Date, which is expected to occur before the end of December 2019, however notwithstanding the Closing Date, the SBS Acquisition shall take effect from 1 October 2019, from which date the Company shall have 100% exposure to the variable returns of SBS, and as such be entitled to 100% of the earnings or losses of SBS.

3.4. Representations and Warranties granted in respect of the SBS Acquisition

The Sale of Shares Agreement contains extensive representations, warranties and indemnities given by Bredamonti and Vorster in favour of the Company, which are standard for a transaction of this nature.

4. TERMS OF THE PROPERTY ACQUISITION

4.1. Purchase Consideration and Payment

In terms of the Sale of Rental Enterprise Agreement, the Company shall, on the date of the registration of transfer of the Property into the name of SCS in the relevant deeds registry, which date will be as soon as possible after the day on which the last of the conditions precedent to the Sale of Rental Enterprise Agreement (as listed in clause 4.2 below) is fulfilled or waived ("**Transfer Date**"), pay the Property Consideration of R28 500 000 (inclusive of VAT at the rate of 0%) to Citac.

4.2. Conditions Precedent

The Property Acquisition is subject to the fulfilment of the following outstanding conditions precedent, that by not later than 13 December 2019 or such later date as agreed to in writing by the parties to the Sale of Rental Enterprise Agreement:

- 4.2.1. the Sale of Shares Agreement has been concluded by the parties thereto and such agreement has become unconditional in accordance with its terms, save for any condition therein requiring the conclusion of the Sale of Rental Enterprise Agreement; and
- 4.2.2. SCS has received confirmation and proof, to its satisfaction, that all the required and relevant regulatory approvals, consents and certificates in respect of the Property Acquisition have been received (which will be obtained at the cost of Citac).

4.3. Transfer Date of the Property Acquisition

The Property Acquisition will be implemented on the Transfer Date, which is expected to occur during January 2020.

4.4. Representations and Warranties granted in respect of the Property Acquisition

The Sale of Rental Agreement contains extensive representations, warranties and indemnities given by Citac and Vorster in favour of the Company, which are standard for a transaction of this nature.

5. FINANCIAL INFORMATION

- 5.1. The value of the net assets comprising the Sale Shares as at 31 December 2018, being the date of the last audited annual financial statements of SBS, was R23 628 420.
- 5.2. The audited profits after tax attributable to the Sale Shares for the year ended 31 December 2018, was R10 074 605, based on the audited annual financial statements of SBS for the year ended 31 December 2018, which were prepared in terms of IFRS.
- 5.3. The value of the net assets comprising the Rental Enterprise, as determined by STADIO for purposes of the Property Acquisition, was based on the market value of the Property reflected in the valuation report, dated 9 September 2019, prepared by Appraisal Corporation on the instruction of STADIO.

6. CLASSIFICATION OF THE ACQUISITIONS

The SBS Acquisition and the Property Acquisition, in aggregate, constitute a category 2 transaction in terms of the JSE Limited Listings Requirements.

Durbanville
9 December 2019

Sponsor and Transaction Adviser
PSG Capital



PSG CAPITAL