

Stadio Holdings Ltd  
(Previously Embury Holdings (Pty) Ltd)  
Incorporated in the Republic of South Africa  
(Registration number: 2016/371398/06)  
JSE Share Code: SDO  
ISIN: ZAE000248662  
(STADIO or the Group)

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS  
FROM JUNE 2017 TO JUNE 2018

Student numbers increased from 1 112 to 27 777

Income increased from R35m to R301m

EBITDA increased from (R1m) to R60m

Core headline earnings increased from (R3m) to R32m

HEPS increased from (0.8) cents to 3.5 cents

CHEPS increased from (0.7) to 4.0 cents

OTHER STATISTICS

STUDENT NUMBERS PER FACULTY AND MODE OF DELIVERY

Student numbers

	30 Jun 2017	30 Jun 2018	Year-on-year growth rate	Aug 2018*
Faculty				
Business and Commerce	19 719	21 175	7%	22 424
Creative Industries	2 660	2 783	5%	2 787
Education and Training	1 112	1 716	54%	1 842
Law, Security and Political Sciences	1 682	2 103	25%	2 103
	25 173	27 777	10%	29 156
Contact vs distance learning				
Contact learning	4 237	4 904	16%	4 987
Distance learning	20 936	22 873	9%	24 169
	25 173	27 777	10%	29 156

\*Second semester enrolment still in progress

PROGRAMMES PER FACULTY AND MODE OF DELIVERY

Programmes

	Current registered programmes	Pipeline programmes	Total
Faculty			
Business and Commerce	33	11	44
Creative Industries	15	9	24
Education and Training	7	10	17
Law, Security and Political Sciences	4	9	13
Engineering and Manufacturing	-	5	5
Agriculture and Nature Conservation	-	3	3
	59	47	106
Contact vs distance learning			
Contact learning	26	31	57
Distance learning	33	16	49
	59	47	106

COMMENTARY

OVERVIEW

STADIO is an investment holding company that focuses on the acquisition of, investment in and the growth and development of higher education institutions to assist in meeting the demand for quality and relevant higher education programmes in Southern Africa. It is the STADIO Group's vision to be a leading Multiversity, offering qualifications aligned with the needs of societies, students and the world of work. As a Multiversity, STADIO currently owns 5 registered higher education institutions that are aimed at providing programmes, both undergraduate (including bachelors degrees, higher certificates and diplomas) and post graduate (including honours and masters degrees), that provide graduates with a real chance of creating employment opportunities (entrepreneurship) or finding employment.

In time STADIO will look to consolidate the programmes offered by its various higher education institutions that will allow all stakeholders to benefit from the marketing, operational and regulatory advantages of doing so.

STADIO is still currently focused on growing its existing registered higher education institutions, is pursuing potential further acquisitions of relevant higher education institutions, exploring further expansion opportunities of existing institutions and overseeing the development of new faculties, programmes and campuses across all institutions.

## REVIEW OF RESULTS

The board is pleased to report its interim results for the six months ended 30 June 2018.

The financial results for the six months ended 30 June 2018 included the consolidation of Lisof (Pty) Ltd including the associated property companies Wadam (Pty) Ltd and Histodox (Pty) Ltd (collectively LISOF) effective 1 January 2018, and the consolidation of MBS Education Investments (Pty) Ltd (MBS Education), which owns 100% of Milpark Education (Pty) Ltd (collectively Milpark) effective 19 March 2018.

On review of the student enrolments at the underlying institutions for the period ended 30 June 2018, the Group grew contact learning students by 16% compared to the 2017 first semester intake and distance learning students by 9% over the same period, reflecting an overall growth in Group student enrolments of 10% over the same period.

The growth in revenue, earnings before interest, taxation, depreciation and amortisation (EBITDA) and headline earnings per share (HEPS) from the prior reporting period is attributable to the successful execution of STADIO's organic and acquisitive growth plan. The Group grew student numbers organically at the existing Embury Institute for Higher Education (Pty) Ltd (Embury) campus in Musgrave (Durban), through the opening of the 2 new Embury campuses in Montana (Pretoria) and Waterfall (Midrand), and through the consolidation of the acquired institutions namely South African School of Motion Picture Medium and Live Performance (Pty) Ltd (AFDA), Southern Business School (Pty) Ltd (SBS), LISOF and Milpark.

The Group reported HEPS of 3.5 cents per share and reflected a core headline earnings per share (CHEPS) of 4.0 cents per share. CHEPS represents 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 (i.e. a non-cash charge arising as a result of the consolidation of the subsidiaries acquired) and a deferred purchase consideration payable in respect of the CA Connect Professional Institution CPT (Pty) Ltd (CA Connect) acquisition.

Shareholders are further advised that given the timing of expenses as well as the expenses to be incurred to meet the operational requirements of the underlying institutions for the 2019 academic year, costs in the second half of the current financial reporting period will be higher than reflected in the results presented to 30 June 2018. As such shareholders are advised that the earnings in this report for the six months ended 30 June 2018 should not be assumed to be a mirror representation of potential earnings for the subsequent six months ending 31 December 2018. The Board remains of the view that the Group is well positioned to meet its prelisting statement targets for the 2018 financial year.

During the period the Group collectively invested R417 million for the acquisition of a 100% of LISOF (effective 1 January 2018), an 87.2% effective interest in Milpark (effective 19 March 2018) and the business of CA Connect (effective 12 April 2018), further details of which are contained in note 3 of the financial results.

The Group invested a further R36 million on the capital expansion of facilities as well as new programme development.

The current Group cash balance of R304 million will be utilised to fund working capital requirements, to facilitate new developments and for potential further acquisitions which are in various stages of negotiation. STADIO currently has an ungeared balance sheet and will review efficient funding structures going forward.

The Group reported R97 million of net cash flow from operating activities, R46 million of which relates to working capital timing differences mainly generated from income received in advance.

## FUTURE CAPITAL EXPANSION INITIATIVES

### CAMPUS IN DURBANVILLE

The Group has entered into an agreement to acquire vacant land located in Durbanville, Western Cape as part of its geographic expansion plan. STADIO intends to develop the aforementioned land with the aim of opening a consolidated campus offering several faculties, including: Education and Training; Business and Commerce; Law, Security and Political Sciences; and Creative Industries (including, fashion design, advertising, marketing and communication and the film industry), as well as future faculties to be developed and acquired by STADIO. It is further envisaged that the new campus will open in 2021 and accommodate approximately 5 000 contact learning students over time.

## QUALIFICATIONS

The Group is in the process of developing and expanding its product offering. STADIO is currently actively exploring the feasibility of developing further facilities, inter alia, Faculty of Engineering and Manufacturing and a Faculty of Health and Medical Sciences. The establishment of the aforementioned faculties are currently in the research phase and still require further engagement with various role-players, including the Council for Higher Education (CHE), the South African Qualifications Authority (SAQA), the Department of Higher Education and Training (DHET) and other related professional councils.

The STADIO Group currently has 47 qualifications that are in the process of development and/or accreditation.

## DIVIDEND

No Group dividend was declared for the period.

## DIRECTORATE

On 9 March 2018 Douglas Ramaphosa was appointed as an independent non-executive director. He was further appointed as the Chairperson of the Transformation, Social and Ethics Committee as well as a member of the Audit and Risk Committee.

## PROSPECTS

The Board has considered the prospects of the Group and believes that the Group is well positioned to deliver on its organic and acquisitive growth objectives as set out in its prelisting statement. The Group will continue to seek out strategic acquisitions and will continue to develop and expand its product offering as part of its journey to create a "Multiversity" of 100 000 students over time.

On behalf of the board,

RH Stumpf  
Chairperson

CR van der Merwe  
Chief Executive Officer

3 September 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
Revenue	296 848	33 183	122 554
Other income	4 204	1 462	2 844
Income	301 052	34 645	125 398
Operating expenses	(241 193)	(35 500)	(124 929)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	59 859	(855)	469
Depreciation and amortisation	(16 405)	(3 568)	(10 069)
Earnings/(loss) before interest and taxation (EBIT)	43 454	(4 423)	(9 600)
Interest income	14 298	4 889	14 914
Finance cost	(4 249)	(4 374)	(7 630)
Profit/(loss) before taxation	53 503	(3 908)	(2 316)
Taxation	(17 990)	627	(2 788)
Profit/(loss) for the year	35 513	(3 281)	(5 104)
Profit attributable to:			
Owners of the parent	28 759	(3 281)	(7 037)
Non-controlling interests	6 754	-	1 933
Total comprehensive income/(loss) for the year	35 513	(3 281)	(5 104)
Headline earnings/(loss) (note 4)	28 470	(3 281)	(7 038)
Core headline earnings/(loss) (note 4)	31 915	(2 854)	3 238
	Cents	Cents	Cents
Earnings/(loss) per share (EPS)			
- Basic	3.6	(0.8)	(1.2)
- Diluted	3.6	(0.8)	(1.2)
Headline earnings/(loss) per share (HEPS)			
- Basic	3.5	(0.8)	(1.2)
- Diluted	3.5	(0.8)	(1.2)
Core headline earnings/(loss) per share (CHEPS)			
- Basic	4.0	(0.7)	0.6
- Diluted	3.9	(0.7)	0.6
	Million	Million	Million
Number of shares in issue			
- Basic	816	407	786
- Diluted	820	409	792
Weighted average number of shares in issue			
- Basic	805	407	576
- Diluted	808	409	582

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	553 354	94 675	453 699
Goodwill	739 556	39 923	409 666
Intangible assets	183 787	42 051	113 522
Other investments	2 555	-	1 898
Deferred tax asset	63 084	4 880	14 695
Total non-current assets	1 542 336	181 529	993 480
Current assets			
Inventories	4 347	2 245	7 370
Trade and other receivables	119 280	6 444	42 364
Loans and advances	2 384	42	2 500
Tax receivable	14 008	3 808	6 448
Cash and cash equivalents	303 838	122 537	646 090
Total current assets	443 857	135 076	704 772
Total assets	1 986 193	316 605	1 698 252
<b>EQUITY</b>			
Share capital (note 5)	1 558 683	60 812	1 367 123
Retained earnings	46 000	20 164	17 241
Other reserves	3 037	-	953

Total equity attributable to equity holders of the Company	1 607 720	80 976	1 385 317
Non-controlling interest	40 961	-	29 354
Total equity	1 648 681	80 976	1 414 671
LIABILITIES			
Non-current liabilities			
Borrowings	3 801	-	3 570
Trade and other payables (note 6)	1 339	-	719
Deferred tax liability	32 174	7 441	20 116
Total non-current liabilities	37 314	7 441	24 405
Current liabilities			
Borrowings	450	-	664
Loans from related parties	623	211 997	119 042
Trade and other payables (note 6)	267 405	16 191	136 010
Tax payable	31 720	-	3 460
Total current liabilities	300 198	228 188	259 176
Total liabilities	337 512	235 629	283 581
Total equity and liabilities	1 986 193	316 605	1 698 252
Net asset value per share (cents)	197	20	176

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
Balance at the beginning of the period	1 414 671	84 257	84 257
Total comprehensive income/(loss) for the period	35 513	(3 281)	(5 104)
Issue of ordinary shares	191 925	-	1 321 378
Share issue costs	(365)	-	(15 066)
Recognition of share-based payments expense	2 085	-	953
Dividends paid to non-controlling shareholders	(1 690)	-	-
Non-controlling interest	6 542	-	28 253
Balance at the end of the period	1 648 681	80 976	1 414 671

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
Net cash flow from/(used in) operating activities	97 364	964	(47 737)
Cash generated from/(utilised by) operations (note 7)	109 330	449	(37 233)
Interest income	14 298	4 889	14 914
Finance cost	(4 249)	(4 374)	(7 630)
Tax paid	(22 015)	-	(17 788)
Net cash flow used in investing activities	(280 972)	(28 461)	(391 903)
Purchase of property, plant and equipment	(30 573)	(23 370)	(222 185)
Proceeds from sale of property, plant and equipment	303	662	233
Purchase of intangible assets and curriculum development costs	(5 768)	(5 753)	(11 403)
Acquisition of subsidiaries (note 3)	(244 934)	-	(158 548)
Net cash flow from financing activities	(158 644)	2 763	938 459
(Share issue costs)/net proceeds from shares issued	(365)	-	824 934
Net proceeds from loans	624	-	119 042
Repayment of borrowings	(157 213)	2 763	(32)
Dividends paid to non-controlling shareholders	(1 690)	-	-
Additional investment in subsidiary with no change of control	-	-	(5 485)
Net movement in cash and cash equivalents for the period	(342 252)	(24 734)	498 819
Cash and cash equivalents at the beginning of the period	646 090	147 271	147 271
Cash and cash equivalents at the end of the period	303 838	122 537	646 090

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting, the Listings Requirements of the JSE and the requirements of the Companies Act of South Africa, as amended. The report has been prepared using accounting policies that comply with IFRS which are consistent in all material respects with those applied in the financial statements for the year ended 31 December 2017. The results have not been reviewed or audited by the Company's auditor. The condensed consolidated 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 condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2017 and includes the adoption of new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts

with Customers that were effective 1 January 2018. The new standards that have been adopted do not have a material impact on the financial results. 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 2017.

### 3. BUSINESS COMBINATIONS

During 2018 the Group invested R417 million in the acquisition of LISOF, Milpark and the business of CA Connect.

#### LISOF

Effective 1 January 2018, the Group acquired 100% of LISOF for a total purchase consideration of R127 million.

LISOF is a registered private higher education institution (focusing on fashion design and retail education) with six registered programmes ranging from higher certificates to honours degrees offered at two campuses in Johannesburg and Pretoria.

#### MILPARK

Effective 19 March 2018, the Group acquired an effective 70% interest in Milpark for a purchase consideration of R211 million. Brimstone Investment Corporation Ltd (Brimstone), the Group's BEE partner, acquired the remaining 30% effective interest in Milpark for a purchase consideration of R89 million. The total purchase consideration for Milpark amounted to R300 million.

On 20 March 2018, the Group and Brimstone concluded an asset-for-share agreement whereby the Group acquired 17.2% of Brimstone's effective 30% interest in Milpark for a purchase consideration of R50.9 million. This consideration was settled through the issue of 9.8 million ordinary STADIO shares (which are subject to a BEE lock-in period of seven years), at an issue price of R5.20 per share (being STADIO's volume weighted average share price, less a 20% discount at the date of settlement). Following the acquisition of the 17.2% interest from Brimstone, the Group has an effective interest of 87.2% in Milpark. The Group's aggregate consideration for its effective interest of 87.2% amounted to R261 million.

Milpark is a registered private higher education institution with a wide variety of programmes primarily in business and commerce (ranging from higher certificates to an MBA), the majority of which is offered through the distance learning mode of delivery.

#### CA CONNECT

Effective 12 April 2018, Milpark acquired the business of CA Connect for purchase consideration of R32.3 million, with the deferred consideration being subject to the achievement of certain profit targets. The Group's purchase consideration amounted to R28.2 million for an effective interest of 87.2%. The purchase consideration was settled partly in shares and partly in cash on 12 April 2018. CA Connect specialises in education services related to the Post Graduate Diploma in Accounting, a pathway for students who aspire to be a Chartered Accountant.

The fair value of net assets acquired are:

	LISOF R'000	MILPARK R'000	CA CONNECT R'000	TOTAL R'000
Property, plant and equipment	69 524	12 185	-	81 709
Intangible assets	17 100	48 802	2 829	68 731
Deferred tax asset	1 626	13 857	-	15 483
Deferred tax liability	(6 703)	(2 671)	(993)	(10 367)
Trade and other receivables	2 828	44 848	3 547	51 223
Other financial assets	-	510	-	510
Trade and other payables	(6 295)	(112 891)	-	(119 186)
Income tax payable	(1 472)	-	-	(1 472)
Income tax receivable	1 348	6 667	-	8 015
Borrowings	(16 653)	-	-	(16 653)
Loans and advances	(21 518)	-	-	(21 518)
Cash and cash equivalents	2 729	34 415	-	37 144
Total identifiable net assets acquired	42 514	45 722	5 383	93 619
Non-controlling interest	-	(5 853)	(689)	(6 542)
Goodwill	84 824	221 582	23 484	329 890
Consideration paid by the Group	127 338	261 451	28 178	416 967
Consideration paid by the Group				
Cash	(68 690)	(206 996)	(6 392)	(282 078)
Equity	(58 648)	(50 863)	(8 006)	(117 517)
Deferred consideration	-	(3 592)	(13 780)	(17 372)
Total consideration	(127 338)	(261 451)	(28 178)	(416 967)
Net cash flow on acquisition				
Cash consideration paid	(68 690)	(206 996)	(6 392)	(282 078)
Cash and cash equivalents acquired	2 729	34 415	-	37 144
	(65 961)	(172 581)	(6 392)	(244 934)

### 4. HEADLINE EARNINGS/(LOSS) PER SHARE

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
Reconciliation of headline earnings/(loss):			
Basic earnings/(loss)	28 759	(3 281)	(7 037)
Adjustments attributable to parent:			
Loss/(profit) on disposal of property, plant and			

equipment	163	-	(1)
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	(564)	-	-
Tax on above	112	-	-
Headline earnings/(loss)	28 470	(3 281)	(7 038)
Reconciliation of core headline earnings/(loss):			
Headline earnings/(loss)	28 470	(3 281)	(7 038)
Adjustments attributable to parent:			
Finance cost on deferred purchase consideration	868	-	-
Acquisition costs	1 097	-	4 744
Listing costs, legal and other fees	-	-	4 154
Amortisation of client list	2 061	593	1 916
Tax on above	(581)	(166)	(538)
Core headline earnings/(loss)	31 915	(2 854)	3 238

5. SHARE CAPITAL

The Company issued ordinary shares during the period as per the share capital reconciliation below:

	Number of ordinary shares	Share capital (R'000)
Balance as at 1 January 2018	786	1 367 123
Issue of shares in respect of acquisitions	30	191 560
Balance as at 30 June 2018	816	1 558 683

6. TRADE AND OTHER PAYABLES

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
Trade and other payables	78 468	10 685	25 304
Income received in advance	172 904	5 506	22 609
Deferred purchase consideration	17 372	-	88 816
	268 744	16 191	136 729

7. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	Unaudited 30 Jun 2018 6 months R'000	Unaudited 30 Jun 2017 6 months R'000	Audited 31 Dec 2017 12 months R'000
Profit/(loss) before taxation	53 503	(3 908)	(2 316)
Non-cash and other items disclosed separately	9 510	3 053	4 526
	63 013	(855)	2 210
Movements in working capital	46 317	1 304	(39 443)
Decrease/(increase) in inventories	3 024	1 565	(3 561)
Increase in trade and other receivables	(25 575)	(6 148)	(2 760)
Increase/(decrease) in trade and other payables	68 868	5 887	(33 122)
Cash generated from/(utilised by) operations	109 330	449	(37 233)

8. SEGMENTAL REPORTING

Due to all the services provided by the Group being related to higher education services within Southern Africa, the Group only has one reportable segment. All historical information presented represents the financial information of this single segment.

9. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

STATUTORY AND ADMINISTRATION

Directors: CR van der Merwe\*, S Totaram\*, D Singh\*, PN de Waal\*\*, DM Ramaphosa^, RH Stumpf^, R Kisten^, KS Sithole^, A Mellet\*\* (Alternate to PN de Waal)

\* Executive director \*\* Non-executive director ^ Independent non-executive director

Company secretary: Stadio Corporate Services (Pty) Ltd

Registered office: Unit 13, San Domenico, 10 Church Street, Durbanville, 7550

Transfer secretaries: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. PO Box 61051, Marshalltown, 2107

Corporate adviser and sponsor: PSG Capital (Pty) Ltd

Website: www.stadio.co.za