Sponsored Research

STADIO Holdings

ANCHOR STOCKBROKERS

1H25 - Earnings growth momentum continues

Date: 29 August 2025

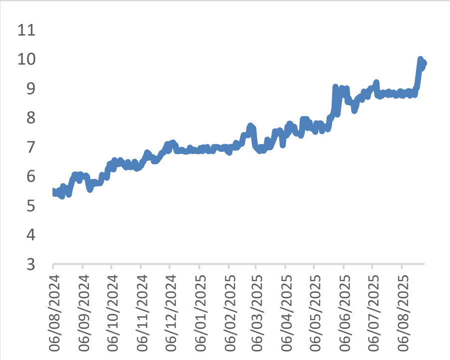
Analyst
Sven Thordsen, CFA
+44 (0) 752 367 6780
sthordsen@anchorsb.co.za

Price (28/08/2025):	R9.90
Market cap	R8415mn
Shares in issue	850mn

Sponsored Research: Anchor Stockbrokers and/or its affiliates is compensated by certain corporates to produce objective and impartial research. A Recommendation and Target Price are not provided.

- STADIO's 1H25 results were in line with expectations, as recently published in our initiation report Creating capacity for growth. Normalised HEPS was up 28% to 20.7c, driven by 16% revenue growth and further improvement in operating margins. As per its policy no dividend is declared at interims.
- Semester 1 student numbers grew 9% to 51 197, in line with expectations. Excluding the cyclical B2B students, growth was 11%. The B2B impact is declining in magnitude. Contact learning grew 11% to 7 018, representing 14% of total students. Distance students grew 9% to 44 179. Contact student growth is forecast to grow at a higher rate than distance, ultimately reaching the 20% mix target. Preliminary 2025 Semester 2 student numbers are at 54 487 (+8%), in line with expectations. The group is on track to achieve, and surpass, its 56 000 students target at the end of 2026. We forecast 59 095 (+8.4%) students in Semester 2 2026.
- The average student fee increased by 6.3%, reflecting the 5-6% fee increases in its programmes and the positive mix impact from stronger contact student growth. We believe this trend will be consistent for the full year and anticipate revenue growth of 16% in FY25E.
- EBITDA margins have widened from 28.5% to 30.6% as costs grew at 11% and the loss allowance charge rose 22%. Staff costs account for 63% of total costs and was up 9%. This is a function of salary increases of circa 5.5% and an increase in staff numbers given a greater programme offering. We forecast EBITDA margins of 30.1% for FY25E, widening to 31% in FY26E.
- The debtors charge as a % of revenue has increased from 8.3% to 8.7%, in line with FY24, Given ongoing affordability strain we don't see this improving for the full year with minor relief anticipated in FY26E. Gross debtors as a % of revenue has risen slightly from 26.9% to 27.4%, largely due to the higher risk prior period receivables growing by 22% - provision coverage of this book is at a satisfactory 86%, up from 84%.Total debtors book provision coverage is at 51%, consistent with the past three financial years.
- Net cash from operations of R170m, post dividends, was sufficient to cover capex of R120m. Despite this management has opted to fund the Durbanville Campus (opening January 2026) with part debt, resulting in debt of R53m (1H24 Rnil). With a further R142m to be incurred at Durbanville, we see debt rising to R120m for FY25E. Despite this the group remains very lowly geared at 10% including lease liabilities and is in a net cash position. Capex for FY26E is expected at R325m, with our forecast at R214m in FY26E.
- On our forecasts the group continues to generate cash in excess of capex and dividend obligations, and we therefore believe that the dividend payout will rise from an expected 50% in FY25E to 65% in FY26E and 70% in FY27E. We don't anticipate share buy backs apart from those required for its share incentive scheme
- We make a slight adjustment to our FY25E normalised HEPS, declining from 40.7c to 40.3c (+28%) with FY26E remaining at 49.2c (+22%). With 8% student growth and circa 5% fee increases, revenue should grow at 13-14% in the medium term. Coupled with margin expansion we anticipate a 3-year CAGR in normalised HEPS of 24%. We forecast ROE expansion from 13.7% in FY24 to 19.3% in FY27E, well on track to achieve the 20% target. The stock trades on a forward 12m P/E of 22.4x (16.6x to FY27E), compared to a 24x 3-year average. The mid-point of our DFCF valuation range is R10.75/share.

Price performance - ZAR



Source: FactSet

Figure 1 Financial Summary – R'm

Year Ending	FY2022 A	FY2023 A	FY2024 A	FY2025 F	FY2026 F	FY2027 F
Income Statement						
Tuition fees	1,135	1,311	1,500	1,736	1,991	2,272
Growth (%)	*10.8%*	*15.5%*	*14.4%*	*15.8%*	*14.7%*	*14.1%*
Ancillary revenue	78	102	112	135	153	174
Growth (%)	*6.7%*	*30.5%*	*9.3%*	*20.3%*	*14.1%*	*13.7%*
Total revenue	1,214	1,414	1,612	1,871	2,144	2,446
Growth (%)	*10.5%*	*16.5%*	*14.0%*	*16.1%*	*14.6%*	*14.1%*
Other income	6	15	15	16	17	18
Operating costs	789	911	1,028	1,161	1,315	1,486
Growth (%)	*10.3%*	*15.4%*	*12.9%*	*12.9%*	*13.2%*	*13.0%*
Expected credit losses	80	127	141	163	182	208
% of revenue	*6.6%*	*9.0%*	*8.7%*	*8.7%*	*8.5%*	*8.5%*
EBITDA	351	391	458	563	665	771
EBITDA Margin (%)	*28.9%*	*27.6%*	*28.4%*	*30.1%*	*31.0%*	-92
% growth	*13.4%*	*11.3%*	*17.4%*	*22.9%*	*18.1%*	*15.9%*
Recurring EBITDA	351	387	458	563	665	771
Recurring EBITDA Margin (%)	*28.9%*	*27.4%*	*28.4%*	*30.1%*	*31.0%*	*31.5%*
% growth	*13.1%*	*10.2%*	*18.5%*	*22.9%*	*18.1%*	*15.9%*
EBIT (pre impairments)	283	320	387	484	577	678
EBIT Margin (%)	*23.3%*	*22.6%*	*24.0%*	*25.9%*	*26.9%*	*27.7%*
% growth	*16.3%*	*13.2%*	*21.0%*	*25.1%*	*19.0%*	*17.6%*
Profit before tax	269	324	382	487	591	713
Net profit	186	236	276	351	427	516
Net profit post minorities	165	208	262	341	417	506
Headline Earnings	170	208	266	341	417	506
% growth	*17.6%*	*22.7%*	*27.9%*	*28.4%*	*22.2%*	*21.3%*
Headline EPS, ZAc	20.0	24.5	31.4	40.3	49.2	59.7
Normalised headline earnings	176	209	267	341	417	506
% growth	*18.3%*	*18.6%*	*27.8%*	*27.9%*	*22.2%*	*21.3%*
Normalised EPS, ZAc	20.7	24.6	31.5	40.3	49.2	59.7
% Change	*20.9%*	*18.6%*	*28.2%*	*27.8%*	*22.2%*	*21.3%*
DPS, Zac	8.9	10.0	15.1	20.1	32.0	41.8
Payout ratio (%)	*43%*	*41%*	*48%*	*50%*	*65%*	*70%*
Balance Sheet						
Cash and Cash equivalents	148	130	132	215	349	505
Current assets (ex – cash)	169	233	248	281	317	356
Net Fixed assets	867	872	889	1,140	1,266	1,264
Intangible assets	892	903	923	895	868	842
Investments	119	102	108	91	106	109
Other assets	87	76	90	107	130	157
Total assets	**2,281**	**2,316**	**2,389**	**2,730**	**3,036**	**3,232**
Debt ex lease liabilities	0	0	1	120	170	120
Lease liabilities	170	115	112	117	121	126

Year Ending	FY2022 A	FY2023 A	FY2024 A	FY2025 F	FY2026 F	FY2027 F
Current liabilities	184	287	187	217	248	283
Other liabilities	46	52	66	53	83	100
Total liabilities	**399**	**454**	**366**	**507**	**622**	**630**
Shareholders' equity	1,772	1,795	1,957	2,173	2,424	2,662
Minorities	110	68	67	70	74	77
Total shareholders' equity	**1,882**	**1,862**	**2,024**	**2,243**	**2,497**	**2,739**
BVPS - ZAR	*2.21*	*2.19*	*2.39*	*2.65*	*2.95*	*3.24*
RoE	*9.7%*	*11.2%*	*13.7%*	*16.0%*	*17.6%*	*19.3%*
ROCE	*14.9%*	*17.1%*	*20.1%*	*22.7%*	*24.5%*	*27.6%*
Cash Flow						
Reported profit before tax	**269**	**324**	**382**	**487**	**591**	**713**
Change in net working capital	-53	-44	-5	-4	-5	-4
Net Interest (paid)/received	-10	0	0	2	14	34
Dividends paid	-59	-93	-96	-128	-171	-271
Depreciation	68	71	71	79	88	92
Other adjustments	-44	-105	-93	-125	-165	-217
Cash flow from operations	**172**	**153**	**260**	**310**	**353**	**347**
Net Capex	-40	-59	-105	-329	-214	-91
Capex/revenue (%)	*3.3%*	*4.1%*	*6.5%*	*17.6%*	*10.0%*	*3.7%*
Other investing cash flows	-5	-1	12	29	-8	-1
Cash flow from investing	**-45**	**-59**	**-93**	**-300**	**-222**	**-91**
Equity raised/(bought back)	-14	-52	-139	-19	-19	-21
Net increase/(decrease) in borrowings	-15	0	0	120	50	-50
Other financing cash flows	45	34	70	100	142	241
Cash flow from financing	**-43**	**-111**	**-165**	**73**	**3**	**-101**
Net cash flow	**83**	**-17**	**2**	**83**	**134**	**155**
Free cash flow	**189**	**169**	**239**	**95**	**282**	**480**
Repayment of lease liabilities	**-32**	**-62**	**-29**	**-30**	**-31**	**-33**
Net Free cash flow	**158**	**107**	**210**	**65**	**251**	**447**
Valuation Summary						
Share Price- ZAc	491	522	990	990	990	990
P/E (Underlying) -x	23.7	21.2	31.4	24.6	20.1	16.6
P/BV -x	2.2	2.4	4.1	3.7	3.4	3.1
EV/EBITDA -x	23.8	21.4	18.2	14.8	12.6	10.8
EV/EBIT - x	29.5	26.1	21.6	17.2	14.5	12.3
FCF Yield	3.8%	2.4%	2.5%	0.8%	3.0%	5.3%
Dividend Yield	1.8%	1.9%	1.5%	2.0%	3.2%	4.2%
Net Debt (incl lease liabilities)	22	-15	-20	21	-58	-258
Debt/Equity (incl lease liabilities)	0.01	-0.01	-0.01	0.01	-0.02	-0.09
Net Debt (excl lease liabilities)	-106	-95	-100	-62	-144	-349
Net Debt/Equity (excl lease liabilities)	-0.06	-0.05	-0.05	-0.03	-0.06	-0.13

Source: FactSet, ASB Research

Disclaimer:

Anchor Stockbrokers (Pty) Ltd or its affiliates have been commissioned by the Company to produce this research for a fee.

Analyst Certification:

We hereby certify that the views expressed in this report are an accurate representation of our personal views with respect to the subject company or companies and its or their respective securities. This information has been prepared in good faith and is based on information obtained from third party sources. The Analyst might own direct exposure to companies they cover.

General Disclaimer:

This report is proprietary to Anchor Stockbrokers (Pty) Ltd and may not be copied or distributed without the prior written consent of the authors. Furthermore, the report and its contents are confidential, privileged and only for the information of the intended recipient and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you may not use or disclose the information in this report in any way.

While Anchor Stockbrokers (Pty) Ltd has endeavoured to ensure the accuracy of the information contained in this report it does not make any representations or warranties in respect of this report or its content and will not be liable for any loss or damage of any nature arising from this report, the content thereof, your reliance thereon its unauthorised use or any electronic viruses associated therewith. The information, recommendations, ratings and opinions and other content presented in this report are provided for information purposes only and does not constitute an offer or an invitation to make an offer, to buy or sell any securities or any derivatives related to such securities.

The contents of this report constitute factual, objective research and analysis and does not amount to "advice" for purposes of the Financial Advisory and Intermediary Services Act, 2002, or otherwise. Investors should consult their advisors and seek financial advice with respect to the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements and expectations regarding future prospects may not be realised.

This product may not be eligible for distribution in all jurisdictions and is directed at Institutional and Professional investors who have the experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not deemed suitable for Retail or non-qualified investors and may not be distributed into any jurisdiction where the information is not permitted.

The date for above share price (close price) and market capitalisation is the close price on 28 August 2025. The close price is the final price at which the security is traded in the relevant exchange on the date indicated.

Lastly, any opinions, forecasts, ratings or estimates included in this report represent a judgement as at the date of this report.