

## SANELISIWE TOFILE: The knowledge dividend

Private education provider Stadio grows earnings as student numbers rise 9% to 38,000 with 50,000 in sight for 2026

12 MAY 2022 - 19:59 by SANELISIWE TOFILE



Picture: 123RF/VITEE THUMB

It's been three-and-a-half years since Stadio was spun out of its parent, the private schools operating group Curro Holdings. Since listing separately on the JSE, this private higher education provider has gone from strength to strength, growing revenue and profit and expanding its campus footprint.

Today, Stadio offers a wide range of courses, degrees and diplomas in fields such as education, commerce and business as well as the creative and performing arts. Stadio has ambitions to grow into other popular faculties such as law, information technology (IT) and the humanities.

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Stadio also has prominent brands in its portfolio such as AFDA and Milpark Education, strategic acquisitions in line with its growth plans.

Last year was another encouraging one for Stadio, with earnings rising 27% despite the Covid-19 pandemic posing challenges for education providers. This performance was driven partly by 9% growth in the number of students, now in the region of 38,000.

More impressive, and of greater significance, is growth in the number of students using Stadio's distance-learning offering. This number rose 13% to just more than 32,000 students, and now makes up 84% of Stadio's student body. This is where Stadio's management sees the most significant growth opportunity. Stadio's intention is to grow student numbers to 50,000 by 2026 and to 100,000 beyond that.

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This fledgling business had a stellar start to its life as a listed company, but its greatest opportunity still lies ahead. SA's higher education sector consists of roughly 1.3-million students, about 85% of whom are still in the traditional public universities. This number has doubled since 2000. But with more than 900,000 learners having sat for the 2021 matric exams, this number needs to grow rapidly to meet rising demand from school-leavers.

The challenge is that traditional universities are filled to capacity and lack the ability and funding to serve the growing number of students. This is a huge opportunity for players such as Stadio. In addition, Unisa, one of Stadio's biggest competitors in distance learning, is plagued with operational and administrative problems, which makes it ripe for disruption.

From a socioeconomic point of view, the need for higher education has never been greater for SA. Unemployment soared to record highs over the past few years, breaching the 35% mark in 2021's fourth quarter with the expanded definition rising well above 40%. Of great concern is youth unemployment, which ballooned to more than 65%.

While low GDP growth has meant job creation is sorely lacking, another major contributor to high unemployment has been the skills shortage. One of the most effective ways to address this is education.

With the government failing to enact policies to drive economic growth to create jobs, and failing to solve the crisis unfolding in the education department, we believe the private sector can step in with solutions to these problems. This is why we believe that affordable private education is the answer, and companies like Stadio are well positioned to benefit from this.

Stadio's stated ambition is to widen access to education while giving young (and older) adults practical knowledge and skills to enter and thrive in the world of work. One way they do this is by offering their degrees and diplomas at a discount to traditional universities. Though the annual cost of degree studying varies by faculty and institution, Stadio's average tuition fee of roughly R30,000 still comes at a meaningful discount to most programmes at traditional universities, and is far more affordable for the average South African.

Stadio offers a modular approach to studies so students can select and pay for individual courses, enabling them to stagger their studies over time. So students can adjust their education costs to suit their budgets.

This flexibility and the more affordable fees are particularly significant to low- and middle-income families who are most likely to need life-changing higher education for their children for them to eventually find gainful employment and improve their quality of life.

This critical aspect is not lost on any of us at All Weather Capital. We believe that our passion, and what we do daily, must improve peoples' lives.

Higher education is a societal imperative. Over and above the attractive returns shareholders are likely to earn from this company as it matures, we are even more excited by the benefits Stadio brings to SA by providing such an essential service. We believe that by investing in Stadio we truly invest in positive outcomes.

• *Tofile is deputy chief investment officer at All Weather Capital.*

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