



# From our **Fund Manager's Desk**

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## South Africa's Private Education Sector – **Structural demand meets scalable growth**

South Africa's private education sector continues to demonstrate resilient, non-cyclical demand driven by chronic undersupply in public institutions, rising aspirations among middle-income households, and a policy environment increasingly supportive of private-sector participation.

Public universities face a severe and persistent capacity deficit, with more than 200,000 qualified students unable to secure a place for the 2026 academic year. This structural shortfall provides a powerful long-term tailwind for private tertiary providers.

This overflow in demand aligns directly with the differentiated, scalable models of ADvTECH and STADIO, both of which are well positioned to absorb unmet student demand while sustaining attractive margins.

## SHARE PRICE PERFORMANCE



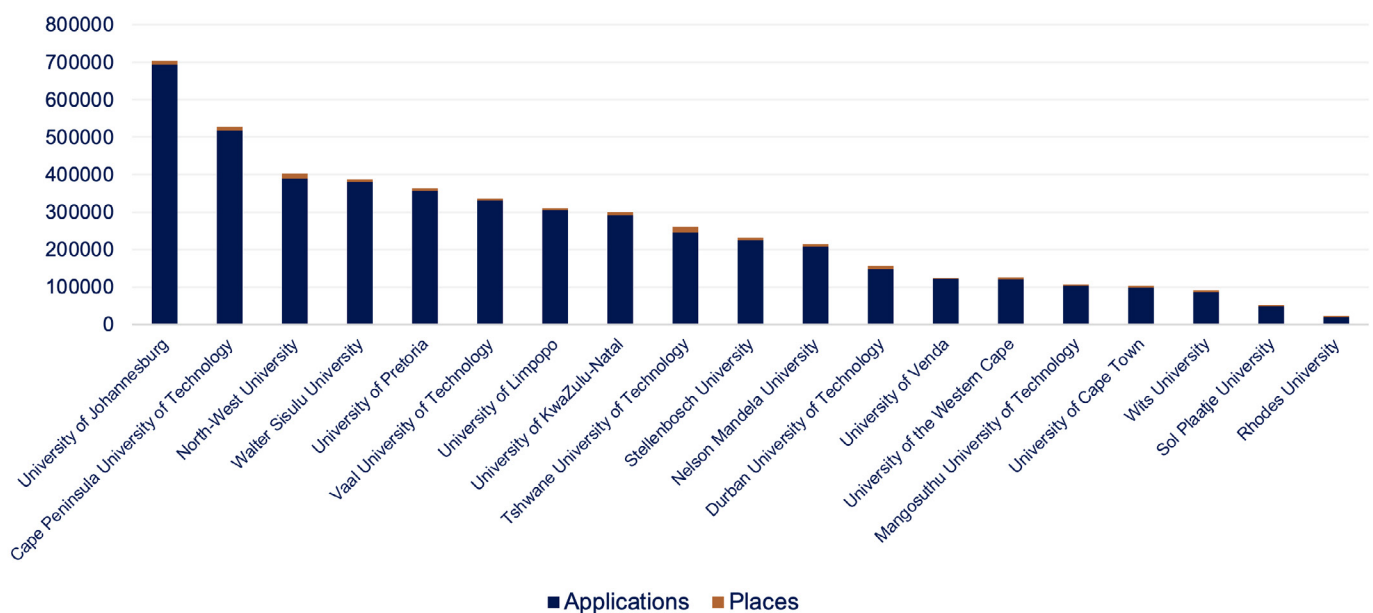
Source: FactSet

## Public university capacity crisis

South Africa's tertiary system remains severely capacity constrained. Public universities collectively receive over 4.6 million applications each year but are able to accommodate only around 132,000 first-year students. Even after adjusting for duplicate applications, more than 200,000 eligible matriculants are left without a place annually, underscoring the scale and persistence of the supply deficit.

This structural gap creates a durable flow of unmet demand into the private sector. Providers with broad national footprints, scalable digital learning models, accredited qualification suites, and well-defined progression pathways - from certificate level to postgraduate study - are best positioned to absorb this excess demand.

## APPLICATION VS PLACES



Source: News24



Several long-term structural drivers are enabling private education to steadily gain share.

LSM expansion has meaningfully broadened the pool of households both able and willing to pay for quality education. At the same time, rising dissatisfaction with public school outcomes has increased the appeal of private alternatives. There is also growing willingness to invest in reliable, market aligned qualifications, particularly in fields regarded as gateways to higher income career paths.

Demand at the tertiary level is further supported by South Africa's ongoing shift from a labour intensive to a knowledge intensive economy, which is raising the importance of post secondary qualifications across industries.

The regulatory backdrop has likewise become structurally more supportive. The 2025 Institutional Types Policy, introduced in October 2025, establishes a formal pathway for private institutions to be recognised as Universities or University Colleges. This policy strengthens institutional credibility through enhanced brand legitimacy, tighter quality assurance standards, and improved international comparability of qualifications. It also provides clearer guidance for programme expansion, giving private providers greater certainty as they move into higher level and postgraduate offerings.

Collectively, these developments represent a meaningful medium term catalyst for the sector. ADvTECH and STADIO, in particular, are well positioned to benefit from rising demand, improved accreditation clarity, and expanded growth pathways.

## **ADvTECH – A vertically integrated education ecosystem**

ADvTECH's core competitive advantage lies in its end to end education ecosystem, spanning a sizeable Schools division (43 percent of profit), a broad Tertiary division (50 percent), and a Resourcing division (7 percent). This vertically integrated model provides a seamless learner pathway from early schooling through undergraduate and postgraduate study, and ultimately into employment - making ADvTECH the most diversified and defensively positioned operator in the sector.

The group's operational strengths include strong brand equity across both premium and mid market segments, resilient margins, and a robust balance sheet, supporting sustained investment and expansion. Its academic depth is underpinned by 229 accredited programmes, reinforcing the breadth and credibility of its qualification offering.

ADvTECH remains the market leader in scale, with 104,116 enrolled students and system occupancy at 83 percent, near optimal levels. Its size, integrated structure, and strong margins underpin durable earnings momentum and consistent long term returns.



The group is now entering a significant new phase with the launch of Emeris, a unified premium higher education brand that will consolidate Varsity College, Vega School, and MSA under a single identity from 2026. This strategic consolidation simplifies ADvTECH's brand architecture and elevates its academic positioning as it prepares to pursue formal university status under South Africa's updated regulatory framework. Emeris is designed to enhance academic credibility, unify systems, and reinforce the group's standing as the leading provider of private tertiary education.

Growth remains well supported by multiple vectors: continued African expansion in Kenya, Botswana, and Ghana; investment in digital and blended learning through ADvLEARN; and steady capacity increases across key campuses, including Rosebank College and the large scale Emeris rollout. The Schools segment also continues to expand at a disciplined pace of 1–3 new schools per year in response to sustained demand.

Taken together, the emergence of Emeris, ADvTECH's vertically integrated model, expanding physical and digital infrastructure, and deep academic capabilities position the group as the clear frontrunner in South Africa's private tertiary landscape. With university recognition pathways opening and demand for high quality education accelerating, ADvTECH is strategically placed to lead the next phase of growth in the country's private higher education sector.



Source: ADvTECH

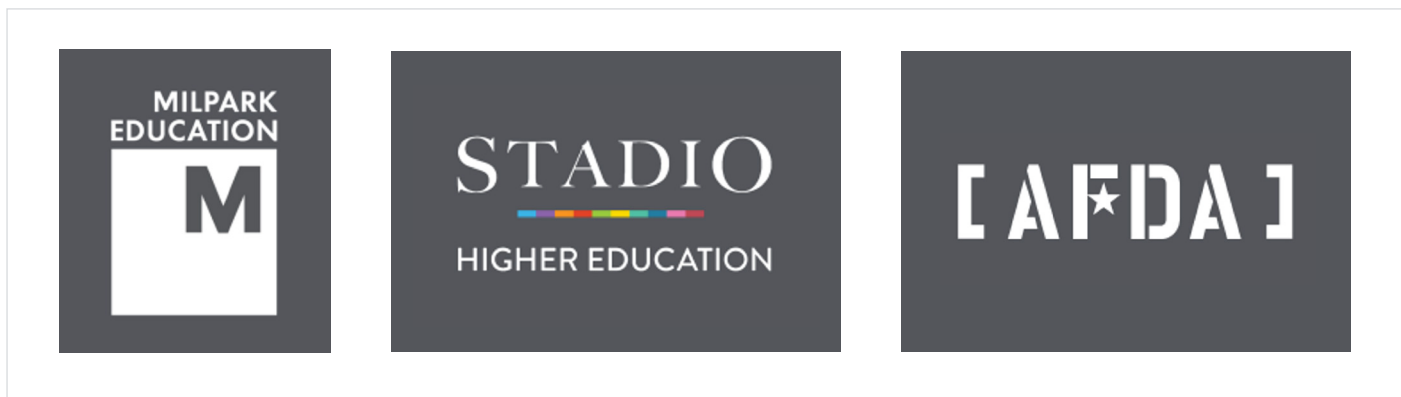
## STADIO - A capital light, distance learning first tertiary education specialist

STADIO operates a diversified tertiary-education portfolio, offering programmes across key academic and professional disciplines including education, commerce, law, creative industries, architecture and design, and information technology. Through its multi-brand structure, comprising STADIO, Milpark Education, and AFDA - the group delivers both contact and distance-learning programmes. Its strategic emphasis on distance learning is significant, with 86 percent of students enrolled remotely, positioning STADIO as one of the most scalable and capital-efficient tertiary operators in the country.

The group's operational strengths are anchored in its capital-light model, where the predominance of distance learning reduces infrastructure requirements and enhances operating leverage. This underpins industry-leading EBITDA margins of approximately 27 percent, the highest among listed education providers. STADIO's net cash balance sheet provides the flexibility to invest, expand, or pursue acquisitions opportunistically. Academically, the group offers a broad and competitive qualification suite, including 72 degrees, 10 postgraduate diplomas, and 1 PhD, enhancing its appeal across a wide learner demographic.



Looking ahead, STADIO is well positioned to benefit from several strategic growth opportunities. Its distance-learning infrastructure enables national scale at minimal marginal cost, making it a prime beneficiary of rising demand for flexible tertiary options in South Africa. The newly introduced Institutional Types Policy also creates a pathway for STADIO to apply for university status, a development that would significantly strengthen brand credibility and support further programme expansion. Additional growth avenues include the rollout of Honours and Masters programmes, as well as continued investment in professional schools across law, accounting, education, and the creative arts.



Source: Stadio



## Conclusion

Unlike many cyclical sectors, education remains a non discretionary, needs based expenditure, supporting resilient demand across economic environments.

Within this context, ADvTECH and STADIO emerge as the clear structural winners. Both are well capitalised, strategically positioned, and aligned with the sector's most attractive growth vectors: scalable tertiary expansion, distance learning, programme depth, and academically credible structures. Their ability to convert strong, sustained demand into high quality earnings meaningfully differentiates them from peers.

As investors in both ADvTECH and STADIO within our South Africa Actively Managed Certificate (AMC) investment vehicle, we see these companies as central to the sector's transformation. They offer exposure to defensive cash flows, high quality earnings, and substantial growth runways. As South Africa continues its transition toward a more knowledge driven economy, and with public sector capacity constraints set to persist, private providers with scale, credibility, and innovation at their core are poised to outperform.



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