



Adcorp Interim Results FY2022

DATE

28 Oct 2021

Forward looking statements

The statements contained herein may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements, include without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to operations, margins, overall market trends, risk management and exchange rates. Forward-looking statements are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

Although forward-looking statements contained in this presentation are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements apply only as of the date on which they are made, and Adcorp undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

28 Oct 2021



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Dr John Wentzel

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Noel Prendergast

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Bruce Toerien

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Outlook

Dr John Wentzel



Business Overview

PRESENTED BY
Dr John Wentzel

DATE
28 Oct 2021

Business Overview



- Market recovery slow and mixed
- Concentrated on improving sustainability and quality of earnings
- Deployed a more agile operating model
- Focused on our people and specific customer segments
- Capacitated for growth



Focus | Agility | Growth



FY2022 Interim Results

PRESENTED BY
Noel Prendergast

DATE
28 Oct 2021

Financial snapshot



Gross profit from continuing operations
increased by **6.7%** to **R599 million**

(2020: R562 million)



Revenue from continuing operations
decreased by **5.4%** to **R5,8 billion**

(2020: R6,1 billion)



Operating profit from continuing operations increased by **10.3%**
to **R71,6 million**
(2020: R64,9 million*)



Profit after tax from continuing operations of **R27,4 million**

(2020: R12,3 million*)



Cash generated by operations
of **R68,9 million**

(2020: R860,9 million)



Net unrestricted cash
of **R97,6 million**

(2020: R52,0 million before deferred payables of R437 million)



Earnings per share from continuing operations increased to
25,2 cents per share
(2020: 11,4 cents earnings per share*)



Headline earnings per share from continuing increased to **27,2 cents per share**

(2020: 12,5 cents headline earnings per share*)

Quality of earnings – Impact of once-off items in FY2021



Once-off income items (H1 FY21)

Salary sacrifices	R67 million
COVID-19 Tax relief - ETI	R25 million
ECL reversals	R23 million
Lease liability derecognised (Nicolway building)	R11 million
JobKeeper income in Australia	R35 million
Total	R161 million

Once-off cost items (H1 FY21)

Salary costs of departed employees	R56 million
Retrenchment costs	R24 million
Other non-recurring costs	R23 million
Total	R103 million



Summarised consolidated statement of profit or loss

Key notes:

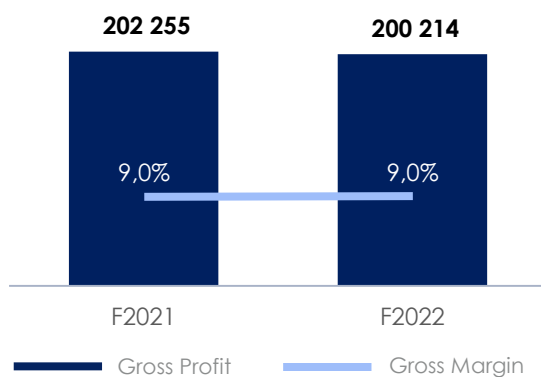
- Revenue decline of 5.4%
- Improved gross profit by 6.7%, with gross margin at 10.4% (2020: 9.2%)
- Other income reduced mainly due to once-off JobKeeper income in Australia in Aug 20
- Operating expenses improved compared to prior period –continued cost containment, ZAR appreciation and reduction in depreciation and amortisation
- Net loan funding cost decrease of 62.1% coupled with a reduction in lease liability interest of 5.2%
- Increase of 123.2% in profit for the period compared to prior period

	Unaudited Period end Aug 2021	Unaudited* Period end Aug 2020	
	R'000	R'000	%Change
Revenue	5,780,831	6,110,733	(5.4)
Cost of sales	(5,181,408)	(5,549,124)	6.6
Gross profit	599,423	561,609	6.7
Gross profit margin %	10.4%	9.2%	
Other income	6,236	56,663	(89.0)
Loss allowance for expected credit losses	1,150	23,265	(95.1)
Operating expenses	(535,172)	(576,584)	7.2
Operating profit	71,637	64,953	10.3
Operating profit margin %	1.2%	1.1%	
Net cost of funding	(32,302)	(49,530)	34.8
Net cost of loan funding	(9,779)	(25,781)	62.1
Lease liability interest (IFRS 16)	(22,522)	(23,749)	5.2
Profit before taxation	39,336	15,423	155.0
Taxation expense	(11,952)	(3,156)	(278.7)
Profit for the period	27,384	12,267	123.2
Continuing operations	27,384	12,267	123.2
Discontinued operations	4,942	26,608	(81.4)
	32,326	38,875	(16.8)

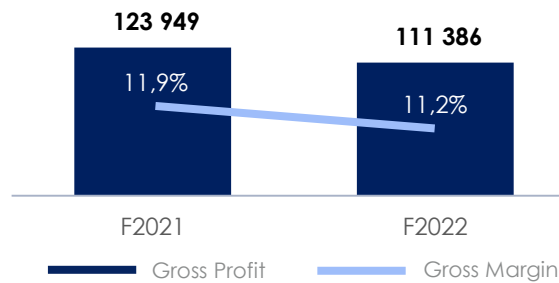
*Restatement of Angola cash and bonds and prepayment amortisation related to enterprise project.

Segmental performance: Gross profit (R'000)

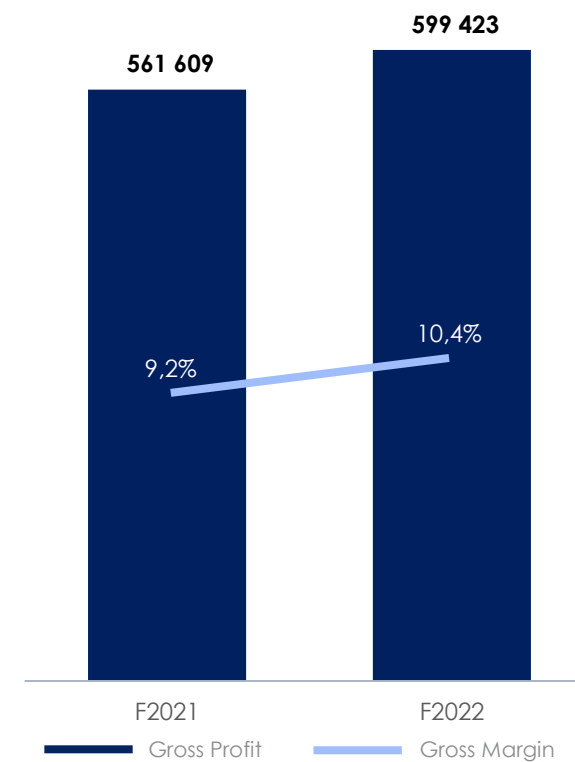
Industrial - SA



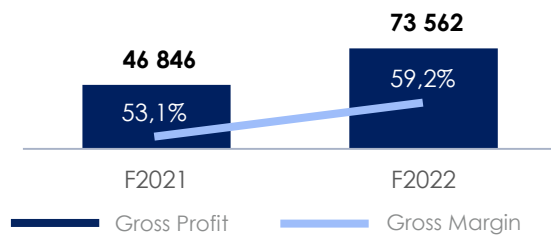
Professional - SA



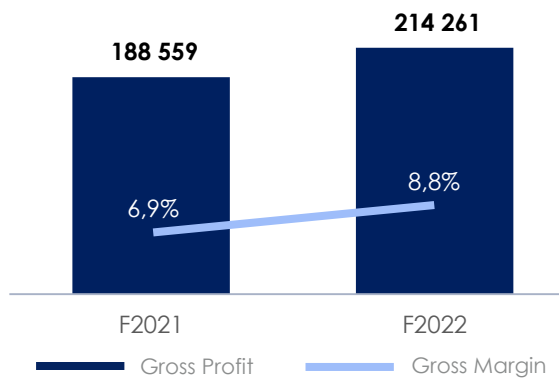
Group



Training - SA



Australia



Segmental performance: Operating profit (R'000)

Key notes:

**Operating profit – continuing operations
increase of 10.3%**

South Africa

- Decreased by 15.1%
- Comparable period includes several significant once-off income and cost items
- Central costs absorbed on consistent basis

Australia

- Improved by 66% at operating profit level in AUD

	Unaudited Period end Aug 21	Unaudited Period end Aug 20	
	R'000	R'000	% Change
South Africa - continuing operations	32,392	38,135	(15.1)
Industrial Services	44,797	59,636	(24.9)
Professional Services	10,310	20,154	(48.8)
Training	(21,734)	(32,052)	32.2
Central costs	(981)	(9,603)	89.8
Australia - continuing operations	39,245	26,818	46.3
Total Group	71,637	64,953	10.3



Summarised consolidated statement of financial position

Key notes:

- Trade and other receivables remained relatively flat compared to Feb 2021
- Intangible assets and goodwill movement is mainly due to revaluation of the foreign goodwill in the Australia business
- Cash and cash equivalents have reduced to R420m. Funds over the period have been directed to reduction of debt
- Interest-bearing borrowings have reduced by R206m from Feb 2021
- Trade and other payables, including provisions reduced by 3.3%

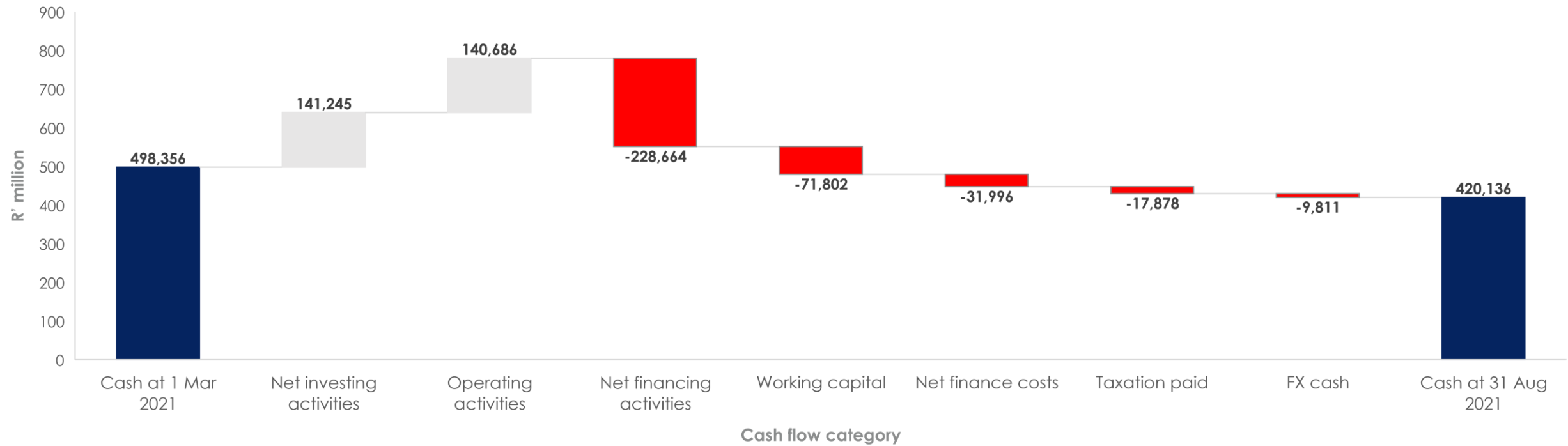
	Unaudited Period end Aug 21	Unaudited* Period end Aug 20	Audited Year end Feb 21
	R'000	R'000	R'000
Assets			
Property and equipment	43,922	67,796	48,286
Right-of-use lease assets	333,072	385,020	364,572
Intangible assets and Goodwill	630,036	792,785	671,562
Investment and other financial assets	19,348	58,045	18,971
Tax and deferred tax asset	205,976	224,775	208,686
Trade and other receivables	1,534,059	1,751,652	1,534,315
Cash and cash equivalents	420,136	715,747	473,932
	3,186,549	3,995,820	3,320,324
Non-current assets held for sale	-	103,631	196,553
Total assets	3,186,549	4,099,451	3,516,877
Equity and liabilities			
Capital and reserves	1,340,430	1,373,317	1,352,254
Interest-bearing borrowings	250,000	629,431	455,910
Lease liabilities	425,171	447,808	444,939
Tax and deferred tax liability	133,495	158,638	149,970
Trade and other payables incl provisions	1,037,453	1,444,505	1,092,660
	3,186,549	4,053,699	3,495,733
Liabilities held for sale	-	45,752	21,144
Total equity and liabilities	3,186,549	4,099,451	3,516,877

*Restatement of Angola cash and bonds and prepayment amortisation related to enterprise project.

Cash flow movement for the period



Cash flow movement for the period to 31 Aug 2021



- Cash management remains judicious with continued focus on working capital management
- Degearing of the balance sheet remains a focus area – utilised facilities of R250 million at period end

Pro-forma net cash/(debt)

Key notes:

- South African facility to August 2022
- Australian facility to June 2022
- Discussions underway for new facilities in 2022
- Restricted cash of R72 million in Angola

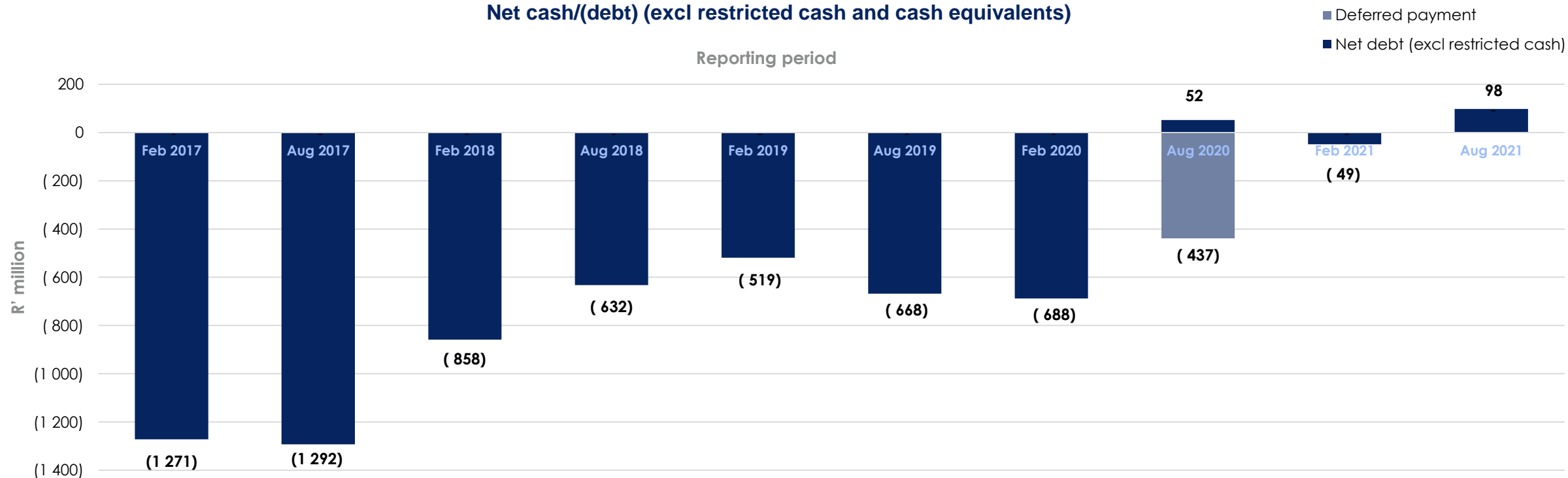
	Unaudited Period end Aug 21	Unaudited Period end Aug 20
	R'000	R'000
Interest-bearing borrowings	(250,000)	(629,238)
Bank overdraft	-	(193)
Total debt	(250,000)	(629,431)
Cash and cash equivalents	347,551	(681,405)
Cash and cash equivalents – restricted cash*	72,585	34,342
Cash and cash equivalents (assets held for sale)	-	19,454
Net cash (including restricted cash and cash equivalents)	170,136	105,770
Payables deferred due to COVID-19	-	(437,072)
Pro-forma net cash/(debt)	170,136	(331,302)

*Restatement of Angola cash and bonds and prepayment amortisation related to enterprise project.

Net cash/(debt) 5 year trend (excluding restricted cash and cash equivalents):



Net cash/(debt) (excl restricted cash and cash equivalents)



- Net debt position of the Group has reduced over a 5-year period – from R1.3 billion in Feb 2017 to net cash positive of R98 million at the end of August 2021 (excluding restricted cash and cash equivalents in Angola)
- August 2020 included COVID-19 deferred payables



Operational Review

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Bruce Toerien

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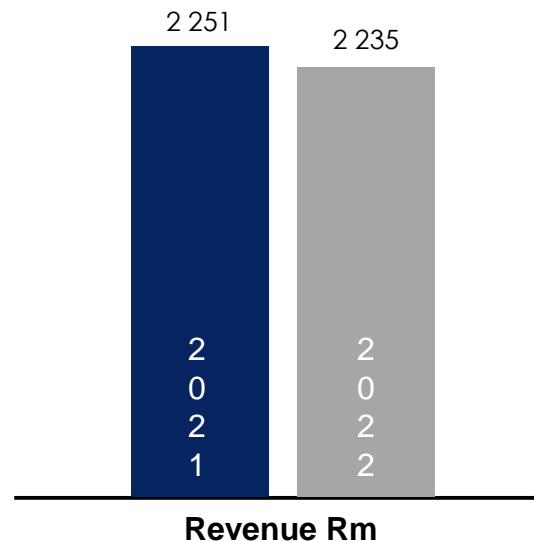


Industrial – SA

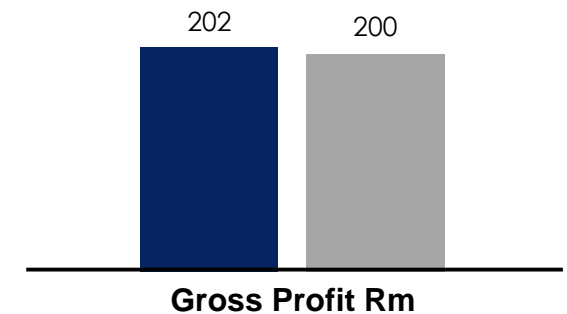
Operational review

- Contingent staffing revenues and gross profits stabilized.
- New business being won at higher margins as a consequence of client and sector focus as well as a reinvestment in the selling teams.
- Functional Outsourcing, as a relatively new service line, continues to exceed expectations as it drives a philosophy of continuous improvement.
- EBITDA upliftment in both product lines due to the run-out of cost savings, on a sustainable basis and improvement in the quality of earnings.
- The Cynergy brand is re-aligning post its energy parastatal exit.

6 months ended 31 August 2021



6 months ended 31 August 2021



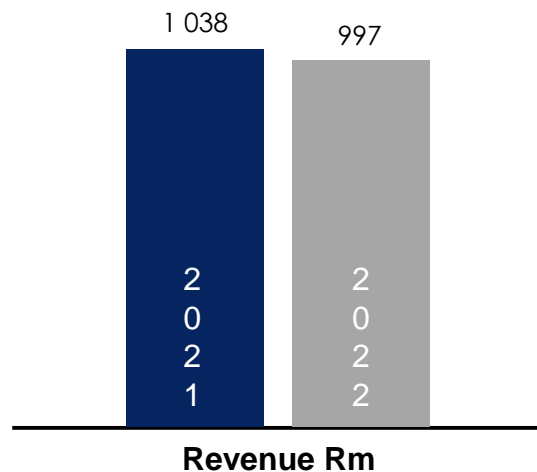


Professional – SA

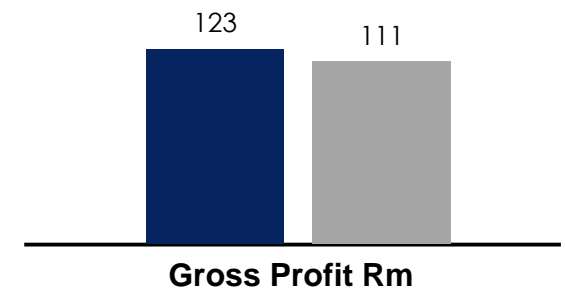
Operational review

- Contraction in IT resourcing headcounts and projects due to a COVID lag on high-end projects.
- Permanent recruitment limited in an uncertain economic environment.
- Growth of large scale MSP / RPO solutions stagnated due to the uncertainty of the trading period.
- Middle-office white-collar contingent staffing increased within the Quest brand.
- Elective hospital procedures have recommenced helping to improve the medical personnel recruitment business Charisma's, revenues.

6 months ended 31 August 2021



6 months ended 31 August 2021



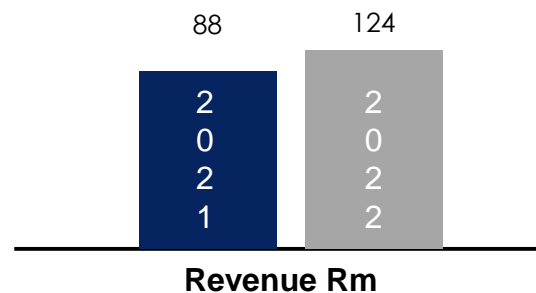


Training – SA

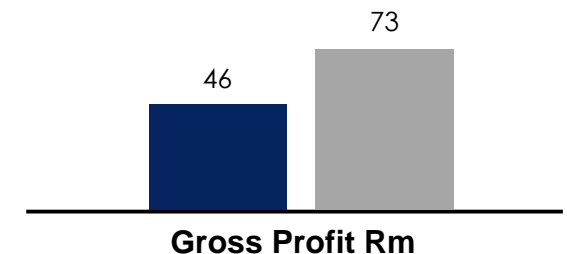
Operational review

- A solid half-year performance under new leadership.
- Realisation of improved revenues and gross profits as a consequence of the shift to Virtual Instructor Led Training (VILT).
- Management changes and restructuring within both the Torque IT and the technical training brand, ATT, has seen them both return to operating profitability.
- On-line content curation and training delivery capability rapidly developed during this period..

6 months ended 31 August 2021



6 months ended 31 August 2021



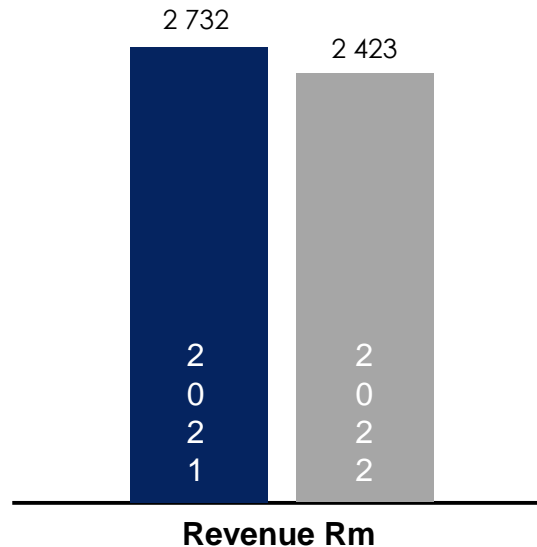


Australia

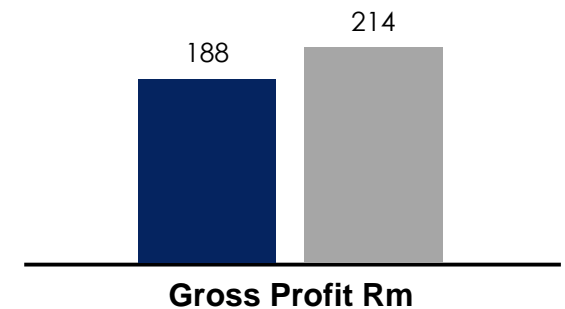
Operational review

- Margin increases across the brands due to sector diversification and improved new business margins.
- Significant recovery in permanent placements post economic shutdowns.
- Scarce skills driving margins up and the sourcing and retaining of these skills is a priority.
- Leadership changes in LSA have settled the contraction experienced.
- LSA experienced supply pressure due to the closure of international travel and the consequential reduction in migrant workers.

6 months ended 31 August 2021



6 months ended 31 August 2021





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Connecting Human Potential

Outlook

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Dr John Wentzel

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28 Oct 2021

Outlook

- Australia more upside opportunity but LSA supply constraints persist
- Professional constrained but Charisma & Quest more upside
- Industrial outsourcing upside with BLU maintaining performance
- Training performance to continue with further product expansion
- Group earnings more sustainable & building on H1 performance

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Connecting Human Potential

“We enable agile, focused and skilled workforces for the future.”

Focus | Agility | Growth



Q&A
Thank you