

Interim Results

6 months ended
31 August
2022

adcorp

Connecting Human Potential



The statements contained here in 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.



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Overview

Dr John Wentzel
Chief Executive Officer



How did we do?

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Revenue
up



Gross profit
up



PBT on continuing
operations up



Execution of growth
strategy



Capital effectively
deployed



Interim dividend of
12,2c per share

What did we focus on in H1?

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Execution of the growth strategy

- Lifted revenue 3.2%
- Lifted gross profit 6.3%
- Customer satisfaction up
- Cash management strong

Execution of the capital allocation framework

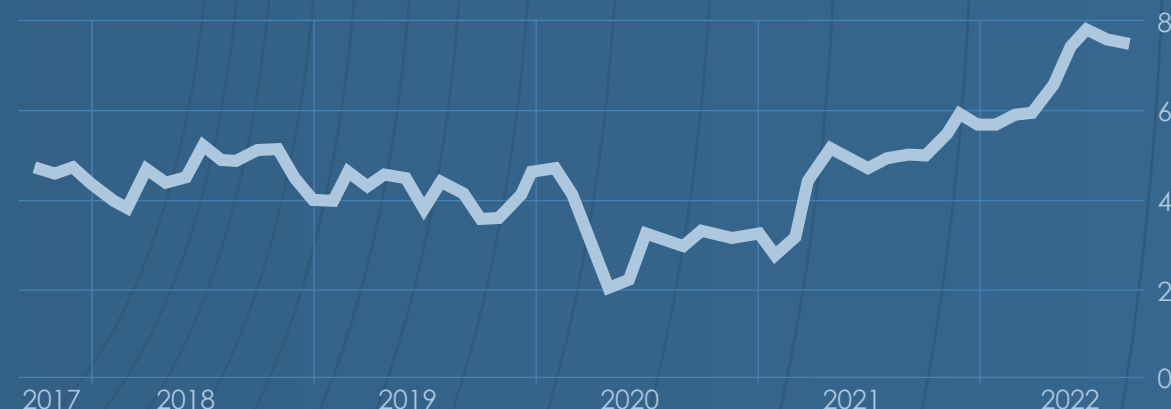
- Returned cash to shareholders via a dividend
- Invested in organic growth
- Invested in an acquisition
- Executed share buybacks

Review of constraints from year end

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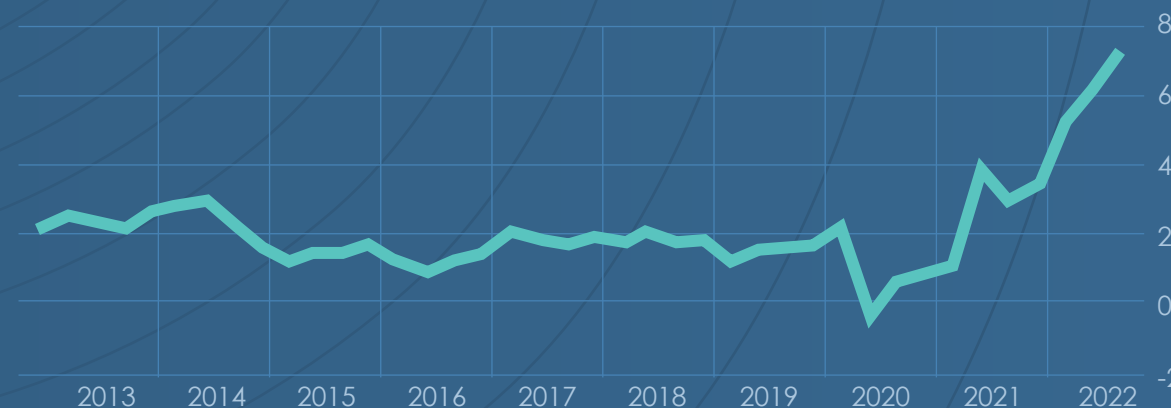
- Rising inflation
- Low economic growth in SA
- Covid pandemic
- Supply side constraints in AUS
- Competition for talent

Inflation: South Africa



Source: TradingEconomics.com | Statistics South Africa

Inflation: Australia



Source: TradingEconomics.com | Bureau of Statistics

- aaX is a subsidiary in Australia
- Historic contracting problems have caused losses
- Poor subcontracting compounded the contracting problems
- Losses before tax in H1 amounted to R19m
- We have implemented corrective actions



Project Management Consultants specialising in Business Transformation and Strategy Delivery.

Harnessing industry “Best Practice” and “Best of Breed” technology solutions, we help organisations to do the Right Projects...Right!

Review of opportunities from year end

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- White collar contingent demand up
- Blue collar contingent demand up
- Functional outsourcing pipeline strong
- Growth in South and East Africa remains
- Digitalisation executed



- Freelancing and recruitment platform
- 1.7m registered job seekers
- 48,000 clients
- Higher SEO ranking than competitors
- 240,000 Facebook followers
- 800,000 Twitter followers



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Financial and Operational Overview

Noel Prendergast
Chief Financial Officer



Financial snapshot H1FY23

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Revenue
from continuing operations

R 5,9 bn

Aug 21 | R5,7bn



Gross profit
from continuing operations

R 626,8 m

Aug 21 | R589,6m



Operating profit from
continuing operations

R 69,2 m

Aug 21 | R69,4m



Profit before tax
from continuing operations

R 45,4 m

Aug 21 | R37,1m



Cash generated
from operations

R 89,1 m

Aug 21 | R68,9m



Net cash position

R 144,8 m

Feb 22 | R197,7



Earnings Per Share
– continuing operations

24,6 cents

Aug 21 | 23,8c



Headline Earnings Per Share
– continuing operations

24,6 cents

Aug 21 | 25,7c



Summarised consolidated statement of profit and loss

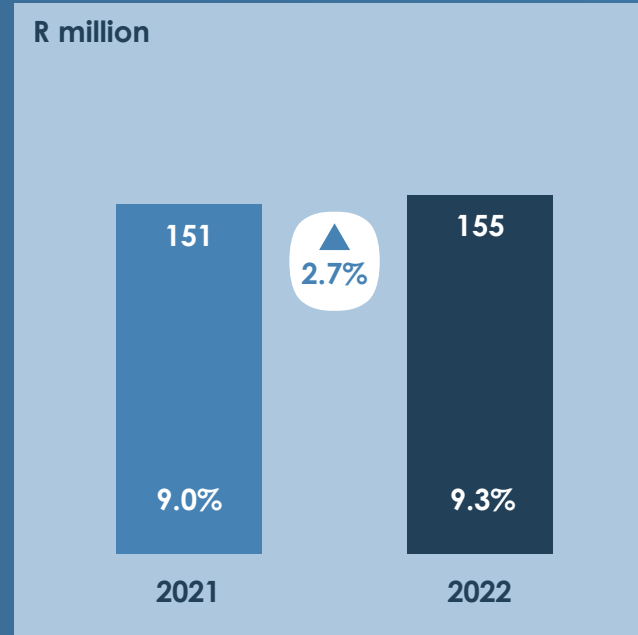
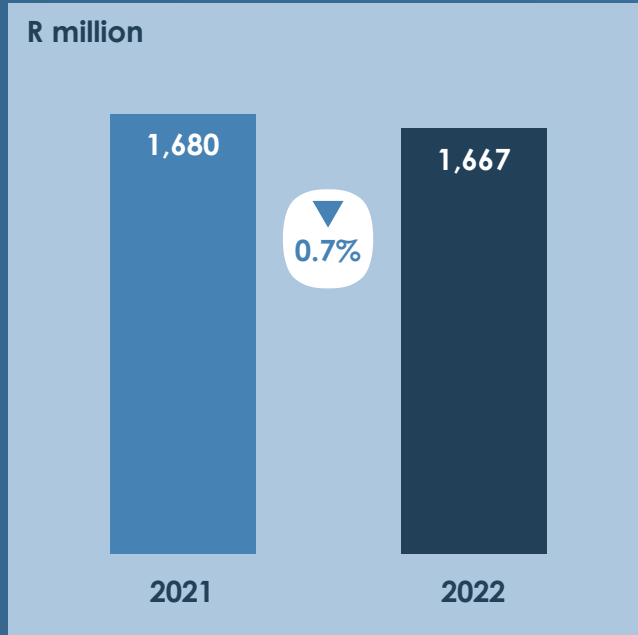
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	Audited Aug 22 R'000	Unaudited Aug 21 R'000	Aug 22 vs Aug 21	Var %
Revenue	5 860 947	5 680 579	180 368	3.2%
Cost of sales	(5 234 175)	(5 090 963)	(143 212)	-2.8%
Gross profit	626 772	589 616	37 156	6.3%
Gross profit %	10.7%	10.4%		
Other income	9 667	6 236	3 431	55.0%
Operating expenses	(523 695)	(478 874)	(44 821)	-9.4%
EBITDA	112 744	116 978	(4 234)	-3.6%
EBITDA %	1.9%	2.1%		
Depreciation and amortisation	(43 539)	(44 795)	1 256	2.8%
Depreciation of PPE and amortisation	(15 872)	(18 124)	2 252	12.4%
Depreciation of right of use assets (IFRS 16)	(27 667)	(26 671)	(996)	-3.7%
Net cost of funding	(23 817)	(32 294)	8 477	26.2%
Net cost of loan funding	(1 575)	(9 772)	8 197	83.9%
Lease liability interest (IFRS 16)	(22 242)	(22 522)	280	1.2%
Impairments	-	(2 769)	2 769	
Profit before taxation	45 388	37 120	8 268	22.3%
	0.8%	0.7%		
Taxation expense	(18 525)	(11 299)	(7 226)	-64.0%
Profit for the period	26 863	25 821	1 042	4.0%
Continuing operations	26 863	25 821	1 042	4.0%
Discontinued operations	(13 663)	6 505		
Profit for the period – all operations	13 200	32 326	(19 126)	-59.2%

- Revenue increased by 3.2%
 - Largely driven by growth in Australia
- Gross profit margin improved by 6.3% with margins improving to 10.7% from 10.4%
- Operating expenses increased by 9.4%
- EBITDA margin at 1.9%
- Reduced cost of debt by 83.9%
- Profit before taxation increased by 22.3%
- ETR of 40,8%

Revenue

Gross profit

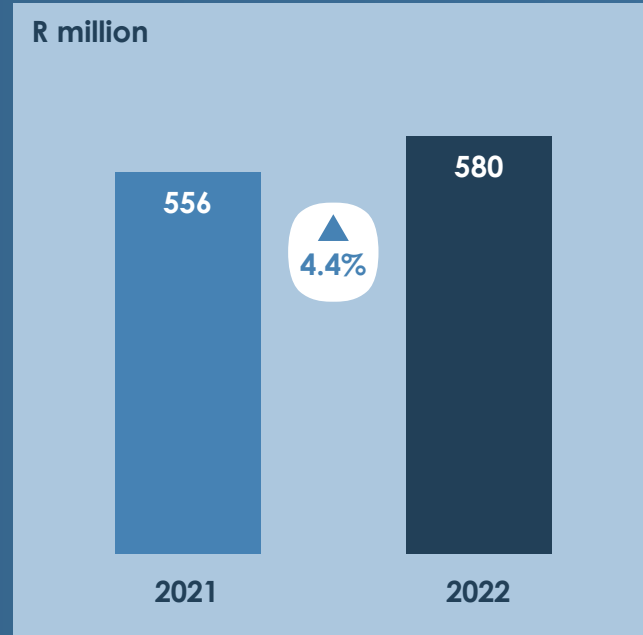


- Divisional performance is similar to PY
- BLU has revenue, GP and margin upliftment
- Loss of 2 significant clients in CYNERGY brand
- CYNERGY has been repositioned

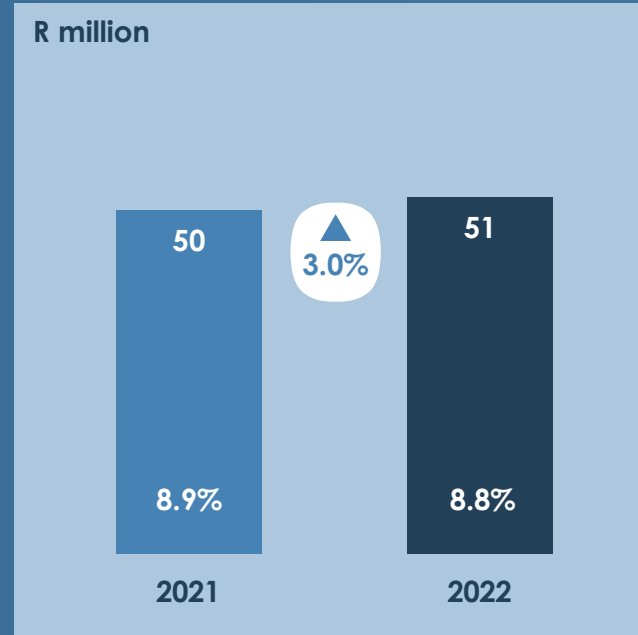
BLU.TM

CYNERGY

Revenue



Gross profit

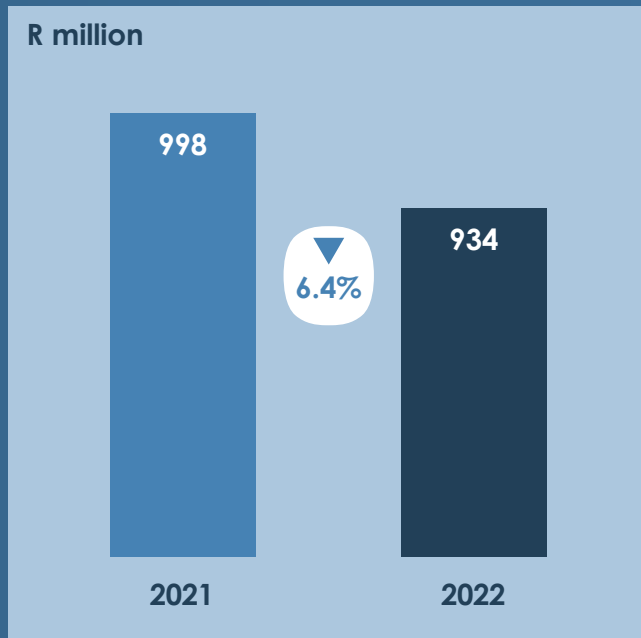


- Functional outsourcing performance in line with expectations
- Revenue and gross profit up
- Exit of low margin contracts

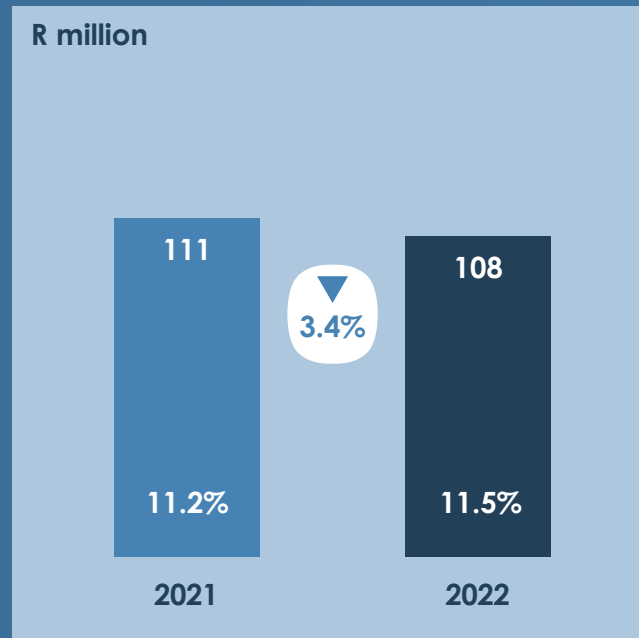
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CAPability

Revenue



Gross profit



- Mixed results
- Quest produced excellent growth
- TalentCRU driving strong growth in the RPO market
- Charisma revenues have declined sharply
- Paracon has stabilised in a candidate scarce market
- Reintroduction of the DAV and Kelly brands

Quest

talentCRU

Charisma

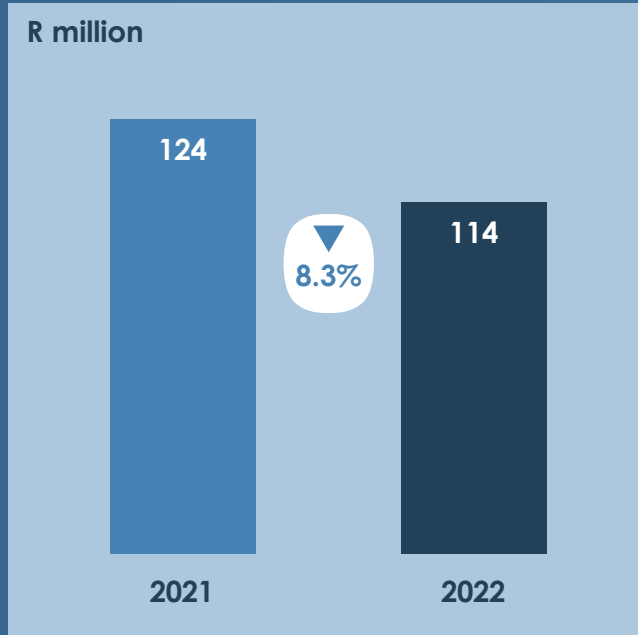
PARACON

DAV

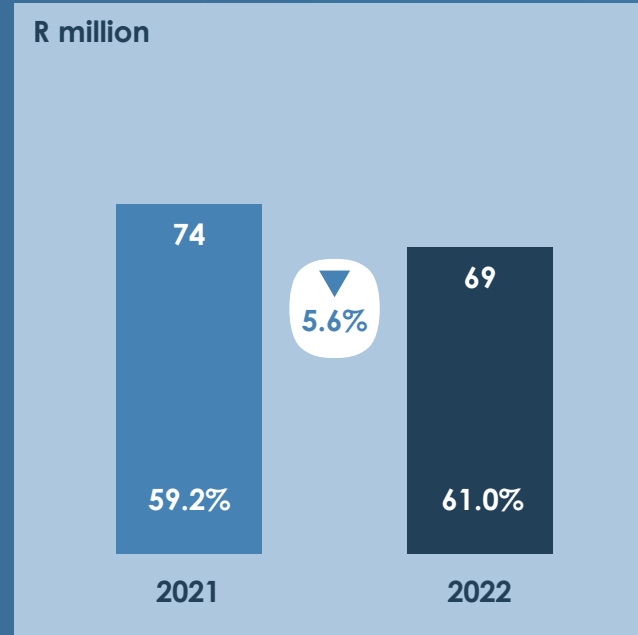
KELLY

JOBVINE

Revenue



Gross profit



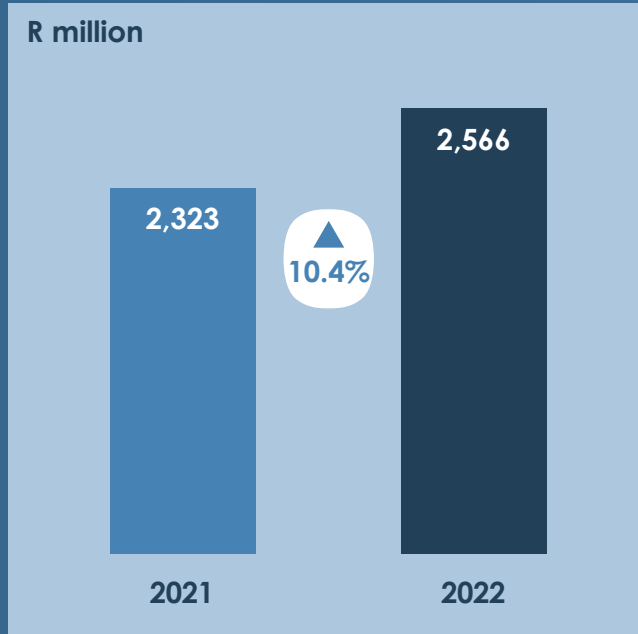
- Weaker H1 than prior year
- PMI revenues contracted in Q1 but showed incremental improvement in Q2
- Torque IT vendor incentive programs reduced in H1
- Execution of a digital strategy continues
- Reduced spend in B2B training sector

PMI

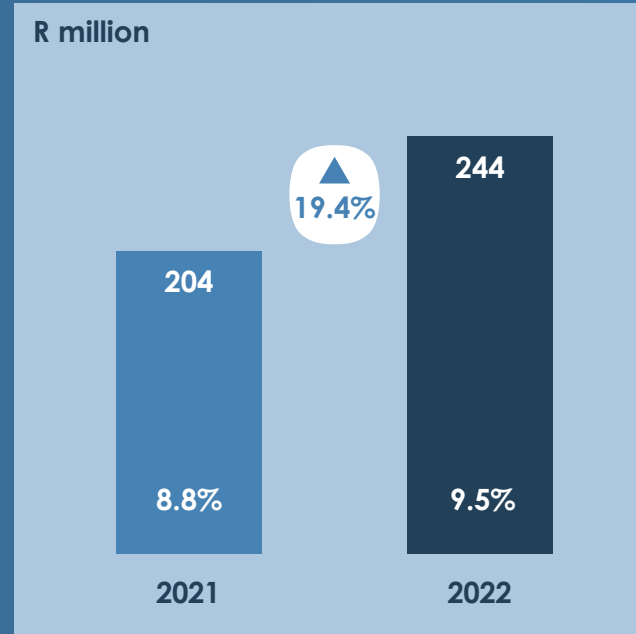
TORQUE IT

iiCAN

Revenue



Gross profit



- Underlying H1 performance was strong
- LSA showed significant revenue growth
- Paxus revenue also up although candidate scare market prevails

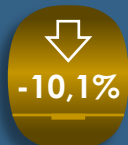
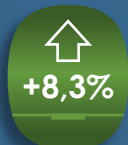
paxus

Labour Solutions
Australia

talentCRU

Segmental performance

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	Contingent Staffing	Functional Outsourcing	Professional	Training	Australia
Revenue	R 1,7 bn  -0,7%	R 580 m  +4,4%	R 934 m  -6,4%	R 114 m  -8,3%	R 2,6 bn  +10,4%
Gross Profit	R 155 m  +2,7%	R 51 m  +3,0%	R 108 m  -3,4%	R 69 m  -5,6%	R 244 m  +19,4%
EBITDA	R 36,5 m  -0.2%	R 14,7 m  +9,3%	R 23,1 m  -10,1%	(R 11,6 m)  ->100%	R 50,6 m  +8,3%

Summarised consolidated statement of financial position

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	Interim Aug 22 R'000	Interim Aug 21 R'000	Year end Feb 22 R'000	Aug 2022 vs Feb 2022	Var %
Assets					
Property and equipment	34 081	43 922	37 171	(3 090)	-8.3%
Right-of-use lease assets	304 222	333 072	323 432	(19 210)	-5.9%
Intangible assets and goodwill	649 205	630 036	638 496	10 709	1.7%
Investment and other financial assets	20 126	19 348	19 597	529	2.7%
Tax and deferred tax asset	214 154	205 976	223 634	(9 480)	-4.2%
Trade and other receivables	1 553 139	1 534 059	1 537 987	15 152	1.0%
Cash and cash equivalents	284 065	420 136	420 355	(136 290)	-32.4%
	3 058 992	3 186 549	3 200 672	(141 680)	-4.4%
Non-current assets held for sale	81 222	-	-	81 222	100.0%
Total assets	3 140 214	3 186 549	3 200 672	(60 458)	-1.9%
Equity and liabilities					
Capital and reserves	1 474 070	1 340 430	1 472 529	1 541	0.1%
Interest-bearing borrowings	23 358	250 000	133 336	(109 978)	-82.5%
Lease liabilities	413 916	425 171	423 965	(10 049)	-2.4%
Tax and deferred tax liability	146 157	133 495	147 302	(1 145)	-0.8%
Provisions, trade and other payables	1 053 630	1 037 453	1 023 540	30 090	2.9%
	3 111 131	3 186 549	3 200 672	(89 541)	-2.8%
Held for sale liabilities	29 083	-	-	29 083	100.0%
Total equity and liabilities	3 140 214	3 186 549	3 200 672	(60 458)	-1.9%

- Right of use assets and lease liabilities decreased by 5.9% and 2.4% respectively
- Intangible assets reduced by 1.7%
- No goodwill impairments noted in the current period

Cashflow bridge

- Net dividend of R49 million paid during the period and share buyback of R12,6 million
- Interest bearing debt reduced by R111 million
- Group remains highly cash generative at R89 million
- DSO remains steady 38 days

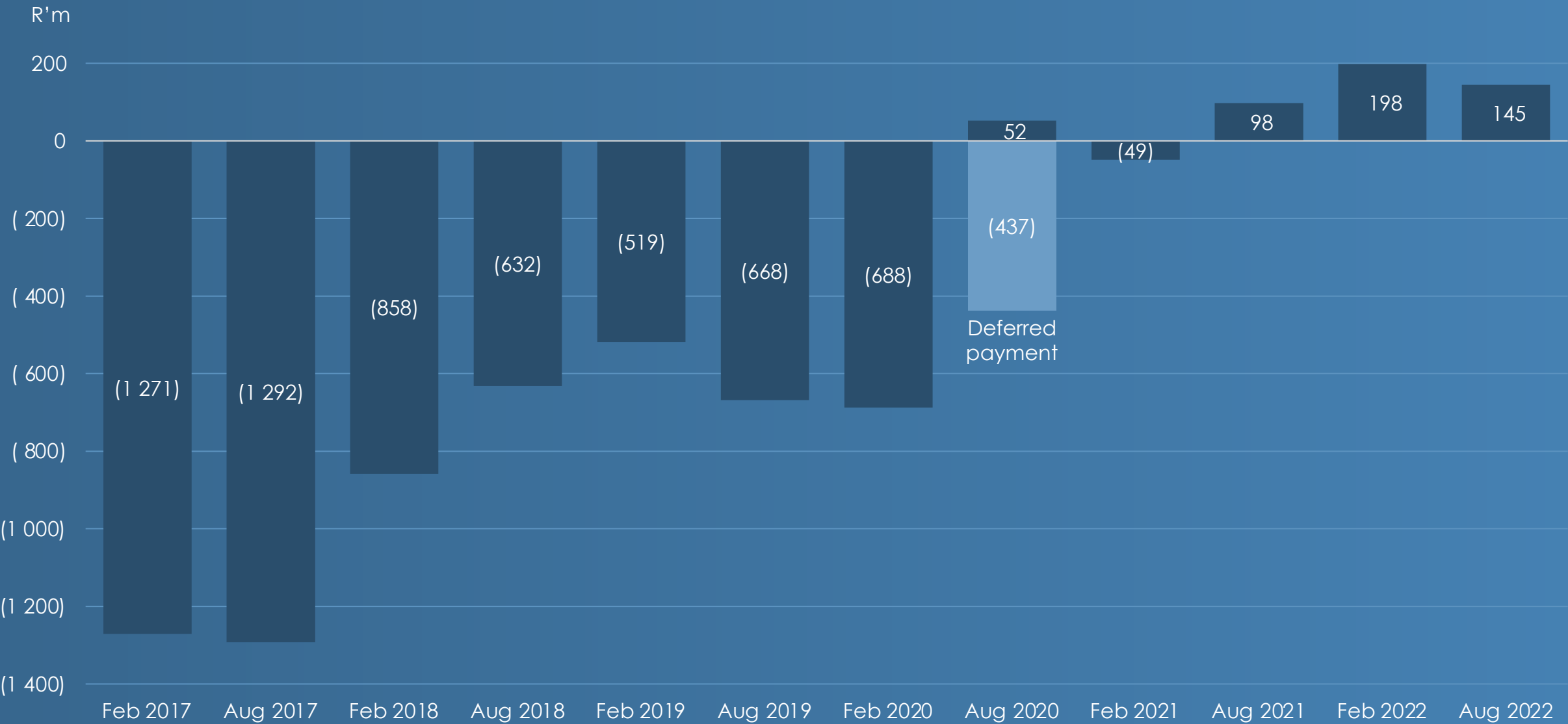


Net cash

	Unaudited Interim Aug 22 R'm	Unaudited Interim Aug 21 R'm	Audited Year end Feb 22 R'm
ZAR Revolving credit facility	-	(250)	(100)
AUD Borrowing base facility	(23)	-	(33)
Total gross debt	(23)	(250)	(133)
Cash and cash equivalents	168	348	331
Restricted cash	116	73	89
Cash and cash equivalents (assets held for sale)	3	-	-
Total net cash	264	170	287
Net cash (excl. restricted cash and assets held for sale)	145	98	198

- R145 million net cash position excluding restricted cash at the of the period
- Restricted cash increased to R116 million – currency appreciation Feb 22 vs Aug 22

Net cash/(debt) trend





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Outlook

Dr John Wentzel
Chief Executive Officer



- High inflation translating to margin pressure
- Recession risk in South Africa
- Slowing GDP growth in Australia reducing demand
- Further losses in aaX

Outlook: Opportunities

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- Disposal of non-core assets
- Further decentralisation
- Further investment in acquisitive growth
- Further investment in organic growth
- Share buybacks

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Q&A

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