



Connecting Human Potential

Annual Results

Year ended
28 February

2023

Years of resilience

35



Teamwork



Respect



Customer centricity



Agility



Diversity and inclusion

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.



Overview

Dr John Wentzel
Chief Executive Officer

How did we do

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Revenue
up



Gross profit
up



Cash
up



Continuing
HEPS & EPS
up



Customer
satisfaction score
up



Employee
engagement
up



Portfolio
optimisation
started

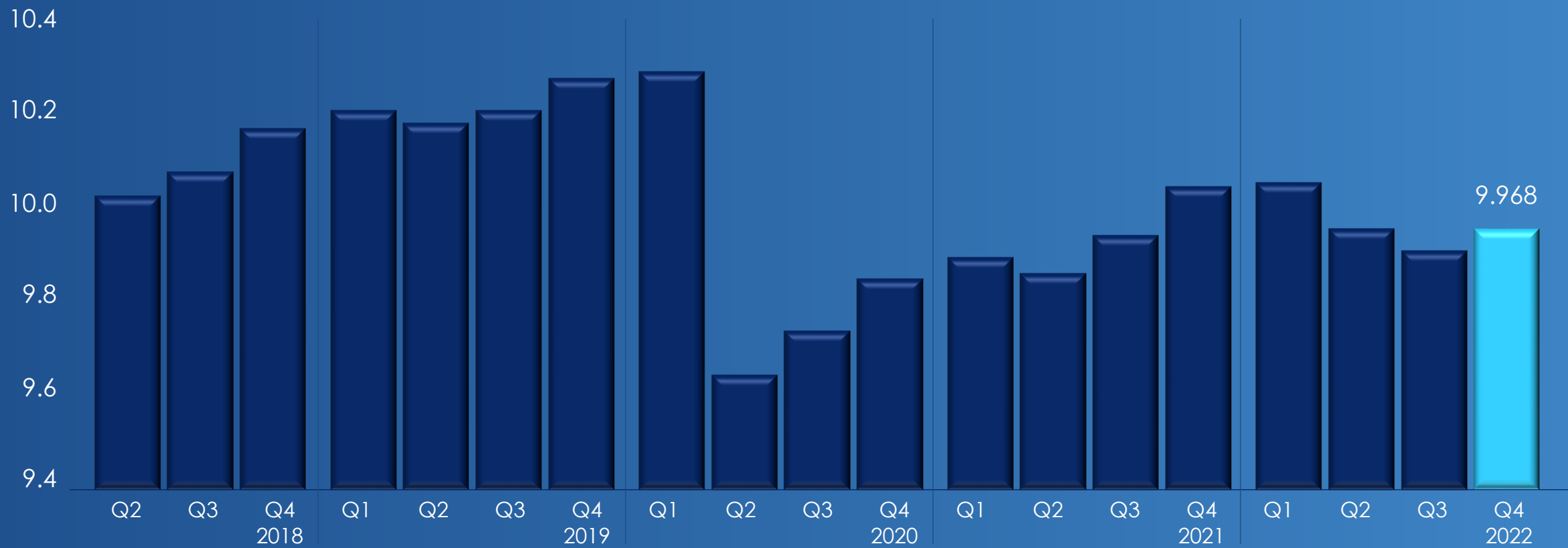


Dividend
declared

- Load shedding and infrastructure failures
- High inflation
- Low economic growth
- Low labour absorption rates
- Staffing market is smaller than pre-Covid



Formal non-agricultural industries - millions

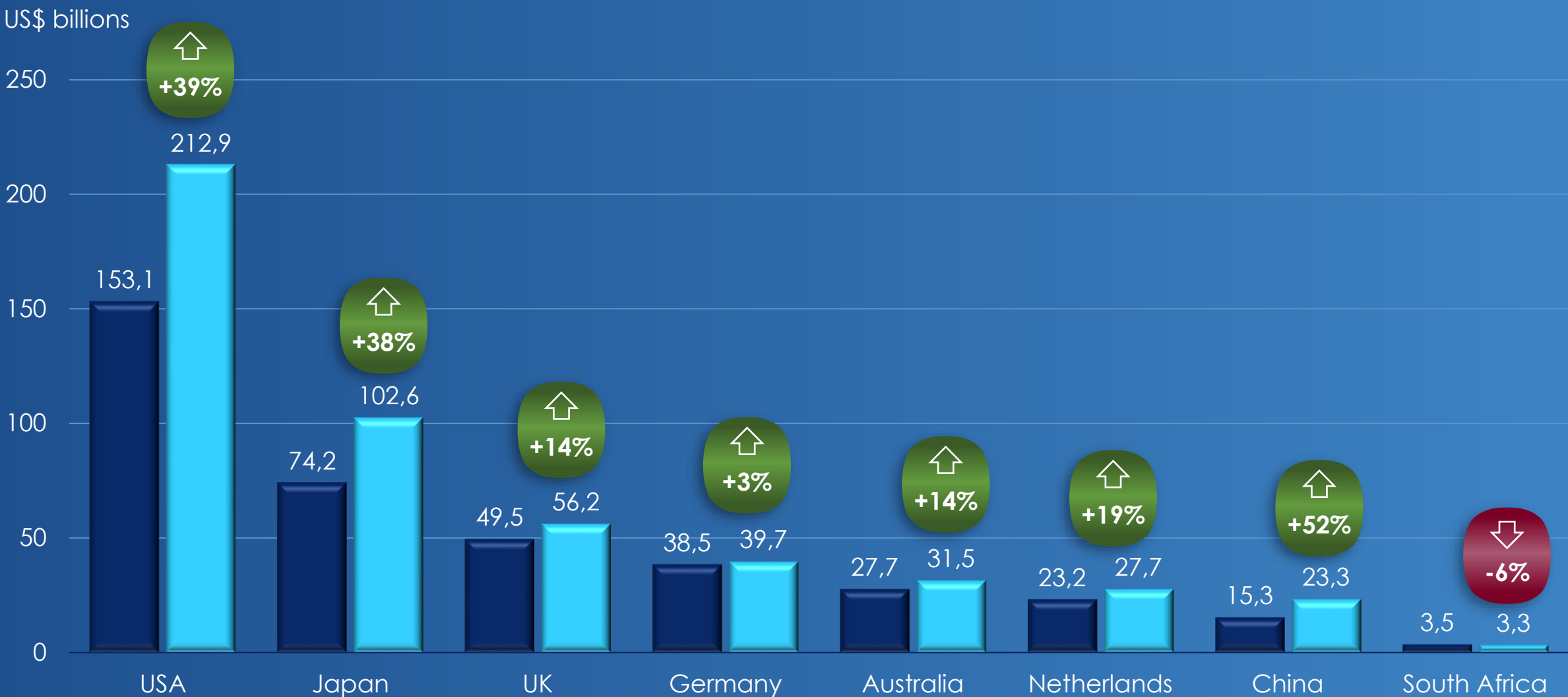


Source: Stats SA, Business Day – mahlangua@businessdaylive.co.za

- Structural shortage of workers
- Easing of restrictions on migration
- High inflation
- Muted economic growth
- Staffing market fully recovered from Covid



Size of global staffing markets



Source: SIA Global Staffing Market Estimates & Forecasts

■ 2019 ■ 2022

Performance against FY23 goals

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- Executed the Brandshift Adcorp strategy
- Achieved growth
- Deployed the capital allocation framework
- Lifted employee engagement
- Delivered higher customer satisfaction

- Small systems integration company held by AHA
- Suffered from poor contracting and management
- Placed into administration
- Extensive losses drove Group earnings down
- Evaluating holding previous management accountable



Final dividend

16,5

Cents
per share

Interim **12,2 cents**

Special dividend

91,3

Cents
per share

Total dividend

120,0

Cents
per share

2022 **47,0 cents**



+155.3%

Through share buybacks, ordinary and special dividends,
Adcorp will have returned R208m to shareholders since 2021

Financial and operational overview

Noel Prendergast
Chief Financial Officer



Financial snapshot

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Revenue
from continuing operations

R 12,0 bn

2022 R11,3bn



Gross profit
from continuing operations

R 1,3 bn

2022 R1,2bn



Profit after tax
from continuing operations

R 121 m

2022 R105m



Cash generated
from operations

R 378 m

2022 R260m



Interest-bearing debt
excluding leases

R nil

2022 R133m



Net cash position
improved to

R 312 m

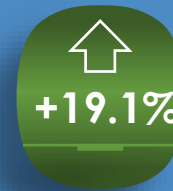
2022 R198



Earnings Per Share
from continuing operations

114,7 cents

2022 96,3c



Headline Earnings Per Share
from continuing operations

147,8 cents

2022 99,7c



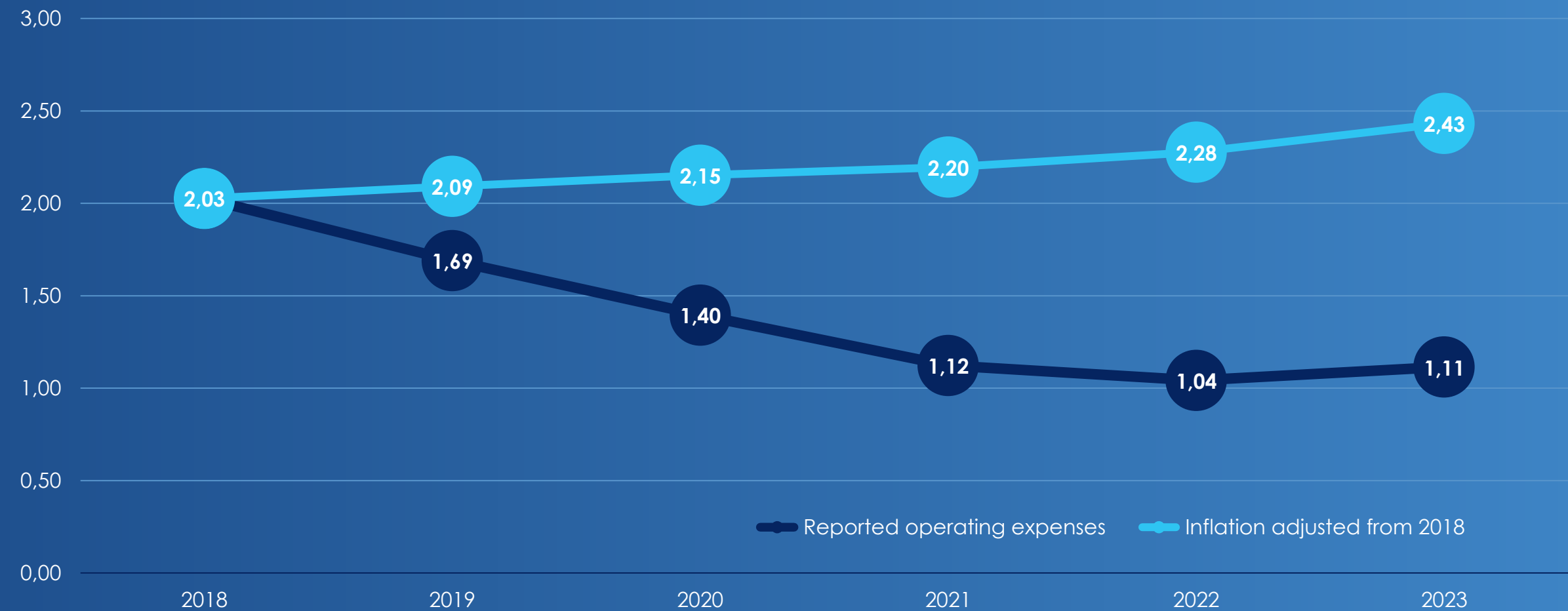
Summarised consolidated statement of profit and loss

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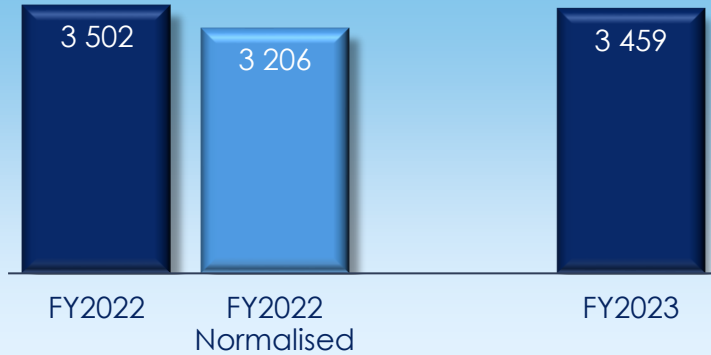
	Audited Year end Feb 2023	Audited Year end Feb 2022	Var %
Revenue	12 048 951	11 318 048	6.5%
Cost of sales	(10 766 543)	(10 109 805)	(6.5%)
Gross profit	1 282 408	1 208 243	6.1%
Gross profit %	10.6%	10.7%	
Other income	19 743	19 553	1.0%
Operating expenses	(1 018 583)	(933 147)	(9.2%)
EBITDA	283 568	294 649	(3.8%)
EBITDA %	2.4%	2.6%	
Depreciation and amortisation	(85 491)	(88 722)	3.6%
Depreciation of PPE and amortisation	(30 957)	(35 077)	11.7%
Depreciation of right of use assets (IFRS 16)	(54 534)	(53 645)	(1.7%)
Net cost of funding	(45 392)	(63 772)	28.8%
Net cost of loan funding	(1 302)	(18 685)	93.0%
Lease liability interest (IFRS 16)	(44 090)	(45 087)	2.2%
Impairments and profits/(losses) on disposals	(34 172)	(4 952)	590.1%
Profit before taxation	118 513	137 203	(13.6%)
Taxation expense	2 241	(31 890)	107.0%
Profit for the year	120 754	105 313	14.7%
Continuing operations	120 754	105 313	14.7%
Discontinued operations	(79 980)	13 644	(686.2%)
	40 774	118 957	(65.7%)

- Revenue increased by 6.5%
- Gross profit (GP) improved by 6.1%
- Operating expenses increased by 9.2%
- EBITDA margin marginally down by 0.2%
- Reduced funding costs - down 28.8%
- Effective tax rate (ETR) of -1.9%

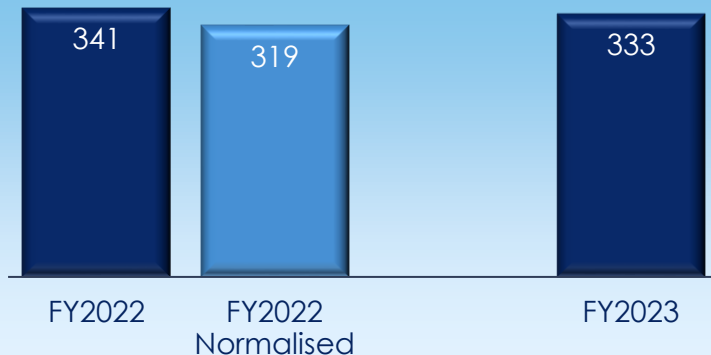
Operating expenses – R billion



Revenue – Rm

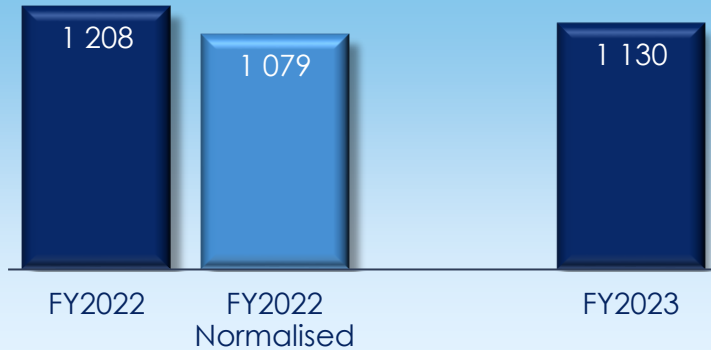


Gross profit – Rm

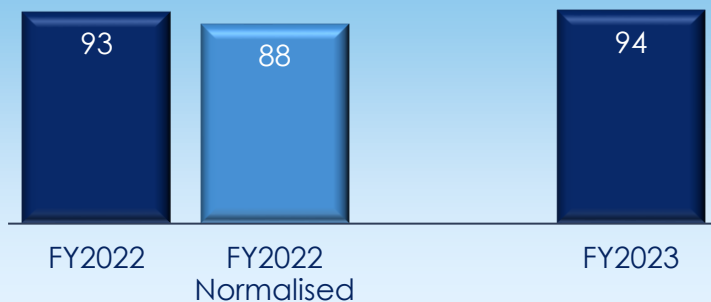


- Demonstrated remarkable resilience
- BLU's revenue increased by 5.0%
- Brand refresh
- High client retention and satisfaction
- Cynergy consolidated into BLU
- Normalised divisional revenue growth of 6.9%
- Normalised divisional gross profit growth of 5.4%

Revenue – Rm



Gross profit – Rm



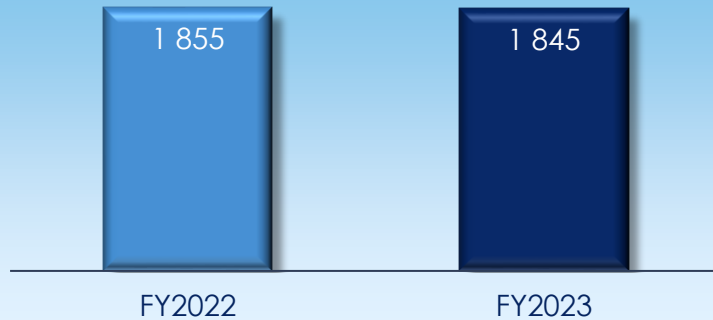
- Core brands exhibited year-on-year revenue growth
- FunxionO revenue growth of 0.8%
- Capability revenue growth of 18.6%
- ACMS revenue growth of 5.0%
- Improved client retention
- Closing of the CoStars brand
- Normalised divisional revenue growth of 4.7%
- Normalised divisional gross profit growth of 6.8%

funxionO

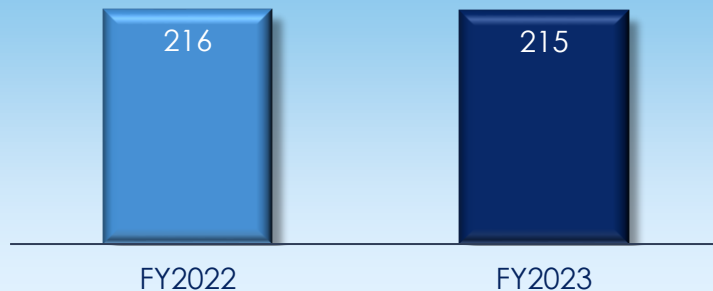
CAPability

ADfusion

Revenue – Rm



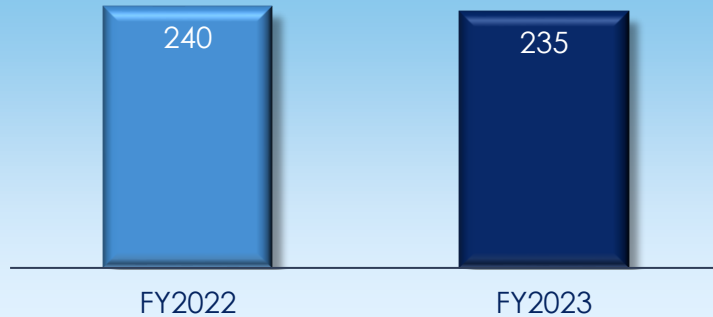
Gross profit – Rm



- Strategic turning point
- Stabilised core operations
- Revenue growth in Quest, RPO business in talentCRU, and Permanent Placements
- Charisma remains in decline
- Economic headwinds resulting in flat revenue and gross profit growth
- Re-entry of DAV and Kelly brands
- Strategic acquisition of Jobvine



Revenue – Rm



Gross profit – Rm



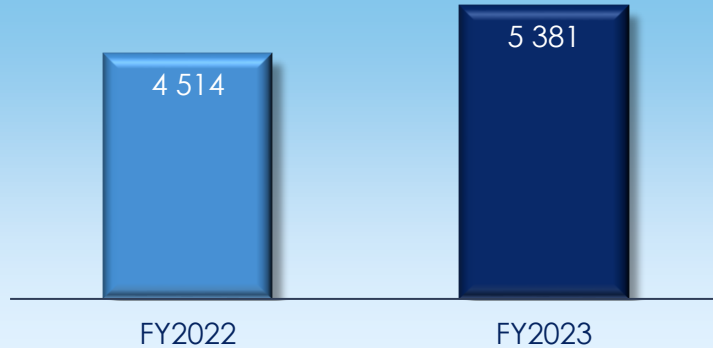
- Substantial challenges
- Decline in both revenue and gross profit
- Repositioning Training brands
- Closure of ATT

PMI

TORQUE IT

ii CAN

Revenue – Rm



Gross profit – Rm



- Delivered impressive results
- Invested in growth
- Paxus gross profit increased by 6.3%, despite flat revenue growth
- Exceptional growth in LSA, 101% and 71% increase in revenue and gross profit respectively

Summarised statement of financial position

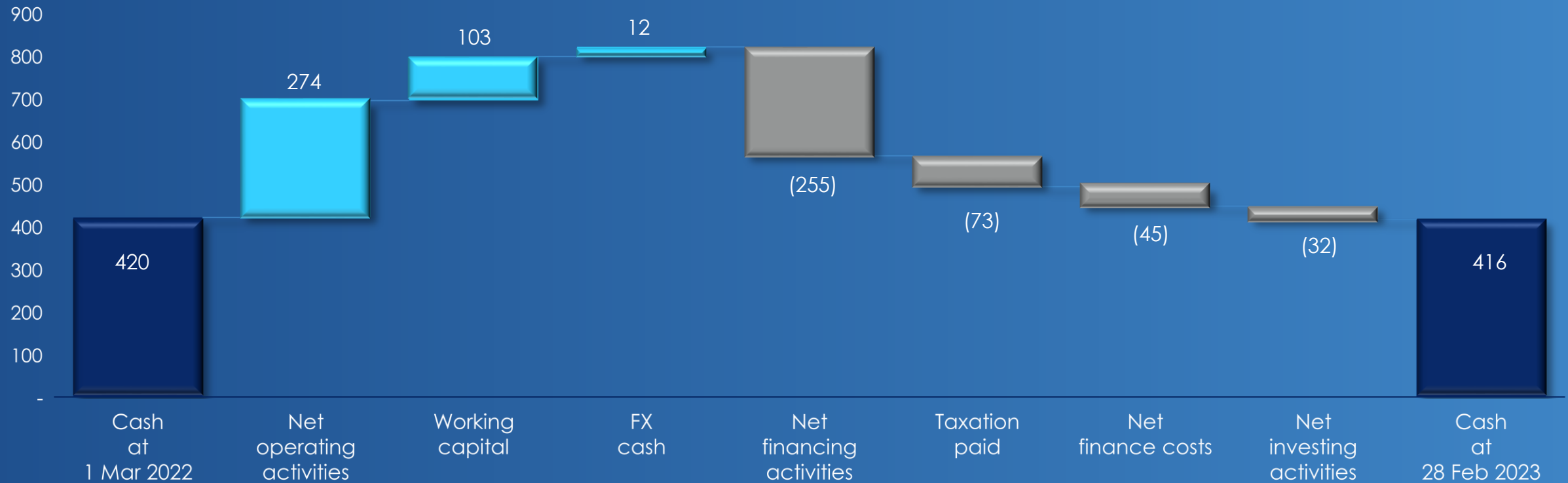
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R'000	Audited Year end Feb 2023	Audited Year end Feb 2022
Assets		
Property and equipment	30 811	37 171
Right-of-use lease assets	291 785	323 432
Intangible assets and Goodwill	636 379	638 496
Investment and other financial assets	21 074	19 597
Tax and deferred tax asset	248 790	223 634
Trade and other receivables	1 517 278	1 537 987
Cash and cash equivalents	415 548	420 355
Total assets	3 161 665	3 200 672
Equity and liabilities		
Capital and reserves	1 534 677	1 472 529
Interest-bearing borrowings	-	133 336
Lease liabilities	409 410	423 965
Tax and deferred tax liability	83 834	147 302
Provisions, trade and other payables	1 133 744	1 023 540
Total equity and liabilities	3 161 665	3 200 672

- Goodwill and intangible assets were flat year-on-year
 - Impairment of R34 million goodwill in Paracon
 - Increase of R34 million in goodwill due to foreign currency movement – AUS\$/ZAR
- PPE and ROUA reduced mainly due to depreciation during the period, no significant purchases or new leases entered into
- Working capital remains extremely well managed
- Net cash and cash equivalents of R416 million

Cash flow movements – Rm

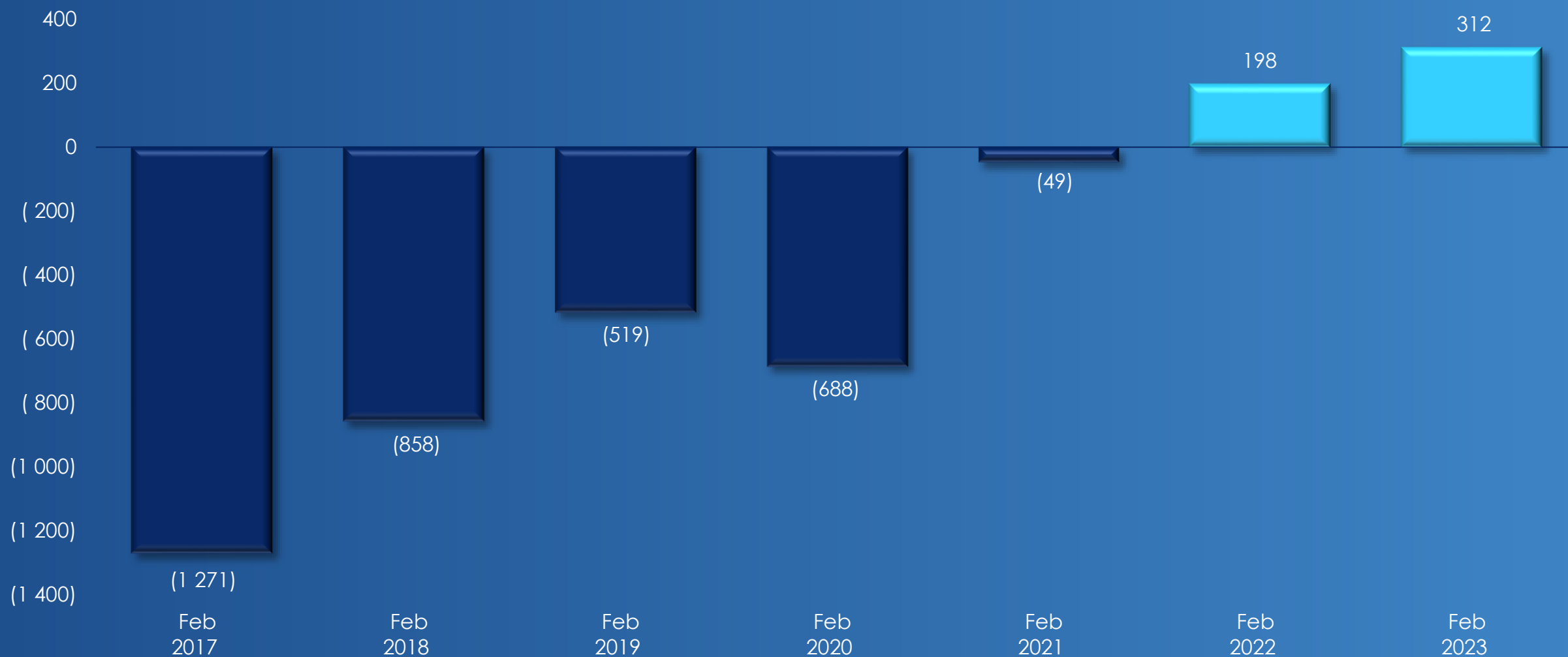
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- Debt reduced by R133 million to Rnil
- Net dividend of R62 million paid to external shareholders (2022 final plus 2023 interim)
- Share-buyback programme of R19.6 million
- Group continues to be cash generative with a cash conversion ratio of 133% at year end
- DSO improved to 36 days (2022: 38 days)

Net unrestricted cash – Rm

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Closing

Dr John Wentzel
Chief Executive Officer

- Established a sustainable earnings base
- Reduced volatility in earnings
- High cash conversion rates leading to the payment of dividends
- Strong balance sheet
- Trading at a discount to NAV

- We are pessimistic about South African outlook
 - Weak economic growth
 - Rising infrastructure failures
 - High interest rates
 - Low labour absorption rates
- We are optimistic about Australian outlook
 - Persistent shortage of workers
 - Moderate economic growth
 - Falling inflation
- We are optimistic about East Africa expansion

- Portfolio optimisation
- Pivoting the business
- Revenue growth
- Continued deployment of the Capital Allocation Framework
- Returning value to shareholders

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Connecting Human Potential



Q&A

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