



adcorp
Connecting Potential

Adcorp Investor Presentation FY2021

DATE
31 May 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.

31 May 2021



1

Business context

Dr John Wentzel

2

Financial results

Noel Prendergast

3

Operational review

Bruce Toerien

4

Outlook

Dr John Wentzel



adcorp
Connecting Potential

Business Context

PRESENTED BY
Dr John Wentzel

DATE
31 May 2021

What happened in FY2021



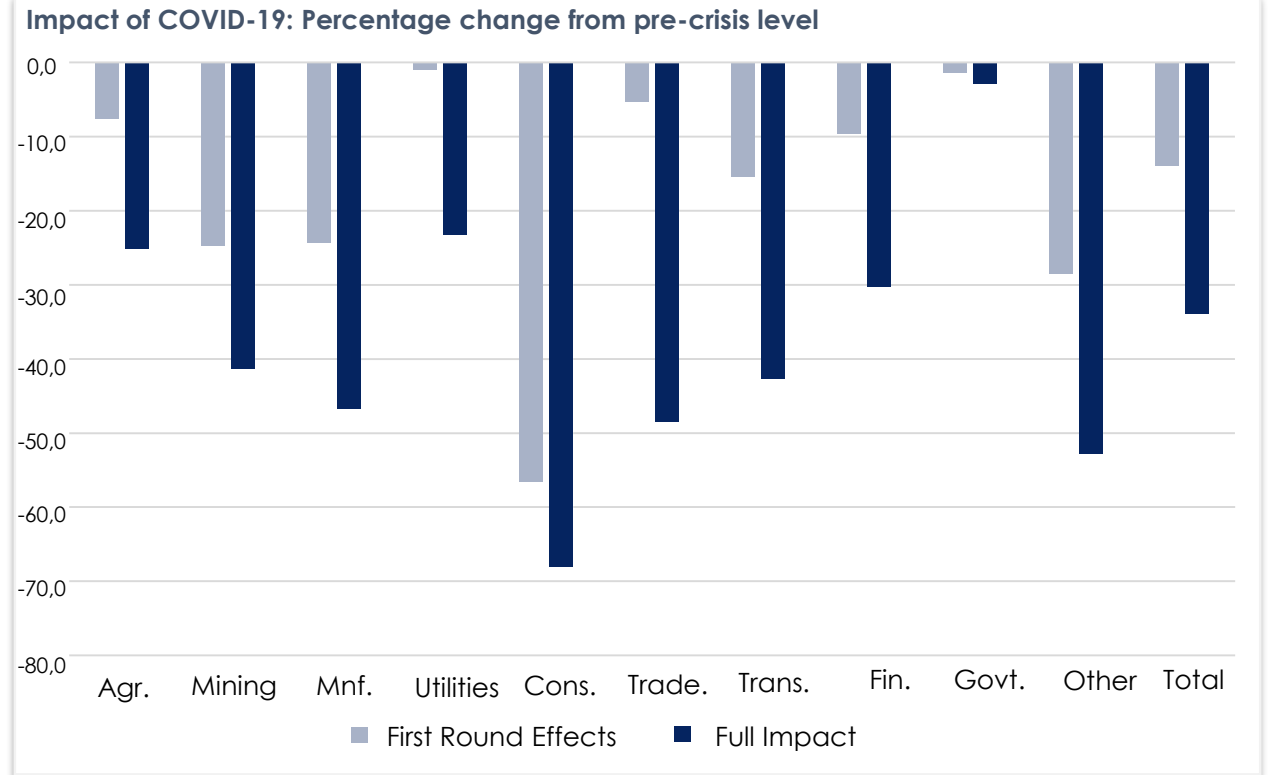
- Economic contraction in South Africa

- Economic contraction in Australia

- Business confidence at historic lows in both markets

- Tough trading environment

- Business and human related impact related to COVID-19



Source: Impact of COVID-19 on the South African economy by SA-TIED Project

How did Adcorp react



- Undertook a significant cost reduction program
- Disposed of non-core assets to reduce debt levels
- Drove aggressive cash management
- Optimised the ownership structure, achieving B-BBEE 1 in AWS
- Re-focused the strategy



Substantial progress on FY2021 half-year value drivers



Cost and Cash Management

Go-to-market model that encompasses
both SA and Australia

Implementation of technology stack

Divestitures and business
simplification

B-BBEE ownership and enhancement in SA

Margin management

Leadership/culture development

Corporate/brand development strategy



Delivered



Underway



Not delivered

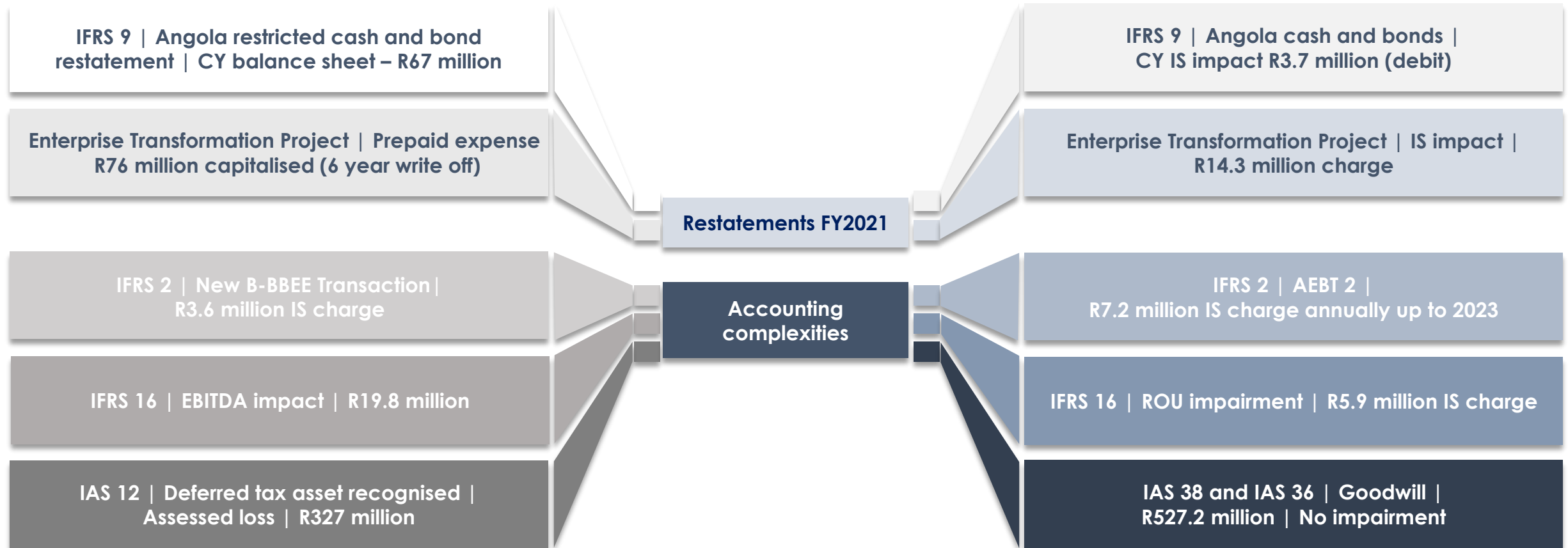


FY2021 Audited Financial Results

PRESENTED BY
Noel Prendergast

DATE
31 May 2021

Restatements and accounting complexities FY2021



Financial snapshot



Revenue from continuing operations decreased by **9,3%** to **R11,7 billion** (2020: R12,9 billion restated*)



Operating profit from continuing operations before finance income and costs increased by **124,4%** to **R118 million** (2020: R486 million loss restated*)



Cash generated by operations increased by **337,3%** to **R914 million** (2020: R209 million*)



Interest-bearing debt, excluding leases, reduced to **R456 million** (2020: R1,002 million)



Unrestricted cash and cash equivalents from continuing operations increased to **R407 million** (2020: R314 million)



Net debt position improved to **R49 million** (2020: R688 million)



Total earnings per share increased to **35,6 cents** per share (2020: 561,6 cents loss per share)



Total headline earnings per share increased to **34,2 cents** per share (2020: 17,2 cents loss per share*^)

*Restated to classify Adcorp Support Services Proprietary Limited (Adcorp Financial Services segment) as assets held for sale and restatement of Angola cash and bonds.

^Restated for tax adjustment on prior year impairment on ROU Asset

Summarised consolidated statement of profit and loss

Key notes:

- Revenue decline of 9.3% coupled with gross margin compression of 7.7%
- Other income increased due to JobKeeper in Australia
- Reduction in operating expenses of R272 million via numerous cost initiatives
- Net loan funding cost decrease of 38% offset by 30% increase in lease liability interest
- Impairment of goodwill Rnil (2020: R558 million)
- Impairment of ROUA R6 million (2020: R39 million)
- Net profit on derecognition of lease liabilities, ROUA and settlement costs R5 million (2020: Rnil)

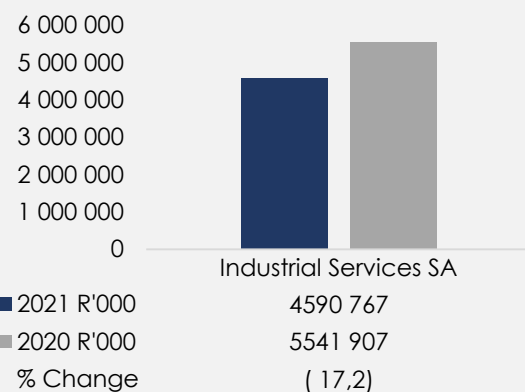
| | Audited Year end Feb 2021 | Audited Year end Feb 2020 | |
|---|---------------------------------|---------------------------------|---------------|
| | R'000 | R'000 | % Change |
| Revenue | 11,716,956 | 12,922,325 | (9.3) |
| Cost of sales | (10,575,140) | (11,452,501) | (7.7) |
| Gross profit | 1,141,816 | 1,469,824 | (22.3) |
| Other income excl. one-off type income | 79,067 | 26,920 | 193.7 |
| Operating expenses excl. one-off type costs | (971,103) | (1,243,062) | 21.9 |
| EBITDA | 249,780 | 253,682 | (1.6) |
| EBITDA % | 2.2% | 2.0% | |
| Depreciation and amortisation | (130,361) | (141,997) | 8.2 |
| Depreciation of PPE and intangibles amortisation | (68,553) | (81,320) | 15.7 |
| Depreciation of right-of-use assets (IFRS 16) | (61 808) | (60,677) | (1.9) |
| Net cost of funding | (90,650) | (105,514) | 14.1 |
| Net cost of loan funding | (42,996) | (68,890) | 37.6 |
| Lease liability interest (IFRS 16) | (47,654) | (36,624) | (30.1) |
| Impairments, derecognition of lease liabilities & ROUA and profits/(losses) on the disposal of businesses | (1,008) | (597,499) | |
| Profit/(loss) before taxation | 27,761 | (591,328) | 104.7 |
| Taxation expense | (22,338) | (71,977) | 69.0 |
| Profit/(loss) for the period | 5,423 | (663,305) | |
| Continuing operations | 5,423 | (663,305) | 100.8 |
| Discontinued operations | 35,906 | 58,553 | (38.7) |
| | 41,329 | (605,608) | 106.8 |

*Restated to classify Adcorp Support Services Proprietary Limited (Adcorp Financial Services segment) as assets held for sale and restatement of Angola cash and bonds.

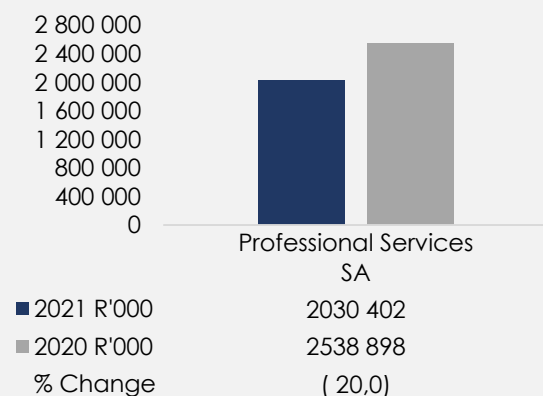
Segmental performance: Revenue



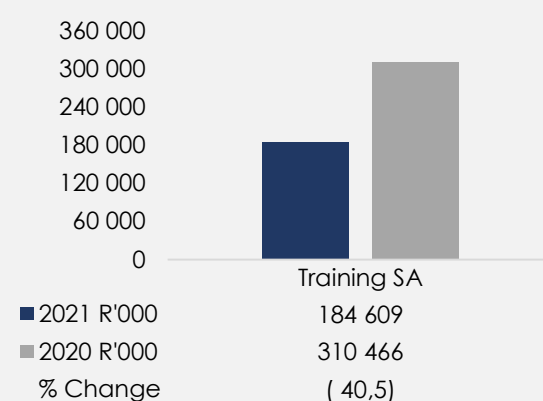
Industrial Services (SA)



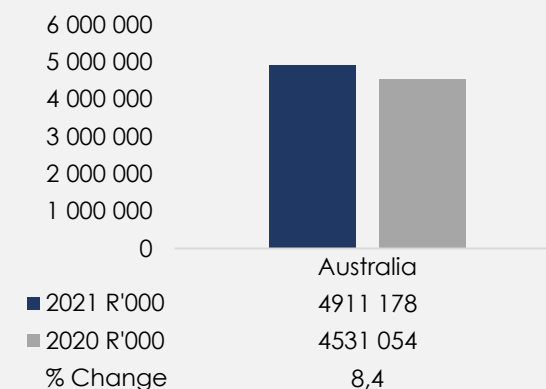
Professional Services (SA)



Training Services (SA)



Australia



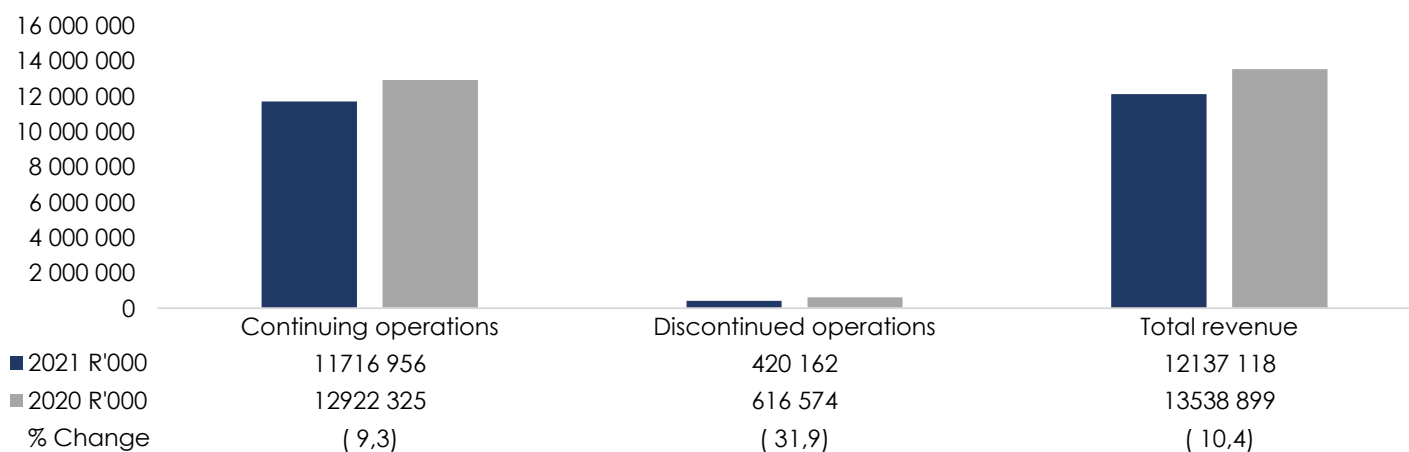
Group revenue decrease of 9.3% from continuing operations

South Africa

- All segments negatively impacted by COVID-19
- Rebalancing profitable portfolio

Australia

- Decline of 6.5% in AUD
- Currency uplift of 8.4%



Segmental performance: EBITDA (after central allocation)

EBITDA – continuing operations marginal decrease of 1.6%

South Africa

Decreased by 23.7%

Non-recurring costs of R70 million

Australia

Improvement of 53.8% mainly due to cost containment and benefit of government relief income

| | Audited Year end Feb 21 | Audited Year end Feb 20 | |
|---|-------------------------------|-------------------------------|----------|
| | R'000 | R'000 | % Change |
| South Africa - continuing operations | 138,201 | 181,154 | (23.7) |
| Industrial Services | 132,689 | 141,526 | (6.2) |
| Professional Services | 25,292 | 4,998 | 406.0 |
| Training | (10,046) | 22,621 | (144.4) |
| Unallocated year-end adjustments | (9,734) | 12,009 | (181.1) |
| South Africa - discontinued operations | 59,949 | 69,331 | (13.5) |
| Financial Services | 59,949 | 69,331 | (13.5) |
| Total South Africa | 198,150 | 250,485 | (20.9) |
| Australia - continuing operations | 111,579 | 72,528 | 53.8 |
| Australia - discontinued operations | 11,505 | 6,435 | 78.8 |
| Total Australia | 123,084 | 78,963 | 55.9 |
| Total Group | 321,234 | 329,448 | (2.5) |
| <i>Continuing operations</i> | 249,780 | 253,682 | (1.6) |
| <i>Discontinued operations</i> | 71,454 | 75,766 | (5.7) |
| Total Group | 321,234 | 329,448 | (2.5) |

*Restated to classify Adcorp Support Services Proprietary Limited (Adcorp Financial Services segment) as assets held for sale and restatement of Angola cash and bonds.

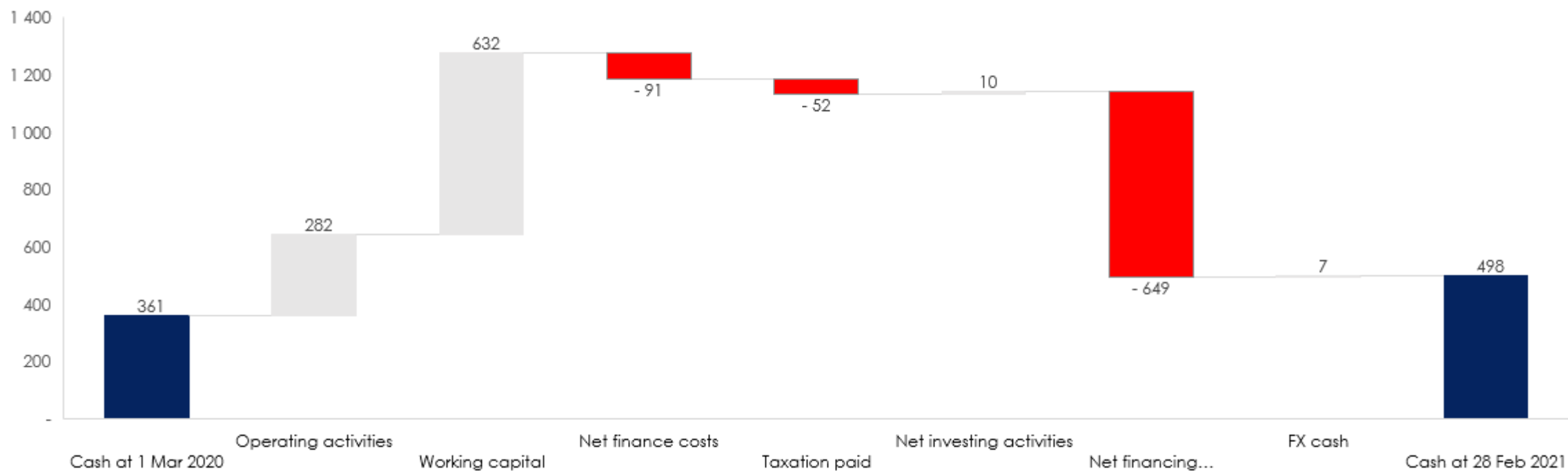
Summarised consolidated statement of financial position

- Trade and other receivables decreased by 25.2% from February 2020
- Intangibles assets reduced because of reclassification of SaaS asset
- No impairments for goodwill were noted in the current year. FMS goodwill has been reclassified to assets held for sale
- Cash and cash equivalents have improved to R474m (including restricted cash of R67 million in Angola)
- Interest-bearing borrowings have reduced by R546m
- Trade and other payables, including provisions reduced by 6.9%

| | Audited Year end Feb 21 | Audited Year end Feb 20 | Audited Year end Feb 19 |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | R'000 | R'000 | R'000 |
| Assets | | | |
| Property and equipment | 48,286 | 72,212 | 57,647 |
| Right-of-use lease assets | 364,572 | 414,917 | - |
| Intangible assets and Goodwill | 671,562 | 813,311 | 1,420,412 |
| Investment and other financial assets | 18,971 | 54,544 | 46,923 |
| Tax and deferred tax asset | 208,686 | 199,656 | 305,792 |
| Trade and other receivables | 1,534,315 | 2,049,966 | 2,190,202 |
| Cash and cash equivalents | 473,932 | 356,761 | 409,007 |
| | 3,320,324 | 3,891,267 | 4,429,983 |
| Non-current assets held for sale | 196,553 | 116,039 | - |
| Total assets | 3,516,877 | 4,077,306 | 4,429,983 |
| Equity and liabilities | | | |
| Capital and reserves | 1,352,254 | 1,245,847 | 1,976,308 |
| Interest-bearing borrowings | 455,910 | 1,001,866 | 885,529 |
| Lease liabilities | 444,939 | 497,478 | - |
| Tax and deferred tax liability | 149,970 | 120,281 | 163,590 |
| Provisions, trade and other payables | 1,092,660 | 1,173,075 | 1,404,556 |
| | 3,495,733 | 4,038,547 | 4,429,983 |
| Held for sale liabilities | 21,144 | 38,859 | - |
| Total equity and liabilities | 3,516,877 | 4,077,406 | 4,429,983 |

*Restated to classify Adcorp Support Services Proprietary Limited (Adcorp Financial Services segment) as assets held for sale and restatement of Angola cash and bonds.

Cashflow bridge



- Significant improvement in collections – 90 days + has reduced by 50% since February 2020. Overall debtors have reduced by 24.6%
- Effective management of payables
- Reduction in net finance costs countered by increase in lease liability interest

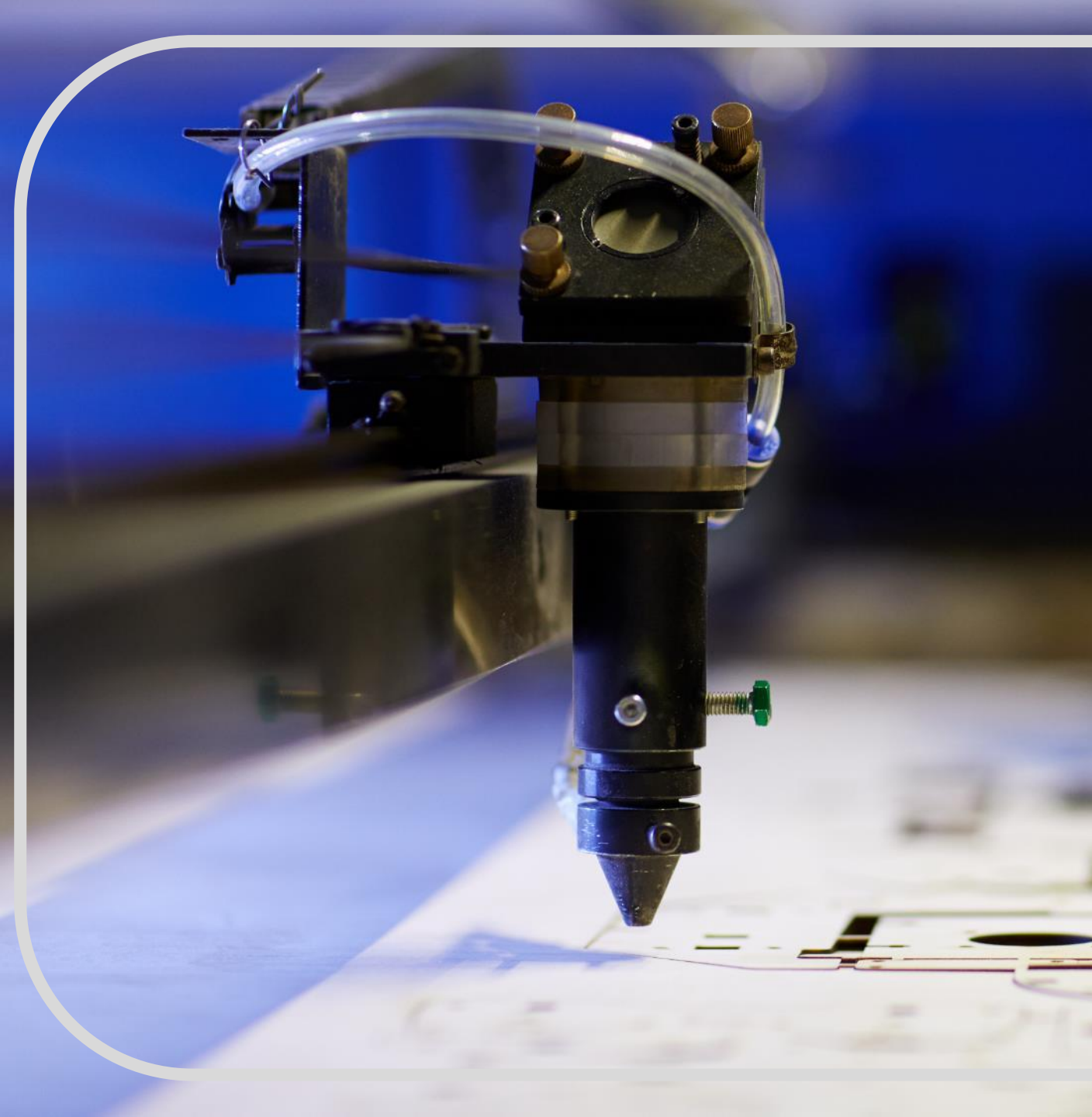
**Restated to classify Adcorp Support Services Proprietary Limited (Adcorp Financial Services segment) as assets held for sale and restatement of Angola cash and bonds.*

Net debt

- South African debt facilities extended to August 2022
- Australian facilities extended to June 2022
- Restricted cash of R67 million in Angola
- Proceeds from sale of ASS received subsequent to year-end

| | Audited Year end Feb 21 | Audited Year end Feb 20 |
|--|-------------------------------|-------------------------------|
| | R'000 | R'000 |
| ZAR Amortising term loan | - | 200,000 |
| ZAR Amortising revolving credit facility | - | 570,000 |
| ZAR New revolving credit facility | 450,000 | - |
| AUD Borrowing base facility | 5,823 | 231,684 |
| Bank overdraft | 87 | 182 |
| Total debt | 455,910 | 1,001,866 |
| Cash and cash equivalents | (407 099) | (314,049) |
| Cash and cash equivalents – restricted cash* | (66 833) | (42 712) |
| Cash and cash equivalents (assets held for sale) | (24,511) | (3,921) |
| Net debt | (42,533) | 641,184 |

*Restricted cash and cash equivalents in Angola



adcorp
Connecting Potential

Operational Review

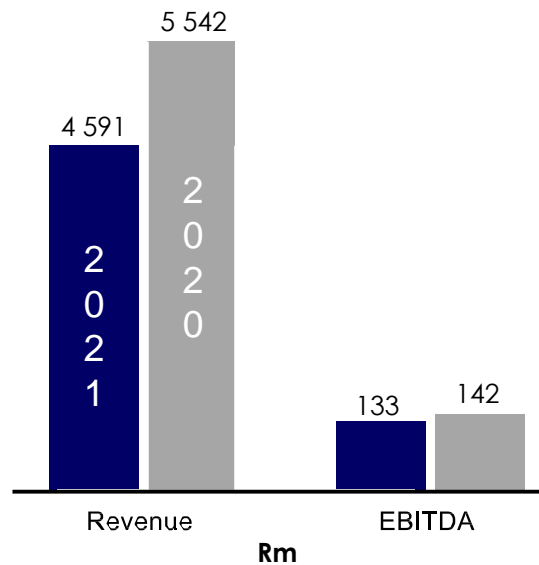
PRESENTED BY
Bruce Toerien

DATE
31 May 2021



Industrial Services – SA

12 months ended 28 February 2021



Operational review

- TES / contingent revenue declined by 17% largely driven by high headcount reductions in deemed non-essential sectors. E.g. hospitality, automotive and industrial sectors
- Functional Outsourcing as a sector within Industrial increased revenue 9% due to its primary exposure to the retail sector
- EBITDA largely preserved

Outlook

- TES / contingent showing signs of an increase in hours worked and headcount
- Increased revenue offset by a reduction in margin decreative contracts
- Cost management to continue
- Focus on client growth in targeted sectors
- Heightened focus on realizing an ROI for the tech investment made

ADfusion

BLU.

CAPability

CO-STARS.

funxion

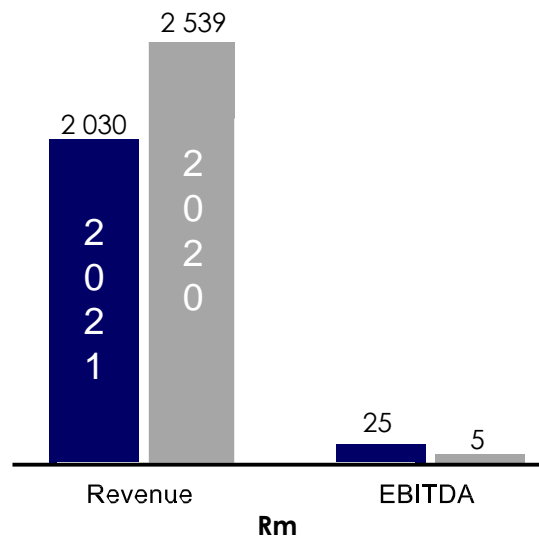
BLU.CYNERGY

zest
HOSPITALITY



Professional Services – SA

12 months ended 28 February 2021



Operational review

- Support Services and Professional Services merged
- Revenue contraction of 20%
 - Budgetary constraints at major clients
- EBITDA improvement due to cost restructuring and bad debt recovery
- Permanent recruitment
 - Permanent recruitment freeze during lockdown
 - Rightsizing of business
- Charisma revenue impacted by reduced elective procedures

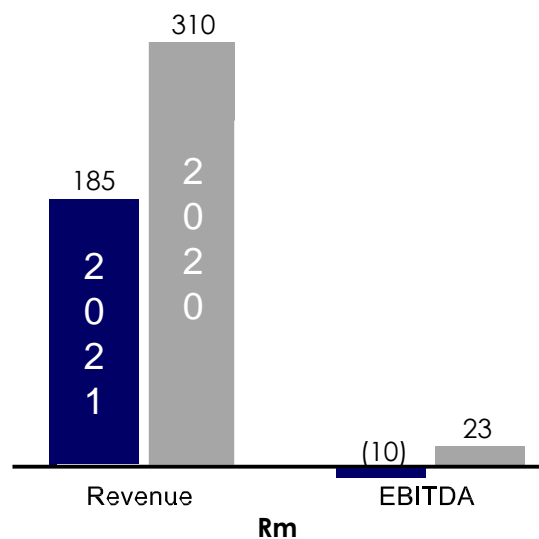
Outlook

- Contingent headcounts are increasing
- Permanent placement demand remains under pressure
- Merger of permanent placement brands and launch of platform driven talent acquisition model PODS
- Increased business development opportunities for RPO and MSP



Training Services – SA

12 months ended 28 February 2021



Operational review

- Training revenue down 40%
 - COVID-19 impact on instructor led training model
 - Severely impacted by COVID-19 reduced L&D spend considered discretionary
 - Artisan development business disrupted
- Launched Virtual Instructor Led Training (VILT)
- Torque IT the most impacted segment in terms of digital transformation

Outlook

- IT investment will accelerate adoption of online learning
- Digital conversion of content in progress
- Targeted growth sectors identified and will unlock growth
- Leadership changes made within the Portfolio and two of the brands (Torque IT and ATT)



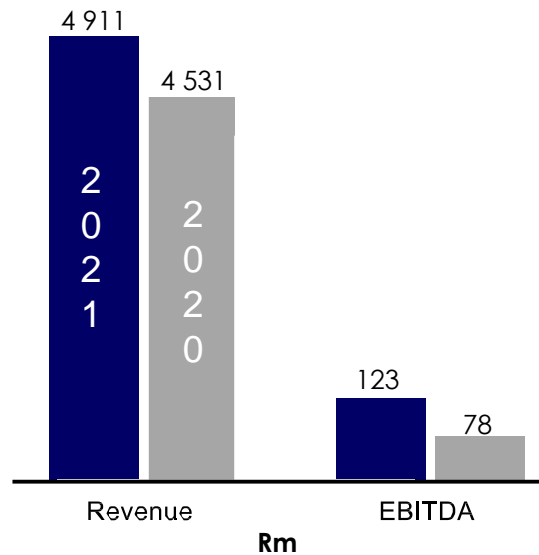
TORQUE IT





Australia

12 months ended 28 February 2021



Operational review

- Australian Dollar revenue contraction offset by Rand fluctuations
- Paxus has proven to be fairly resilient
- LSA turns the corner
- Government relief augments profitability

Outlook

- Permanent placements remain under pressure although green shoots emerging
- Contingent headcount is increasing
- Merger benefits of Paxus and LSA management structure
- Strong AllAboutXpert pipeline
- LSA sector diversification gains momentum



adcorp
Connecting Potential

Outlook

PRESENTED BY
Dr John Wentzel

DATE
31 May 2021

Where is Adcorp now



- Traded at 91% of FY2020
- Net debt reduction
- Improved working capital management
- Adcorp Workforce Solutions attained a competitive B-BBEE Level 1
- Technology to deliver improved client value

**To be the leading
workforce solutions
partner in the markets we
serve by connecting and
advancing human
potential**

Adcorp will come out of the pandemic stronger than when it went in

What is Adcorp's outlook



- Slow recovery from COVID-19 in SA, better in Australia.
- Competition will remain intense in SA and Australia.
- Focus on enabling the workforce of the future for our clients.
- Agility through sector specific brands and solutions.
- Growth through leveraging technology investment.



Focus : Agility : Growth



Q&A
Thank you