

Annual Results

Year ended
28 February
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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Connecting Human Potential

Overview

Dr John Wentzel
Chief Executive Officer



How did we do?



**Earnings
up**



**Margins
up**



**Net
cash up**



**Dividend
declared**



**High customer
satisfaction**



**Invested in
people**



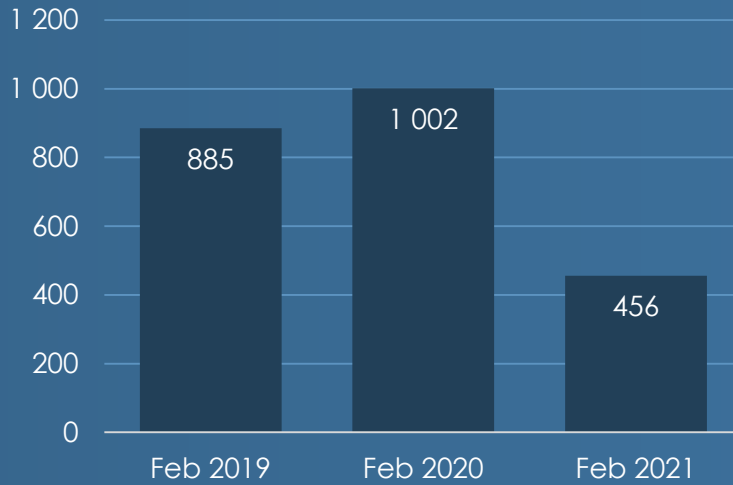
**Capacitated
for growth**



**BBBEE 1
South Africa**

Gross debt

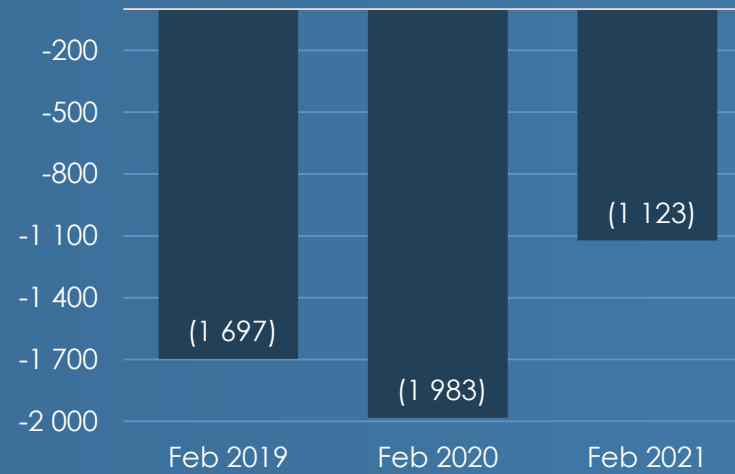
R' million



● Debt down by 54%

Costs

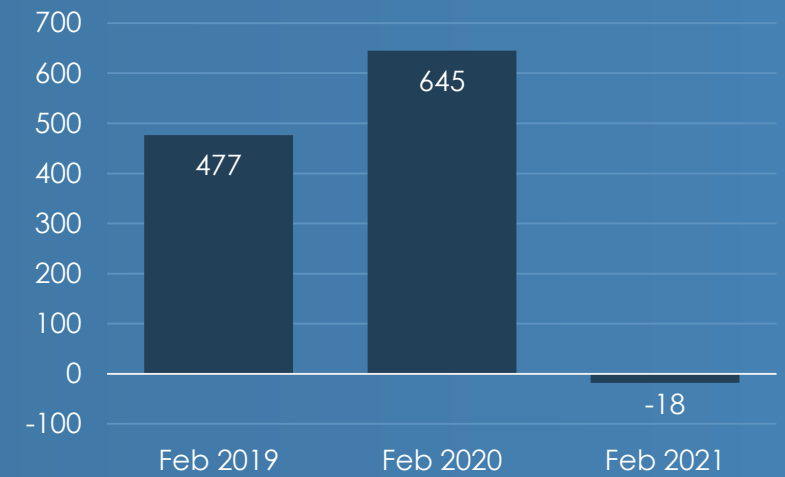
R' million



● Costs cut by 43%

Net debt

R' million



● R663m net debt swing

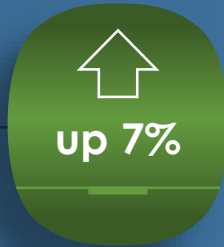
FY2022: Focus on stability

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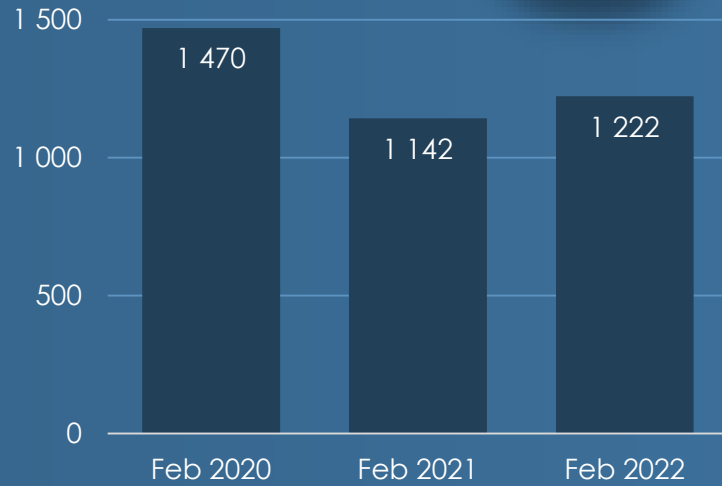
- Built purpose into what we do
- Put people at the centre of our business
- Strengthened our leadership team
- Built a customer focussed commercial engine
- Optimised our working capital
- Injected new discipline into cost management

FY2022: A stable business

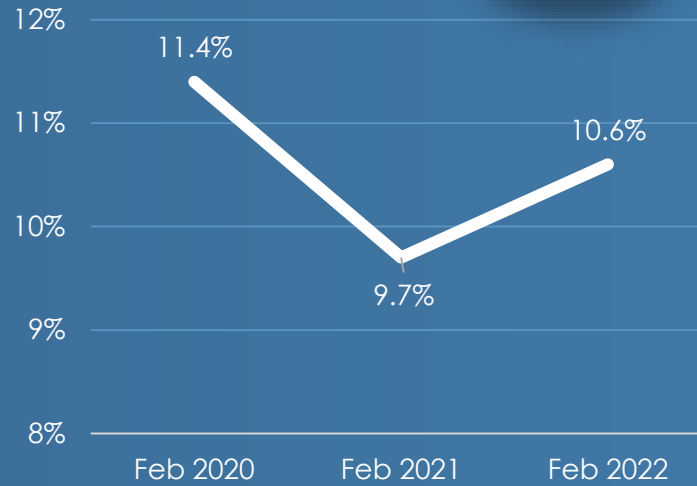
Gross profit



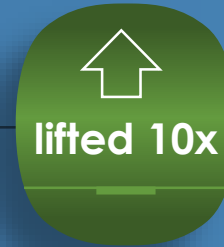
R' million



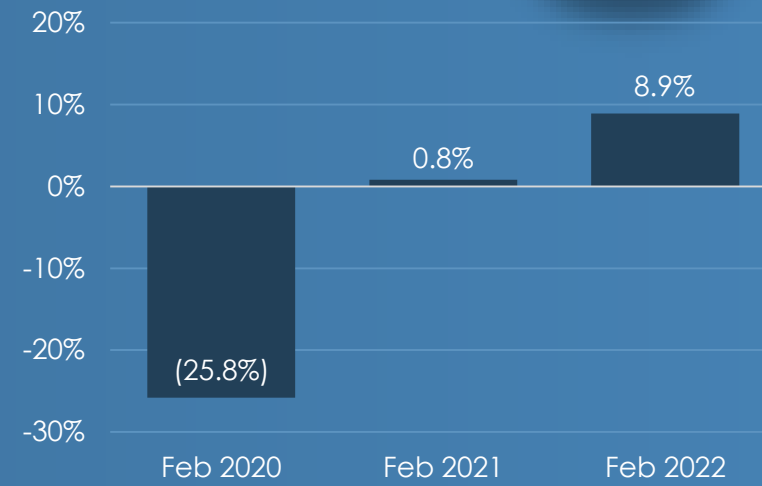
Margins



ROIC



R' million





Connecting Human Potential

Financial and Operational Overview

Noel Prendergast
Chief Financial Officer



Financial snapshot

Revenue
from continuing operations

R **11,5** bn

2021 | R11,7bn |

-1.7%



Gross profit
from continuing operations

R **1,2** bn

2021 | R1,1bn |

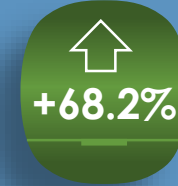
+7.0%



Operating profit from
continuing operations
before finance income
and finance costs

R **199** m

+68.2%



Cash generated
from operations

R **260** m

2021 | R914m |

71.6%



Net cash position improved
to positive (excl. restricted cash)

R **198** m

2021 | Net debt
of R49m |

+505%



Interest-bearing debt
excluding leases of

R **133** m

2021 | R456m |

-70.8%



Earnings per share from
continuing operations

92,8 cents

2021 | **2,2 cents** |



Headline Earnings per share
from continuing operations

96,2 cents

2021 | **0,8 cents** |



Summarised consolidated statement of profit and loss

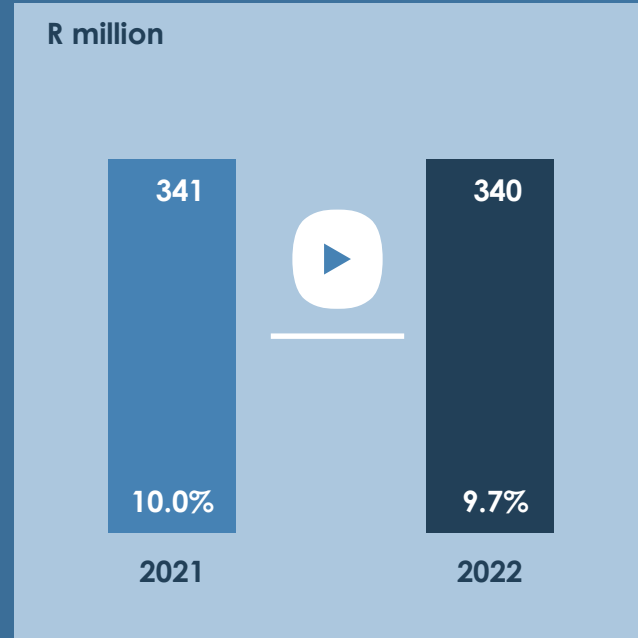
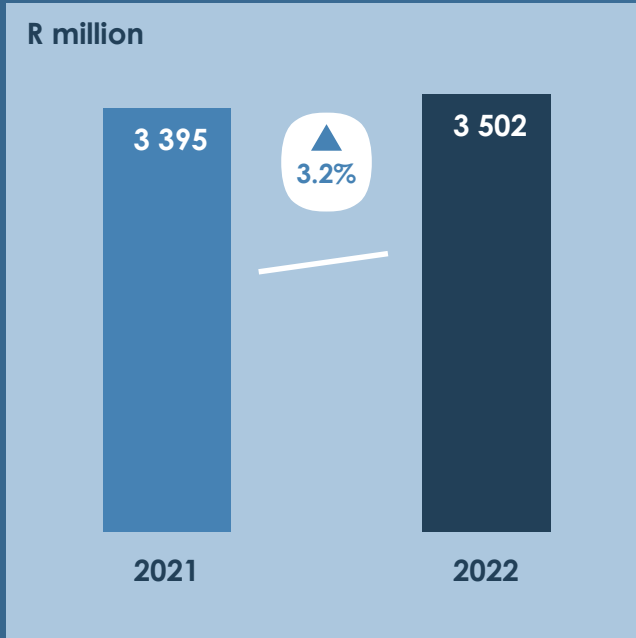
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	Audited Feb 22 R'000	Audited Feb 21 R'000	Var %
Revenue	11 512 948	11 716 956	(1.7)
Cost of sales	(10 290 896)	(10 575 140)	2.7
Gross profit	1 222 052	1 141 816	7.0
Gross profit %	10.6%	9.7%	
Other income excl. one-off type income	19 553	79 067	(75.3)
Operating expenses excl. one-off type costs	(948 632)	(971 103)	2.3
EBITDA	292 973	249 780	17.3
EBITDA %	2.5%	2.2%	
Depreciation and amortisation	(88 873)	(130 361)	31.8
Depreciation of PPE and amortisation	(35 228)	(68 553)	48.6
Depreciation of right of use assets (IFRS 16)	(53 645)	(61 808)	13.2
Net cost of funding	(63 779)	(90 650)	29.6
Net cost of loan funding	(18 892)	(42 996)	56.1
Lease liability interest (IFRS 16)	(44 887)	(47 654)	5.8
Impairments, derecognition of lease liabilities & ROUA and losses on the disposal of businesses	(4 952)	(1 008)	
Profit before taxation	135 369	27 761	387.6
Taxation expense	(33 778)	(22 338)	(51.2)
Profit for the year	101 591	5 423	1 773.3
Continuing operations	101 591	5 423	1 773.3
Discontinued operations	17 366	35 906	(51.6)
	118 957	41 329	187.8

- Revenue decline of 1.7%
 - Exit of low margin contracts
 - ZAR impact
 - External factors
- Gross profit margin improved by 8.9%
- Other income down following ending of JobKeeper program
- Operating expenses down 2.3%
- EBITDA margin up 19.4%
- Net loan funding decreased 56.1% following de-gearing

Revenue

Gross profit



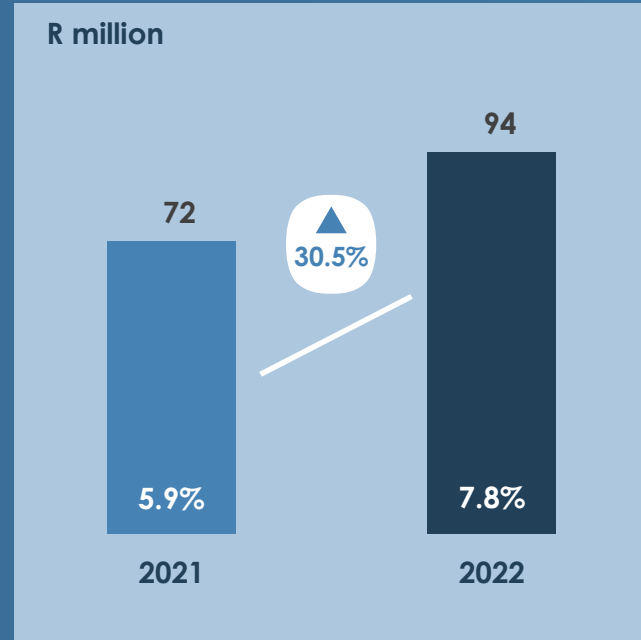
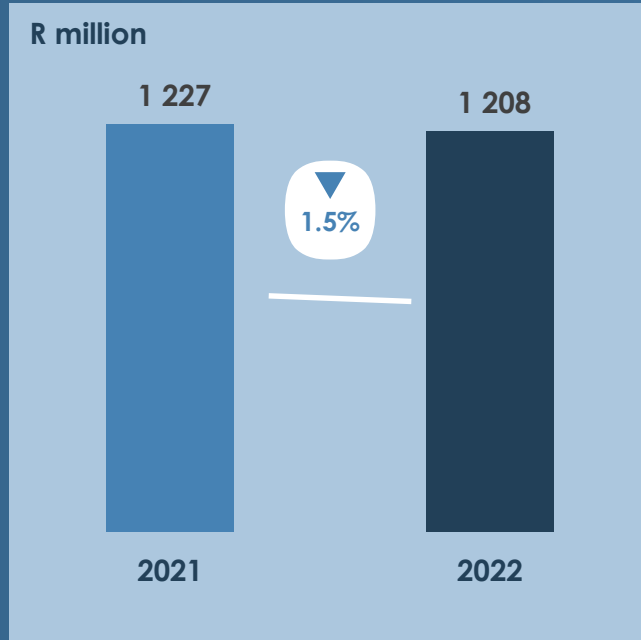
- Revenue up despite exit of large unprofitable contracts in Cynergy
- BLU revenue up 10%
- Performance negatively affected by July KZN unrest
- Normalised margin up – prior year contained significant salary sacrifices
- Increased demand seen in H2 as economy showed signs of recovery

BLU.TM

Cynergy

Revenue

Gross profit

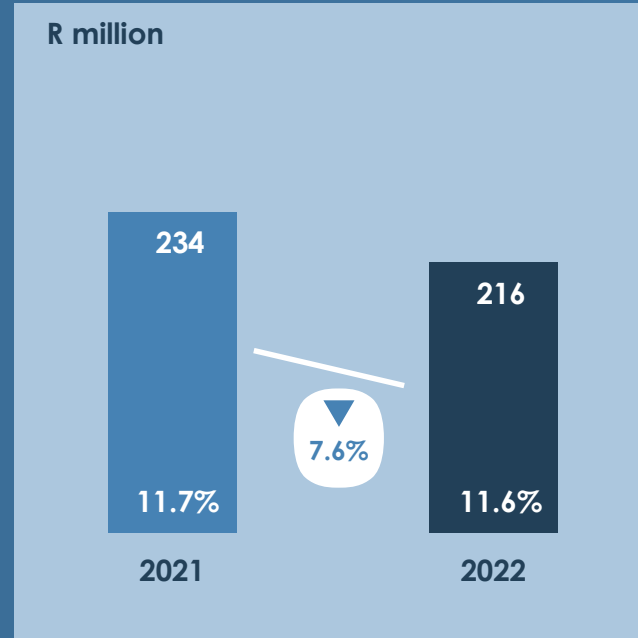
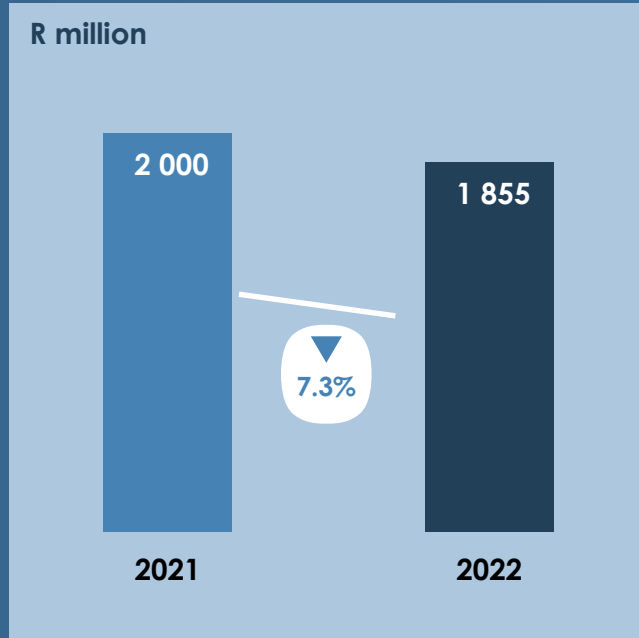


- Revenue declined following exit of unprofitable contracts
- Margins up on exit of unprofitable contracts and new business signed at higher margins
- Increased interest in funxionO offering from large clients
- Capability up sharply off increased demand



Revenue

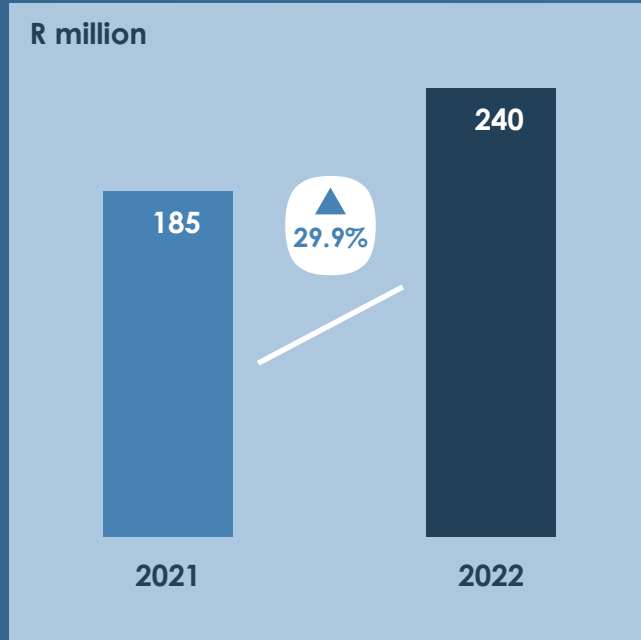
Gross profit



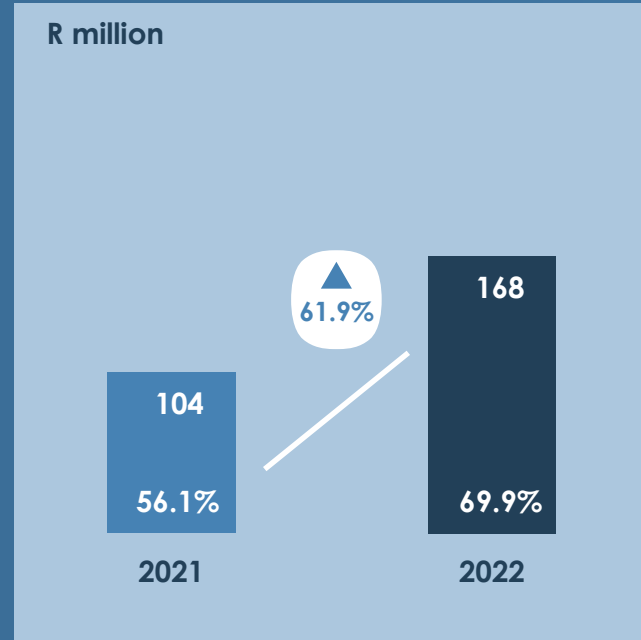
- Revenue down as economic recovery stalled, and demand fell
- Client retention was high, but in-contract contraction reduced revenue
- Gross margins were largely maintained and strong cost control
- Contingent demand and permanent placement showed signs of recovery in Q4



Revenue



Gross profit



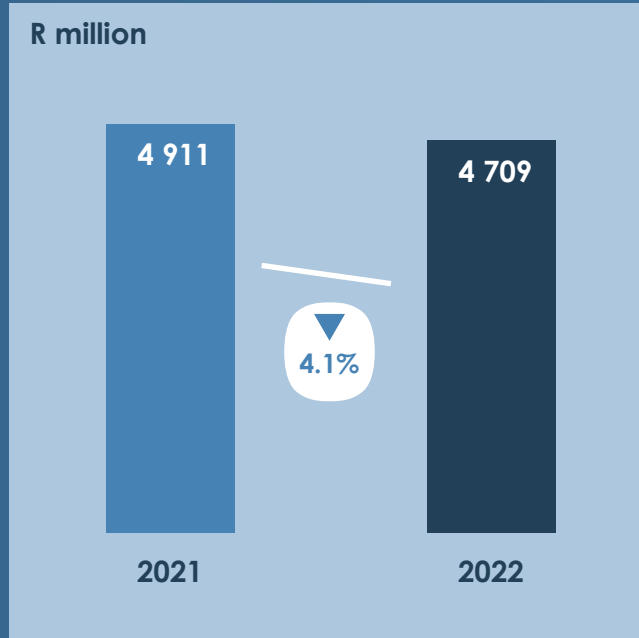
- Revenue up from increased demand and a strong focus on driving new sales
- Strong demand drove excellent PMI performance
- TorqueIT benefitted from a revised product mix and its move to online delivery from classrooms
- Margins substantially up



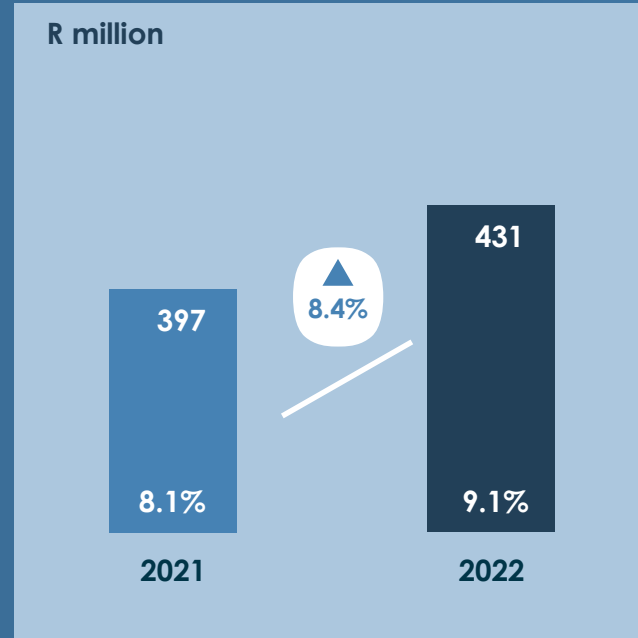
TORQUE IT



Revenue



Gross profit



- Revenue in ZAR decreased due to a negative currency swing
- Revenue in AUD increased 1.1%
- Margins up on changed client focus and a greater focus on perm placements
- Performance constrained by supply-side constraints

Segmental performance: EBITDA

	Audited Feb 22 R'000	Audited Feb 21 R'000	Var %
South Africa continuing operations	200 353	138 201	45.0
Industrial	143 030	132 689	7.8
Professional	41 634	25 292	64.6
Training	9 795	(10 046)	197.5
Central costs	5 894	(9 734)	160.5
South Africa - discontinued operations	4 772	59 949	(92.0)
Financial Services	4 772	59 949	(92.0)
Total South Africa	205 125	198 150	3.5
Australia - continuing operations	92 620	111 579	(17.0)
Australia - discontinued operations	-	11 505	(100.0)
Total Australia	92 620	123 084	(24.8)
Total Group	297 745	321 234	(7.3)
Continuing operations	292 973	249 780	17.3
Discontinued operations	4 772	71 454	(93.3)
Total Group	297 745	321 234	(7.3)

- Group EBITDA margin improved to 2.5% from 2.2%
- SA EBITDA increased 45% on continuing operations
- AUS EBITDA negatively impacted by currency swing and loss of Jobkeeper

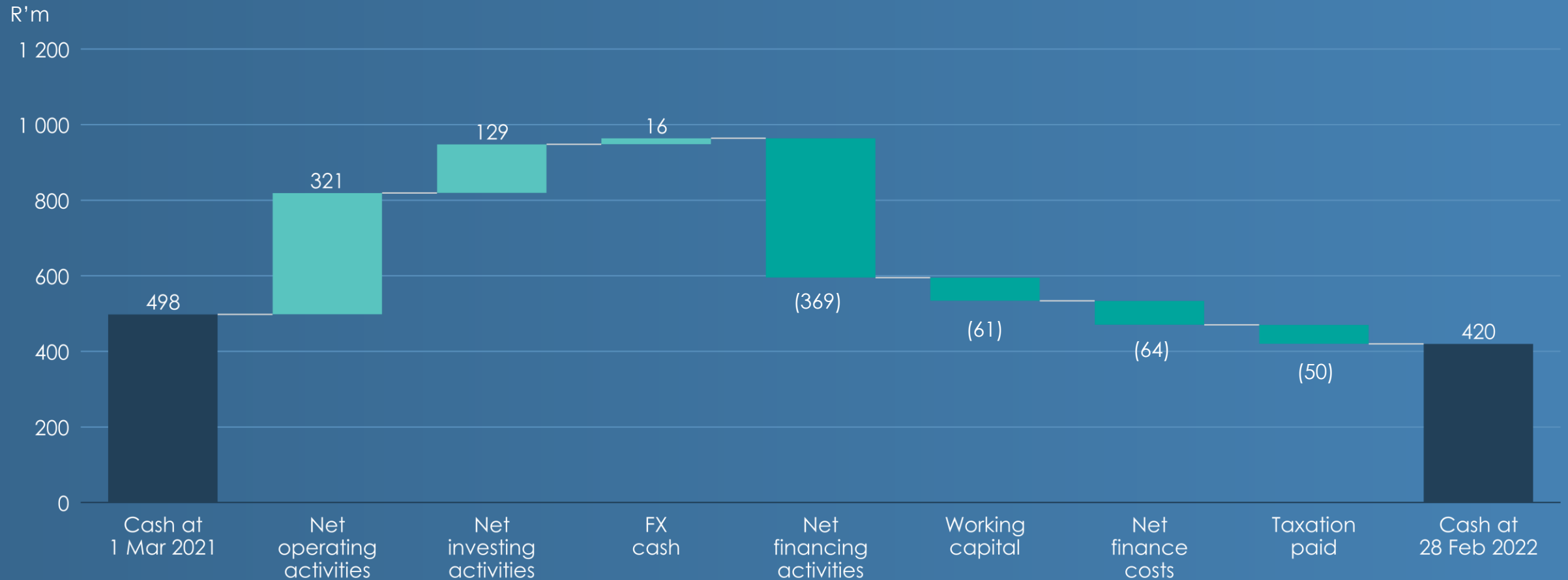
Summarised consolidated statement of financial position

	Audited Feb 22 R'000	Audited Feb 21 R'000	Audited Feb 20 R'000
Assets			
Property and equipment	37 171	48 286	72 212
Right-of-use lease assets	323 432	364 572	414 917
Intangible assets and Goodwill	638 496	671 562	813 311
Investment and other financial assets	19 597	18 971	54 544
Tax and deferred tax asset	223 634	208 686	199 656
Trade and other receivables	1 537 987	1 534 315	2 049 966
Cash and cash equivalents	420 355	473 932	356 761
	3 200 672	3 320 324	3 961 367
Non-current assets held for sale	-	196 553	116 039
Total assets	3 200 672	3 516 877	4 077 406
Equity and liabilities			
Capital and reserves	1 472 529	1 352 254	1 245 847
Interest-bearing borrowings	133 336	455 910	1 001 866
Lease liabilities	423 965	444 939	497 478
Tax and deferred tax liability	147 302	149 970	120 281
Provisions, trade and other payables	1 023 540	1 092 660	1 173 075
	3 200 672	3 495 733	4 038 547
Held for sale liabilities	-	21 144	38 859
Total equity and liabilities	3 200 672	3 516 877	4 077 406

- The right-of-use lease asset decreased by 12.7%
- Intangible assets decreased by 4.9%
- No impairments for goodwill
- Cash and cash equivalents at R420m despite debt redemption of R369m

Cashflow bridge

- Interest bearing debt reduced by R369 million
- DSO maintained at 38 days

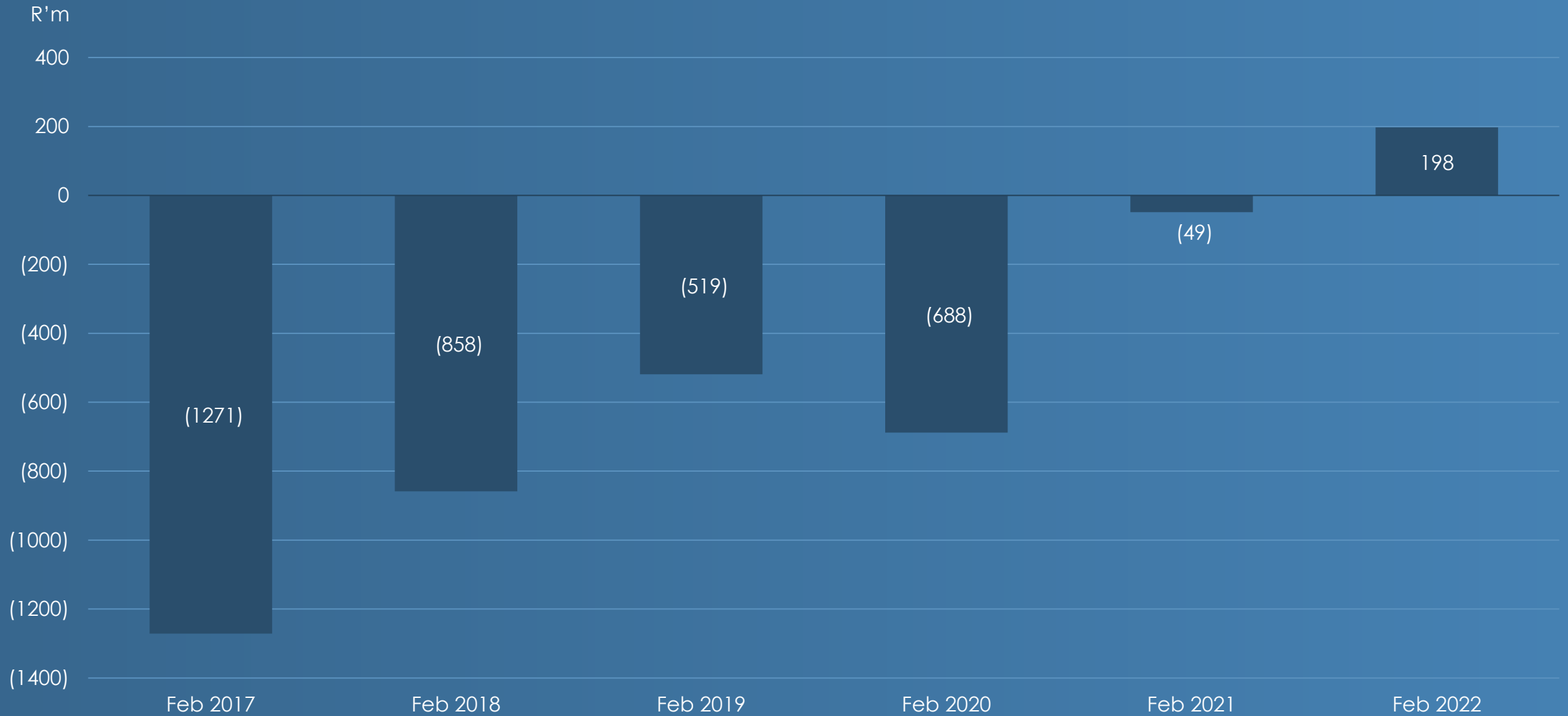


Net cash

	Audited Feb 22 R'm	Audited Feb 21 R'm
ZAR Revolving credit facility	(100)	(450)
AUD Borrowing base facility	(33)	(6)
Total gross debt	(133)	(456)
Cash and cash equivalents	331	407
Cash and cash equivalents excluding restricted cash	198	(49)
Restricted cash	89	67
Cash and cash equivalents (assets held for sale)	-	25
Total net cash	287	43

- R198m net cash position excluding restricted cash
- Restricted cash increased to R89 million

Net cash



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Connecting Human Potential

From Stability to Growth

Dr John Wentzel
Chief Executive Officer





● Brands

- The centre of the business
- The market face of Adcorp
- Measured as a stand alone

● Divisions

- Reporting and management control
- Brands clustered together by customer use
- No market facing presence

● Adcorp

- The strategic architect
- Enables linkages and drives synergies
- An endorsing brand

To be the leading workforce lifecycle solution provider across two continents, delivering agile, skilled and focused solutions in selected industries and geographies.



- Deliver ROIC > WACC
- Lift operating margin >3%
- Superior to competition CSat scores
- Industry-leading employee engagement scores
- Leading ESG position in our market

Strategy execution

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- Selling workforce lifecycle solutions
- Moving Adcorp up the customer value chain
- Building integrated solutions for customers
- Lifting operating leverage
- Driving growth through organic and acquisitive investment



Dividend declaration

Adcorp declares a normal dividend of
for the year ending 28 February 2022



47c

Adcorp investment case

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- Established a sustainable earnings base
- Reduced volatility in earnings
- High cash conversion rates lead to the ability to pay dividends
- De-gearred balance sheet
- Trading at a discount to NAV



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Outlook

Dr John Wentzel
Chief Executive Officer



The year ahead: constraints

- Rising inflation
- Low economic growth in South Africa
- Covid pandemic still with us
- Supply side constraints in Australia
- The competition for talent

The year ahead: opportunities

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- Recovery in demand for white-collar staff
- Sustained requirements for blue collar contingent staff
- Increased interest in functional outsourcing
- Opportunities in South & East Africa
- Digitalisation

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Q&A