

Adcorp Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1974/001804/06)
Share code: ADR & ISIN: ZAE000000139
("Adcorp" or "the Group")

TRADING STATEMENT AND OPERATIONAL UPDATE FOR THE YEAR ENDED 29 FEBRUARY 2020

Trading Statement

In terms of the Listings Requirements of the JSE Limited ("JSE"), companies are required to publish a trading statement as soon as there is a reasonable degree of certainty that the financial results for the period to be reported upon next will differ by at least 20% from the financial results for the previous corresponding period.

Adcorp advises shareholders, with reasonable certainty, that operating profit, total basic earnings per share ("EPS") and total headline earnings per share ("HEPS") for the year ended 29 February 2020 ("FY20") will be as follows:

- Operating Profit of between R180.7 million and R216.8 million compared to Operating Profit of R387.7 million for the year ended 28 February 2019 ("the Comparative Period"), representing a decrease of between 53.4% and 44.1%.
- Loss per share of between 490.9 cents and 589.1 cents compared to EPS of 240.0 cents for the Comparative Period.
- HEPS of between 13.9 cents and 16.7 cents compared to HEPS of 245.0 cents for the Comparative Period, representing a decrease of between 94.3% and 93.2%.

Included in earnings are impairments amounting to at least R465 million from the resourcing-based cash-generating units of the Group.

Operational update

Trading conditions have remained constrained and the business focus in the second half of FY20 has been the implementation of interventions to recover the losses incurred in the first half of this year. An extensive review of the Group's portfolio of companies has also been initiated with the objective of streamlining the Group operations and de-gearing the balance sheet.

South Africa

The weakened South African economy and high unemployment rates have necessitated that our clients review their cost bases resulting in a reduction in recruitment and the use of temporary employment services. This was particularly evident in the first half of FY20 but tapered off in the second half as increased focus on delivering value to our clients resulted in assignee volumes levelling off.

Further to the above, the lack of price recovery continued to negatively impact GP margins. Our response has included the acceleration of our drive to right-size the business and ensure an efficient operating structure. This has yielded positive outcomes evidenced by a reduction in our operating expenses in FY20. This will continue to be an area of focus in FY21.

The Group is encouraged by the positive performance in some of the training segments. The capabilities of Adcorp Technical Training (ATT) and Production Management Institute (PMI) allow the training business to continuously partner with clients in the heavy industrials, mining and logistics industries. Demand for the disability training solutions provided by I-Can remains high and it continues to be a market leader in this space.

Australia

The Australian economy has been under ongoing pressure from a growth perspective, and the interest rate cuts put in place by government to stimulate retail activity and drive GDP growth did little to effect any real change in market demand in the resourcing sector.

Drought conditions and flooding in Australia in the first half of the year materially impacted the Labour Solutions Australia (LSA) business which primarily provides staff to the agricultural sector. The fires that affected Australia in the second half of the year were a further contributing factor to the flat performance within that region.

Impact of COVID-19

Management acted swiftly by implementing cost saving and liquidity management interventions to mitigate the loss of business resulting from the COVID-19 pandemic and lockdown. The Group has been working closely with all stakeholders to mitigate any risk to the business and maintain a healthy cash flow position.

Business continuity measures have been in place since the announcement of a National State of Disaster in South Africa. These crisis management protocols which include staff temperature screening by Adcorp Group company Charisma and various initiatives run by a COVID-19 committee comprising the Adcorp Board and management, have been effective in ensuring that the parts of the Group that support clients in essential services remain operational throughout the lockdown. The Temporary Employment Services and Functional Outsourcing segments provide staffing to essential services including across the retail supply chain, healthcare, power supply and contact centres which support essential services.

The national reaction to the COVID-19 outbreak has been less severe in Australia, however despite this, we anticipate reduced earnings in H1 of FY21.

Extension of financial reporting periods

Shareholders are referred to the market notice issued by the Financial Services Conduct Authority on 3 April 2020, in respect of the extension of financial reporting periods (the “**Extension Periods**”) and are advised that the Group will be utilising the two-month Extension Periods afforded to issuers with year-ends of 31 December 2019, 31 January 2020, 29 February 2020 and 31 March 2020.

The impact of COVID-19 has impeded the Group’s ability to complete the necessary work required to finalise its financial results and accordingly the Adcorp Board considers it prudent and in the best interests of the Group to utilise the two-month Extension Period.

Given that the Group's financial year end is 29 February 2020, Adcorp will issue its provisional annual financial statements on or about 12 June 2020 and its integrated annual report, incorporating the final annual financial statements and the notice of annual general meeting, by no later than 31 July 2020.

The results will be presented via webcast in light of the COVID-19 outbreak.

As advised by the JSE, the Group reiterates that market participants should not draw undue adverse inferences as a result of Adcorp making use of the Extension Periods available to it.

The financial information on which this trading statement is based has not been reviewed, or reported on, by the Group's external auditors.

8 May 2020

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Sponsor: Nedbank Corporate & Investment Banking, a division of Nedbank Limited