

**ADCORP HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
Registration number: 1974/001804/06  
Share code: ADR  
ISIN: ZAE000000139  
("Adcorp" or "the Company")



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## **SUMMARY OF THE UNAUDITED INTERIM FINANCIAL RESULTS AND DECLARATION OF INTERIM CASH DIVIDEND FOR THE SIX MONTHS ENDED 31 AUGUST 2022**

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### **SALIENT HIGHLIGHTS**

- Revenue from continuing operations increased by 3.2% to R5,9 billion (2021: R5,7 billion)
- Gross profit from continuing operations increased by 6.3% to R626,8 million (2021: R589,6 million)
- Operating profit from continuing operations marginally decreased by 0.3% to R69,2 million (2021: R69,4 million)
- Profit after tax from continuing operations increased by 4.0% to R26,9 million (2021: R25,8 million)
- Cash generated by operations of R89,1 million (2021: R68,9 million)
- Net unrestricted cash position of R144,8 million (2021: R197,7 million)
- Earnings per share ("**EPS**") from continuing operations increased to 24,6 cents per share (2021: 23,8 cents per share)
- Headline earnings per share from continuing operations decreased to 24,6 cents per share (2021: 25,7 cents per share)
- Interim dividend of 12.2 cents per share declared (2021: Nil)

### **PERFORMANCE OVERVIEW**

The performance of Adcorp and its subsidiaries ("**group**") for the first six months to 31 August 2022 reflected ongoing execution of its growth strategy. Adcorp's revenue and gross profit was up compared to the six months ended 31 August 2021 ("**Comparative Period**") and also lifted profit before tax on a continuing operations basis. This is the first time since August 2018 that we can report a rise in revenue over the prior period and the ongoing focus on improving the quality of our business has seen gross margins rise over the comparable period. Overall results were negatively impacted by problems in the allaboutXpert ("**aaX**") brand in Australia and at 31 August 2022 aaX has been classified as a discontinued operation in terms of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

### **FINANCIAL OVERVIEW**

Group revenue from continuing operations of R5,9 billion was up 3.2% compared to the Comparative Period. Margin improvement has resulted in gross profit from continuing operations increasing by 6.3% to R626,8 million (2021: R589,6 million).

Operating profit from continuing operations was similar to the Comparative Period. Whilst gross profit improved, operating expenses increased by 9.1%. The majority of such increase was attributable to an investment in people, particularly in Australia.

Profit before taxation rose by 22.3% to R45,4 million (2021: R37,1 million), largely due to a reduced interest expense of R26,9 million (2021: R35,1 million). EPS from continuing

operations is up to 24,6 cents (2021: 23,8 cents). The loss from discontinued operations amounted to R13,7 million.

The group's effective tax rate from continuing operations was 40.8%, largely driven by current year tax losses not recognised and holding company non-deductible expenses in South Africa. The South African tax system does not operate on group taxation principles and therefore all subsidiary group companies are taxed at an entity level. From the accounting charge of R18,5 million in income tax, only R6,1 million is payable as cash tax.

As at 31 August 2022, total tax losses not recognised were R798 million (2021: R751 million) and those recognised were R238 million (2021: R332 million). As our businesses become more profitable, we anticipate recognising more of the assessed losses.

Cash generated by operations improved to R89,1 million from the Comparative Period (2021: R68,9 million), an increase of 29.4%. Net cash of R144,8 million was lower at 31 August 2022 (2021: R197,7 million) primarily due to investment in working capital, share buybacks of R12,6 million and returning cash to shareholders via a distribution of a net dividend of R49,2 million during the period. This is in line with the capital allocation framework shared with investors at year end. The group has extended its banking facilities for both South Africa and Australia during the period.

While the group continues to face pressure for extended terms from clients, the Days Sales Outstanding for the group has been carefully managed and has remained unchanged from year end on 38 days, with South Africa at 41 and 35 days in Australia.

## **DIVIDEND DECLARATION**

Shareholders are hereby advised that the board of directors of Adcorp has approved and declared an interim gross dividend of 12,2 cents per ordinary share, from income reserves, for the six months ended 31 August 2022.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 9,76 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate of dividend tax in terms of an applicable double-taxation agreement.

As at the date of this announcement, the Company has 109 954 675 ordinary shares of no par value in issue.

The Company's income tax reference number is 9233680710.

## **Salient dates and times**

Shareholders are hereby advised of the following salient dates and times for the payment of the dividend:

Publication of declaration data and finalisation information	Monday, 31 October 2022
Last day to trade <i>cum</i> dividend	Tuesday, 17 January 2023
Securities commence trading <i>ex</i> dividend	Wednesday, 18 January 2023
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 20 January 2023

Payment date	Monday, 23 January 2023
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Share certificates may not dematerialised or rematerialised between Wednesday, 18 January 2023 and Friday, 20 January 2023, both dates inclusive.

## OUTLOOK

The South African operations in the second half of the 2023 financial year may be negatively affected by the persistent load shedding, high levels of labour unrest and rising inflation. In the absence of further weakening in the South African economy we expect that the progress we have made in the first half of the year will be sustained towards year end.

In Australia, we foresee softening demand for white collar contingent staff as inflation and interest rates rise, but we expect that demand for blue collar contingent staff will persist. We anticipate further costs associated with the resolution of the aaX matters will impact results.

## SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full announcement and does not contain full or complete details. The full announcement is available on the JSE website at <https://senspdf.jse.co.za/documents/2022/jse/isse/ADR/HY2023.pdf> and on the group's website at <https://www.adcorpgroup.com/fy23-adcorp-group-interim-results-booklet/>.

Copies of the full announcement may also be requested from the group's registered office and at the office of the group's sponsors during office hours 8:00 - 16:00, Monday - Friday at no cost at the contact details below. Any investment decision should be based on the contents of the full announcement available on the JSE's website and the group's website.

This short-form announcement and the consolidated interim financial results of Adcorp, for the six months ended 31 August 2022, from which the information contained in this short-form announcement was extracted, have not been audited or reviewed by the Company's auditors.

On behalf of the board

GT Serobe  
*Chairman*

Dr JP Wentzel  
*Chief Executive Officer*

N Prendergast  
*Chief Financial Officer*

31 October 2022

### **Directors**

#### **Executive**

Dr John Wentzel (Chief Executive Officer)  
Noel Prendergast (Chief Financial Officer)

#### **Non-executive**

Gloria Serobe (Chairman)  
Clive Smith  
Timothy Olls

#### **Independent non-executive**

Melvyn Lubega  
Dr Phumla Mnganga (Lead Independent)

Tshidi Mokgabudi  
Prof Herman Singh  
Ronel van Dijk

***Alternative non-executive***  
Sam Sithole

***JSE Sponsor***  
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***Company Secretary***  
Lisa Laporte, Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6

***Transfer secretaries***  
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***Investor relations***  
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***External auditors***  
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