

ADCORP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1974/001804/06

Share code: ADR

ISIN: ZAE000000139

("Adcorp" or "the Company")



SHORT FORM ANNOUNCEMENT

SUMMARY OF THE AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2023

SALIENT HIGHLIGHTS

- Revenue from continuing operations increased by 6,5% to R12,0 billion (2022: R11,3 billion) *
- Gross profit from continuing operations increased by 6,1% to R1,3 billion (2022: R1,2 billion) *
- Operating profit from continuing operations before finance income and finance costs decreased by 18,4% to R164 million (2022: R201 million) *
- Cash generated by operations increased by 45,2% to R378 million (2022: R260 million) *
- Net cash position improved to R312 million (2022: R198 million) **
- Total earnings from continuing operations per share increased to 114,7 cents per share (2022: 96,3 cents per share) *
- Total headline earnings from continuing operations per share increased to 147,8 cents per share (2022: 99,7 cents per share) *
- Total earnings per share decreased to 37,3 cents per share (2022: 109,1 cents per share)
- Total headline earnings per share decreased to 61,1 cents per share (2022: 99,4 cents per share)
- Final dividend declared of 16,5 cents per share (2022: 47,0 cents per share)
- Special dividend declared of 91,3 cents per share (2022: Nil)
- B-BBEE Level 1 rating (maintained for South African operations)

* *Restated – prior year results adjusted for discontinued operations*

** *Net cash is a non-IFRS measure defined as unrestricted cash and cash equivalents from continuing operations less interest-bearing debt excluding leases*

Introduction

Throughout the past year, we have successfully navigated various challenges in the South African and Australian markets. Our unwavering commitment to growth, even in the face of adversity, is a testament to the resilience and strength of our brands, service and, most importantly, our exceptional team.

Two years ago, we embarked on an ambitious strategic journey to reposition Adcorp as a premier workforce recruitment and outsourcing business, utilising a customer-centric, brand-focused operating model. Today, as a result of our efforts, we have a strengthened balance sheet,

enhanced working capital management, and a more optimised portfolio of brands. Though the journey has taken time, the actions we have taken are beginning to yield results.

Financial overview

The Group's revenue from continuing operations increased by 6,5% from R11,3 billion to R12,0 billion during the year. This marks a significant milestone for the Group, as it is the first year of annual revenue growth since the 2016 financial year. Group EBITDA from continuing operations was resilient in the operating context, registering a small decrease of 3,8% to R284 million (2022: R294 million).

The overall Group performance was impacted by the following:

- Considerable contract losses at allaboutXpert Australia Proprietary Limited (“**aaX**”), a subsidiary of Adcorp Holdings Australia, ultimately held by Adcorp, which required extensive investment to remediate. Shareholders are referred to the announcement of 14 December 2022 whereby aaX was placed in voluntary administration on 12 December 2022. The total operating loss for the year from aaX recognised as a discontinued operation was R90,0 million (including an impairment of trade receivables of R54,1 million) and a net gain on deconsolidation of R9,6 million; and
- Impairment of goodwill of R34,4 million (2022: Rnil) recognised in the Paracon business. The impairment was recognised as a result of increases in the cost of capital and the worsening economic outlook in South Africa, which adversely affects forward-looking forecasts.

Cash generated by operations increased to R378 million from R260 million in 2022; this was due to the continued efficient management of working capital. The Group's days sales outstanding (DSO) improved to 36 days year-on-year (2022: 38 days). The Group's consolidated net cash (excluding restricted cash in Angola) ended at R312 million, an improvement of R114 million from the prior year (2022: R198 million). This is after a share buy-back programme of R20 million was implemented and after payment of dividends of R62 million during the year, in line with the Group's capital allocation framework.

The Group's effective tax rate from continuing operations was negative 1,9%, largely driven by a non-recurring deferred taxation liability reversal and the impact of the Group taxation principles applied in Australia. Current year income tax losses in the aaX business are deductible for tax purposes in the consolidated Australian group. As at 28 February 2023, total tax losses not recognised were R737 million (2022: R776 million) and those recognised were R183 million (2022: R259 million).

Final and Special Dividend declaration

Shareholders are hereby advised that the board of directors (“**the Board**”) of Adcorp has approved and declared a final gross dividend of 16,5 cents per ordinary share (2022: 47,0 cents per ordinary share) and a special gross dividend of 91,3 cents per ordinary share (2022: Nil), which special dividend is subject to the required South African Reserve Bank (“**SARB**”) approval being obtained for the declaration of same.

The dividends are subject to a South African dividend withholding tax rate of 20%, resulting in a net final dividend of 13,2 cents per ordinary share (2022: 37,6 cents per ordinary share) and net special dividend of 73,04 cents per ordinary share (2022: Nil), 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

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

Last day to trade <i>cum</i> dividend	Tuesday, 15 August 2023
Securities commence trading <i>ex</i> dividend	Wednesday, 16 August 2023
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 18 August 2023
Payment date	Monday, 21 August 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 August 2023 and Friday, 18 August 2023, both dates inclusive.

The salient dates for the special dividend will be announced following receipt of the requisite SARB approval for the declaration of the special dividend.

Prospects and outlook

The focus for the year ahead remains on optimising the Group's brand collection and driving superior growth and returns for shareholders. The Board is cognisant of the current outlook in South Africa, however the strength of Adcorp's balance sheet and cash flow positions the Group well to weather any storms and take advantage of any opportunities that arise. The Group is optimistic about the growth achieved in Australia and has identified additional areas to expand into and new services to launch.

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 has been released on SENS and is available on the JSE website at <https://senspdf.jse.co.za/documents/2023/jse/isse/ADR/ye2023.pdf> and on the Group's website at <https://www.adcorpgroup.com/fy23-adcorp-group-results-booklet/>.

Copies of the full announcement are available for inspection and 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 and 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.

KPMG Inc expressed an unmodified audit opinion on the audited consolidated financial statements in their report dated 29 May 2023. The report also includes communication of key audit matters. Key audit matters are those matters that, in their professional judgement, were of most significance in their audit of the consolidated financial statements for the current period. The full audit report and the full audited consolidated financial statements are available on the Group's website at <https://www.adcorpgroup.com/fy23-adcorp-group-consolidation-financial-statements/>.

This short-form announcement and the consolidated annual financial results of Adcorp, for the year ended 28 February 2023, from which the information contained in this short-form announcement was extracted, have been audited and reviewed by the Company's auditors.

By order of the Board

Gloria Serobe (chairman)
Dr John Wentzel (chief executive officer)
Noel Prendergast (chief financial officer)

29 May 2023

Directors

Dr John Wentzel (chief executive officer)
Noel Prendergast (chief financial officer)
Gloria Serobe* (chairman)
Timothy Olls*
Clive Smith*
Melvyn Lubega**
Ronel van Dijk**
Prof Herman Singh**
Tshidi Mokgabudi**
Dr Phumla Mnganga**
Sam Sithole***

*Non-executive

**Independent non-executive

***Alternative non-executive

JSE Sponsor

Valeo Capital Proprietary Limited, Unit 12 Paardevlei Specialist Centre, Somerset West, 7130

Registered office

Adcorp Holdings Limited, Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6

Company Secretary

Lisa Laporte, Adcorp Place, 102 Western Service Road Gallo Manor Ext 6

Transfer secretaries

CTSE Registry Services Proprietary Limited, 5th Floor, Block B, The Woodstock Exchange Building, 66–68 Albert Road, Woodstock, 7925 South Africa, 2193

Investor relations

Singular Systems, Michèle Mackey: +27 (0)10 003 0661 michele@singular.co.za

External auditors

KPMG, 58 Empire Road, Parktown, Johannesburg, 2193