

## **ADCORP HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

Registration number: 1974/001804/06

Share code: ADR

ISIN: ZAE000000139

("Adcorp" or "the Company" or "the Group")



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## **SUMMARY OF THE UNAUDITED INTERIM FINANCIAL RESULTS AND DECLARATION OF INTERIM CASH DIVIDEND FOR THE SIX MONTHS ENDED 31 AUGUST 2023**

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### **SALIENT HIGHLIGHTS**

- Revenue from continuing operations increased by 10.2% to R6.5 billion (2022: R5.9 billion)
- Gross profit from continuing operations marginally increased by 0.2% to R627.7 million (2022: R626.8 million)
- Operating profit from continuing operations decreased by 14.0% to R59.5 million (2022: R69.2 million)
- Profit after tax from continuing operations increased by 31.6% to R35.3 million (2022: R26.9 million)
- Net unrestricted cash position of R82.1 million (2022: R144.8 million)
- Earnings per share from continuing operations increased to 33.1 cents per share (2022: 24.6 cents per share)
- Earnings per share from total operations increased to 33.1 cents per share (2022: 11.6 cents per share)
- Headline earnings per share from continuing operations increased to 33.1 cents per share (2022: 24.6 cents per share)
- Headline earnings per share from total operations increased to 33.1 cents per share (2022: 11.6 cents per share)
- Interim dividend of 16.1 cents per share declared (2022: 12.2 cents per share)
- B-BBEE level 1 rating in South Africa maintained

### **PERFORMANCE OVERVIEW**

Adcorp demonstrated robust revenue growth in both South Africa and Australia, showcasing the resilience and ongoing commitment in implementing the Group's strategy amidst adverse macroeconomic conditions in South Africa and external challenges impacting both economies.

We acknowledge the margin pressure experienced across all sectors, primarily attributable to a decline in permanent placements and subdued demand for higher margin services. We are not just confident that this is a transient phase, but we are actively addressing these challenges. A series of strategic initiatives are underway to optimise our cost structure, enhance operational efficiency and diversify our revenue streams to fortify our profit margins. Our teams are employing innovative solutions and leveraging data analytics to identify and capitalise on cost-saving and growth opportunities.

Our comprehensive approach to cost containment and effective working capital management is devised to ensure the Group's ongoing stability and profitability. Despite current challenges, the Group's resolute focus on executing its strategy underpins the objectives of securing enduring success. We are well-positioned and equipped to navigate the complexities of the current economic landscape, focusing on enhanced value for our shareholders.

## FINANCIAL OVERVIEW

The Group achieved revenue of R6.5 billion for the six months ended 31 August 2023 (“**current period**”), which was an increase of 10.2% compared to the six months ended 31 August 2022 (“**prior period**”) of R5.9 billion. This growth can be primarily attributed to the positive performance of the Contingent Staffing divisions in both South Africa and Australia. Gross profit for the current period amounted to R627.7 million, slightly above the prior period's performance of R626.8 million. Although the gross profit margin decreased to 9.7% from 10.7% in the prior period, the financial performance remains resilient, given the prevailing economic conditions.

Operating expenses saw a modest increase of 2.8% compared to the results from the prior period. This achievement is noteworthy, considering the rise is below the inflation rates in the geographical areas where we operate. This resulted in an operating profit of R59.5 million (2022: R69.2 million), with the operating profit margin at 0.9% compared to 1.2% in the previous period.

Profit before taxation decreased by 8.8% to R41.4 million (2022: R45.4 million), primarily due to reduced gross margins across many of our brands in the first half of the financial year. Net finance costs decreased to R18.1 million (2022: R23.8 million) due to the improved leverage position of the Group. Earnings per share from continuing operations significantly increased by 34.4% to 33.1 cents (2022: 24.6 cents), aided by the reduced tax expense of R6.0 million (2022: R18.5 million).

The Group's effective tax rate from continuing operations was an encouraging 14.6%, largely attributed to effective tax planning, assessed loss utilisation and reduced tax exposure to a tax liability in Angola. As of 31 August 2023, total tax losses not recognised amounted to R751 million (2022: R798 million), and those recognised were R174 million (2022: R238 million).

Although cash from operations closed at a utilisation position of R57.7 million compared to the previous period's generation of R89.1 million, this aligns with the Group's strategic focus on organic top-line growth. The Group closed with a net cash position of R82.2 million, lower than the prior period's R144.8 million, primarily due to the payment of a dividend of R111.1 million, including a special dividend of 91.3 cents per share, demonstrating the commitment to delivering value to shareholders.

## DIVIDEND DECLARATION

Shareholders are hereby advised that the board of directors of Adcorp has approved and declared an interim gross dividend of 16.1 cents per ordinary share (2022: 12.2 cents per ordinary share), from income reserves, for the six months ended 31 August 2023.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 12.88 cents per ordinary share (2022: 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, 30 October 2023
Last day to trade <i>cum</i> dividend	Tuesday, 16 January 2024
Securities commence trading <i>ex</i> dividend	Wednesday, 17 January 2024
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 19 January 2024
Payment date	Monday, 22 January 2024

Share certificates may not dematerialised or rematerialised between Wednesday, 17 January 2024 and Friday, 19 January 2024, both dates inclusive.

## OUTLOOK

The outlook for our South African operations has worsened due to persistent high levels of load shedding, compounded by infrastructure failure, sector-specific impacts and a high inflationary and interest environment. These challenges have soured the business mood, with clients hesitant to expand operations in the current economic climate. GDP growth is expected to be marginal, continuing to impede job creation. We anticipate these factors will lead to lower demand, negatively impacting performance.

While the outlook in Australia has softened due to cost-of-living pressures and rising interest rates, the business environment remains favourable. The labour market has moderated, but sectoral demand variations provide a cushion while inflation continues declining.

Adcorp's challenge lies in investing in profitable growth whilst controlling costs and preserving robust cash flow. Our management remains steadfast in its commitment to safeguarding investor value and navigating these challenges with strategic agility and resilience.

## 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 unaudited interim results for the six months ended 31 August 2023 (“**Full Interims**”) and does not contain full or complete details. The Full Interims are available on the JSE cloudlink at <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/ADR/HY2024.pdf> and on the Group's website at <https://www.adcorpgroup.com/fy2024-unaudited-adcorp-group-interim-results/>.

Copies of the Full Interims 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 Interims available on the JSE's cloudlink and the Group's website.

This short-form announcement and the Full Interims, for the six months ended 31 August 2023, 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*

30 October 2023

***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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***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***

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***Investor relations***

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***External auditors***

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