

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")



SUMMARY OF THE AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2024 AND CASH DIVIDEND DECLARATION

SALIENT HIGHLIGHTS

- Revenue from continuing operations increased by 7.7% to R13,0 billion (2023: R12,0 billion)
- Gross profit from continuing operations decreased by 2.0% to R1 257,0 million (2023: R1 282,4 million)
- Operating profit from continuing operations decreased by 21.5% to R128,7 million (2023: R163,9 million)
- Profit for the year increased by 115.9% to R88,0 million (2023: R40,8 million)
- Net unrestricted cash position of R204,2 million (2023: R311,7 million)
- Earnings per share from total operations increased to 83,8 cents per share (2023: 37,3 cents per share)
- Headline earnings per share from total operations increased to 83,8 cents per share (2023: 61,1 cents per share)
- Earnings per share from continuing operations decreased to 83,8 cents per share (2023: 114,7 cents per share)
- Headline earnings per share from continuing operations decreased to 83,8 cents per share (2023: 147,8 cents per share)
- Final gross dividend of 24,2 cents per share declared (2023: 16,1 cents per share)
- B-BBEE level 1 rating in South Africa maintained

PERFORMANCE OVERVIEW

We are proud of several significant achievements during the year. We have grown Group sales, achieved record customer satisfaction scores, employee engagement has lifted, staff retention has improved, and our brands have garnered numerous awards. The Group continues to benefit from geographically diversified earnings and cash flows. Adcorp remains debt-free, and working capital has been well managed. Our strong balance sheet in a weak macro-economic environment creates valuable capacity for Adcorp to weather difficult times and remain opportunistic.

We are pleased with the performance achieved across several areas of the business, most notably Contingent Staffing in both South Africa and Australia. Persistent load shedding and other infrastructure issues in South Africa led companies to seek more flexible staffing solutions, thereby boosting demand for our services. The Australian market continues to grapple with blue-collar labour shortages, which in turn has driven demand for Adcorp's contingent staffing offering. Contingent Staffing Australia remains the fastest-growing division in the Group.

Globally, staffing markets have faced headwinds, and Adcorp has not been an exception. This was a challenging year for the Professional Services South Africa division. The expected recovery in white collar temporary and permanent placements has not yet materialised, and

this impacted performance in the current year. The performance of Professional Services Australia was affected by similar market dynamics, but to a lesser degree. These divisions remain well placed for a recovery in their respective markets.

We announced our Brandshift Adcorp strategy three years ago, which refocused Adcorp into a staffing and outsourcing business with a decentralised operating model and a brand-centric customer focus. We have made huge strides on this journey and the delivery of top-line growth validates our strategic changes. Our unwavering commitment to service excellence, brand integrity, and the dedication of our exceptional team have remained steadfast.

FINANCIAL OVERVIEW

The Group's revenue from continuing operations increased by 7.7% from R12,0 billion to R13,0 billion during the year. This marks the second consecutive year of annual revenue growth, a milestone not achieved since the 2016 financial year, particularly noteworthy amid widespread reductions among local and global workforce solution companies. The Group, however, encountered gross margin contraction across several of its brands, declining overall from 10.6% to 9.7%, leading to a slight decrease in gross profit to R1,26 billion from R1,28 billion.

Despite well controlled operating costs, this gross margin contraction had an outsized impact on the profit for the year from continuing operations, resulting in a decrease of 27.1% to R88,0 million (2023: R120,8 million).

Cash generated by operations before working capital changes was resilient, decreasing only slightly to R247,9 million from R274,3 million in 2023. Revenue growth necessitated a net investment in working capital of R124,1 million and the Group's days sales outstanding (DSO) increased only marginally to 37 days year-on-year (2023: 36 days). The Group's consolidated net cash (excluding restricted cash in Angola) ended at R204,2 million (2023: R311,7 million). This is after a share buy-back programme of R6,8 million, payment of ordinary dividends totalling R27,4 million and a special dividend of R100,4 million aligned with the Group's capital allocation framework.

The Group's effective tax rate from continuing operations was 2.1%, largely driven by a non-recurring deferred taxation liability reversal, utilisation of assessed losses and the tax benefits of ETI income and learnerships. As at 29 February 2024, total tax losses not recognised were R788,9 million (2023: R736,7 million) and those recognised were R223,9 million (2023: R182,6 million).

The South African facilities include a revolving credit facility of R150 million (ZAR revolving credit facility), an overdraft facility of R100 million and an accordion facility of R100 million which was effective from 1 September 2022 and matures in three years from the effective date. The Australian borrowings consist of a revolving borrowing facility, a letter of credit, a bank guarantee and set-off facility amounting to AU\$25 million that would have matured on 10 March 2024; however, an extension was granted to 10 September 2024. A new facility is currently being negotiated. Neither facility was utilised at year end.

DIVIDEND DECLARATION

Shareholders are hereby advised that the board of directors ("**the Board**") of Adcorp has approved and declared a final gross dividend of 24,2 cents per ordinary share (2023: final

gross dividend of 16,5 cents per ordinary share and a special dividend of 91,3 cents per ordinary share), from income reserves, for the year ended 29 February 2024.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net final dividend of 19,36 cents per ordinary share (2023: net final dividend of 13,2 cents per ordinary share and net special dividend of 73,04 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 109 880 974 ordinary shares 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	Friday, 31 May 2024
Last day to trade <i>cum</i> dividend	Tuesday, 13 August 2024
Securities commence trading <i>ex</i> dividend	Wednesday, 14 August 2024
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 16 August 2024
Payment date	Monday, 19 August 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 August 2024 and Friday, 16 August 2024, both dates inclusive.

OUTLOOK

In Australia, inflation is coming under control, growth is picking up, and interest rates are expected to moderate, creating a favourable economic outlook. The easing of tensions between China and Australia has boosted exports, driving demand for our contingent staffing services. There is a growing shortage of blue-collar workers in Australia, a gap that can largely be filled by migrant workers. To maximise this potential, we continue to invest in our contingent staffing division. In response to relative underperformance in our professional services division in Australia during FY2024, we have initiated a repositioning of our brand. This includes deploying a new operating model, leadership changes, and a fresh approach to market. While repositioning costs will be incurred in FY2025, these strategic changes are expected to significantly enhance our performance moving forward.

In South Africa, the business environment remains somewhat challenging. The solid performance of our Contingent Staffing and Functional Outsourcing divisions demonstrates our ability to navigate and adapt to the evolving business landscape. Easing inflation, and a softening of interest rates would be positive for the SA consumer and for business confidence more broadly. The current positive market conditions for Contingent Staffing are likely to persist, giving us optimism for continued growth in that division, and Functional Outsourcing is increasingly converting its strong sales pipeline into notable wins. In response to the underperformance of the Professional Services SA division during FY2024, we have initiated a restructuring of the division, with tangible operational improvements and cost savings

identified. This division remains very well placed for a recovery in white collar contingent and permanent placements in SA.

We continue to focus on executing portfolio optimisation, which may involve the disposal of non-core brands, and we remain actively on the lookout for bolt-on acquisition opportunities in our high-growth areas. We will continue to prioritise cost control and cost reduction across the Group, setting specific targets for annualised cost savings in FY2025.

In conclusion, our various strategic initiatives should begin to yield positive results, setting a strong foundation for future growth. Our contingent staffing businesses are well positioned in their respective markets and growth is expected to continue. We remain optimistic about growth in the new sectors and products we launched in FY2024 and continue to focus on achieving sustainable growth and delivering long term shareholder value. We maintain our steadfast focus on unlocking human potential to shape the future of markets, economies, and society as a whole.

SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only an extract of the information contained in the audited consolidated annual financial statements of the Group for the year ended 29 February 2024 (“**Annual Financial Statements**”) and does not contain full or complete details. The Annual Financial Statements are available on the JSE cloudlink at <https://senspdf.jse.co.za/documents/2024/jse/isse/ADR/YE2024.pdf> and on the Company’s website at <https://www.adcorpgroup.com/fy24-adcorp-group-consolidation-financial-statements/>.

Any investment decision should be based on the contents of the Annual Financial Statements available on the JSE’s cloudlink and the Group’s website, as a whole, as the information in this announcement does not provide all of the details.

The Annual Financial Statements, from which the information contained in this short-form announcement was extracted, have been audited and reviewed by the Company’s auditors, KPMG Inc., who expressed an unmodified audit opinion on the Annual Financial Statements in their report dated 31 May 2024. 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 Annual Financial Statements. The full audit report along with the Annual Financial Statements are available for viewing on the Group’s website.

On behalf of the Board

GT Serobe
Chairman

Dr JP Wentzel
Chief Executive Officer

N Prendergast
Chief Financial Officer

31 May 2024

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
Herman Singh
Ronel van Dijk

Alternative non-executive

Sam Sithole

JSE Sponsor

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Interim Company Secretary

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Transfer secretaries

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