



## ASX ANNOUNCEMENT

7<sup>th</sup> August 2014

### ADG FY14 Guidance and Market Update

The Board of ADG Global Supply (ASX: ADQ) provides the following update on full year earnings and commentary on the outlook for 2015.

As has been widely reported, investment into mining exploration and equipment has significantly declined over the past 12-18 months, particularly in Australia. This has had a material effect on ADG's financial performance.

Despite the difficult trading conditions ADG is seeing signs of recovery in its business. Six new client contracts were secured during the year with an additional 3 new contracts signed after 30 June.

These contracts are delivering improved earnings as ADG heads into FY15 and have been secured on the basis of ADG's capability to assist clients to lower their costs and improve overall productivity.

In light of the trading conditions in the past year however, and to best position the company for the year ahead, ADG's Board has taken the prudent approach to make a number of balance sheet adjustments.

Specifically the Board has decided to write off all goodwill associated with the business (\$7.8m for FY14) and to impair current stock levels by \$3.9m. These adjustments are in addition to a previously announced write-down of \$1.8m resulting from a key drilling client entering liquidation (see announcement 3<sup>rd</sup> July 2014).

The stock level provision reflects the impact of an agency agreement for off-the-road tyres. In late 2012, ADG signed a 12 month agency off-take agreement with 50% sold under normal market conditions. From late FY13, declining market conditions coupled with an oversupply in the global market and an order cancellation led to excessive inventory levels and the subsequent stock provision.

In terms of unaudited results for the year, ADG experienced a revenue reduction of 53% for the year to \$37m and is expected to report an EBIT guidance before impairment costs of a loss of \$3.2m.



Importantly ADG has achieved a 35% reduction in costs from the previous year (approximately \$4m in savings). The company has also secured new working capital facilities of \$1.8m and raised \$285k in capital. During the year, ADG also signed a joint venture agreement with an Indigenous distribution partner.

Commenting on the FY14 year and outlook, Managing Director John Mancini said, "It was a challenging year but our outlook is improving. With new contracts now in place across various market segments, we are expecting revenue and earnings growth for FY15 onwards.

In Australia particularly, our transition from predominately exploration and project based mining clients to a diversified client portfolio brings less volatility to our business. Our value to all clients continues to be our integrated offer across industrial products, procurement and supply chain services.

Our immediate focus is the delivery of new contracts and improving working capital as a part of our overall strategy of client diversification and new business growth to drive shareholder value."

ADG expects to release its full year results in late August 2014.

**For more information contact**

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**About ADG Global Supply** ADG Global Supply (ASX:ADQ) is an industrial products, global procurement and supply chain services company. We work with clients in the resource, energy and other markets through our 'single contact- global reach' model. Headquartered in Perth, Western Australia, ADG services clients in over 52 countries around the world.