



AWF MADISON

**AWF MADISON GROUP
ANNUAL MEETING OF SHAREHOLDERS – CHAIRMAN’S ADDRESS**

30 September 2020

Kia ora and good morning attendees. This is certainly a first for us, to conduct a “virtual” meeting.

My name is Ross Keenan, and it is my pleasure, as Chairman of the AWF Madison Board, to Chair this meeting.

I should comment on the lateness in the cycle of timing of this meeting at 30 September, compared to our normal end of July timing. We took the decision to defer the meeting early, as when we announced at the end of May, there was no way we had the remotest idea of what would be unfolding by July.

So here we are, actually with some benefits to shareholders in the context of giving indications of how we are trading. The fact is we live on a diet of daily charge sheets, contract renewals, contract completions, etc. which makes forecasting a very inexact process. We know that our inability to give shareholders indications at a July meeting has been very frustrating, so we will be able to do better today.

It has been interesting to observe (notwithstanding the very disappointing share price) a steady lift in shareholders to, as of end of August, nearly 800 shareholders.

Normally I would comment and thank our staff later in the meeting, but in this extraordinary last six months as a Board, we were mightily impressed with the rapid and competent manner in which our team demonstrated leadership within the COVID-19 operating environment as everything flowed up and down the scale of opportunity or stalemate. The health and wellbeing of our people, and the protection of existing jobs and income continued to be the primary focus for the Board and leadership team, particularly through this period.

Whilst we recognise the extreme level of uncertainty that continues to exist, we are extremely proud of how the Group has achieved continuity, and in particular, the commitment from our frontline teams. Thank you all.

We acknowledge the benefits of the first two wage subsidy payments which certainly did enable the badly affected areas of the Group to maintain a large number of skilled resources so that when (particularly in AWF) opportunities arose to provide essential services through COVID-19 lockdown, we were able to respond speedily and fully.

The reality of the lockdown was starkly realised in particular for AWF (blue collar), which collapsed by 60% and Madison (white collar), which was down 50%. Absolute IT and JacksonStone steadily weathered the storm and are now seeing some growth return.

It’s pretty obvious of course that the non-specialist white collar recruiters such as Madison will stay in a very stressful position, as so many companies have either shut their doors or are struggling to find what the new business base for them is. Recruitment certainly is not on their radar.

AWF on the other hand is seeing a steady lift in activity and recently just crept over 80% of last year for the most recent week (still 20% off the pace, but steady).

The Group has certainly validated the broad base of income streams from its multiple brands and sector coverage and we do see the need to examine further opportunities for acquisition, further expanding our sector coverage.

It is worth reflecting on the trading brands we have at the moment: AWF Ltd, Select Recruitment Ltd, Madison Recruitment Ltd, Absolute IT Ltd, JacksonStone & Partners... and the potential for others.

As a Board we think it's time to review whether the existing group name "AWF Madison Group" is terribly appropriate. More on that later.

In terms of the FY19/20 year that was, it does seem a while ago, but it was a difficult trading year as I noted in the annual report. And in the reality of the effects of lockdown and the tumble of the AWF and Madison business base in an unprecedented manner, plus the uncertainty of the way ahead, we took the decision to suspend our final dividend. I don't think this would have come as a surprise to you in the circumstances, with the significant contraction of Madison and AWF's core business, and where both Board and senior management took salary and fee reductions.

But out of adversity comes opportunity. Our leadership worked hard to reduce business costs, including temporary salary reductions through much of the business, and negotiating cost relief from suppliers and landlords. Excellent work was also completed in updating systems and integrating platforms.

The star of the year was our acquisition of, and the performance of JacksonStone, and that business is well led by David Hollander, who we introduced last year. He would say, "but I just lead a team" and whilst that's true, they have achieved that sector diversity that we felt that we needed – and so it has proven to be.

Through all the chaos as I seem to be calling it, cash flow remained strong – debtor management has been excellent and further debt reduction was achieved. But we are only at September and we need to be very cautious about the second six months. Particularly in the Madison white collar recruitment areas, we are hoping to see some confidence in contracting, but certainly don't see signs of this yet.

ASB continue to be our bankers, and as a Board we believe our relationship with them to be excellent.

Finally, to close on a positive note, you should expect us to fully consider resuming dividend payments. Whether this will occur this calendar year or next is yet to be determined, but my view as Chairman is that we need to see some trading in the second six months before making that decision.

Whilst we expect to deliver a strong result to end September (helped by the inclusion of six months' JacksonStone results for the period), the second six months - and therefore the overall 20/21 result - is not yet clear. My personal view is that to achieve in the second half EBITDA at levels we achieved through 19/20 would be very creditable. We will however not reintroduce the dividend reinvestment scheme at this stage. It achieved some of its purpose, but we don't consider raising capital at the level the share price currently sits at, as being appropriate.

For the Board,

Ross Keenan, Chairman
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