

Media Release

19 October, 2016

AWF Madison buys Absolute IT

AWF Madison Group (NZX: AWF), New Zealand's largest recruiter and labour provider, has entered into an agreement to purchase specialist ICT recruitment group Absolute IT with completion scheduled for November 1st 2016.

Absolute IT, founded in 2000, is a market leader in ICT recruitment with offices in Wellington, Auckland, Hamilton and Christchurch.

In the (March 31) 2016 financial year this business achieved revenue approaching \$65 million.

The acquisition expands AWF Madison's presence in the fast-growing ICT recruitment market, adding to its existing operations in both blue- and white-collar recruitment.

The purchase price of \$15.3 million comprises:

- An initial cash payment of approximately \$11.1 million, payable on 1 November, 2016; and
- An additional payment of up to \$4.2 million, subject to Absolute IT's earnings achieving defined thresholds for the 52 weeks to 1 November, 2017

There will be an adjustment to the purchase price based on the aggregate net assets of the business at completion date. This will be paid or refunded 5 days after completion accounts are agreed.

The Sale and Purchase agreement is conditional upon AWF Madison satisfying itself that key clients will continue to support the business; key employees will continue to be involved; agreed assets and contracts have been transferred; and the lessors of various business premises have consented to the deemed assignment of those leases, arising as a result of the transaction.

The acquisition will be debt-funded, using AWF Madison's existing facility with ASB Bank.

AWF Madison Chairman Ross Keenan said the purchase was expected to contribute earnings for the Group from day one, and would significantly enhance the Group's capability and reach in an important segment of the recruitment market.

"Our expansion into white-collar recruitment three years ago with the purchase of Madison Recruitment has been a great success, and this acquisition will grow and diversify our revenue base. This acquisition fits with our strategy for growth that we have referred to in various commentary."

AWF Madison CEO Simon Bennett said the ICT recruitment market is expected to grow strongly. The Ministry of Business, Innovation and Employment is projecting jobs growth of 4.6% a year until 2019 for ICT business and systems analysts and software developers, and 4.2% a year from 2019 until 2024¹.

He said skills shortages were already apparent in a sector viewed as the cornerstone of business, and crucial to growth.

"Many organisations, both within the public and private sectors, are looking to update legacy systems and bring their organisations up to speed with the current climate. In the private sector in particular,

¹ MBIE Occupation Outlook 2016.

digital capability and data driven business intelligence are increasingly essential for building sales and maintaining competitive edge².”

Bennett said Absolute would continue to operate under the leadership of Directors Grant Burley, Tina Ng and Martin Barry, with Tracey Johnson continuing to manage the business. It would retain its current identity with integration into AWF Madison’s back office functions over time.

“We will be aiming to replicate the success we’ve had operating Madison and the labour-hire AWF brand as separate entities under one Group.

AWF is experiencing strong demand, underpinned by the Auckland construction boom and high levels of activity in Wellington and Christchurch, and adding Absolute alongside the Madison brand will add significantly to our busy white-collar recruitment activity.”

No shareholder approval is needed for the acquisition.

Ends

Contact:

Simon Bennett +64 21 0368 387

² Madison Employment Market 2016.