AWF MADISON

MEDIA RELEASE

29 October 2018

Lower blue collar revenue offsets strong first half profit growth from white collar

- Revenue down 1% to $141.6 million
- EBITDA down 27.4% to $5.2 million (refer note 1 below)
- Net profit after tax down from $3.4m to $2.1 million
- White collar segment earnings increased 14.4% to $3.9 million
- AWF segment earnings fell $2.2 million to $1.0 million
- Interim Dividend steady at 8.0 cents per share

One-off costs associated with the failure of three construction industry customers' have impacted revenue and profit contribution from AWF Madison Group's ("Group") blue collar business, AWF, in the six months to September 2018.

However, continued strength in the New Zealand economy helped revenue and profit to grow strongly in the Madison Recruitment and Absolute IT white collar businesses, resulting in flat Group revenue.

As advised to the market on 16 October, three debtors in Auckland and Christchurch were placed into liquidation.

The Group has provided $800,000 for doubtful debts associated with these businesses. In addition, the Group incurred approximately $1.0 million in costs related to redeploying migrant workers assigned to those businesses; and delays in the initial deployment of migrant workers within the first six months of arrival, due to mismatch of skills with client workflow.

During the period, strong cash flow allowed the Group to repay $3.0 million of bank debt. Tighter debtor management enabled the Group to reduce trade receivables to $35.4 million, from $41.8 million at 31 March 2018.

In September, subsidiary company AWF Limited, paid $666,000 to acquire Select Dunedin from Select Recruitment Ltd.

"The purchase of Select Dunedin expands our presence in temporary staffing and permanent recruitment in the Dunedin region, and is immediately earnings-accretive," said AWF Madison CEO Simon Bennett.

A fully-imputed Interim Dividend of 8.0 cents per share (unchanged from 2017) will be paid on 3 December 2018, to shareholders on the register at close of business on 19 November 2018 (the Record Date).

The Dividend Reinvestment Plan (DRP), which was introduced during the last financial year (and applied to the 31 March 2018 Final Dividend when 402,412 new Ordinary shares were issued, worth $773,000), will apply to the Interim Dividend. The Board has determined that up to 50% of this Interim Dividend will be allowed to participate in the forthcoming distribution.

Shareholding Directors have, again, committed to participate to the full extent of their respective entitlements under the DRP, as they did in July; and, as a mark of their confidence in the business, have signified their intention to purchase additional Ordinary shares during the applicable trading window.

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For the Board

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Ends

Note 1 Reconciliation – EBITDA to Profit before tax

EBITDA is a non-generally accepted accounting principle term and reconciles to reported Profit before tax as follows:

	6 months	
	30-Sep-18	30-Sep-17
	$000'S	
EBITDA	5,152	7,093
Depreciation and amortisation expense	1,642	1,864
Finance costs	637	741
Profit before tax	2,873	4,488

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