

## NZX release

29 May 2024

### **Accordant Group reports return to growth for AWF, Public Sector spending affects white collar businesses.**

- **Revenue \$212.4 million and NPAT of \$(10.0) million post goodwill impairment**
- **Net operating cashflow \$2.3m**
- **7.9% growth in AWF revenue**
- **Public sector revenue down 12.4%**

Accordant Group Limited [NZX:AGL] today announces an after-tax loss of \$10.0 million for the year ended 31 March 2024.

In line with the Market Update of 4 March 2024, Group revenue was \$212.4m being 6.6% lower than the prior year (FY23: \$227.4 million).

Accordant Group CEO Jason Cherrington said the New Zealand economic environment and labour market have remained inconsistent and challenging through calendar 2024.

Interest rate pressures, rising business costs, a fall in hiring demand and a curb on public sector spending all contributed to a contraction in labour markets.

The Group's white-collar businesses felt the effects of the downturn most noticeably in the government sector and in response operating costs have been appropriately reduced in some areas.

Madison Recruitment had a highly challenging financial year with demand from Government slowing materially, compounded by a more widespread slowdown in entry level and support roles.

Accordant has therefore impaired the carrying goodwill of the business as at 31 March 2024 by \$6.5m.

Madison continues to seek growth through a strategic focus on mid-senior specialist, management and leadership roles at levels below the tiers currently serviced by Hobson Leavy and JacksonStone & Partners.

The refocusing of AWF towards the civil and infrastructure sectors paid off with a 7.9% lift in annual revenue. This accelerated to 16% in the final quarter, supporting AWF's strategy of targeting higher-margin work in resilient sectors.

The decision to impair AWF's goodwill by \$4.5m reflects a prudent approach to the uncertainty of New Zealand's rate of growth and its impact on the sector in the medium term.

Cherrington said "AWF's performance bucked the macro market trend and was evidence that clients are choosing its methodologies, candidate care and commitment to Health and Safety excellence over its competitors".

Hobson Leavy completed its first 12 months as part of the Group. Whilst a more challenging second half of the year eventuated, they were less impacted than other areas of the group due to the nature of executive search and recruitment. This lower performance and a recalibration of expectations for FY25 resulted in the earnout payable to the vendors being reduced.

JacksonStone & Partners was adversely affected by the post-election slowdown in hiring in the Wellington public sector and adapted by further diversifying the business's focus outside its core central government channel. JSP expects demand to return in the medium term to support the delivery of new government initiatives and broader private sector opportunities.

Absolute IT was affected by the trend in New Zealand and globally for organisations to slow their tech recruitment following buoyant hiring in 2021 and 2022.

Many organisations have paused digital transformation plans and tech upgrades, but Absolute IT is well-placed to capitalise as these are reinstated to solve productivity issues.

Cherrington points to collaborative efforts in sector targeting and opportunities to build new revenue channels as examples of both the uniqueness and strength of the Group.

“Despite the tough year all teams across the Group have navigated, they remain focused on today's opportunities and are positioning for future need”.

The Board has resolved to suspend dividend payment during the current economic climate where a good portion of clients exercise restraint in hiring.

Accordant Board Chair Simon Bennett said that “while there is currently restraint in hiring, New Zealand will resume its growth and Accordant's breadth of revenue streams positions the Group to deliver upon pent up demand and long-term talent needs”.

ENDS

Jason Cherrington

Group CEO

For the Board:

Simon Bennett, Chair

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