

ACCORDANT GROUP LIMITED (AGL) ANNUAL MEETING OF SHAREHOLDERS – EXECUTIVE DIRECTOR AND CEO'S PRESENTATION

29 September 2021

Simon Bennett, Executive Director
(Chief Executive up to June 2021)

FY2022

- Strong start to FY22, then impacted by the COVID-19 Delta outbreak and Level 4 lockdown. The business was ready to operate remotely, with greater level of confidence than the first lockdown.
- From the beginning of FY22, we have been experiencing high levels of recruitment activity in a landscape of significant client demand and a very tight candidate market.
- Madison, Absolute IT and JacksonStone had been performing very strongly. Permanent recruitment has been at encouragingly high levels with clients largely continuing at pace.
- JacksonStone will likely have a record EBITDA result at half year. Madison will also perform well to the end of the Half Year, Absolute IT is performing well, but not at the levels we had anticipated prior to the lockdown.
- AWF is a different story however, with core income from blue collar candidates working for clients in the field. Many are neither deemed to be 'essential services' nor have any opportunity to work from home. AWF income dropped by over 50%, notwithstanding large numbers of workers being placed with Countdown. The business took up the initial 2-week wage subsidy to pay over 1000 workers, however, has not qualified for subsequent subsidy extensions.
- AWF has not performed to our expectation or budget and its profitability has been eroded during the lockdown.

Finances

- Improved internal forecasting ability over last 12 months.
- JacksonStone engages the majority of its business on an exclusive and retained basis, giving certainty of revenue; and Madison and Absolute IT have been steadily moving towards more exclusive and retained work to drive better outcomes.
- Interim dividend: Our published dividend policy is to pay between 70 and 85% of underlying earnings. Prior to the latest lockdown, we expected our earnings to enable the Board to decide within a range of 7 and 9 cents per share for our interim dividend. We now expect the Board to decide between a range of 5.5 and 7.5 cents per share for the interim dividend, which will be announced with our results in October.
- The balance sheet is in good shape, with net debt of \$13.2 million, which is a comfortable level and allows headroom for acquisition.

Employment Market

- Very different market to last year. We are seeing rapid growth in hiring intentions, increase in job advertisements and a decrease in application numbers to each of the adverts.
- Many clients have fewer tools to reach candidates, when job boards are not working as well. This is driving client demand significantly across our businesses where the strength of our brands, candidate reach, and marketing resources result in successful candidate placements.
- JacksonStone is performing ahead of expectations and the final earnout payable (in relation to the purchase) is expected to be higher than that assessed at Year End. Dave Hollander and his team are performing very

strongly and are looking to build team numbers in the latter part of the year, with a greater presence in Auckland.

- Madison is benefiting from the strength of the employment market and some large projects. The mix has skewed away from temp towards permanent recruitment, as a result of client demand and shortage of temp candidates. This has increased resilience to the drop-off in some temp numbers during the recent lockdown.
- Absolute IT perhaps has the greatest potential with the strength of its market. The business is trading at good levels, but needs to grow consultant numbers and build more capability.
- AWF recovered well last year, with significant client demand, however could not meet this demand due to declining candidate availability. Blue collar temp work is becoming increasingly difficult with the closed borders, resulting in lack of both migrant workers and working holiday travellers. AWF is adapting to this change in market but not as quickly as in the white collar businesses, and is significantly affected by level 4 restrictions.
- The launch of the groupwide Accordant brand has been well received by internal stakeholders. You can expect to see more of Accordant as the year progresses. We are continuing to drive our digital transformation and recruitment marketing capability.

Progress and Achievements

- Significant activity during FY2021.
- Seeing internal staff targeted by competitors and clients alike - retention and growth of our people is of considerable focus.
- As we have shared earlier, we were handed a comprehensive victory in the employment status case taken to a full bench of the Employment Court by plaintiffs supported by the PSA. This is an endorsement of the way we do business. An application to seek leave to the Court of Appeal was recently declined and so the matter has closed.
- The Work Collective remains important to us in being able to facilitate positive social outcomes. We are seeing growing interest in the inclusion of social outcomes within client procurement contracts.
- I am proud of the achievements of my team this year and grateful for their support. We are positioned well for the year ahead and the business is in very good heart. After a decade being hands on, it is with some personal sadness that I leave the CEO role, although I look forward to my ongoing contribution to the business as a Director.
- In handing over to our new CEO, Jason Cherrington, I am thrilled to have engaged such a capable and driven guy. He had led teams, projects and businesses across many sectors and across different geographies. Of particular note, is his knowledge of the broad digital and transformative sectors, where we seek to grow. Most importantly though, he is a great character, and we are very much enjoying his good humour and human approach, which is so important in this people-centric business.

Jason Cherrington, Chief Executive (Since June 2021)

- Thank you to the Accordant family for the warm welcome I've received during my first few months with the Group. Engagement across the teams has been both rewarding and insightful; revealing themes of dedication, commitment to health and safety, and digital innovation.
- A world class commitment to health, safety and wellbeing has been built into the DNA of our Group. This duty of care has also helped our teams positively navigate through COVID-19 lockdowns.
- Our digital capability, via market-leading recruitment tools and platforms, has further enhanced the way in which we operate, communicate and do business. In a candidate-scarce market, the ability to deliver a consistent and seamless end to end recruitment experience is a big differentiator for clients and candidates

alike. With technology as a key enabler, Accordant is well-placed to take a leading role in this area, and this specific topic did form a key component in my decision to join the team.

- Many NZ companies are looking to accelerate their own digital transformation programmes. Enabling more flexible and remote working practices places more demand on legacy technical infrastructure, drives the need for more cloud-based solutions and increases the need for even greater cyber and information security resilience.
- The skills across these areas were already stretched in NZ, and with current immigration restrictions temporarily cutting off the tech supply tap, this has created immense growth potential with the least amount of available resource.
- The tech sector is still predicted to become NZ's largest exporter by the end of the decade, currently \$12 billion and expected to almost double in size. How capability is sourced remains a challenge, and thus a significant opportunity for Accordant.
- We may see an increase in the borderless skills market – that is, being able to transact, operate and access resources, regardless of location and time zone. If physical access to talent globally remains problematic in a COVID locked world, these virtual access concepts could become increasingly mainstream.
- Another key strength of Accordant's capability is collaboration to provide a complete client solution, made possible by our strong brands combining as one, to great effect. I expect the opportunity to deliver in this capacity will keep growing.
- In any fragmented market, there is the opportunity for growth via acquisition, whether that be geographic or an expansion of capability or sector. We will remain alert to these opportunities, but equally measured.
- The last few years have taught all of us to anticipate the unexpected. Our business planning and strategic reviews will naturally consider this and the broader opportunities that lie ahead. I'm looking forward to being part of the exciting growth and expansion in front of us.