

4 March 2024

Accordant Group Market Update

Accordant Group wishes to update the market on its trading results for the March 2024 financial year, in which a much softer trading environment experienced in the December quarter has further impacted the final quarter of the year.

Resulting revenues are down 9% year to date, with net profit predicted to be materially lower than the \$2.0 million reported for the prior year.

In late October when we reported our results for the September half year, we expressed cautious optimism that trading conditions would improve following certainty of government, increased business confidence and a healthier outlook for interest rate stabilisation.

The economic and trading environment has clearly remained more uncertain than we would have expected. While business confidence, as measured by the ANZ Business Outlook, held up well in January 2024, job ads remain restrained in February 2024 after falling significantly with MBIE's Jobs Online measuring a drop of 28.6% in 2023.

The Government has asked public sector agencies to identify savings in back-office expenditure in the range of 6.5% to 7.5%, which we expect will impact in the areas of consulting and contracting especially.

JacksonStone & Partners has already started feeling some impact of these intended cost cuts, with revenues from public sector contracting and permanent placements down 15% against prior year to date. It is expected a renewed government focus on permanent placements will benefit the business mid-term, as executive and managerial changes drive further demand for talent over the coming year.

Whilst Madison have experienced the same decline in government contracting, the more widespread slowdown in temporary and permanent entry level and support roles has driven a 20% drop in revenues and we therefore expect to review the carrying goodwill value for the business unit as of 31st March 2024.

Hobson Leavy has performed according to our expectations during its first year in our ownership and whilst not immune to the current economic climate, have managed to navigate the executive recruitment market well.

Following senior leadership changes and a national restructure, Absolute IT is operating more leanly in a subdued environment for technology recruitment, as job ads fell by 58.3% in 2023 according to RCSA's "The Jobs Report" and 38.0% as measured by Jobs Online. In line with market, revenues remain at -15% against the prior year.

With government initiatives announced to enhance and grow IT and digital development in New Zealand, we are better placed to support these activities, nationally.

Conversely, AWF will have steadily grown its deployed workforce over the last 12 months with revenues up +5% against prior year thanks to a purposeful focus on civil infrastructure, logistics and roading, whilst taking a cautious approach to the wider construction market that remains challenged.

Our modest migrant workforce remains 100% employed alongside over 1,600 workers that are supported by a strong pastoral care and Health and Safety capability that remains industry leading.

We note that whilst the segment has seen several labour hire competitors fail over the last 4 months, we continue to manage our organisation within risk tolerance levels that protect our business and the many people within it.

Whilst we have responded to current market conditions by reducing our operating costs in the second half of the year, we are mindful of retaining suitable capability and capacity to respond to market changes. Our sales, marketing and business development capability remains strong and active.

Positive earnings and strong banking relationship all provide a level of stability at this time and whilst we do not expect an immediate upturn in trading conditions, we are planning to further expand our offerings in FY25 to meet long term demand in additional growth markets.

ENDS



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