

**Uplifting** people.  
**Growing** business.



**workforce**  
HOLDINGS LIMITED

# Final Results Presentation

for the year ended  
31 December 2017

# Agenda

**Group Overview:**

Philip Froom

**Financial Results:**

Willie van Wyk

**Segments and Strategic Overview:**

Philip Froom

**Outlook:**

Ronny Katz

# Group Overview

**Philip Froom**

*Chief Executive Officer*

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**Uplifting** people. **Growing** business.

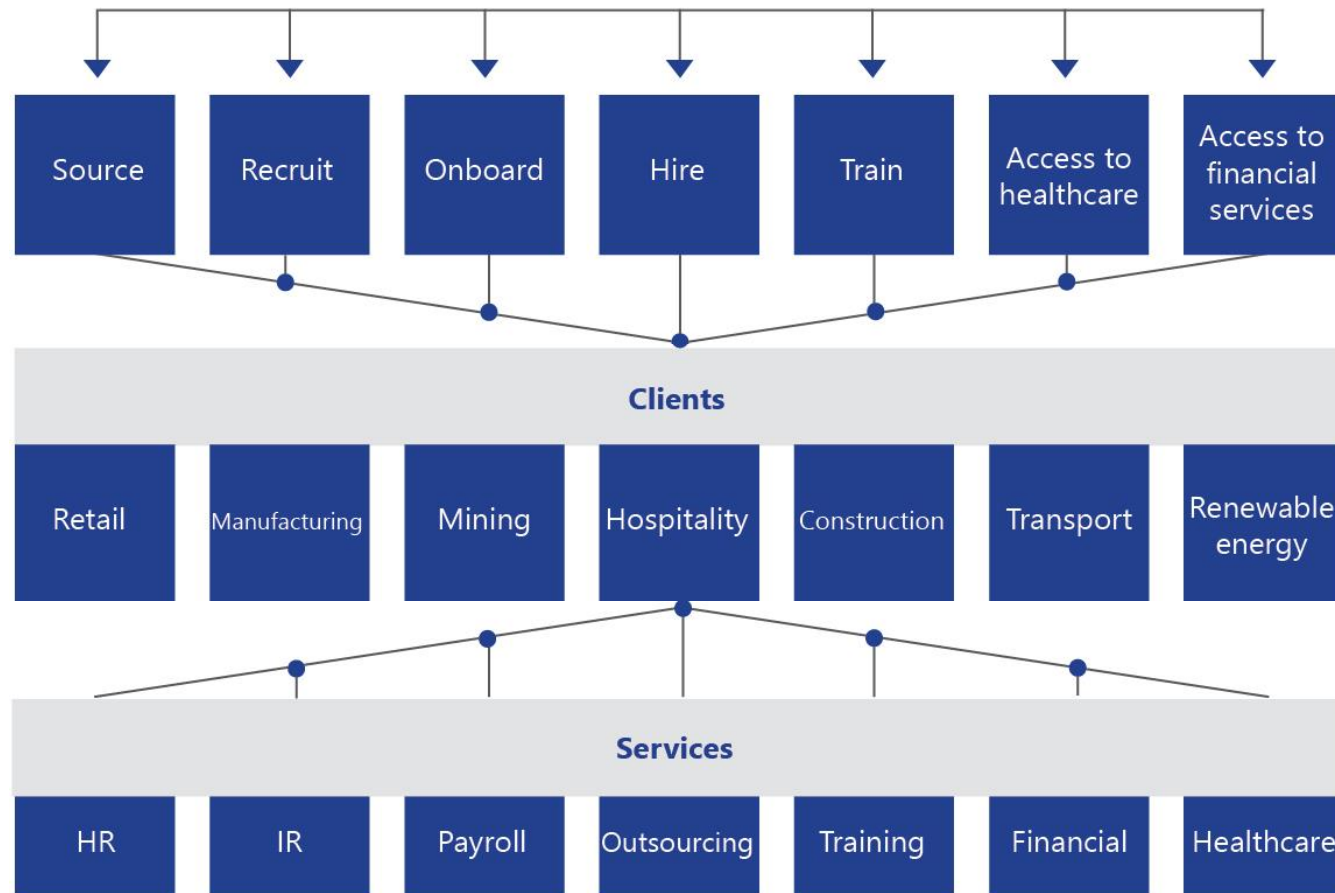
# The World of Workforce



Our Purpose

Our Vision

Our Values



- A **JSE ALTX** Listed company
- BEE Level 4
- **103** Branches in SA
- **34 241** Assignees paid weekly
- **137 000** People trained
- **75 451** Funeral policy lives
- **71 396** Medical examinations

Staffing & Outsourcing

Training & Consulting

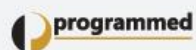
Financial & Healthcare





# Group at a Glance

## Staffing & Outsourcing



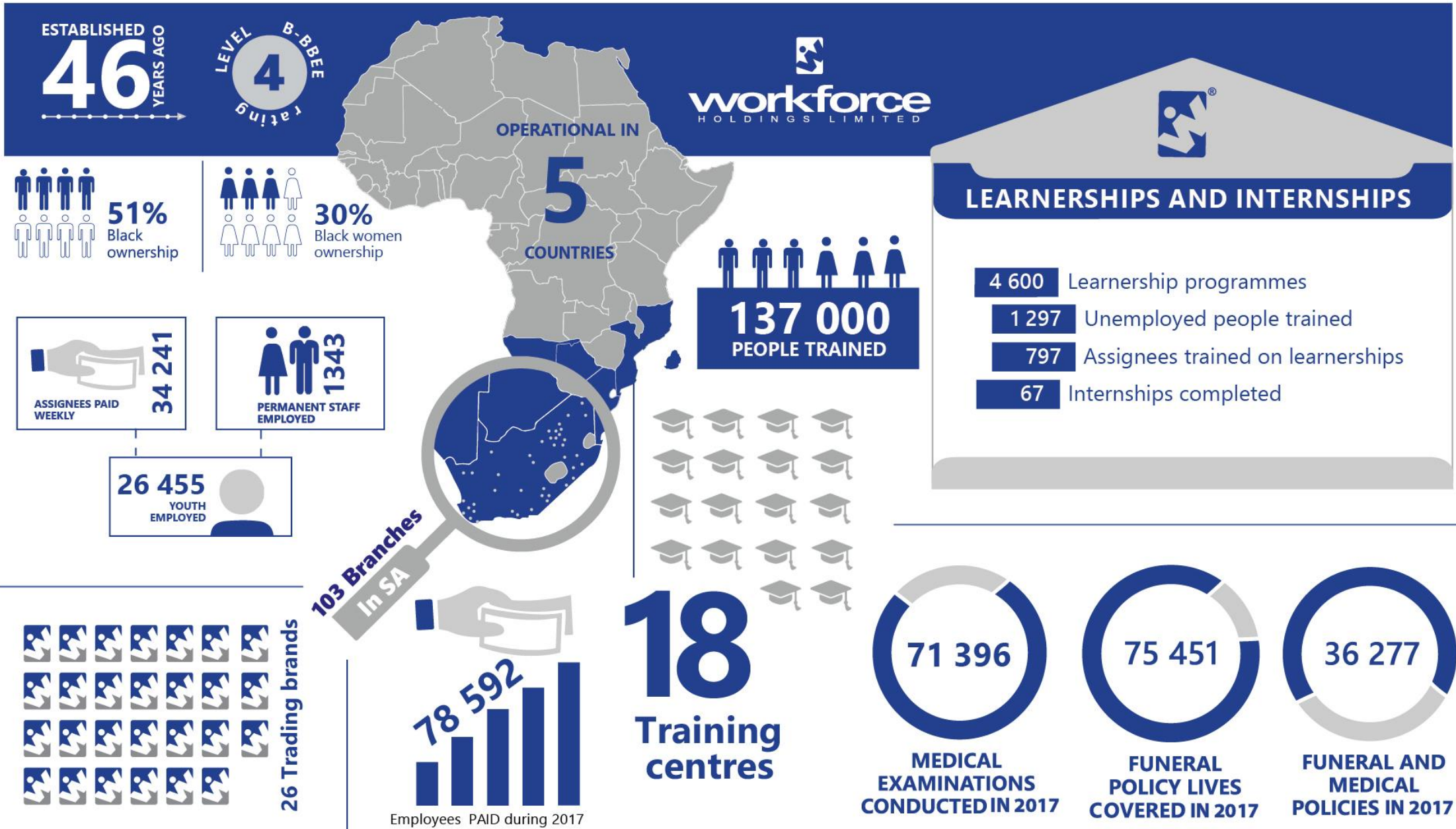
## Training & Consulting



## Financial & Healthcare



# Group by Numbers





# Our Clients

Manufacturing	Business & Call Centres	Construction & Mining	Retail & Hospitality	Transport & Logistics	Public Sector	Warehousing

## Footprint Activated in Africa

South Africa

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Botswana

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Namibia

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Mozambique

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Mauritius





# TES Industry



- Highest single creator of jobs (Haroon Lorgat 2014)
- Giving corporates flexibility
- Blue collar to semi skilled to professional occupations
- Biggest employer of youth
- International precedent
- Strong focus on training
- Significant percentage move to permanent workforce (Labour force data)
- Equivalent benefits
- Flexible nature contributes to industry, tax, income and economic growth

# Demystifying the Deeming Provision

## Who is the Employer?

Earning below R17 119.41 gross per month and working longer than 3 months

Dual employment or is the client the sole employer?

Only relevant in relation to the LRA

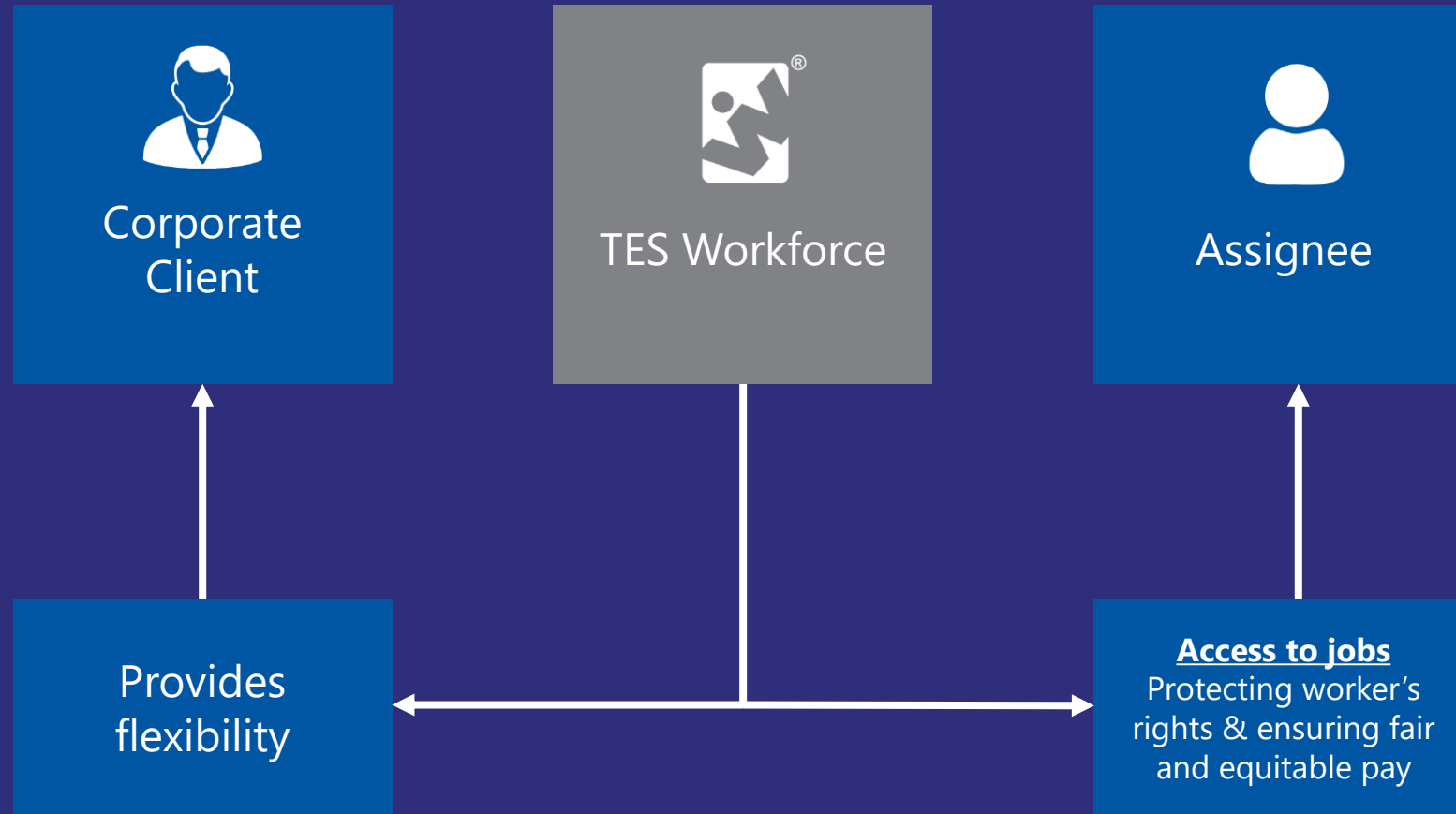
BCEA, PAYE, SDL, UIF, the TES (Workforce) is still the sole employer

Dual employer actually protects the vulnerable more

Good broker, Bad employer (e.g. client liquidation)

Many robust solutions available regardless of outcome

# TES Important Role





# Macro Economic Environment

**Volatile political  
landscape**

**Growing unemployment**

**Delays in infrastructure  
investment**

**Low economic growth**

**Recruitment industry  
challenging**

**Mining Charter**

**Deeming provision  
Constitutional Court**

**National minimum wage**

# Macro Economic Environment

Complexity

Employment Tax  
Incentives

Training environment

Global shift to flexible  
work

Government and  
development funding

YES program

# Financial Results

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**Willie van Wyk**  
*Financial Director*



**Uplifting** people. **Growing** business.



# Financial Highlights



Revenue  
Up 11,3% to R2,8bn



Gross Profit  
Up 6,1% to R635,4m



EBITDA  
Down 0,4% to R133,9m



Profit after Tax  
Up 7.6% to R98,5m



Headline Earnings  
Per share  
Up 7% to 42,8 cps



Net Asset  
Value per share  
Up 21,5% to 237 cps



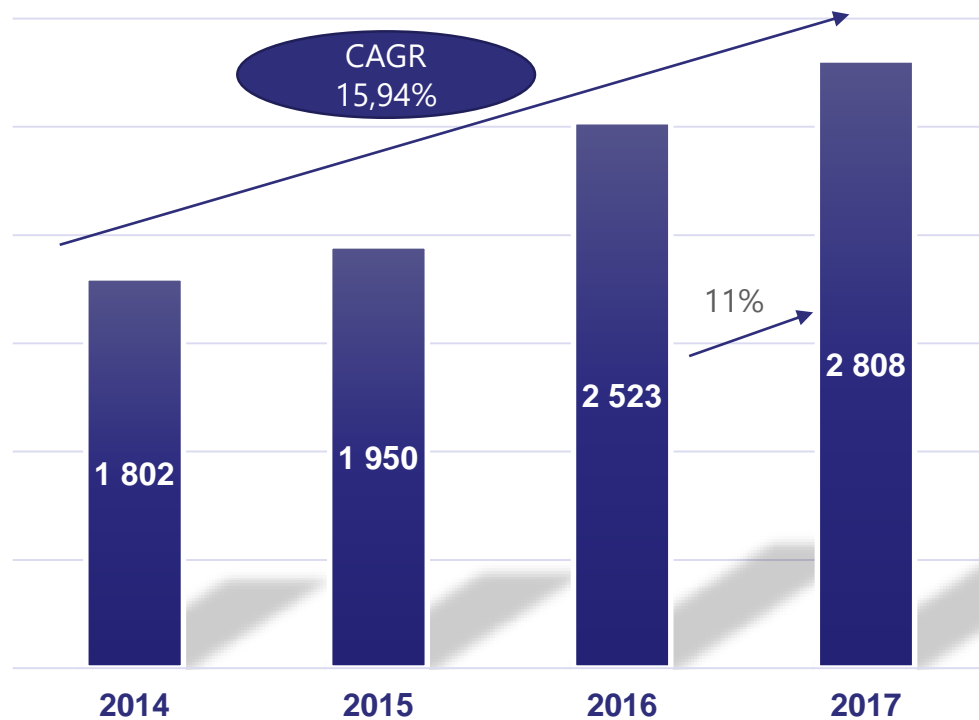
Tangible  
Net Asset value  
per share  
Up 18,7% to 159 cps



Net Interest Bearing  
Debt to Total  
Tangible Assets  
34% (2016: 32%)

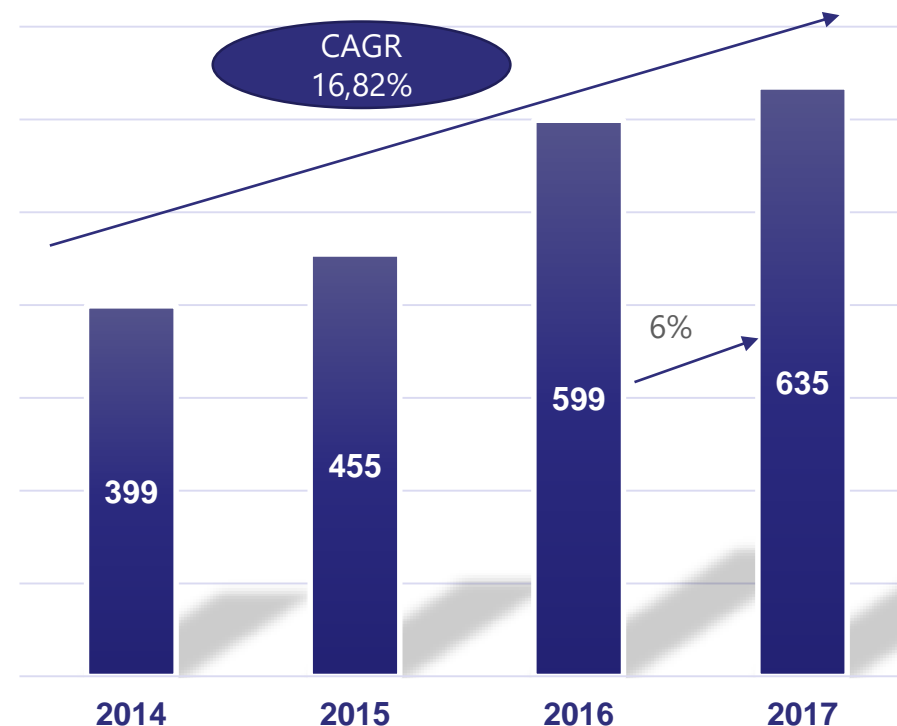
# Financial Indicators

## Revenue (Rm)



- Organic revenue growth of 5%
- Remaining growth attributable to acquisitions

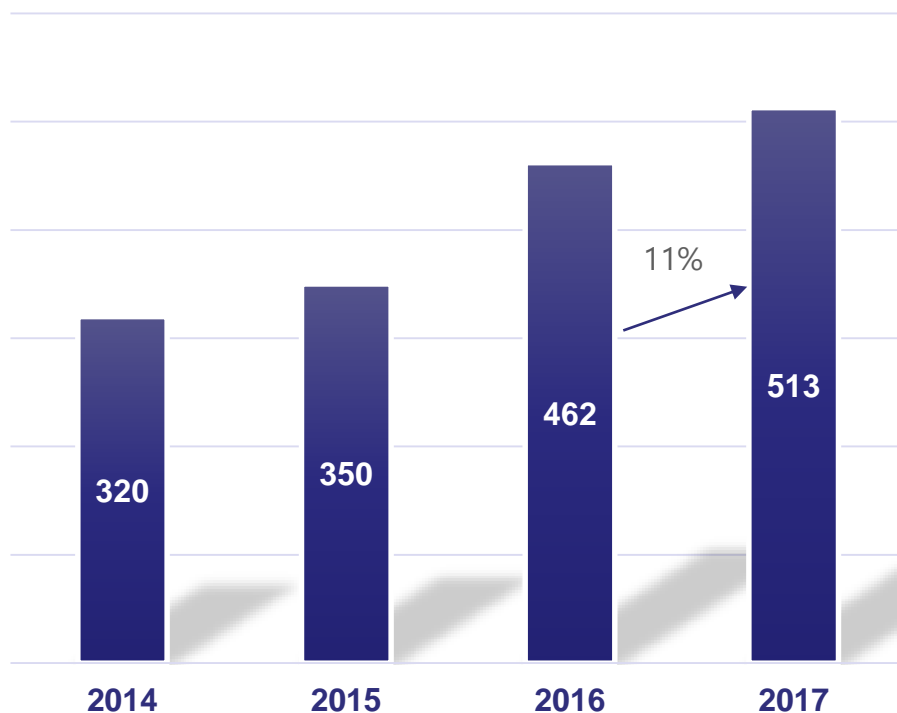
## Gross Profit (Rm)



- Gross profit margin 23% (2016: 24%)
- Fewer high margin energy infrastructure projects and Oxyon acquisition is high turnover, low margin business

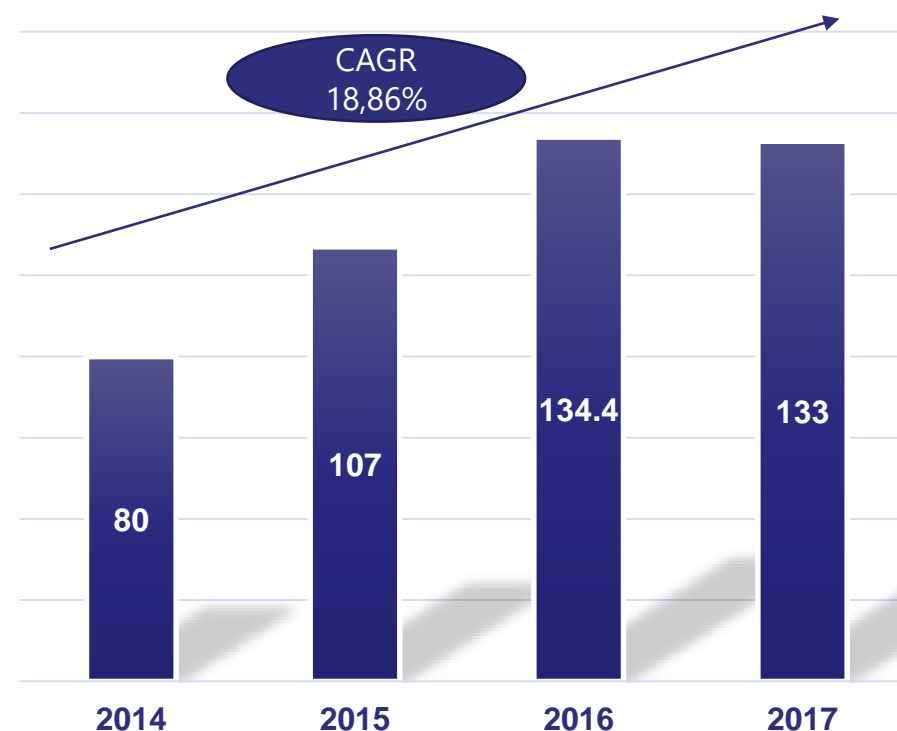
# Financial Indicators

## Operating Costs (Rm)



- Operating expense to turnover ratio maintained at 18,3%
- Organic operating expenses increased by 2,5%
- Management of operating expenses continues to be focus area

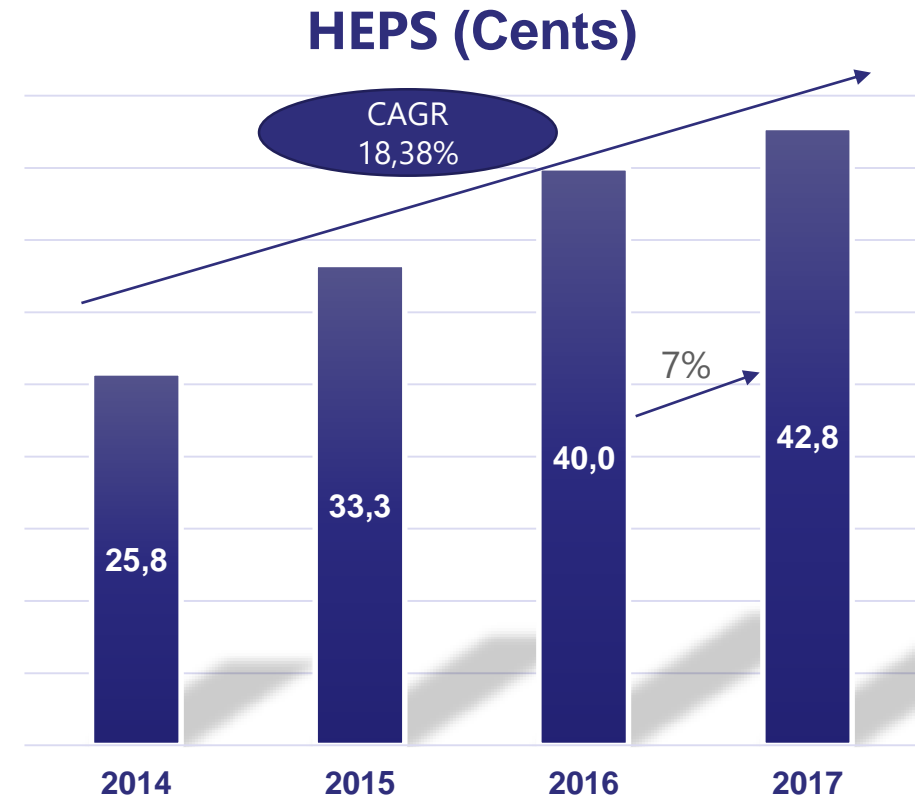
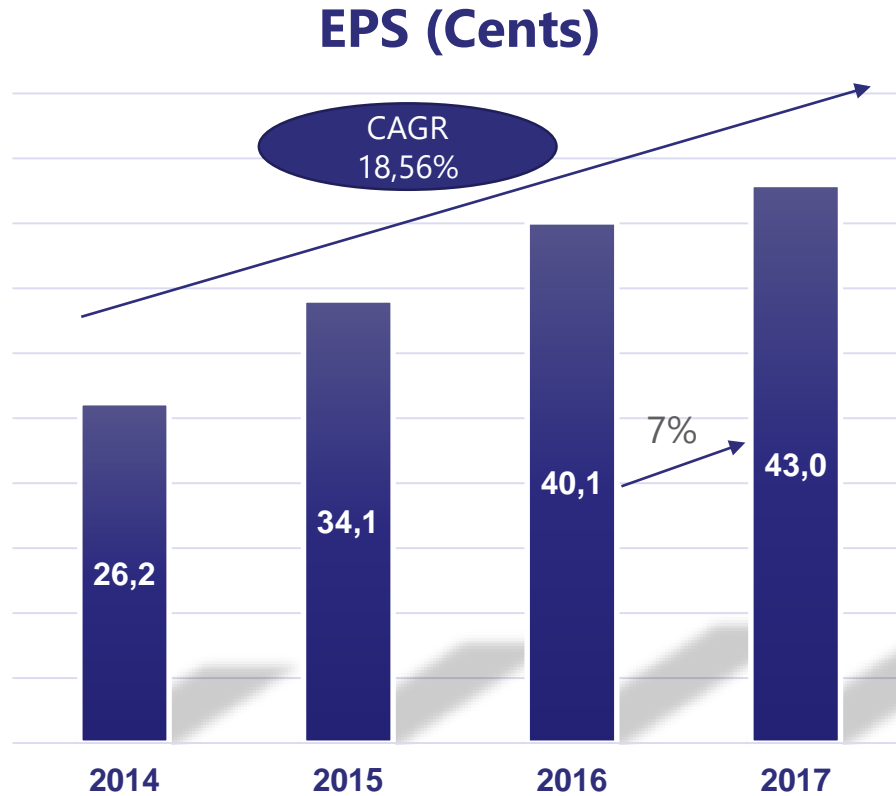
## EBITDA (Rm)



- Decreased marginally
- EBITDA to turnover reduced to 4,8% (2016: 5,3%)



## EPS and HEPS



- Contribution of acquired companies to EPS is minimal due to IFRS charges

# Income Statement

Rm	Year to 31 Dec 2017	Year to 31 Dec 2016	% change
Revenue	2 807,8	2 523,4	11,3
Gross profit	635,4	598,9	6,0
Other income	1,0	0,7	42,9
Operating costs	(512,9)	(461,8)	11,1
Fair value adjustments	10,4	(3,5)	nm
EBITDA	133,9	134,3	(0,3)
Depreciation	(26,1)	(17,5)	49,1
<b>Operating profit</b>	<b>107,8</b>	<b>116,8</b>	<b>(7,8)</b>
Finance income	1,5	0,7	114,3
Finance costs	(23,4)	(26,5)	11,7
<b>Profit before taxation</b>	<b>85,9</b>	<b>91,0</b>	<b>(5,7)</b>
Taxation	10,8	0,7	nm
<b>Profit for the year</b>	<b>96,7</b>	<b>91,7</b>	<b>5,3</b>
Non-controlling interest	1,7	(0,3)	nm
<b>Profit after tax</b>	<b>98,4</b>	<b>91,4</b>	<b>7,6</b>

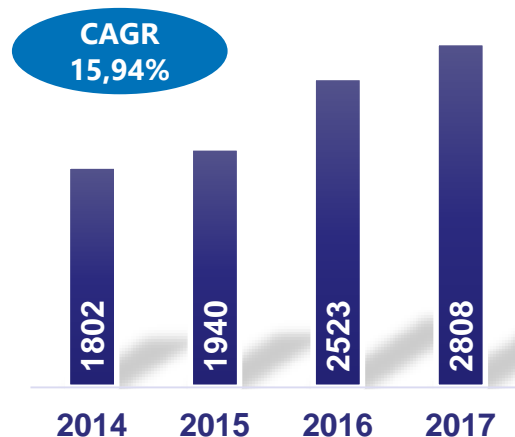
Imputed interest due  
to acquisitions –  
R6,8m (2016: R3,4m)

Interest cover ratio  
4,9x (2016: 4.5x)

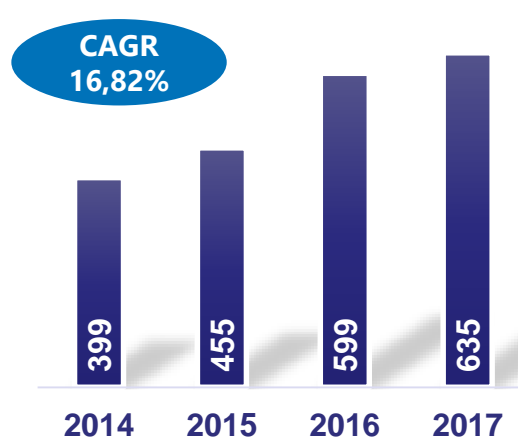
Tax: ETI, learnership  
and fair value  
adjustment

# Compound annual growth rates

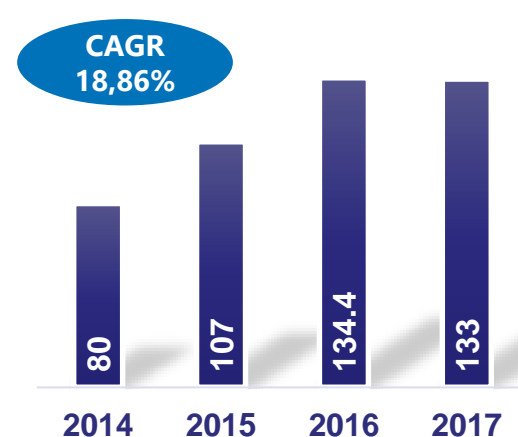
Revenue (Rm)



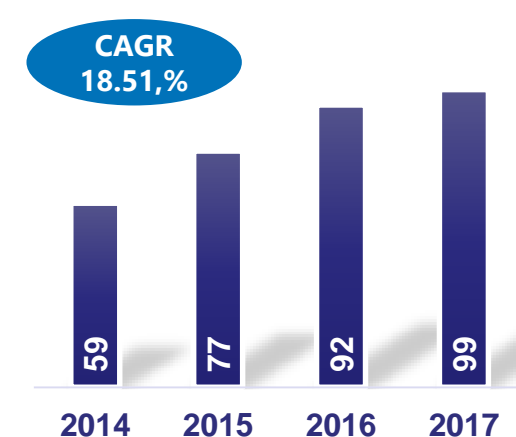
Gross profit (Rm)



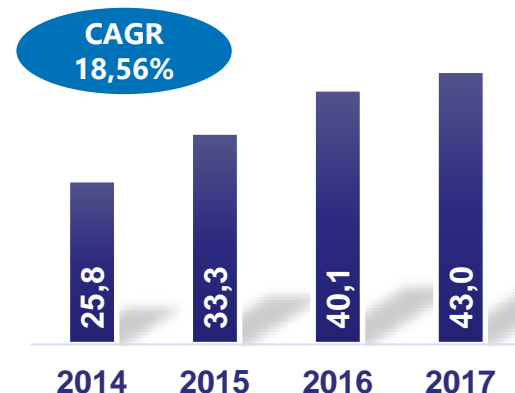
EBITDA (Rm)



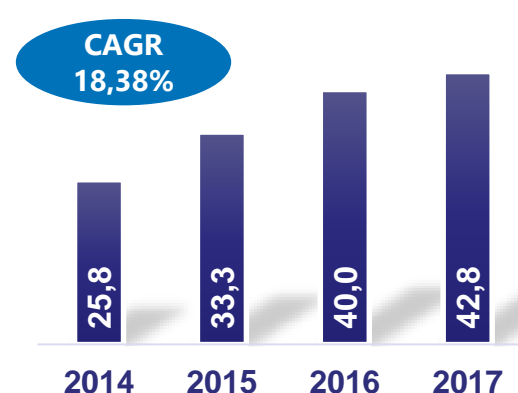
Profit after tax (Rm)



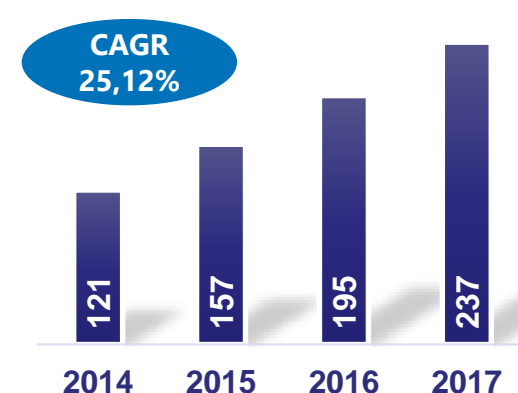
Earnings per share (cents)



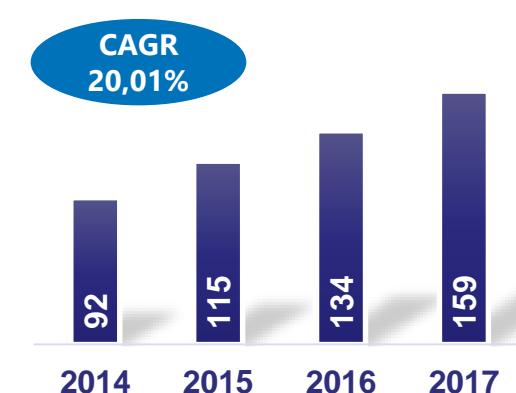
Headline earnings per share (cents)



Net asset value per share (cents)



Tangible net asset value per share (cents)





## Summarised Cash Flow

Rm	Year to 31 Dec 2017	Year to 31 Dec 2016
Cash flow from operating activities	15,9	69,2
Acquisition of business combinations	(43,1)	(41,8)
(Repayment) / increase of borrowings	(1,9)	51,8
Cash balance at end of year	25,5	75,1

Non cashflow EBITDA items

Oxyon investment  
impacted operating cash  
flows

December 2017 – 5 week  
billing cycle

# Assets

Rm	As at 31 Dec 2017	As at 31 Dec 2016	% change
<b>Non-current assets</b>	<b>251,9</b>	<b>199,1</b>	<b>26,5</b>
Property, plant and equipment	23,6	18,0	
Goodwill	134,5	102,3	
Intangible assets	44,2	39,1	
Deferred tax assets	44,3	37,0	
Other financial assets	5,3	2,7	
<b>Current assets</b>	<b>744,2</b>	<b>688,0</b>	<b>8,2</b>
Trade and other receivables	714,4	610,2	
Inventories	3,6	2,7	
Taxation	0,8	-	
Cash and cash equivalents	25,5	75,1	
<b>Total assets</b>	<b>996,2</b>	<b>887,1</b>	<b>12,3</b>

Trade and other receivables –  
includes net advances of R188,2m  
(2016: R171,5m)

Days outstanding - 53 days  
(2017: 46 days)

## Equity and Liabilities

Rm	As at 31 Dec 2017	As at 31 Dec 2016	% change
<b>Equity</b>	<b>542,3</b>	<b>446,8</b>	<b>21,3</b>
Equity attributable to owners of the parent	543,8	446,5	
Non-controlling interest	(1,5)	0,3	
<b>Non-current liabilities</b>	<b>38,2</b>	<b>40,3</b>	<b>(5,2)</b>
Financial liabilities	26,4	30,8	
Deferred tax liabilities	11,8	9,5	
<b>Current liabilities</b>	<b>415,6</b>	<b>400,0</b>	<b>3,9</b>
Trade and other payables	136,9	115,2	
Financial liabilities	278,7	283,9	
Taxation and bank overdrafts	-	0,9	
<b>Total equity and liabilities</b>	<b>996,2</b>	<b>887,1</b>	<b>12,3</b>

<b>NAV per share (cents)</b>	<b>237</b>	<b>195</b>	<b>21,5</b>
<b>NTAV per share (cents)</b>	<b>159</b>	<b>134</b>	<b>18,7</b>

## Balance Sheet Ratios

		2017	2016
1	Debtors days outstanding	53 Days	46 Days
2	Debtors greater than 90 days	8,9%	5,0%
3	Net interest bearing debt to total assets	28%	27%
4	Net interest bearing debt to total tangible assets	34%	32%
5	Return on equity	18,2%	20,5%
6	Interest cover (times)	4.9	4.5

# Financial Prospects

2018

- Acquisitions start to contribute to HEPS
- Greater cash availability for acquisitions
- Emphasis on organic growth and acquisitions



# Segments and Strategic Overview

**Philip Froom**

*Chief Executive Officer*

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## Revised Segmental Structure

Staffing and Recruitment

Process Outsourcing

### Staffing and Outsourcing

Training and Consulting

### Training and Consulting

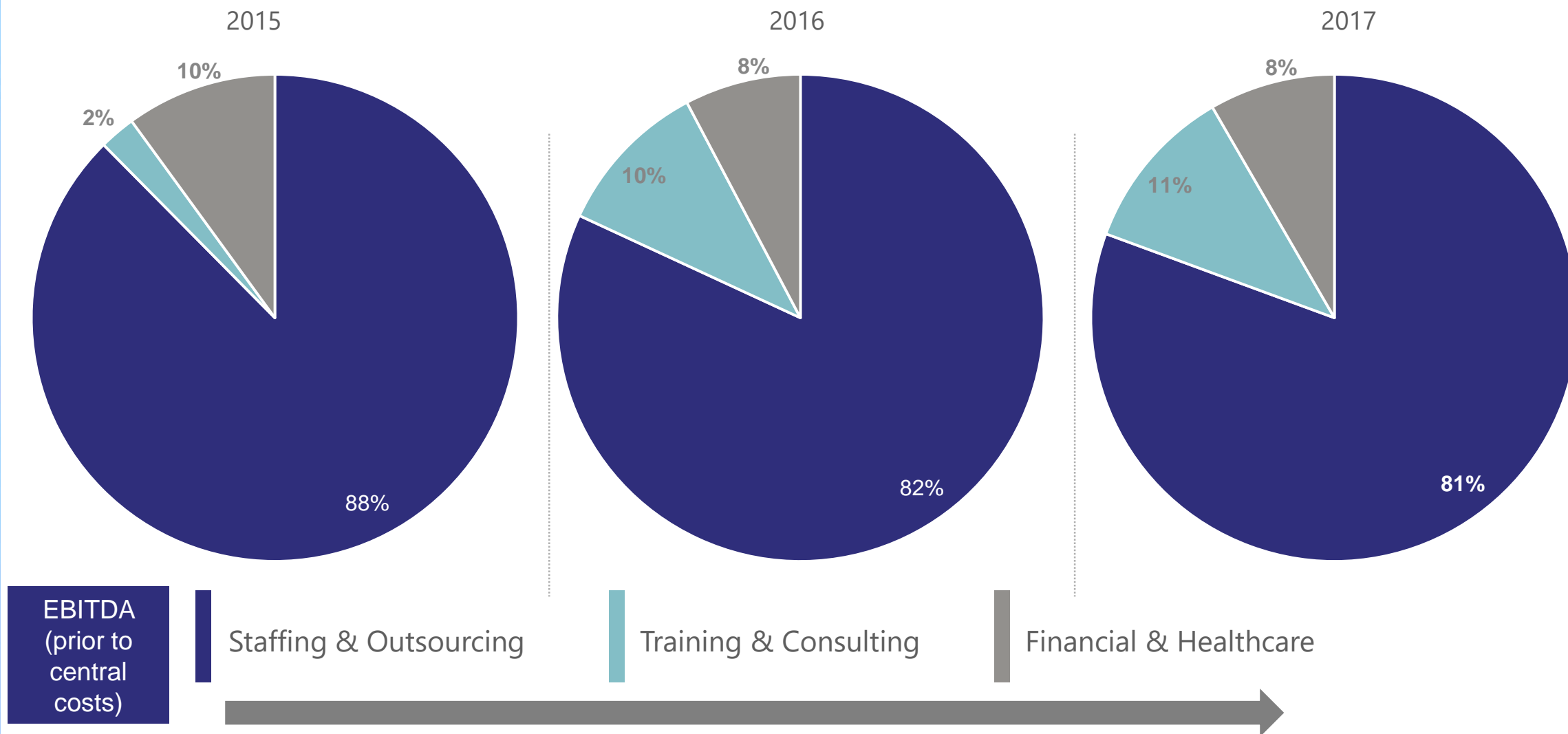
Financial and Lifestyle Products

Employee Health Management

### Financial and Healthcare

Workforce Healthcare is now included with the Financial & Healthcare segment as opposed to the Training & Consulting sector as was presented in June 2017 interim results

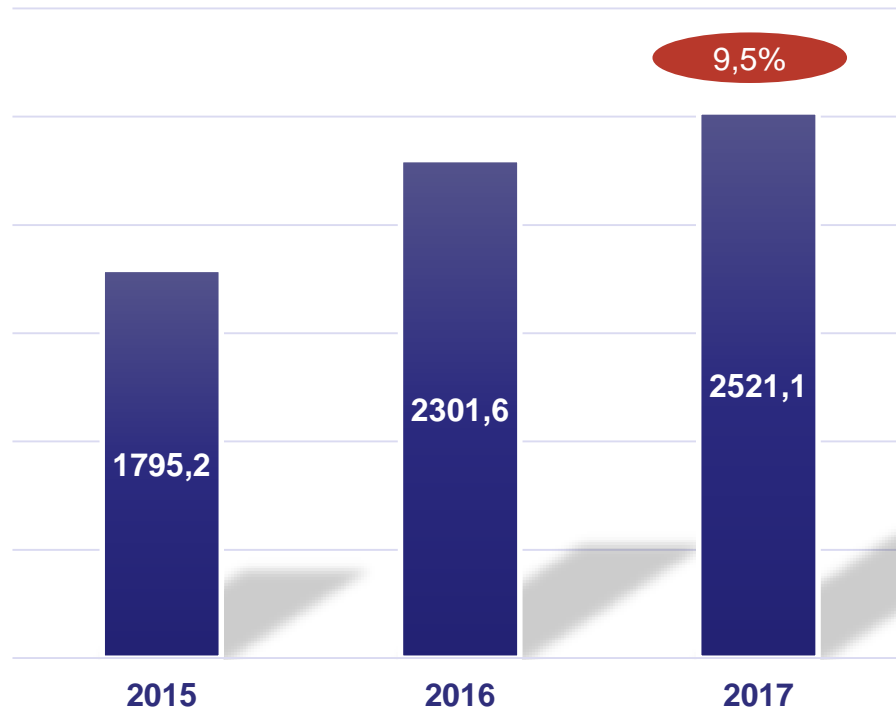
## Three Segments



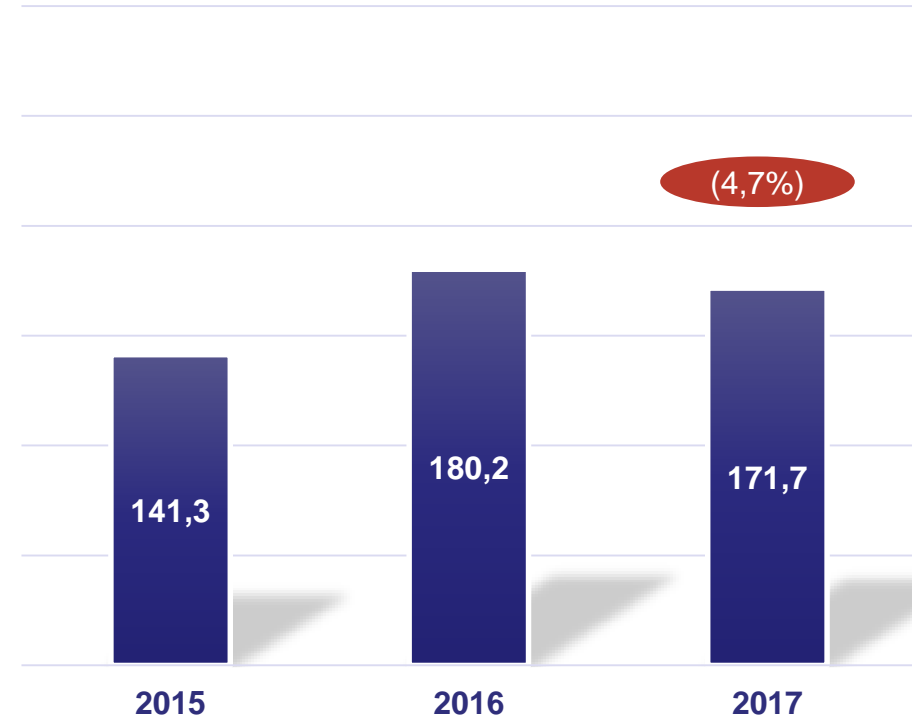
Progress continues to be made on a more balanced, diversified approach to the business to underpin sustainability

# Staffing & Outsourcing

## Revenue (Rm)



## EBITDA (Rm)



Gross margin decline  
18.5% (2016: 20.3%)

2016 large  
infrastructure project  
came to an end in early  
2017

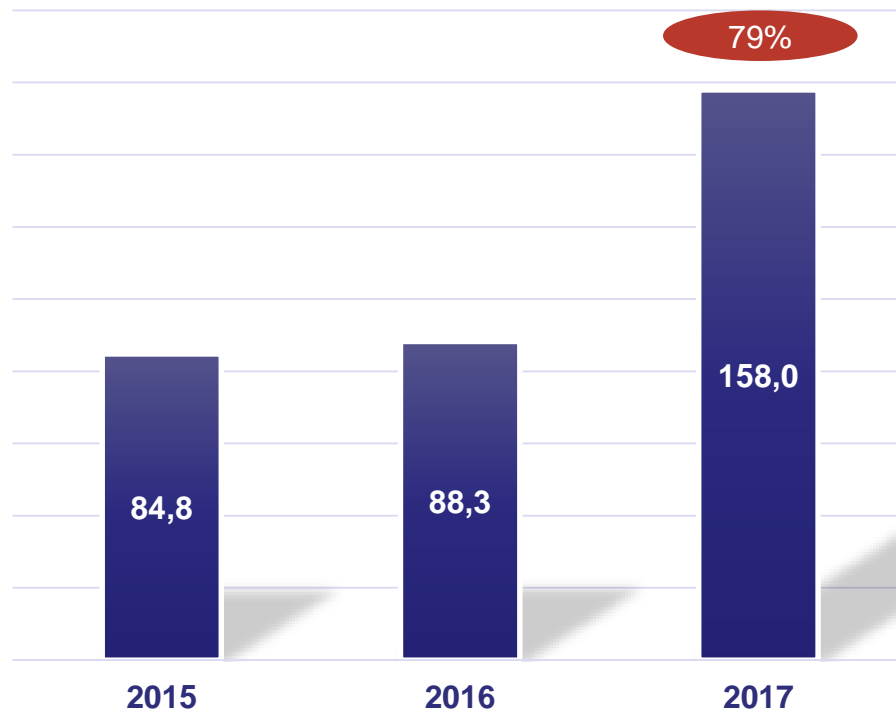
Delays in government  
infrastructure projects

Recruitment industry  
tough

Encouraging pipeline  
in place

# Training & Consulting

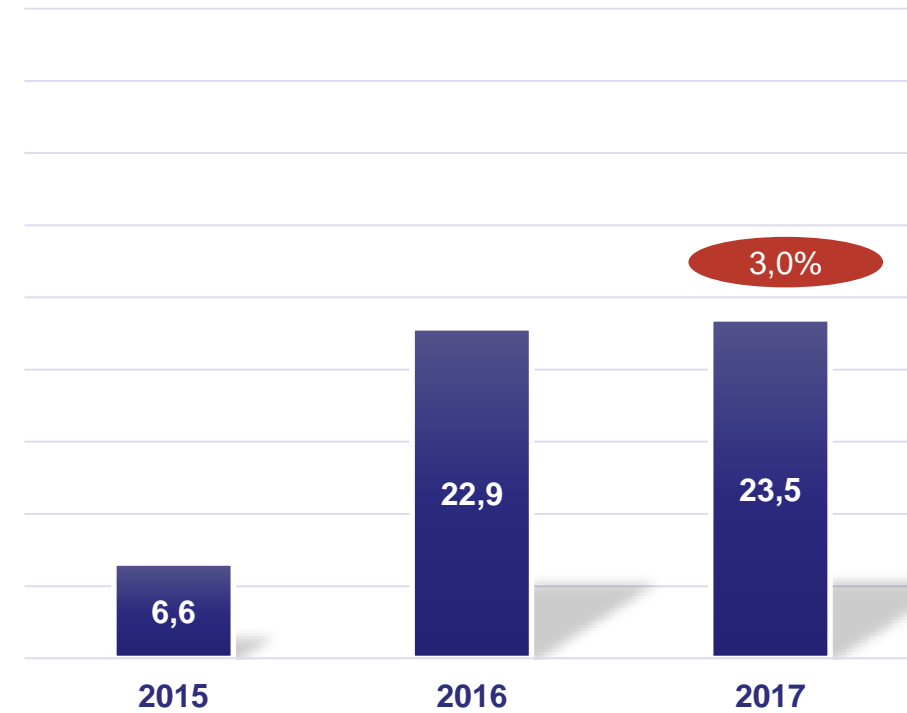
Revenue (Rm)



KBC acquisition contributed substantially to turnover and EBITDA

Mining slowdown in 2017 hurt Prisma, expecting improvement in 2018

EBITDA (Rm)

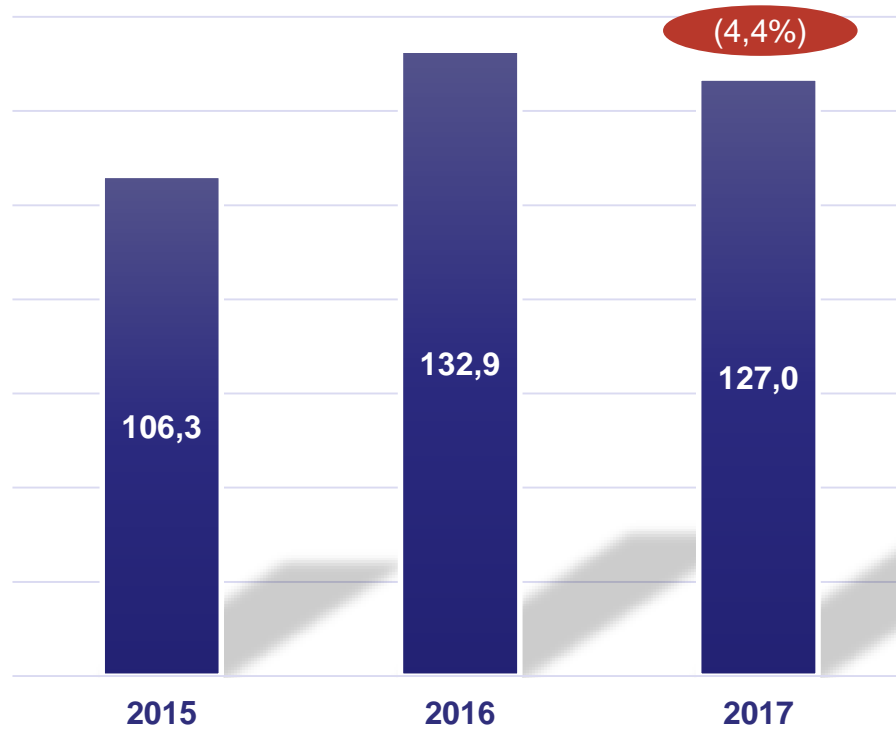


Training Force solid organic growth

Strategic growth cluster

## Financial & Healthcare

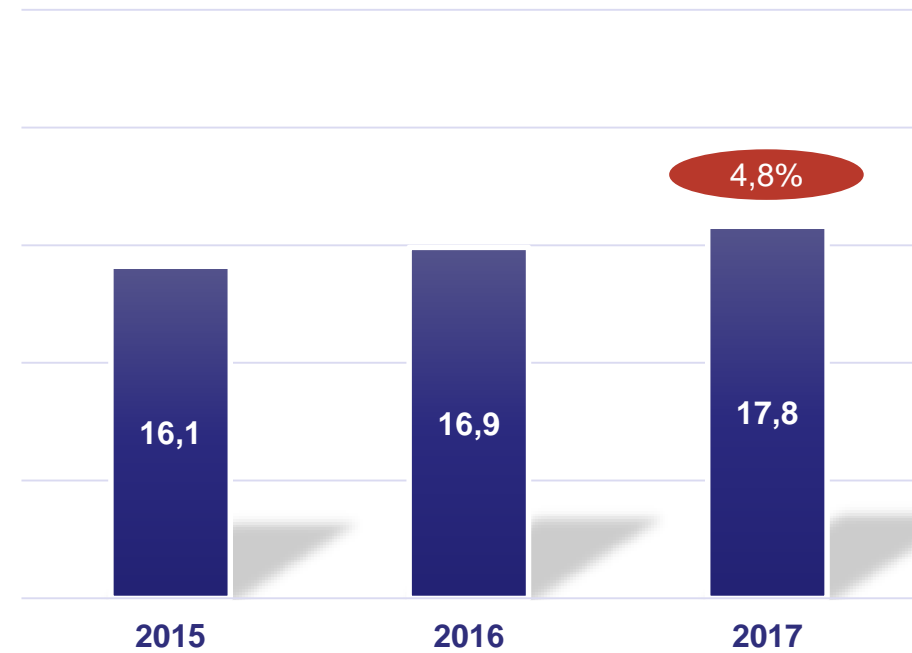
### Revenue (Rm)



Credit vetting criteria  
tightened resulting in lower  
turnover

Improved cash utilisation

### EBITDA (Rm)



EEB business small but now  
profitable and growing

Investing in Workforce  
Healthcare



# Progress

01

## Organisational Structure

- IT structures
- 3 segments
- Triple C group strategy
- Training segment executives
- Strengthened financial resources
- Human capital: Workforce Wellness
- Organic opportunities being unlocked



02

## Access to Capital

- Increased facility
- Improved terms
- Maintained interest rates



03

## Diversification

- EBITDA from non-staffing segment 19%
- Training segment EBITDA 11%



04

## 2017 Acquisitions

- KBC
- Oxyon
- Day Click Mauritius



05

## Africa

- Mozambique, Botswana and Namibia
- Mauritius Day Click acquisition in 2017
- Opportunities in other African countries



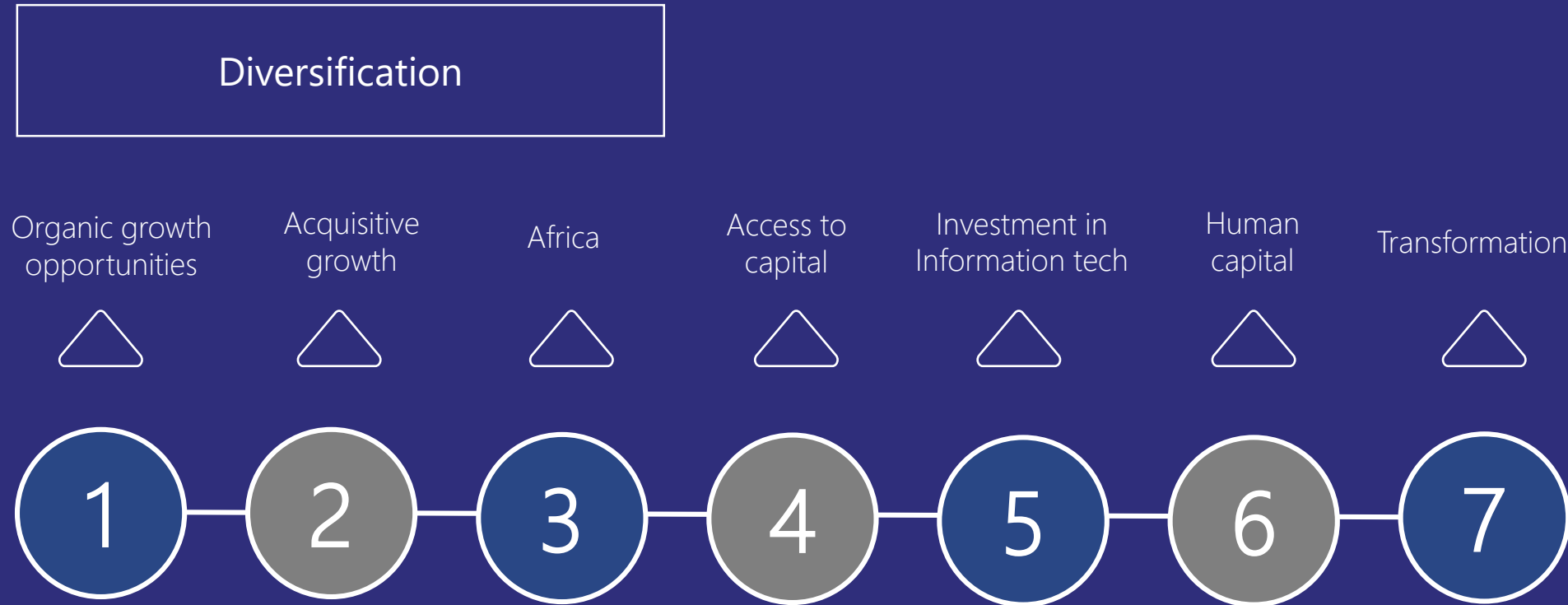
06

## Transformation

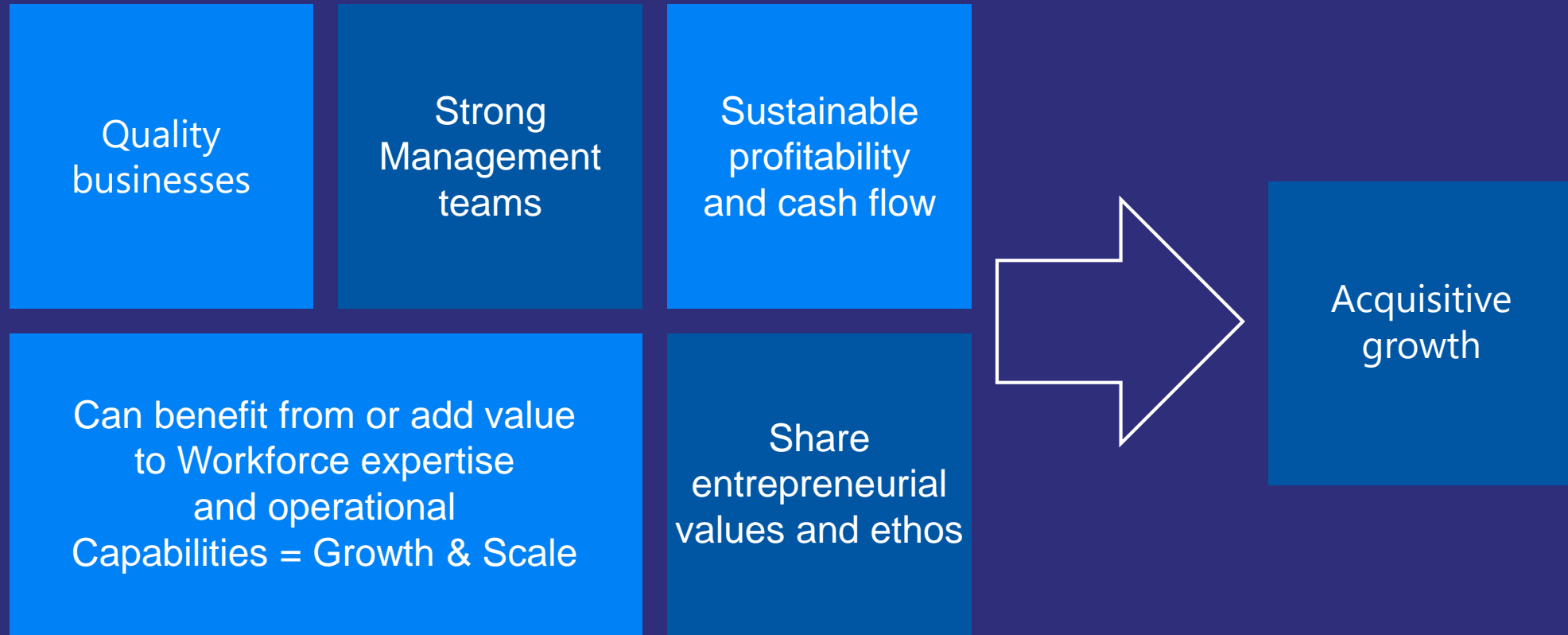
- Group: BEE Level 4
- Various subsidiaries BEE Level 2
- Qunu Workforce
- Transformation and EE manager
- Committees



# Strategic Priorities



# Acquisition Criteria



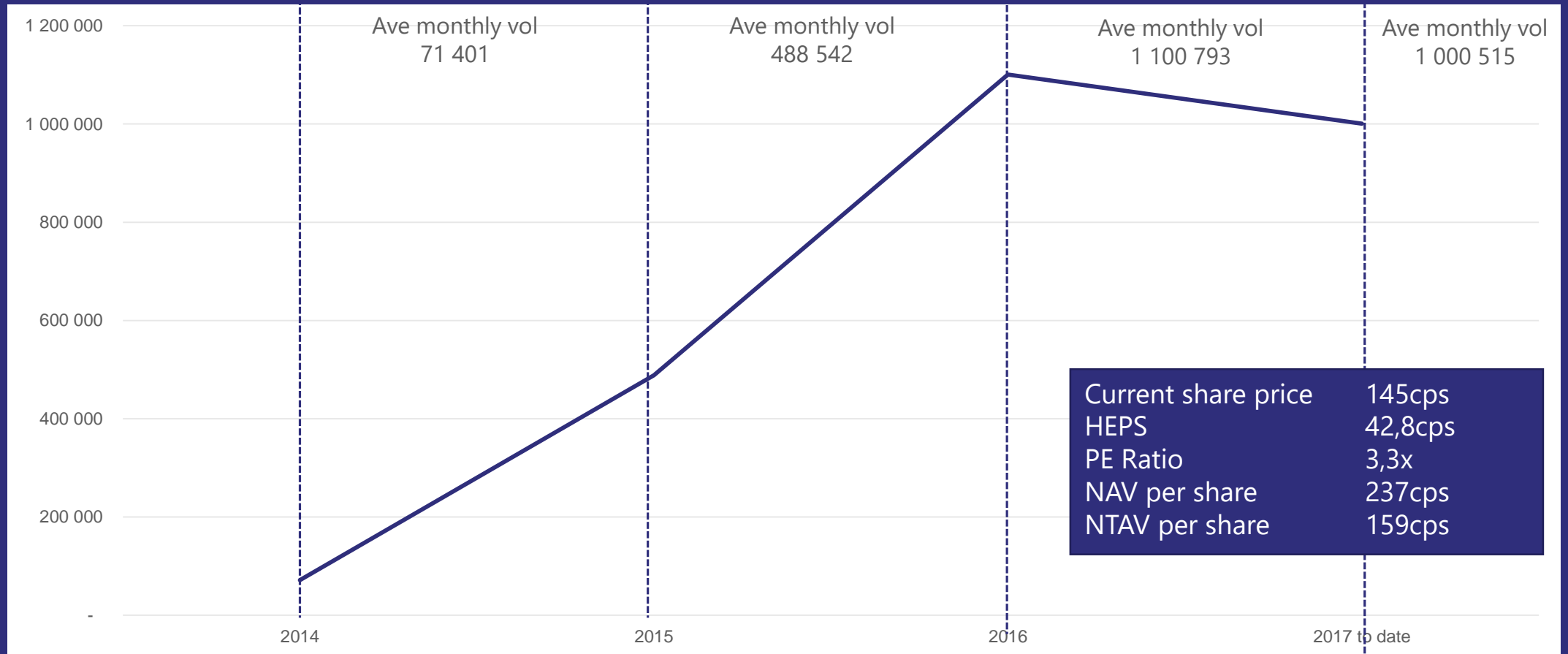
- Acquisitions of scale
- International and/or local businesses with international presence

# Acquisitions

Company acquired	Date	Description
	October 2015	<ul style="list-style-type: none"> <li>Accredited mining training provider</li> </ul>
	February 2016	<ul style="list-style-type: none"> <li>Provided increased presence in outsourced technical skills</li> </ul>
	May 2016	<ul style="list-style-type: none"> <li>Enhanced permanent placements and executive search capability</li> </ul>
	January 2017	<ul style="list-style-type: none"> <li>Contractor onboarding and induction training</li> </ul>
	February 2017	<ul style="list-style-type: none"> <li>Technical and artisanal skills</li> </ul>
	March 2017	<ul style="list-style-type: none"> <li>TES and permanent recruiting in Mauritius</li> </ul>

# Investor Relations

## Workforce average monthly volume



# Outlook

**Ronny Katz**

*Chairman*

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## Outlook in Summary

01

2017 tough environment

02

More optimistic about economy and labour environment

03

Diversification drive continues with focus on Training

04

Continued organic and acquisitive growth drive

05

Labour legislation

06

ETI – SONA and Budget 2018 demonstrate understanding of youth unemployment importance

07

Infrastructure development and government programmes

08

2018 Vision

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# Thank you

Investor relations contact details:

Keyter Rech Investor Solutions  
Fountain Grove Office Park,  
Cnr William Nicol and 2nd Road, Hyde Park

Vanessa Ingram  
Tel: 083 307 5600  
vrech@kris.co.za