



workforce
HOLDINGS LIMITED

Uplifting people.
Growing business.

Unaudited condensed interim financial results

for the six months ended 30 June 2018

AGENDA



1

**GROUP
OVERVIEW**

Ronny Katz

2

**FINANCIAL
RESULTS**

Willie van Wyk

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**STRATEGIC
OVERVIEW**

Ronny Katz

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OUTLOOK

Ronny Katz

Notes:

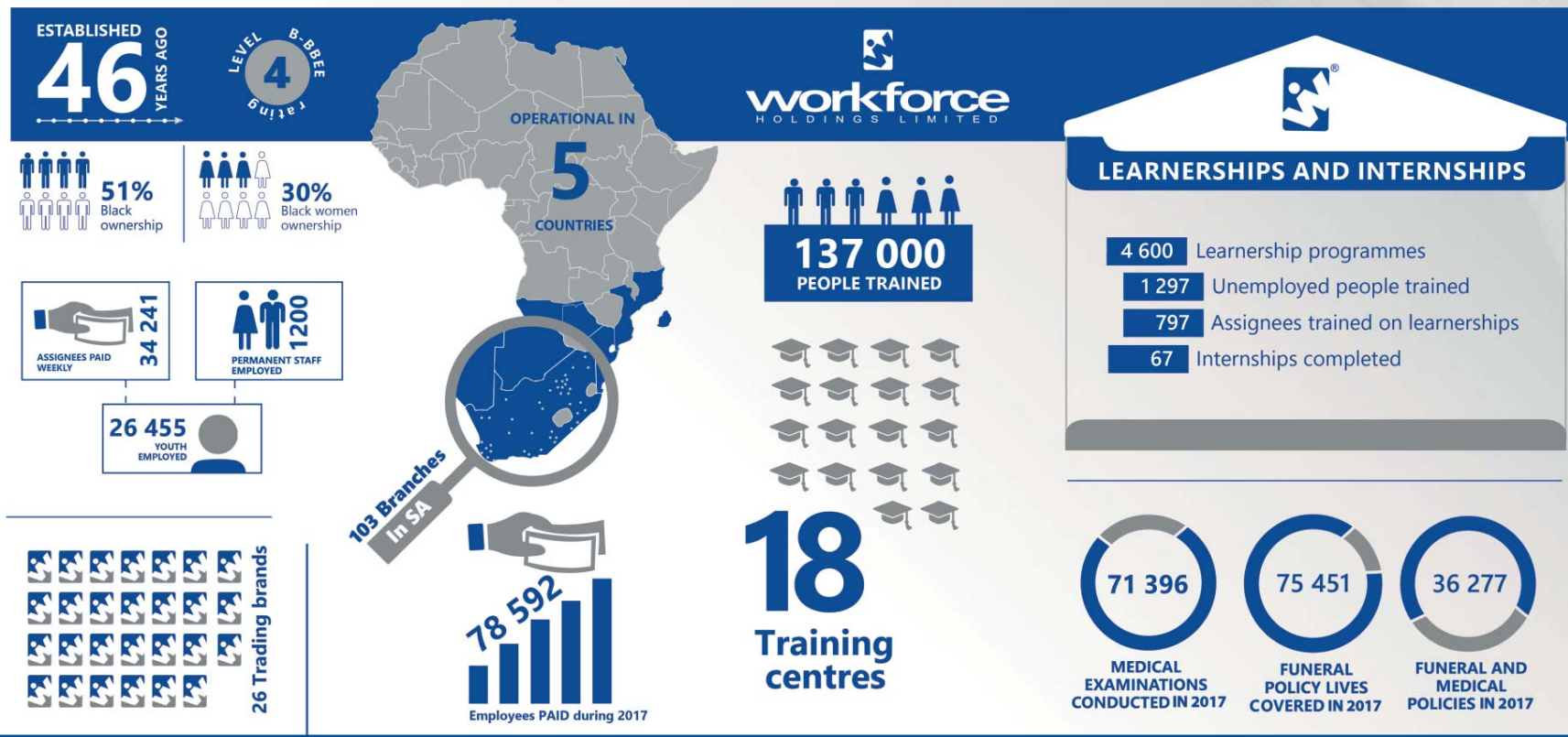
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GROUP OVERVIEW

Ronny Katz

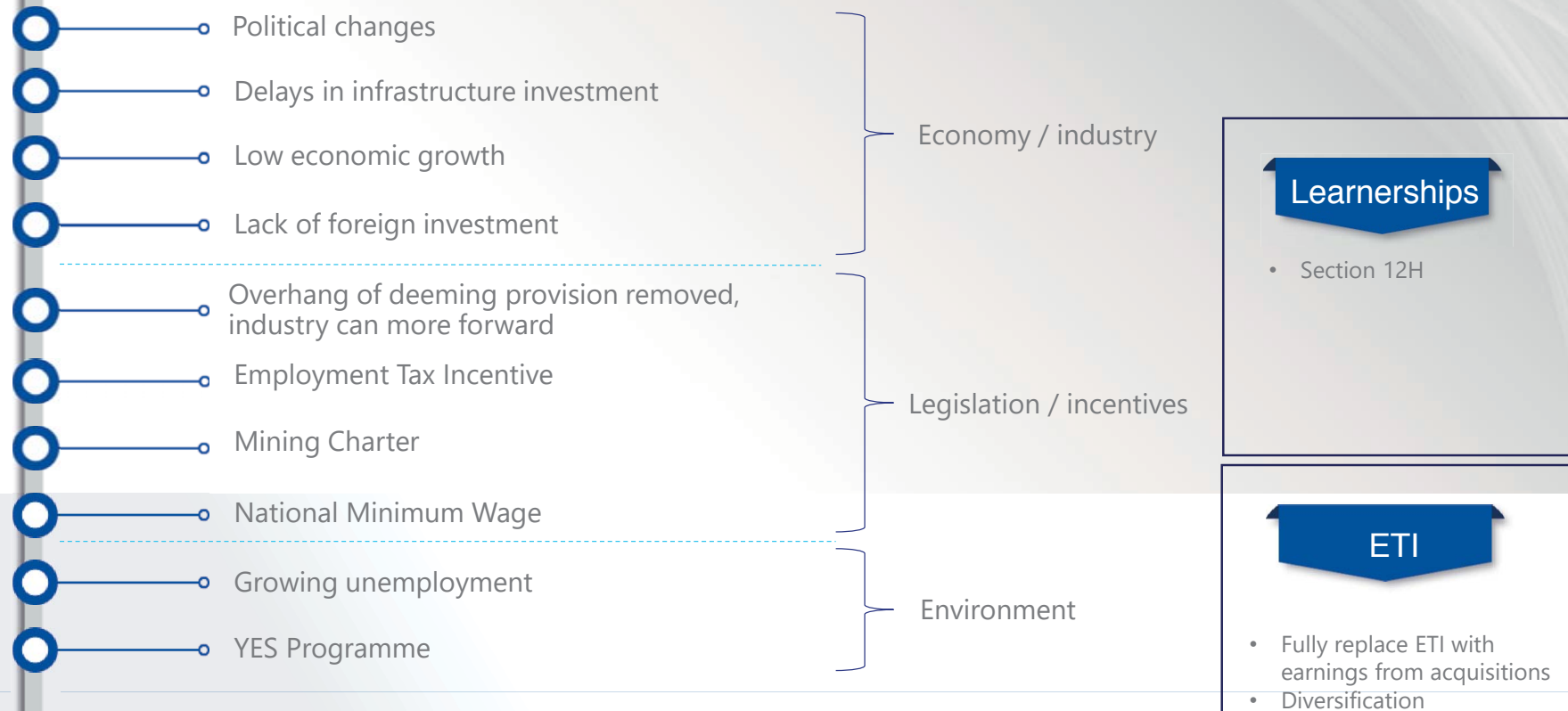
Notes:

World of Workforce



Notes:

Macro Economic Challenges and Opportunities



Notes:

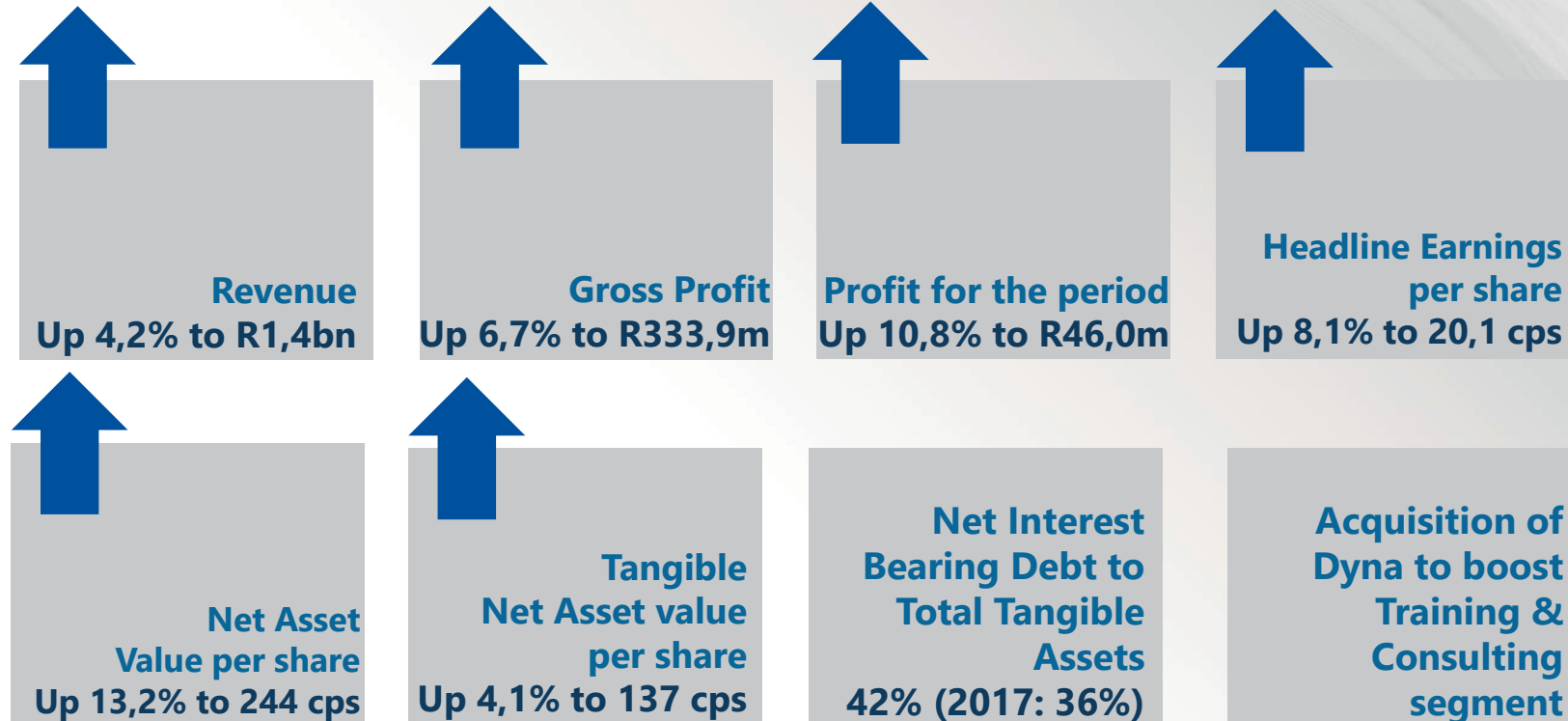
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FINANCIAL RESULTS

Willie van Wyk

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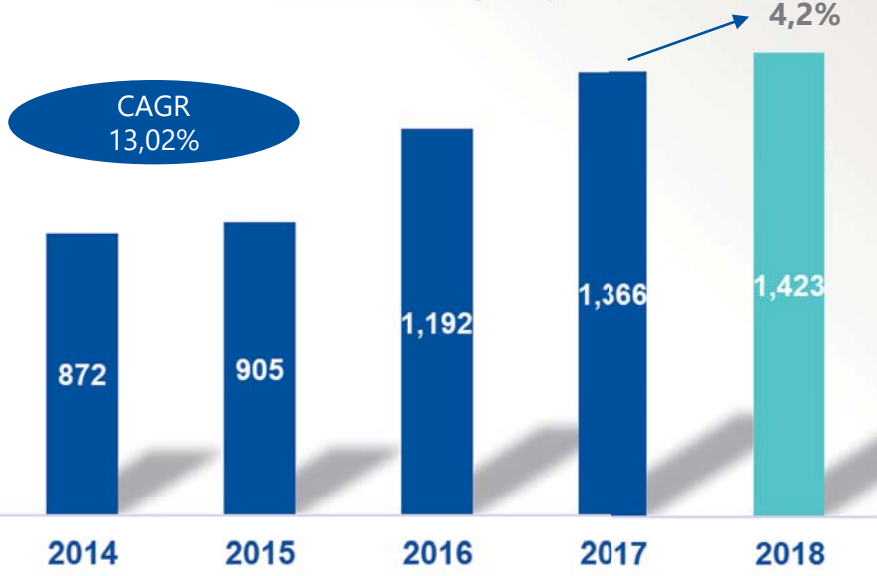
Financial Highlights



Notes:

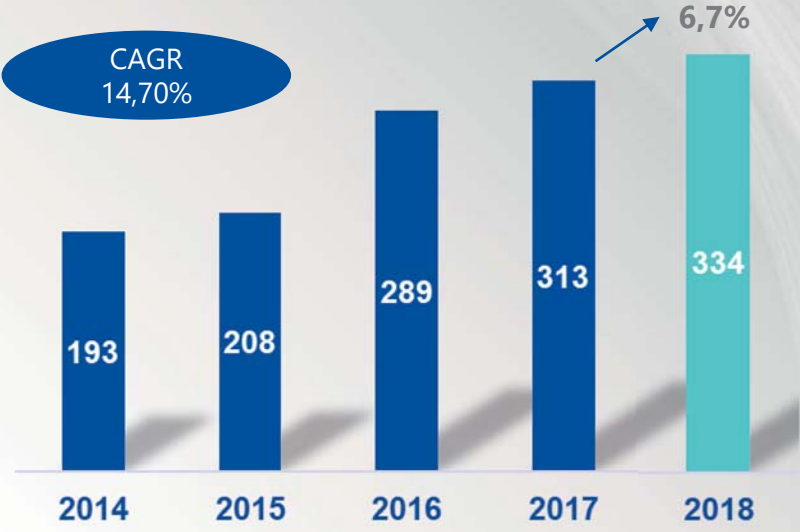
Financial Indicators

Revenue (Rm)



- Equal contribution from organic and acquisition growth

Gross Profit (Rm)



- Improved to 23,5% of sales (2017: 22,9%)
- Increased weighting from better margin training businesses

Notes:

Financial Indicators

Operating Costs (Rm)



- Operating expense to turnover ratio 18,6% (2017: 17,8%)
- Increase normalised for bad debt provision equals 4,5%
- IFRS 9

EBITDA (Rm)

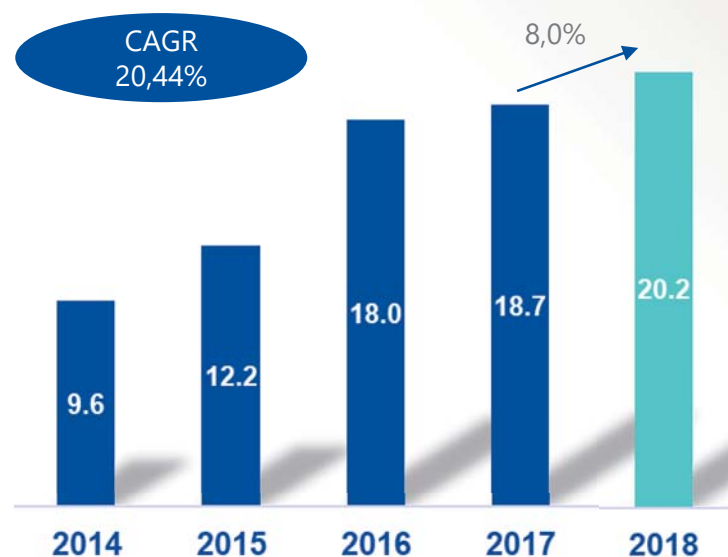


- Increased marginally
- EBITDA to turnover flat at 4,8% (2017: 4,9%)

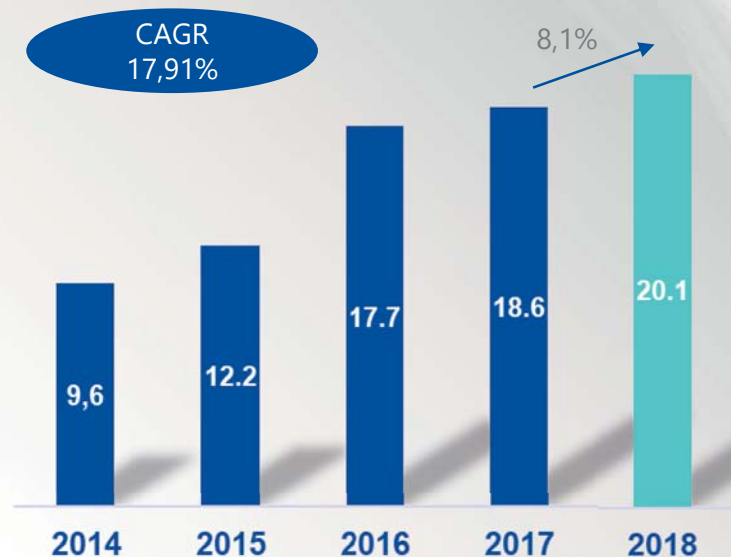
Notes:

EPS and HEPS

EPS (Cents)



HEPS (Cents)



- Contribution of acquired companies to EPS is minimal due to IFRS charges as a result of acquisitions

Notes:

Income Statement

R'm	Six months to 30 June 2018	Six months to 30 June 2017	% change	Year to 31 Dec 2017
Revenue	1 422,9	1 366,1	4,2	2 807,9
Gross profit	333,9	313,0	6,7	635,4
Operating costs	(265,5)	(243,9)	8,9	(512,9)
Fair value adjustments	(0,4)	(1,7)	100	10,3
EBITDA	67,8	67,3	0,8	134,0
Depreciation & amortisation of non-financial assets	(13,7)	(12,9)	5,5	(26,1)
Operating profit	54,2	54,3	(0,4)	107,9
Finance income	1,2	0,6	103	1,5
Finance costs	(12,4)	(11,8)	4,1	(23,4)
Profit before taxation	43,0	43,1	(0,1)	86,0
Taxation credit/(expense)	3,0	(1,5)	(289)	10,8
Profit for the period	46,0	41,5	10,8	96,8

Depreciation includes intangible depreciation as a result of acquisitions

Effective tax rate 7%
(2017: (3,7%))

Tax: ETI and learnerships

Interest cover ratio
3,8x (2017: 3,4x)

Notes:

Summarised Cash Flow

Rm	Six months to 30 June 2018	Six months to 30 June 2017	Year to 31 Dec 2017
Cash flow from operating activities	32,0	45,3	15,9
Acquisition of business combinations	(10,6)	(40,5)	15,9
(Repayment) / increase of borrowings	(13,9)	(46,1)	(1,9)
Cash balance at end of the period	24,5	24,8	25,5

No dividend declaration in period
under review

DSO – debtor payment
pressures

Dyna acquisition paid for
in August 2018

Notes:

Assets

R'm	As at 30 June 2018	As at 30 June 2017	% change	As at 31 Dec 2017
Non-current assets	334,3	247,7	35,0	251,9
Property, plant and equipment	22,3	19,8		23,6
Goodwill	192,9	141,1		134,5
Intangible assets	69,1	48,2		44,2
Deferred tax assets	41,2	35,5		44,2
Other financial assets	8,8	3,1		5,3
Current assets	762,4	679,7	12,1	744,2
Trade and other receivables	732,8	651,6		714,4
Inventories	4,9	3,3		3,5
Taxation	-	-		0,7
Cash and cash equivalents	24,6	24,8		25,5
Total assets	1 096,7	927,4	18,2	996,2

Trade and other receivables – includes net advances of R171,4m (2017: R169,2m)

Goodwill – Dyna acquisition

PPE increased mostly due to Dyna acquisition

Days outstanding - 52 days (2017: 50 days)

Notes:

Equity and Liabilities

R'm	As at 30 June 2018	As at 30 June 2017	% change	As at 31 Dec 2017
Equity	554,0	489,1	13,3	542,3
Equity attributable to owners of the parent	555,3	489,7		543,8
Non-controlling interest	(1,3)	(0,6)		(1,4)
Non-current liabilities	107,6	54,4	97,7	38,2
Financial liabilities	93,4	40,3		26,4
Deferred tax liabilities	14,2	14,2		11,8
Current liabilities	435,1	383,9	13,3	415,6
Trade and other payables	167,0	145,0		136,9
Financial liabilities	266,4	238,2		278,7
Taxation	1,6	0,7		-
Total equity and liabilities	1 096,7	927,4	18,2	996,2
NAV per share (cents)	244	215	13,5	237
NTAV per share (cents)	137	132	3,8	159

Financial liabilities –
R102m relates to
amounts owed to
vendors

Post balance sheet –
additional R60m
funding from ABSA

Notes:

Financial Prospects

Acquisition of Dyna (focused in training space) should further increase diversification

Continue to assess potential acquisitions

Unlock organisation efficiencies

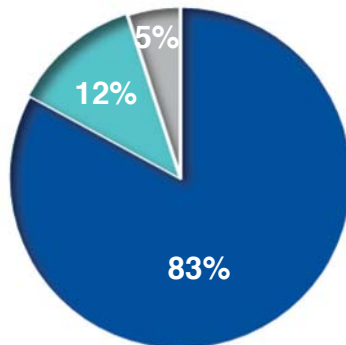
Drive to increase margins

Pursue organic growth given certainty regarding legislation

Notes:

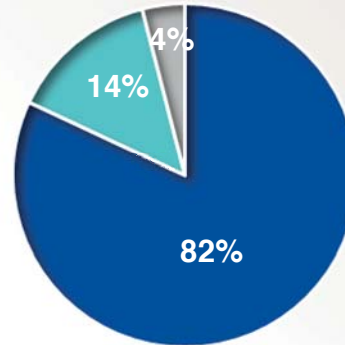
Group portfolio mix – EBITDA % contribution

EBITDA CONTRIBUTION
2016 HY



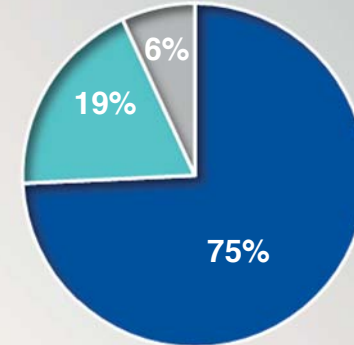
■ Staffing & Outsourcing
■ Training & Consulting
■ Financial & Healthcare

EBITDA CONTRIBUTION
2017 HY



■ Staffing & Outsourcing
■ Training & Consulting
■ Financial & Healthcare

EBITDA CONTRIBUTION
2018 HY

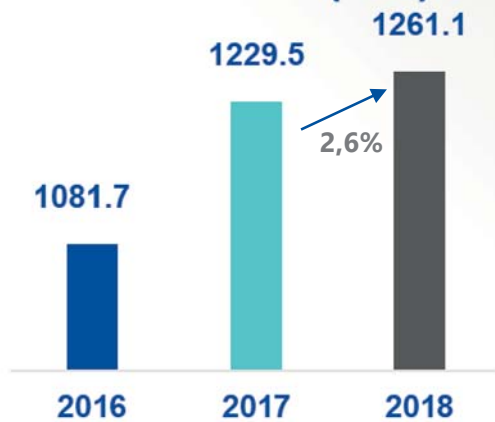


■ Staffing & Outsourcing
■ Training & Consulting
■ Financial & Healthcare

Notes:

Staffing & Outsourcing

REVENUE (RM)



EBITDA (RM)



- Lower growth due to overhang of Constitutional Court judgement
- Overall poor economic growth

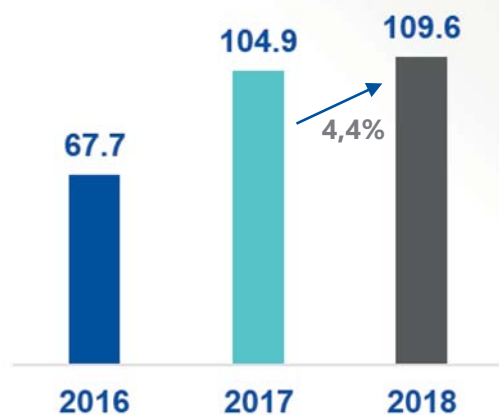
- Bad debt provisions
 - Construction sector
- IFRS 9

- Outlook – clarity on legislative environment presents opportunities for invigorated services to customers

Notes:

Training & Consulting

REVENUE (RM)



EBITDA (RM)



- Growth attributable exclusively to organic growth
- Dyna acquisition included for 1 month with limited impact

- Outlook – remains bullish for the segment from both an organic and acquisitive perspective

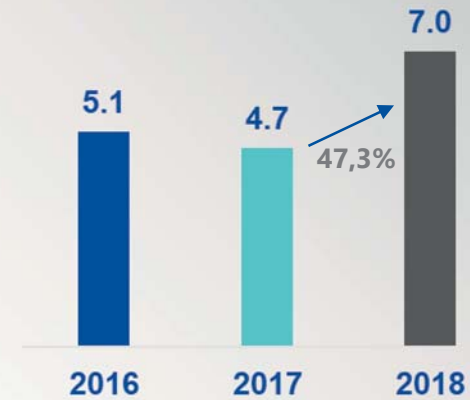
Notes:

Financial & Healthcare

REVENUE (RM)



EBITDA (RM)



- Growth attributable to organic growth
- Outlook – significant contract closures as well as lucrative deals in Africa will support this segment

Notes:

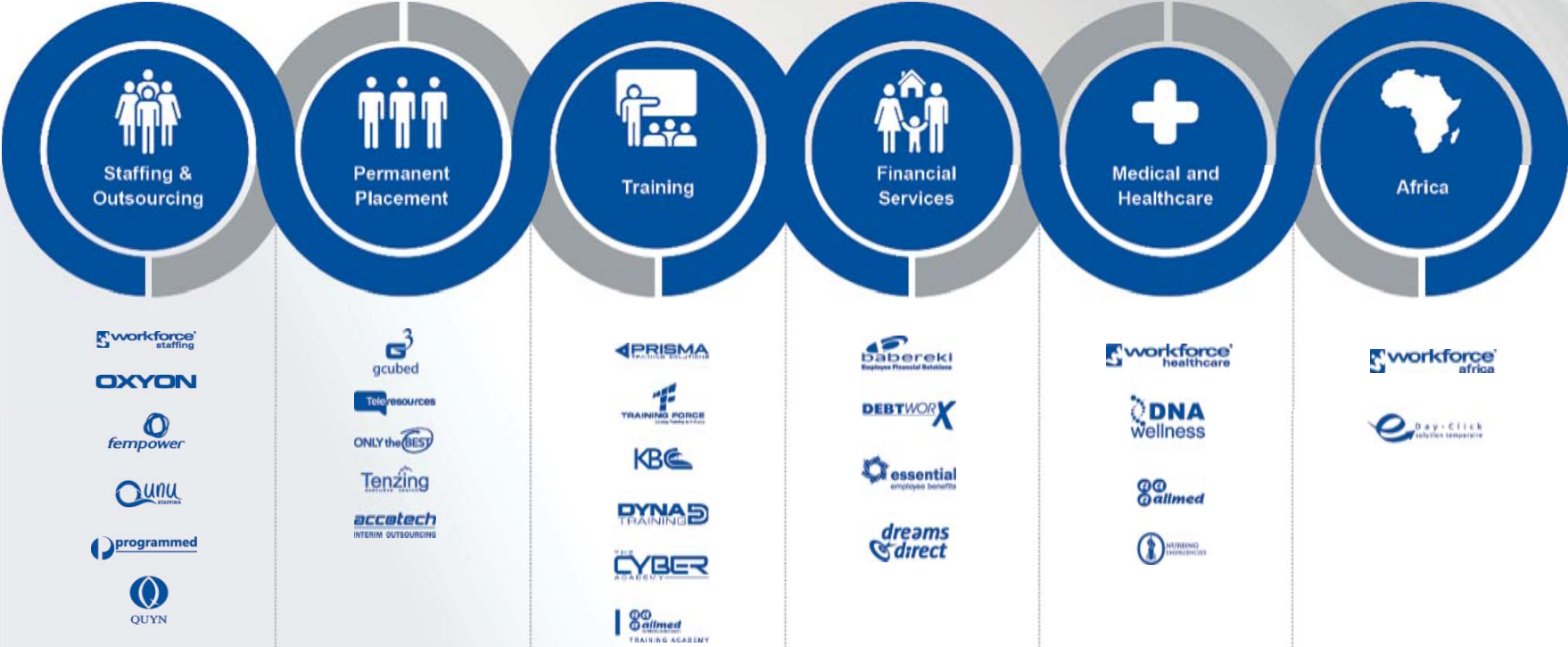
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Strategic Overview

Ronny Katz

Notes:

Our Clusters



Notes:

Staffing and Outsourcing



- LRA Solutions commenced in 2015
- Company diversification top of mind
- Acknowledgment of South Africa's need for TES
- Aggressive growth in all industry segments (Industry leaders)
- Customer service and satisfaction in focus (systems and delivery)
- Youth Employment at the forefront (staffing, training, benefits)
- Productivity upgrade (Processes, IT)
- Broader Africa market opportunities

Notes:

Permanent Placement



- A focused cluster of recruitment houses that provide end-to-end solutions
 - Generalist recruitment capability
 - Specialist recruitment capability
 - Accounting
 - Information Technology
 - Hospitality
 - Retail
 - Head hunting and executive search
 - Call Centre staffing
 - Inbound and outbound

Notes:

Training



- Growing African footprint
- Our cluster of training companies allows for diversified training
- Primary objective: improve employability in the shortest time possible
- Broad choice: learnerships, compliance, apprenticeships, contractor onboarding
- Recent acquisition: Dyna Group (caters for middle upper white collar management)

Notes:

Financial Services



- Micro funding to internal staff (efficient and trustworthy)
- Wide range of goods available on credit (internal staff)
- Technology at the forefront (optimising systems, reducing costs)
- Positive cash flow
- Expansion of insurance offerings (funeral and medical)
- New offering: Provident Fund
- Broader Africa opportunities

Notes:

Medical and Healthcare



- Expansion of health services
 - Mobile, fixed and onsite clinics
 - Employee assistance and wellness programmes
 - Occupational Healthcare and screenings
- Further outsourcing of nurses and medical professionals
- Frail care services and growth into homecare
- Advantageous opportunities with National Healthcare

Notes:

Africa/Mauritius



South Africa

Botswana

Namibia

Mozambique

Zimbabwe

Mauritius



Notes:

Acquisitions

Company acquired	Date	Description
	October 2015	Accredited mining training provider
	February 2016	Provided increased presence in outsourced technical skills
	May 2016	Enhanced permanent placements and executive search capability
	January 2017	Contractor onboarding and induction training
	February 2017	Technical and artisanal skills
	March 2017	TES and permanent recruiting in Mauritius
	July 2018	Provider of leadership, management and supervisory training

Acquisition policy largely funded by ETI proceeds

Notes:

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OUTLOOK

Ronny Katz

Notes:

Outlook in Summary

1	2017/2018 tough environment	5	Transformation
2	More optimistic about labour environment	6	ETI and Section 12H
3	Diversification drive continues with focus on Training	7	Government Programmes
4	Continued organic and acquisitive growth drive	8	Africa

Notes:

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Notes:

Thank You

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Notes:

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ADDENDUM

Extra slides for reference

Notes:

Challenges

Challenge

LRA (Deeming Provision)

Solution

- Relevant for employees earning below R205 433 p/a and who have been assigned for longer than 3 months
- TES remains the employer for all employees rendering a Temporary Service
- Client is deemed sole employer of Assignees assigned for longer than 3 months
- TES remains the employer for purposes of the BCEA, UIF, SDL / SDLA, COIDA, PAYE
- Triangular relationship exists between Client, TES and Assignee for as long as there is commercial agreement with the Client
- No permanent status after 3 months
- No section 197 transfer from TES to Client after 3 months
- TES still renders same service and provides the same indemnities
- TES model does not have to change unless the client's business / business model changes
- Legitimate Fixed Term Contracts are still valid
- Should Client's business model change, Workforce can provide the following solutions:
 - Functional outsourcing (where complete functions can be outsourced)
 - Management outsourcing (where the HR & IR can be outsourced)

Notes:

Challenges

Challenge

Solution

ETI

- Acquisition policy largely funded by ETI proceeds
- Fully replace ETI with earnings from acquisitions
- Diversification

CEO

- Management Strategy
- Executive Committee
- Clusters

Market value of Workforce Holdings

- Insufficient liquidity
- Emerging market contagion
- Overhang of Labour Relations Act
- Reliance of ETI as source of revenue
- General outlook on SA economy
- Lack of promised infrastructure investment

Notes: