



**AWF MADISON GROUP  
ANNUAL MEETING OF SHAREHOLDERS – CEO’S ADDRESS**

**31 July 2019**

Good morning, it is a pleasure to be here in front of you today. I am proud to lead this dynamic and diverse business which makes such a difference to our people our clients and our country.

This sector we operate in is not always easy, with people being our tool of trade. The growing workforce challenges for our clients remains a significant opportunity for us. With the changing world of work, lower retention rates (leading to more frequent hiring) and growing demand for contingent workers to flex the scale of workforces, the problem we solve is very real for our clients.

Our vision remains to grow our impact as NZ’s leading recruitment and resourcing company. It is a worthwhile cause which can reward us with impact for our country, our candidates and our clients, while providing our shareholders a good return.

I am very satisfied that we have been able to maintain our dividend for the year. Despite a drop in earnings, our well-subscribed Dividend Reinvestment Plan has allowed us to achieve a strategic goal in the acquisition of JacksonStone & Partners and hold the dividend steady. We have made better use of our balance sheet, and our current business mix is leaner on its requirement for working capital.

As Ross mentioned, we released our annual report when we announced on May 29<sup>th</sup> which was a first for the business. This allowed a greater flow of information to shareholders earlier. We talked to a number of our shareholders post-announcement and an area that was perhaps not well understood was the strategic nature of the JacksonStone acquisition. Dave Hollander, the CEO, will shortly give us an overview of the business but I thought I should focus my time today on the reason for this particular acquisition and the broader Group strategy as we move into the year ahead.

We have sought to diversify the business from that of a blue-collar business to a balanced white and blue collar recruitment and resourcing company. We also seek to balance the levels at which we recruit and the types of recruitment we carry out. AWF is largely a business of temporary workers from entry level upwards, with a new but growing permanent recruitment offer. Madison works equally in permanent and temporary placements, with a number of independent professional contractors at higher levels. Absolute IT has added a mix of independent professional contractors and broad (including some high-level) permanent recruitment. We lacked ability in executive search and interim executive recruitment at the top level. The lack of discipline in this area limited our access to C-level clients and the subsequent opportunities that this brings.

To be explicit, the recruitment of a CEO will often lead to the opportunity to recruit other C-suite roles that a change in leadership may bring. Chief Executives drive business transformation, and with it, new programmes of work requiring new permanent and contingent resource (across the organisation the work can flow to Absolute IT, Madison and AWF potentially). Knowledge and input into these workflows gives us much better opportunity to gain future work. We are very satisfied to have achieved this strategic goal. Needless to say, JacksonStone is a business with great heart, strong relationships and depth of expertise and we are really enjoying working together - even at this early stage.

Much of our work is with Government agencies, and a key goal is to engage better - not only with Government - but also officials charged with helping to drive Government goals and legislation. We see our credibility at the ‘top table’ critical, to ensure we can assist and influence this dynamic sector that we are part of.

Changes to the legislative framework can have a significant impact on us as a large employer. The Holidays Act is being reviewed, the Fair Pay Agreements working group has released its first report, the Employment Relations Amendment Act recently came into force and the Employment Relations (Triangular Employment) Amendment Bill has been passed. Submissions that we made on this Bill were positively received and had some impact on

changes made to the final Bill, as passed. We continue to engage Government and drive thought leadership and management of the changing face of the employment landscape.

Inside the business we are continuing to develop our tech tools to help engage better with candidates and clients, while building more efficient recruitment processes to reduce costs in a low-margin environment. The tools we have to date have seen us win pieces of work and deliver innovative end to end solutions. This development will continue, and we will seek to utilise these tools across all of our business units. Kris Huurnink, our IT lead, is with us today and this year marks his 14<sup>th</sup> year in the business.

Our recruitment marketing capability remains a differentiator, but we must continue to invest in this area. There is opportunity to offer new solutions to clients and make inroads in industries we do not currently serve. We are committed to growing our capability and expertise in this area. Liz Meleisea who leads this function is not with us today as she is pitching such a proposal to a prospective client. Liz has ably replaced Shereen Low (who took maternity leave) and is adding huge value already. Shereen has returned part time and is assisting us with our Innovation across the Group.

The mix of our technology, marketing and recruitment capability enabled us to successfully tender for and deliver “Managed Service” solutions, which we have talked about. We have continued emphasis in this area and strive to develop our product offering. Growing such offerings is a key part of our strategy. We are currently working on one new opportunity, but seek further growth in this area. We are yet to launch a full Managed Service solution for a blue collar client, which remains a goal for us.

As I mentioned earlier, we see technology as a tool but we are also wary of the disruptive nature of technology in our sector. There is a lot of talk of being able to ‘uberise’ recruitment. The NZ legislative framework in both employment and safety would suggest that this will be difficult for a ‘platform’ to deliver. However, discrete pieces of work or tasks are already being carried out in this way by onshore and offshore workers. An example would be ‘app development’ which is easily tendered online and purchased regardless of the domicile of the worker or employment conditions.

We do see a number of related services and tools being developed for employers and recruiters which are of interest to us. We plan to be a party to some of this innovation rather than be reactive, and hence are building an innovation roadmap. This would see us partner with - or possibly even acquire - an early stage technology business in our sector, or related employment sector.

White collar business has confirmed its worth to us over the past year, with Madison and Absolute IT both performing respectably. Following Madison’s success in the prior year from a major project, we have reinvested in building Madison’s core business, but maintain a focus on those significant opportunities which are worth seeking out. Madison GM Christian Brown, together with Liz as mentioned, couldn’t be here due to a client presentation for a new business opportunity.

Absolute IT has continued to deliver, and GM Tracey Johnson is here with us today. In a market where IT continues to be an in-demand sector, we are continuing to invest in the brand to maintain relevance and our market leading position; and develop offerings to be able to reflect the standard that candidate and clients of NZ’s leading IT recruiter would expect.

Last but not least - and in fact our key priority - is to rebuild AWF and position for growth. As we announced in May we had a disappointing year and have sought to stabilise our top line earnings and position the business for a conservative growth trajectory. We have the business running well and we are doing a very good job for our clients. We are proud of our commitment to safety and the care we take of our people. We have certainly halted the decline of the last Financial Year, but are yet to see the level of growth we are seeking. Despite this, I remain confident in our people to deliver on our goals in the medium term. GMs Donna Lynch and Fleur Board are both here today and they have led this strong commitment we make to our people and our clients.

In terms of our reporting and compliance, Tony Staub, our Commercial Director who is with us here today, has delivered us some strong process improvements resulting in us confirming published audited results simultaneously with each of our half year and full year reporting. No mean feat, from where we have come from. He works hand in hand with David Lazarus our Company Secretary who provides us great comfort in our NZX and broader Company compliance. He is also a great support to me personally.

With that I have introduced you to all of my team whilst traversing the business strategy. I am grateful to have such a stable hardworking, dedicated and capable group of people. Whilst we have not delivered the financial result we were seeking, I assure you that we have committed to addressing the challenges that have held us back, and repositioning – once again – for that growth which we aspire to.

Simon Bennett  
Chief Executive  
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