RNS Number : 5083N
Andrews Sykes Group PLC
08 May 2024

**8 May 2024**

**ANDREWS SYKES GROUP PLC**

**("Andrews Sykes" or "the Company" or "the Group")**

**Final Results**

**for the year ended 31 December 2023**

**Summary of Results**

| | **Year ended 31 December 2023** | Year ended 31 December 2022 |
|---|---|---|
| | **£000** | £000 |
| Revenue from continuing operations | **78,747** | 83,007 |
| Adjusted EBITDA* from continuing operations | **30,622** | 30,616 |
| Operating profit | **22,737** | 21,530 |
| Profit after tax for the financial period | **17,758** | 17,020 |
| Net cash inflow from operating activities | **24,946** | 27,596 |
| Net funds | **4,570** | 25,896 |
| Cash and cash equivalents | **19,967** | 20,518 |
| Total interim, special and final dividends paid | **35,743** | 17,292 |
| | **(pence)** | (pence) |
| Basic earnings per share | **42.24** | 40.36 |
| Interim, special and final dividends paid per share | **85.30** | 41.00 |
| Proposed final dividend per share | **14.00** | 14.00 |

* Earnings before interest, taxation, depreciation, profit on the sale of property, plant and equipment and amortisation

**Enquiries**


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**CHAIRMAN'S STATEMENT**

**Overview and outlook**

Andrews Sykes' trading remains robust, with record revenues and profits continuing to be being delivered by several of our European subsidiaries. We are pleased to report that the group as a whole has again delivered a record level of profitability during 2023. We are thankful and proud of our team members who have made this possible by continuing to provide our customers with an essential 24 hour service offering.

The current year has not been without its challenges with the well publicised inflationary pressures and tight labour markets that have been impacting the UK and European economies also impacting Andrews Sykes. However, our strong relationships with customers and long standing relationships with key suppliers, coupled with our highly experienced management team have allowed us to once again not only navigate our way through these circumstances, but thrive. This year also saw the group confirm its exit from the French market. After attempting to turnaround the continuously loss making subsidiary, management reached the decision that its efforts would be better spent growing profitable businesses elsewhere and so in late 2023 decided to cease trading in France. This wind up process will take many months to complete. At the same time we are pleased to announce the incorporation of our new subsidiary, Klimamieten AS Gmbh, in Germany and look forward to the development of this exciting market. We are encouraged by how the business has consistently adapted to overcome market and operational issues and take advantage of new revenue opportunities.

The group has continued to develop its relationships with key customers throughout the UK and Europe which has underpinned the strong results reported. These key accounts provide a consistent and growing revenue stream. Whilst turnover is down in the second half of the year as compared to the prior year, mainly due to revenue opportunities presented by the record summer temperatures seen last year, the focus on our key accounts means the group has still produced profit growth despite reporting a lower revenue.

Trading momentum has continued into the current year, with overall performance in the year to date in line with the Board's expectations. The group is confident in its core markets, its revenues and its profits.

**2023 trading summary**

The group's revenue for the year ended 31 December 2023 was £78.7 million, a decrease of £4.3 million, or 5.1%, compared with the same period last year. Despite this decrease, through careful cost management, operating profit has increased by 5.6%, or £1.2 million, from £21.5 million last year to £22.7 million in the year under review. Turnover for the second half of the year was down 11.5%, or £5.2 million, on the corresponding period last year and reflects the exceptional weather experienced across the UK and Europe over the summer months in 2022.

The increasing interest rates in the UK and Europe has enabled the company to generate increased returns on its cash reserves and has contributed to net finance income increasing from a small net interest income last year to £0.9m in the current year. Profit before taxation was £23.6 million *(2022: £21.6 million)* and profit after taxation was £17.8 million *(2022: £17.0 million)*.

The group has reported an increase in the basic earnings per share of 1.88p, or 4.7%, from 40.36p in 2022 to 42.24p in the current year. This is mainly attributable to the above increase in the group's operating profit and net finance income partially offset by increased tax charges.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £24.9 million compared with £27.6 million last year.

Cost control, cash generation and working capital management continue to be priorities for the group with stocks reduced by £2.0m during the year. Capital expenditure is concentrated on assets with strong returns; in total £6.3 million was invested in the hire fleet this year. In addition, the group invested a further £0.3 million in property, plant and equipment. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.

**Operating performance**

The following table splits the results between the first and second half years:

| | Turnover | Operating profit |
|---|---|---|
| | **£'000** | **£'000** |
| **1st half 2023** | **38,843** | **9,713** |
| 1st half 2022 | 37,903 | 8,489 |
| **2nd half 2023** | **39,904** | **13,024** |
| 2nd half 2022 | 45,104 | 13,041 |
| **Total 2023** | **78,747** | **22,737** |
| Total 2022 | 83,007 | 21,530 |

The above table reflects the continued progress of the business, with second half profitability being maintained on £5.2 million lower revenue than the second half of 2022. First half revenues and profitability in the current year are both records set for the business.

The turnover of our main business segment in the UK decreased from £47.2m last year to £44.4m with operating profit decreasing from £16.4m to £15.0m. This result was reflective of the exceptional prior year for our air conditioning hire which was aided by the record temperatures experienced in the UK during 2022. Current year air conditioning hire was down £1.3m or 14.0% on prior year. Pump hire continues to perform strongly with revenues achieving record levels for the sixth year in a row and are 2.0% higher than 2022.

Our European businesses recorded increases in turnover, increasing from £24.2 million last year to £26.7 million, and operating profit increasing from £6.9 million to £8.7 million in 2023. Southern Europe in particular was aided by the record temperatures seen during the summer and has been reflected in increased chiller and air conditioning hire revenues. Our Dutch, Belgian and Italian subsidiaries each reported record turnover levels during 2023.

The turnover of our hire and sales business in the Middle East has decreased from £8.8 million last year to £5.7 million, however operating profit increased from a loss of £0.4 million to a profit of £0.4 million in the year under review. The operating climate continues to be tough in the Middle East with a lack of significant infrastructure projects still depressing turnover in the pumps division to below what was being generated a few years previous. The operating loss during 2022 was entirely down to increased expected credit losses against historic debts which were no longer considered recoverable. The credit loss charge in 2022 for the Middle East was £1.9 million compared to £0.2 million in the current year. New local management have been installed during the current year and a turnaround of this business is underway. It is pleasing that core hire revenues in the second half of the year are 38.1% up on the first half of the year and in line with that generated in the previous year. Management are confident of a return to increasing profitability in the Middle East.

Our fixed installation and maintenance business sector in the UK saw a small decrease in turnover from £2.8m to £2.1m and returned a small operating loss of £0.1 million this year, a decrease of £0.1 million from the small operating profit achieved in 2022. This result was largely driven by labour availability impacting the ability to service contracts which limited revenue opportunities and the operating profit of the business.

Central overheads were £1.3 million in the current year compared with £1.5 million in 2022.

**Profit for the financial year**

Profit before tax was £23.6 million this year compared with £21.6 million last year; an increase of £2.0 million. This is largely attributable to the above £1.2 million increase in operating profit with net interest income also contributing £0.8 million to increased profit before tax.

Tax charges increased from £4.5 million in 2022 to £5.8 million this year. The overall effective tax rate increased from 21.0% in 2022 to 24.7% this year, primarily driven by the increase in UK corporation tax from 19% to 25% from April 2023. Profit for the financial year was £17.8 million compared with £17.0 million last year.

**Defined benefit pension scheme**

As reported at the half year, the company has successfully de-risked its defined benefit scheme by completing a buy-in deal. This transaction, whilst significantly reducing the defined benefit pension scheme surplus recorded on the balance sheet, means that future liabilities are fully de-risked and the company will not be required to contribute significant cash payments into the pension scheme to fund adverse liability movements. During 2021 and 2022 the company contributed £2.6m of cash into the defined benefit pension scheme and £0.1m during 2023. No cash contributions are to be made during 2024. The defined benefit pension scheme surplus after the application of an asset restriction has reduced from £5.4m as at 31 December 2022 to £1.6m at the year end.

**Equity dividends**

The company paid three dividends during the year. On 16 June 2023, a final dividend for the year ended 31 December 2022 of 14.00 pence per ordinary share was paid. This was followed on 3 November 2023 by an interim dividend for 2023 of 11.90 pence per ordinary share, and a special dividend of 59.40 pence per ordinary share. Therefore, during 2023, a total of £35.7 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 14.0 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.9 million, will be paid on 21 June 2024 to shareholders on the register as at 24 May 2024.

**Share buybacks**

During the year the company repurchased and cancelled 289,301 ordinary shares at a price between 510p and 665p per share. The total cash spent on share buybacks during the year amounted to £1.9 million.

As at 7 May 2024, there remained an outstanding general authority for the directors to purchase 5,003,203 ordinary shares, which was granted at last year's Annual General Meeting.

The Board believes that it is in the best interests of shareholders to have this authority in order that market purchases may be made in the right circumstances if the necessary funds are available. Accordingly, at the next Annual General Meeting, shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue.

**Net funds**

Net funds decreased by £21.3 million from £25.9 million at 31 December 2022 to £4.6 million at 31 December 2023; this decrease is after the cash distribution of £35.7m in dividend payments during 2023. Net funds include cash and cash equivalents of £20.0 million (*2022: £20.5 million*), other financial assets of nil (*2022: £16.7 million*) less right-of-use lease obligations of £15.4 million (*2022: £11.3 million*).

**JJ Murray**

Executive Chairman

7 May 2024

## *Consolidated Income Statement*

*for the year ended 31 December 2023*

| | **Year ended 31 December 2023** | Year ended 31 December 2022 |
|---|---|---|
| | **£000** | £000 |
| **Revenue** | **78,747** | 83,007 |
| Cost of sales | **(27,017)** | (30,006) |
| **Gross profit** | **51,730** | 53,001 |
| Distribution costs | **(11,451)** | (14,936) |
| Administrative expenses | **(16,583)** | (14,402) |
| Increase in credit loss provision | **(959)** | (2,133) |
| **Operating profit** | **22,737** | 21,530 |
| | | |
| **Adjusted EBITDA*** | **30,622** | 30,616 |
| Depreciation and impairment losses | **(6,002)** | (6,565) |
| Depreciation of right-of-use assets | **(2,814)** | (4,017) |
| Profit on the sale of property, plant and equipment and right-of-use assets | **931** | 1,496 |
| **Operating profit** | **22,737** | 21,530 |
| Finance income | **1,618** | 631 |
| Finance costs | **(759)** | (610) |
| **Profit before tax** | **23,596** | 21,551 |
| Tax expense | **(5,838)** | (4,531) |
| **Profit for the period from continuing operations attributable to equity holders of the Parent Company** | **17,758** | 17,020 |

| | | |
|---|---|---|
| **Earnings per share from continuing operations:** | | |
| Basic and diluted | **42.24p** | 40.36p |
| **Dividend per equity share paid during the period** | **85.30p** | 41.00p |
| **Proposed dividend per equity share** | **14.00p** | 14.00p |

* Earnings before interest, taxation, depreciation, profit on sale of property, plant and equipment and amortisation.

***Consolidated Statement of Comprehensive Total Income***

*for the year ended 31 December 2023*

| | **Year ended 31 December 2023 £000** | Year ended 31 December 2022 £000 |
|---|---|---|
| **Profit for the period** | **17,758** | 17,020 |
| **Other comprehensive income** | | |
| Currency translation differences on foreign currency operations | **(436)** | 1,222 |
| Foreign exchange difference on IFRS 16 adjustments | **15** | (32) |
| Net other comprehensive (expense)/ income that may be reclassified to profit and loss | **(421)** | 1,190 |
| Re-measurement of defined benefit pension assets and liabilities | **(5,988)** | 823 |
| Related asset restriction | **2,012** | (735) |
| Net other comprehensive (expense)/ income that will not be reclassified to profit and loss | **(3,976)** | 88 |
| Other comprehensive income for the period net of tax | **(4,397)** | 1,278 |
| **Total comprehensive income for the period attributable to equity holders of the Parent Company** | **13,361** | 18,298 |

***Consolidated Balance Sheet***

*At 31 December 2023*

| | **Note** | **31 December 2023 £000** | 31 December 2022 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **19,344** | 19,361 |
| Right-of-use assets | | **13,959** | 9,667 |
| Deferred tax assets | | **126** | 229 |
| Defined benefit pension scheme surplus | | **1,618** | 5,353 |
| | | **35,047** | 34,610 |
| **Current assets** | | | |
| Stocks | | **2,405** | 4,434 |
| Trade and other receivables | | **19,251** | 19,535 |
| Current tax assets | | **904** | 423 |
| Other financial assets | **4** | **-** | 16,700 |
| Cash and cash equivalents | | **19,967** | 20,518 |
| | | [illegible] | [illegible] |

| | | |
|---|---|---|
| | **42,527** | 61,610 |
| **Total assets** | **77,574** | 96,220 |
| **Current liabilities** | | |
| Trade and other payables | **(17,858)** | (16,695) |
| Current tax liabilities | **(950)** | (810) |
| Right-of-use lease obligations | **(2,429)** | (2,505) |
| | **(21,237)** | (20,010) |
| **Non-current liabilities** | | |
| Right-of-use lease obligations | **(12,968)** | (8,817) |
| Provisions | **(2,903)** | (2,682) |
| | **(15,871)** | (11,499) |
| **Total liabilities** | **37,108** | 31,509 |
| **Net Assets** | **40,466** | 64,711 |
| **Equity** | | |
| Called up share capital | **419** | 421 |
| Share premium | **13** | 13 |
| Retained earnings | **36,048** | 59,872 |
| Translation reserve | **3,737** | 4,158 |
| Other reserve | **249** | 247 |
| **Total equity** | **40,466** | 64,711 |

***Consolidated Cash Flow Statement***

*for the year ended 31 December 2023*

| | **Year ended 31 December 2023 £000** | Year ended 31 December 2022 £000 |
|---|---|---|
| **Operating activities** | | |
| **Profit for the period** | **17,758** | 17,020 |
| Adjustments for: | | |
| Tax charge | **5,838** | 4,531 |
| Finance costs | **759** | 610 |
| Finance income | **(1,618)** | (631) |
| Profit on disposal of plant and equipment and right-of-use assets | **(931)** | (630) |
| Profit on sale of property | **-** | (866) |
| Depreciation of property, plant and equipment | **6,002** | 6,565 |
| Depreciation and impairment of right-of-use assets | **2,814** | 4,017 |
| Difference between pension contributions paid and amounts recognised in the Income Statement | **147** | (1,152) |
| Increase in inventories | **(550)** | (1,206) |
| Decrease in receivables | **41** | 1,232 |
| Increase in payables | **1,289** | 2,491 |
| Movement in provisions | **221** | 711 |
| **Cash generated from continuing operations** | **31,770** | 32,693 |
| Interest paid | **(759)** | (610) |
| Corporation tax paid | **(6,065)** | (4,487) |
| **Net cash inflow from operating activities** | **24,946** | 27,596 |
| **Investing activities** | | |
| Disposal of property, plant and equipment | **1,145** | 1,906 |
| Purchase of property, plant and equipment | **(4,060)** | (2,463) |
| Cash on deposit with greater than three month maturity | **16,700** | (16,700) |
| Interest received | **1,202** | 265 |
| **Net cash inflow/ (outflow) from investing activities** | **14,987** | (16,992) |
| **Financing activities** | | |
| Loan repayments | **-** | (3,000) |
| Capital repayments for right-of-use lease obligations | **(2,759)** | (2,849) |
| Equity dividends paid | **(35,743)** | (17,292) |
| Share repurchase | **(1,863)** | 85 |
| **Net cash outflow from financing activities** | **(40,365)** | (23,056) |
| **Net decrease in cash and cash equivalents** | **(432)** | (12,452) |
| **Cash and cash equivalents at the start of the period** | **20,518** | 32,443 |

| | | |
|---|---|---|
| Effect of foreign exchange rate changes | **(119)** | 527 |
| **Cash and cash equivalents at the end of the period** | **19,967** | 20,518 |

***Consolidated Statement of Changes in Equity***

*for the year ended 31 December 2023*

| | Share capital | Share premium | Translation reserve | Capital redemption reserve | UAE legal reserve | Netherlands capital reserve | Retained earnings | Attributable to equity holders of the parent |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 31 December 2021 | 422 | 13 | 2,968 | 158 | 79 | 9 | 59,971 | 63,620 |
| Profit for the period | - | - | - | - | - | - | 17,020 | 17,020 |
| Other comprehensive income for the period net of tax | - | - | 1,190 | - | - | - | 88 | 1,278 |
| Total comprehensive income | - | - | 1,190 | - | - | - | 17,108 | 18,298 |
| Dividends paid | - | - | - | - | - | - | (17,292) | (17,292) |
| Share and dividend forfeiture | (1) | - | - | 1 | - | - | 85 | 85 |
| Total of transactions with shareholders | (1) | - | - | 1 | - | - | (17,207) | (17,207) |
| At 31 December 2022 | 421 | 13 | 4,158 | 159 | 79 | 9 | 59,872 | 64,711 |
| Profit for the period | - | - | - | - | - | - | 17,758 | 17,758 |
| Other comprehensive expense for the period net of tax | - | - | (421) | - | - | - | (3,976) | (4,397) |
| Total comprehensive income/ (expense) | - | - | (421) | - | - | - | 13,782 | 13,361 |
| Dividends paid | - | - | - | - | - | - | (35,743) | (35,743) |
| Share repurchase | (2) | - | - | 2 | - | - | (1,863) | (1,863) |
| Total of transactions with shareholders | (2) | - | - | 2 | - | - | (37,606) | (37,606) |
| **At 31 December 2023** | **419** | **13** | **3,737** | **161** | **79** | **9** | **36,048** | **40,466** |

**Notes to the Interim Financial statements**

**1 Basis of preparation**

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. Therefore the financial information set out above does not constitute the company's financial statements for the 12 months ended 31 December 2023 or 31 December 2022 but it is derived from those financial statements.

**2 Going concern**

The directors are required to consider the application of the going concern concept when approving financial statements.

The directors are required to consider the application of the going concern concept when approving financial statements. The principal element required to meet the test is sufficient liquidity for a period from the end of the year until at least 12 months subsequent to the date of approving the accounts. Management has prepared a detailed "bottom-up" budget including profit and loss and cash flow for the financial year ending 31 December 2024, and has extrapolated this forward until the end of May 2025 in order to form a view of an expected trading and cash position for the required period. This base level forecast fully incorporates management's expectations around the continued recovery of the group and was prepared on a cautiously realistic basis. This forecast takes into account specific factors relevant in each of our businesses. These 2024 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of March 2024 has been close to expectation, in order to further assess the company's ability to continue to trade as a going concern, management have performed an exercise to assess a reasonable worst-case trading scenario and the impact of this on profit and cash. For the purposes of the cash forecast, only the below assumptions have been incorporated into this forecast:

- Normal level of dividends will be maintained during the 12 months subsequent to the date of approving the accounts;
- No new external funding sought;
- Hire turnover and product sales reduced by 13% versus budget- a variance level seen across any individual product class for 2023 and 2022 actual results versus budgets;
- All overheads continue at the base forecast level apart from overtime and commission and repairs and marketing, which are reduced by 5% and travel costs reduced by 2.5%;
- All current vacancies are filled immediately; and
- Capital expenditure is reduced by 5%.

The above factors have all been reflected in the forecast for the period ending 12 months subsequent to the date of approving the accounts. The headline numbers at a group level are as follows:

- Group turnover for the 12 months ending 31 December 2024 is forecast to be adverse to the 31 December 2023 figures. Operating profit is below the profit for 2023.
- Closing net funds as at the end of May 2025 are forecast to be below the level reported at 31 December 2023.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2025 and up to the end of May 2025, to continue to operate as a going concern.

A final sensitivity analysis was performed in order to assess by how much group turnover could fall before further external financing would need to be sought. Under this scenario it was assumed that:

- Capital expenditure falls proportionately to turnover;
- Temporary staff are removed from the group; and
- Various overheads decrease proportionately with turnover.

Given these assumptions, and for modelling purposes only, assuming dividends are maintained at normal levels, group turnover could fall to below £50 million on an annualised basis without any liquidity concerns. Due to the level of confidence the Board has in the future trading performance of the group, this scenario is considered highly unlikely to occur.

The group has considerable financial resources and a wide operational base. Based on the detailed forecast prepared by management, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. Accordingly, the Board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

## 3 International Financial Reporting Standards (IFRS) adopted for the first time in 2023

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results of the group. The prior year comparatives have not been restated for any changes in accounting policies that were required due to the adoption of new standards this year.

## 4 Other financial assets

| | **31 December 2023 £000** | 31 December 2022 £000 |
|---|---|---|
| Deposit accounts | - | 16,700 |

Deposit accounts comprise bank deposits with a maturity of more than three months from inception. Of the above deposit amounts, all £16,700,000 in the prior year has matured.

## 5 Distribution of Annual Report and Financial Statements

The group expects to distribute copies of the full Annual Report and Financial Statements that comply with IFRSs by 24 May 2024 following which copies will be available either from the registered office of the company; Unit 601 Axcess 10 Business Park, Bentley Road South, Wednesbury, WS10 8LQ; or from the company's website;www.andrews-sykes.com. The Annual Report and Financial Statements for the 12 months ended 31 December 2022 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2023 will be filed at Companies House following the company's Annual General Meeting. The auditor has reported on those financial statements; the report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain details of any matters on which they are required to report by exception.

**6 Date of Annual General Meeting**

The group's Annual General Meeting will be held at 3.00 p.m. on Tuesday, 18 June 2024 at Unit 5, Peninsular Park Road, London, SE7 7TZ.