

RNS Number : 1758Y  
 Andrews Sykes Group PLC  
 03 May 2023

**3 May 2023**

**ANDREWS SYKES GROUP PLC**  
**("Andrews Sykes" or "the Company" or "the Group")**

**Final Results**  
**for the year ended 31 December 2022**

**Summary of Results**

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue from continuing operations	83,007	75,219
Adjusted EBITDA* from continuing operations	30,616	28,946
Operating profit	21,530	20,074
Profit after tax for the financial period	17,020	15,540
Net cash inflow from operating activities	28,462	23,589
Net funds	25,896	16,509
Total interim, special and final dividends paid	17,292	9,869
	(pence)	(pence)
Basic earnings per share	40.36	36.85
Interim, special and final dividends paid per share	41.00	23.40
Proposed final dividend per share	14.00	12.50

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

**Enquiries**

**Andrews Sykes Group plc**  
 Carl Webb, Managing Director  
 Ian Poole, Finance Director and Company Secretary

T: +44 (0)1902 328 700

**Houlihan Lokey UK Limited (Nominated Advisor)**  
 Tim Richardson

T: +44 (0)20 7484 4040

**CHAIRMAN'S STATEMENT**

**Overview and outlook**

Andrews Sykes' trading has been robust, with record revenues and profits being delivered by several of our subsidiaries and we are pleased to report that the group as a whole has delivered a record level of profitability during 2022. 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 group has faced many challenges over the past few years, and this year has been no different with Andrews Sykes not being immune from the well publicised inflationary pressures that are impacting the UK and European economies. Fortunately our strong relationships with customers and long standing relationships with key suppliers, coupled with our highly experienced management team are allowing us to once again not only navigate our way through these circumstances, but thrive. We are encouraged by how the business has consistently adapted to overcome operational issues and take advantage of new revenue opportunities.

The group was well placed to take advantage of the record summer temperatures seen this year and our core traditional market of "comfort" cooling had a stand out year as a result. This year was once again supported by another strong year for our UK pump hire business, which continues the recent history of setting record levels of revenue yearly.

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.

#### 2022 trading summary

The group's revenue for the year ended 31 December 2022 was £83.0 million, an increase of £7.8 million, or 10.4%, compared with the same period last year. This increase positively impacted on operating profit which increased by 7.3%, or £1.5 million, from £20.1 million last year to £21.5 million in the year under review. Turnover for the second half of the year was up 19.0% on the first half and reflects the exceptional weather experienced across the UK and Europe over the summer months.

The increasing interest rates in the UK has enabled the company to generate increased returns on its cash reserves and has contributed to net finance costs decreasing from £0.6 million last year to a small net interest income this year. Profit before taxation was £21.6 million (2021: £19.5 million) and profit after taxation was £17.0 million (2021: £15.5 million).

The group has reported an increase in the basic earnings per share of 3.51p, or 9.5%, from 36.85p in 2021 to 40.36p in the current year. This is mainly attributable to the above increase in the group's operating profit.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £28.5 million compared with £23.6 million last year reflecting strong cash management.

Cost control, cash and working capital management continue to be priorities for the group with stocks reduced by £1.2m during the year. Capital expenditure is concentrated on assets with strong returns; in total £4.4 million was invested in the hire fleet this year. In addition, the group invested a further £0.7 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
<b>1st half 2022</b>	<b>37,903</b>	<b>8,489</b>
1st half 2021	35,693	7,955
<b>2nd half 2022</b>	<b>45,104</b>	<b>13,041</b>
2nd half 2021	39,526	12,119
<b>Total 2022</b>	<b>83,007</b>	<b>21,530</b>
Total 2021	75,219	20,074

The above table reflects the continued growth of the business, with second half revenues being 19.0% up on first half revenues and second half profitability returning a record £13.0m.

The turnover of our main business segment in the UK increased from £45.2m last year to £47.2m with operating profit increasing from £15.4m to £16.4m. This result was supported by an exceptional year for our air conditioning hire, up 36.2% on 2021, aided by the record temperatures experienced in the UK during 2022. Pump hire continues to perform strongly with revenues achieving record levels for the fifth year in a row and are 3.9% higher than 2021.

Our European businesses recorded similar increases in turnover, increasing from £19.4 million last year to £24.2 million, and operating profit increasing from £5.2 million to £6.9 million in 2022. Similarly to the UK, the record temperatures seen in Europe during the summer has been reflected in increased chiller and air conditioning hire revenues. Our Dutch, Belgian and Italian subsidiaries each reported record turnover levels during 2022.

The turnover of our hire and sales business in the Middle East has pleasingly increased from £7.9 million last year to £8.8 million, however operating profit decreased from £0.3 million to a loss 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 is entirely down to increased expected credit losses against historic debts

which are no longer considered recoverable. The credit loss charge in 2022 for the Middle East was £1.9m. Management are confident all historic credit losses are captured in the expected credit loss provision and that 2023 will see a significantly reduced credit loss and thus a return to profitability in the Middle East.

Our fixed installation and maintenance business sector in the UK saw a small increase in turnover from £2.7m to £2.8m and returned an operating profit of £33,000 this year, a decrease from the £0.2m achieved in 2021 and largely driven by restructuring costs incurred during the current year.

Central overheads were £1.5 million in the current year compared with £1.1 million in 2021.

#### **Profit for the financial year**

Profit before tax was £21.6 million this year compared with £19.5 million last year; an increase of £2.1 million. This is largely attributable to the above £1.5 million increase in operating profit with net interest costs also contributing £0.6 million to increased profit before tax.

Tax charges increased from £4.0 million in 2021 to £4.5 million this year. The overall effective tax rate increased slightly from 20.3% in 2021 to 21.0% this year. A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 19% and the actual tax charge is given in note 10 to the consolidated financial statements. Profit for the financial year was £17.0 million compared with £15.5 million last year.

#### **Defined benefit pension scheme**

The increased GILT yields seen in the UK during the year has significantly enhanced the defined benefit pension scheme surplus after the application of an asset restriction from £4.0m as at 31 December 2021 to £5.4m at the year end. During the year the group contributed £1.3 million into the pension scheme. In line with the agreed schedule of contributions this will decrease to a contribution of £0.1m during 2023.

#### **Equity dividends**

The company paid three dividends during the year. On 17 June 2022, a final dividend for the year ended 31 December 2021 of 12.50 pence per ordinary share was paid. This was followed on 4 November by an interim dividend for 2022 of 11.90 pence per ordinary share, and a special dividend of 16.60 pence per ordinary share. Therefore, during 2022, a total of £17.3 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 14.00 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.90 million, will be paid on 16 June 2023 to shareholders on the register as at 26 May 2023.

#### **Share buybacks**

During the year the company repurchased and cancelled 26,314 ordinary shares at nominal value belonging to untraced shareholders, being shareholders who had not claimed or cashed any dividend payments from the Company over a period of at least 12 years. The repurchase, which was undertaken in accordance with the Company's Articles of Association, only took place after an extensive shareholder identification and share forfeit notification process by the Company.

As at 2 May 2023, there remained an outstanding general authority for the directors to purchase 5,260,138 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 increased by £9.4 million from £16.5 million at 31 December 2021 to £25.9 million at 31 December 2022; this increase is after the cash distribution of £17.3m in dividend payments during 2022.

#### **Bank loan facilities**

In April 2017, a bank loan of £5 million was taken out with the group's bankers, Royal Bank of Scotland. The remaining balance of £3.0 million, outstanding as at 31 December 2021, was repaid by a final balloon repayment on 30 April 2022. The group now has no external bank loans.

**JG Murray**  
Chairman  
2 May 2023

### ***Consolidated Income Statement*** ***for the year ended 31 December 2022***

**Year ended**  
**31 December 2022**

**Year ended**  
**31 December 2021**

	£000	£000
<b>Revenue</b>	<b>83,007</b>	75,219
Cost of sales	(30,006)	(29,001)
<b>Gross profit</b>	<b>53,001</b>	46,218
Distribution costs	(14,936)	(14,066)
Administrative expenses	(14,402)	(10,759)
Increase in credit loss provision	(2,133)	(1,470)
Other operating income	-	151
<b>Operating profit</b>	<b>21,530</b>	20,074
 <b>Adjusted EBITDA*</b>	 <b>30,616</b>	 28,946
Depreciation and impairment losses	(6,565)	(6,628)
Depreciation of right-of-use assets	(4,017)	(3,111)
Profit on the sale of property, plant and equipment and right-of-use assets	1,496	867
<b>Operating profit</b>	<b>21,530</b>	20,074
Finance income	631	24
Finance costs	(610)	(599)
<b>Profit before tax</b>	<b>21,551</b>	19,499
Tax expense	(4,531)	(3,959)
<b>Profit for the period from continuing operations attributable to equity holders of the Parent Company</b>	<b>17,020</b>	15,540
 <b>Earnings per share from continuing operations:</b>		
Basic and diluted	40.36p	36.85p
 <b>Dividend per equity share paid during the period</b>	 <b>41.00p</b>	 23.40p
 <b>Proposed dividend per equity share</b>	 <b>14.00p</b>	 12.50p

\* 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 2022

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
<b>Profit for the period</b>	<b>17,020</b>	15,540
<b>Other comprehensive income</b>		
Currency translation differences on foreign currency operations	1,222	(954)
Foreign exchange difference on IFRS 16 adjustments	(32)	-
Net other comprehensive income/ (expense) that may be reclassified to profit and loss	1,190	(954)
	<b>823</b>	4,430

Re-measurement of defined benefit pension assets and liabilities

Related asset restriction

Net other comprehensive income that will not be reclassified to profit and loss

Other comprehensive income for the period net of tax

**Total comprehensive income for the period attributable to equity holders of the Parent Company**

(735)

(1,551)

88

2,879

1,278

1,925

18,298

17,465

**Consolidated Balance Sheet**
*At 31 December 2022*

	31 December 2022 £000	31 December 2021 £000 As restated
<b>Non-current assets</b>		
Property, plant and equipment	19,361	20,877
Right-of-use assets	9,667	12,423
Deferred tax assets	229	189
Defined benefit pension scheme surplus	5,353	3,989
	<b>34,610</b>	<b>37,478</b>
<b>Current assets</b>		
Stocks	4,434	5,660
Trade and other receivables	19,535	19,796
Current tax assets	423	-
Other financial assets	16,700	-
Cash and cash equivalents	20,518	32,443
	<b>61,610</b>	<b>57,899</b>
<b>Total assets</b>	<b>96,220</b>	<b>95,377</b>
<b>Current liabilities</b>		
Trade and other payables	(16,695)	(13,587)
Current tax liabilities	(810)	(265)
Bank loans	-	(3,000)
Right-of-use lease obligations	(2,505)	(2,602)
	<b>(20,010)</b>	<b>(19,454)</b>
<b>Non-current liabilities</b>		
Right-of-use lease obligations	(8,817)	(10,332)
Provisions	(2,682)	(1,971)
	<b>(11,499)</b>	<b>(12,303)</b>
<b>Total liabilities</b>	<b>31,509</b>	<b>31,757</b>
<b>Net Assets</b>	<b>64,711</b>	<b>63,620</b>

**Equity**

Called up share capital	421	422
Share premium	13	13
Retained earnings	59,872	59,971
Translation reserve	4,158	2,968
Other reserve	247	246
<b>Total equity</b>	<b>64,711</b>	<b>63,620</b>

**Consolidated Cash Flow Statement**  
for the year ended 31 December 2022

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
<b>Operating activities</b>		
<b>Profit for the period</b>	<b>17,020</b>	<b>15,540</b>
Adjustments for:		
Tax charge	4,531	3,959
Finance costs	610	599
Finance income	(631)	(24)
Profit on disposal of plant and equipment and right-of-use assets	(630)	(867)
Profit on sale of property	(866)	-
Depreciation of property, plant and equipment	6,565	6,628
Depreciation and impairment of right-of-use assets	4,017	3,111
Difference between pension contributions paid and amounts recognised in the Income Statement	(1,152)	(1,194)
Increase in inventories	(1,206)	(635)
Decrease/ (increase) in receivables	1,232	(2,653)
Increase in payables	2,491	2,322
Movement in provisions	711	1,112
<b>Cash generated from continuing operations</b>	<b>33,559</b>	<b>27,898</b>
Interest paid	(610)	(574)
Corporation tax paid	(4,487)	(3,735)
<b>Net cash inflow from operating activities</b>	<b>27,596</b>	<b>23,589</b>
<b>Investing activities</b>		
Disposal of property, plant and equipment	1,906	1,173
Purchase of property, plant and equipment	(2,463)	(2,530)
Cash on deposit with greater than three month maturity	(16,700)	-
Interest received	265	9
<b>Net cash outflow from investing activities</b>	<b>(16,992)</b>	<b>(1,348)</b>
<b>Financing activities</b>		
Loan repayments	(3,000)	(500)
Capital repayments for right-of-use lease obligations	(2,849)	(2,951)
Equity dividends paid	(17,292)	(9,869)
Equity dividends forfeited	86	-
<b>Net cash outflow from financing activities</b>	<b>(23,056)</b>	<b>(13,320)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(12,452)</b>	<b>8,921</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>32,443</b>	<b>24,012</b>
Effect of foreign exchange rate changes	527	(490)
<b>Cash and cash equivalents at the end of the period</b>	<b>20,518</b>	<b>32,443</b>

**Consolidated Statement of Changes in Equity**  
for the year ended 31 December 2022

	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 2020	422	13	3,922	158	79	9	51,421	56,024
Profit for the period	-	-	-	-	-	-	15,540	15,540
Other comprehensive income/ (expense) for the period net of tax	-	-	(954)	-	-	-	2,879	1,925
Total comprehensive income	-	-	(954)	-	-	-	18,419	17,465
Dividends paid	-	-	-	-	-	-	(9,869)	(9,869)
Total of transactions with shareholders	-	-	-	-	-	-	(9,869)	(9,869)
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

**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 2022 or 31 December 2021 but it is derived from those financial statements.

## 2 Going concern

The Board remains satisfied with the group's funding and liquidity position. The group repaid in full the £3.0 million bank loan outstanding as at 31 December 2021. We continue to make payments to our suppliers in accordance with our agreed terms and all fiscal payments to the UK and overseas government bodies have been and will continue to be made on time.

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 2023, and has extrapolated this forward until the end of May 2024 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 2023 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2023 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 12% versus budget- a variance level seen across any individual product class for 2022 and 2021 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 2023 is forecast to be adverse to the 31 December 2022 figures. Operating profit is below the profit for 2022.
- Closing net funds as at the end of May 2024 are forecast to be below the level reported at 31 December 2022.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2023 and up to the end of May 2024, 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 2022**

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 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 18 May 2023 following which copies will be available either from the registered office of the company; St David's Court, Union Street, Wolverhampton, WV1 3JE; or from the company's website; [www.andrews-sykes.com](http://www.andrews-sykes.com). The Annual Report and Financial Statements for the 12 months ended 31 December 2021 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2022 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.

**5 Date of Annual General Meeting**

The group's Annual General Meeting will be held at 3.00 p.m. on Wednesday, 14 June 2023 at Unit 5, Peninsular Park Road, London, SE7 7TZ.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@lseg.com](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END