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 Andrews Sykes Group PLC
 04 May 2022

4 May 2022

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

Final Results
for the year ended 31 December 2021

Summary of Results

| | Year ended 31 December 2021 £000 | Year ended 31 December 2020 £000 |
|---|---|---|
| Revenue from continuing operations | 75,219 | 67,259 |
| Adjusted EBITDA* from continuing operations | 28,946 | 26,089 |
| Operating profit | 20,074 | 16,386 |
| Profit after tax for the financial period | 15,540 | 13,020 |
| Net cash inflow from operating activities | 23,589 | 22,255 |
| Net funds | 16,509 | 7,672 |
| Total interim and final dividends paid | 9,869 | 19,442 |
| | (pence) | (pence) |
| Basic earnings per share | 36.85 | 30.87 |
| Interim and final dividends paid per share | 23.40 | 46.10 |
| Proposed final dividend per share | 12.50 | 11.50 |

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

Enquiries

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CHAIRMAN'S STATEMENT

Overview and outlook

Andrews Sykes' trading has recovered strongly after the unprecedented challenge posed by the coronavirus pandemic.

We are thankful and proud of our team members who responded as essential service providers throughout the various stages of the pandemic. The wellbeing of our employees and business partners has always been of paramount importance as we adhered to the various local government guidelines which evolved throughout 2020 and 2021. Our priority of keeping our operations safe for customers,

employees, and business partners has allowed Andrews Sykes to weather hopefully the worst of the pandemic and still produce strong financial results for shareholders.

Despite these unprecedented circumstances, we are encouraged how the business has constantly adapted to overcome operational issues and explore new revenue opportunities which have arisen through various avenues such as the supporting of COVID testing and vaccinations stations. The group has also achieved a rebound in revenues from our core traditional markets of "comfort" cooling and heating despite various lockdowns and 'stay at home' guidance being in effect at multiple different times throughout the year.

This year was once again supported by another strong year for our UK pump hire business, which finished the year 16% up on the previous year's revenue and continues the recent history of setting record levels of revenue yearly.

The group is confident in its core markets, its revenues and its profits.

2021 trading summary

The group's revenue for the year ended 31 December 2021 was £75.2 million, an increase of £8.0 million, or 11.8%, compared with the same period last year. This increase had a more than proportionate impact on operating profit which increased by 22.5%, or £3.7 million, from £16.4 million last year to £20.1 million in the year under review. This increase reflects a much higher level of trading across most of our businesses as the effects of the coronavirus pandemic started to recede. Turnover for the second half of the year was up 10.7% on the first half further underlining the improving market conditions in which we operate.

Net finance costs were £0.6 million this year compared with £0.6 million last year. Profit before taxation was £19.5 million (2020: £15.8 million) and profit after taxation was £15.5 million (2020: £13.0 million).

The group has reported an increase in the basic earnings per share of 5.98p, or 19.4%, from 30.87p in 2020 to 36.85p 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 £23.6 million compared with £22.3 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 £2.4m during the year. Capital expenditure is concentrated on assets with strong returns; in total £5.0 million was invested in the hire fleet this year. In addition, the group invested a further £0.4 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

| | Turnover | Operating profit |
|----------------------|---------------|------------------|
| | £'000 | £'000 |
| 1st half 2021 | 35,693 | 7,955 |
| 1st half 2020 | 33,480 | 7,000 |
| 2nd half 2021 | 39,526 | 12,119 |
| 2nd half 2020 | 33,779 | 9,386 |
| Total 2021 | 75,219 | 20,074 |
| Total 2020 | 67,259 | 16,386 |

The above table reflects the continued recovery from the coronavirus pandemic, with second half revenues being 10.7% up on first half revenues and second half profitability returning to pre-pandemic levels.

The turnover of our main business segment in the UK increased from £38.3m last year to £45.2m with operating profit increasing from £11.5m to £15.4m. This result was supported by an exceptional overall year for our pump hire business and our core markets of heating and air conditioning recovered strongly from 2020 being 33% and 36% higher in 2021.

Our European businesses recorded similar increases in turnover, increasing from £16.1 million last year to £19.4 million, and operating profit increasing from £3.6 million to £5.2 million in 2021. This reflects a strong rebound in both air conditioning and heater hire revenues following a general return to work and a cold end to the winter period in mainland Europe. Both our Dutch and Italian subsidiaries reported record turnover levels in 2021.

The turnover of our hire and sales business in the Middle East decreased from £10.3 million last year to £7.9 million, and operating profit decreased from £2.0 million to £0.3 million in the year under review. COVID restrictions continued to impact HVAC rental division product demand during Ramadan in the first half of the year and a lack of significant infrastructure projects is depressing turnover in the pumps division. Whilst turnover in the second half of the year was below that in the first half, it is encouraging to note that fourth quarter revenue was 6.7% above third quarter revenue.

Our fixed installation business sector in the UK returned an operating profit of £0.2 million this year; the same as that achieved in 2020. The market continues to be fragmented with high levels of price competition.

Central overheads were £1.1 million in the current year compared with £0.8 million in 2020.

Profit for the financial year

Profit before tax was £19.5 million this year compared with £15.8 million last year; an increase of £3.7 million. This is wholly attributable to the above £3.7 million increase in operating profit with net interest costs remaining the same at £0.6 million.

Tax charges increased from £2.8 million in 2020 to £4.0 million this year. The overall effective tax rate increased slightly from 17.8% in 2020 to 20.3% 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 £15.5 million compared with £13.0 million last year.

Defined benefit pension scheme

A formal funding valuation as at 31 December 2020, together with a revised schedule of contributions and recovery plan, was agreed by the Board with the pension scheme trustees in March 2021. In accordance with this agreement, the group paid and will be paying £1.3 million per annum into the pension scheme in both 2021 and 2022.

Equity dividends

The company paid two dividends during the year. On 18 June 2021, a final dividend for the year ended 31 December 2020 of 11.50 pence per ordinary share was paid. This was followed by an interim dividend for 2021 of 11.90 pence per ordinary share, which was paid on 5 November 2021. Therefore, during 2021, a total of £9.9 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 12.50 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.27 million, will be paid on 17 June 2022 to shareholders on the register as at 27 May 2022.

Share buybacks

The company did not purchase any of its own ordinary shares for cancellation during the period under review. In previous years, purchases were made which enhanced earnings per share and were for the benefit of all shareholders. As at 3 May 2022, there remained an outstanding general authority for the directors to purchase 5,271,794 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 £8.8 million from £7.7 million at 31 December 2020 to £16.5 million at 31 December 2021; this increase is after the cash distribution of £9.9m in dividend payments during 2021.

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 first four loan repayments of £0.5 million were made in accordance with the bank agreement on 30 April 2018, 2019, 2020 and 2021. The remaining balance of £3.0 million, outstanding as at 31 December 2021, was repaid by a final balloon repayment on 30 April 2022.

JG Murray
Chairman
3 May 2022

Consolidated Income Statement for the year ended 31 December 2021

| | Year ended 31 December 2021 | Year ended 31 December 2020 |
|---|--------------------------------|--------------------------------|
| | £000 | £000 |
| Revenue | 75,219 | 67,259 |
| Cost of sales | (29,001) | (28,184) |
| Gross profit | 46,218 | 39,075 |
| Distribution costs | (14,066) | (12,136) |
| Administrative expenses | (10,759) | (11,693) |
| Increase in credit loss provision | (1,470) | (490) |
| Other operating income | 151 | 1,630 |
| Operating profit | 20,074 | 16,386 |
| Adjusted EBITDA* | 28,946 | 26,089 |
| Depreciation and impairment losses | (6,628) | (7,183) |
| Depreciation of right-of-use assets | (3,111) | (3,014) |
| Profit on the sale of plant and equipment and right-of-use assets | 867 | 494 |
| Operating profit | 20,074 | 16,386 |
| Finance income | 24 | 116 |
| Finance costs | (599) | (669) |
| Profit before tax | 19,499 | 15,833 |
| Tax expense | (3,959) | (2,813) |
| Profit for the period from continuing operations attributable to | 15,540 | 13,020 |

equity holders of the Parent Company

Earnings per share from continuing operations:

| | | |
|-------------------|--------|--------|
| Basic and diluted | 36.85p | 30.87p |
|-------------------|--------|--------|

| | | |
|--|--------|--------|
| Dividend per equity share paid during the period | 23.40p | 46.10p |
|--|--------|--------|

| | | |
|------------------------------------|--------|--------|
| Proposed dividend per equity share | 12.50p | 11.50p |
|------------------------------------|--------|--------|

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

Consolidated Statement of Comprehensive Total Income
for the year ended 31 December 2021

| | Year ended 31 December 2021 £000 | Year ended 31 December 2020 £000 |
|---|---|---|
| Profit for the period | 15,540 | 13,020 |
| Other comprehensive income | | |
| Currency translation differences on foreign currency operations | (954) | 527 |
| Net other comprehensive (expense)/ income that may be reclassified to profit and loss | (954) | 527 |
| Re-measurement of defined benefit pension assets and liabilities | 4,430 | (1,980) |
| Related deferred tax | (1,551) | 376 |
| Net other comprehensive income/(expense) that will not be reclassified to profit and loss | 2,879 | (1,604) |
| Other comprehensive income/ (expense) for the period net of tax | 1,925 | (1,077) |
| Total comprehensive income for the period attributable to equity holders of the Parent Company | 17,465 | 11,943 |

Consolidated Balance Sheet
At 31 December 2021

| | 31 December 2021 £000 | 31 December 2020 £000 |
|--|-----------------------------|-----------------------------|
| Non-current assets | | |
| Property, plant and equipment | 20,877 | 22,774 |
| Right-of-use assets | 12,423 | 12,463 |
| Prepayments | - | 42 |
| Deferred tax assets | - | 704 |
| Defined benefit pension scheme surplus | 6,137 | 498 |
| | 39,437 | 36,481 |
| Current assets | | |
| Stocks | 5,660 | 8,048 |
| Trade and other receivables | 19,796 | 17,274 |
| Cash and cash equivalents | 32,443 | 24,012 |

| | | |
|--------------------------------|-----------------|-----------------|
| | 57,899 | 49,334 |
| Total assets | 97,336 | 85,815 |
| Current liabilities | | |
| Trade and other payables | (13,587) | (12,290) |
| Current tax liabilities | (265) | (1,161) |
| Bank loans | (3,000) | (493) |
| Right-of-use lease obligations | (2,602) | (2,656) |
| | (19,454) | (16,600) |
| Non-current liabilities | | |
| Bank loans | - | (2,998) |
| Right-of-use lease obligations | (10,332) | (10,193) |
| Deferred tax liability | (1,959) | - |
| Provisions | (1,971) | - |
| | (14,262) | (13,191) |
| Total liabilities | 33,716 | 29,791 |
| Net Assets | 63,620 | 56,024 |
| Equity | | |
| Called up share capital | 422 | 422 |
| Share premium | 13 | 13 |
| Retained earnings | 59,971 | 51,421 |
| Translation reserve | 2,968 | 3,922 |
| Other reserve | 246 | 246 |
| Total equity | 63,620 | 56,024 |

Consolidated Cash Flow Statement
for the year ended 31 December 2021

| | Year ended 31 December 2021 £000 | Year ended 31 December 2020 £000 |
|--|---|---|
| Operating activities | | |
| Profit for the period | 15,540 | 13,020 |
| Adjustments for: | | |
| Tax charge | 3,959 | 2,813 |
| Finance costs | 599 | 669 |
| Finance income | (24) | (116) |
| Profit on disposal of property, plant and equipment and right-of-use assets | (867) | (494) |
| Depreciation of property, plant and equipment | 6,628 | 7,183 |
| Depreciation of right-of-use assets | 3,111 | 3,014 |
| Difference between pension contributions paid and amounts recognised in the Income Statement | (1,194) | (470) |
| Increase in inventories | (635) | (2,690) |
| (Increase)/ decrease in receivables | (2,653) | 4,099 |
| Increase/ (decrease) in payables | 2,322 | (762) |
| Movement in provisions | 1,112 | - |
| Cash generated from continuing operations | 27,898 | 26,266 |
| Interest paid | (574) | (592) |
| Corporation tax paid | (3,735) | (3,419) |
| Net cash inflow from operating activities | 23,589 | 22,255 |

| | | |
|--|-----------------|-----------------|
| Investing activities | | |
| Disposal of property, plant and equipment | 1,173 | 619 |
| Purchase of property, plant and equipment | (2,530) | (4,157) |
| Interest received | 9 | 79 |
| Net cash outflow from investing activities | (1,348) | (3,459) |
| Financing activities | | |
| Loan repayments | (500) | (500) |
| Capital repayments for right-of-use lease obligations | (2,951) | (2,832) |
| Equity dividends paid | (9,869) | (19,442) |
| Net cash outflow from financing activities | (13,320) | (22,774) |
| Net increase/ (decrease) in cash and cash equivalents | 8,921 | (3,978) |
| Cash and cash equivalents at the start of the period | 24,012 | 27,880 |
| Effect of foreign exchange rate changes | (490) | 110 |
| Cash and cash equivalents at the end of the period | 32,443 | 24,012 |

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

| | 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 2019 | 422 | 13 | 3,395 | 158 | 79 | 9 | 59,447 | 63,523 |
| Profit for the period | - | - | - | - | - | - | 13,020 | 13,020 |
| Other comprehensive income/ (expense) for the period net of tax | - | - | 527 | - | - | - | (1,604) | (1,077) |
| Total comprehensive income | - | - | 527 | - | - | - | 11,416 | 11,943 |
| Dividends paid | - | - | - | - | - | - | (19,442) | (19,442) |
| Total of transactions with shareholders | - | - | - | - | - | - | (19,442) | (19,442) |
| 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 (expense)/ income for the period net of tax | - | - | (954) | - | - | - | 2,879 | 1,925 |
| Total comprehensive (expense)/ 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 |

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 2021 or 31 December 2020 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 has operated throughout the 2021 financial year within its financial covenants as contained in the bank agreement. 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. Post year end the final balloon instalment on the external bank loan has been made and the loan is now fully repaid.

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 2022, and has extrapolated this forward until the end of May 2023 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 2022 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2022 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 similar variance when comparing 2021 actual results to 2021 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 2022 is forecast to be comparable to the 31 December 2021 figures. Operating profit is below the profit for 2021.
- Closing net funds as at the end of May 2022 are forecast to be below the level reported at 31 December 2021.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2022 and up to the end of May 2023, 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 2021

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 2022 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. The Annual Report and Financial Statements for the 12 months ended 31 December 2020 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2021 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 Tuesday, 14 June 2022 at Unit 5, Peninsular Park Road, London, SE7 7TZ. However in the light of the COVID-19 situation and the measures implemented by the UK Government which currently impose restrictions on public gatherings, limits the number of people that can meet indoors and require social distancing measures to be in place, shareholders will not be permitted to attend this Annual General Meeting in person but can be represented by the Chairman of the meeting acting as their proxy. Please see the Notice of Annual General Meeting that will be distributed with the Annual Report and Financial Statements for more information and current developments.

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