RNS Number : 5410X
Andrews Sykes Group PLC
05 May 2021

Andrews Sykes Group plc
Summary of results
For the 12 months ended 31 December 2020

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Revenue from continuing operations	**67,259**	77,246
EBITDA* from continuing operations	**26,089**	28,519
Operating profit	**16,386**	19,298
Profit after tax for the financial period	**13,020**	15,019
Basic earnings per share from total operations (pence)	**30.87p**	35.61p
Interim and final dividends paid per equity share (pence)	**46.10p**	23.80p
Proposed final dividend per equity share (pence)	**11.50p**	10.50p
Net cash inflow from operating activities	**22,255**	18,522
Total interim and final dividends paid	**19,442**	10,038
Net funds	**7,672**	12,136

* Earnings Before Interest, Taxation, Depreciation, profit on sale of property, plant and equipment, Amortisation and non-recurring items as reconciled on the consolidated income statement.

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Andrews Sykes Group plc
Chairman's Statement
Overview and outlook

Andrews Sykes' trading continues to be resilient despite the unprecedented challenge posed by the coronavirus pandemic. We are thankful and proud of our team members responding as essential service providers. The wellbeing of our employees and business partners is of paramount importance as we adhere to the local government guidelines. In the UK, Europe, and Middle East, we have introduced social distancing measures, furloughed employees where appropriate and embraced home working for as many employees as possible. Our priority is to keep our operations safe for customers, employees, and business partners.

Despite unprecedented circumstances, we are encouraged how the business has constantly adapted to overcome operational issues. We modified various aspects of our service to suit both clients and staff. These measures include cleaning and sanitising all equipment prior to despatch, non-contact deliveries wherever possible, and the mandatory use of PPE when on customer sites.

While lockdowns and 'stay at home' guidance have affected traditional opportunities in the facilities management and events sectors, we have instead capitalised on demand from other industries to generate profitable revenue. The company's extensive involvement with many Covid-related projects ensured consistent boiler and chiller revenue throughout the year. This was supported by an exceptional year for our UK pump hire business, which finished the year 3% up on the previous year's revenue.

Profit for 2020 was £13.0 million compared with £15.0 million for 2019, it reflects a fall in the level of trading across all our businesses as our markets continued to be affected by the pandemic. The Board is confident that once conditions ease and external market conditions improve, customer demand and trading will return to normal levels. Conditions are improving in the UK with positive signs for the months ahead.

We have modelled with caution the effects of sales decline along with other factors to ensure the group remains within its bank facilities including cash flow forecasts for a period more than 12 months. The group has sufficient funds beyond May 2022 without renegotiating its bank facilities. The Board therefore considers the group is well positioned to continue to manage through the impact of the pandemic considering its strong balance sheet and significant net cash position.

The Board has paid three dividends during 2020, the final dividend from 2019 of 10.5 pence per share and two interim dividends for 2020 of a total of 35.6 pence per share. The Board has decided to propose a final dividend for 2020 of 11.5 pence per share that, subject to shareholder approval, will be paid in June 2021.

2020 trading summary

The group's revenue for the year ended 31 December 2020 was £67.3 million, a decrease of £10.0 million, or 12.9%, compared with the same period last year. This decrease had a more than proportionate impact on operating profit which decreased by 15.1%, or £2.9 million, from £19.3 million last year to £16.4 million in the year under review. This decrease reflects a much lower level of trading across all our businesses mainly due to the effects of the coronavirus pandemic. The fourth quarter of 2020 was particularly challenging due to the combination of severe Covid-19 restrictions being imposed by the governments in the UK and Europe and a relatively mild winter in the UK.

Net finance costs were £0.6 million this year compared with £0.7 million last year. Profit before taxation was £15.8 million *(2019: £18.6 million)* and profit after taxation was £13.0 million *(2019: £15.0 million).*

The group has reported a decrease in the basic earnings per share of 4.74p, or 13.3%, from 35.61p in 2019 to 30.87p in the current year. This is mainly attributable to the above decrease in the group's operating profit.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £22.3 million compared with £18.5 million last year reflecting strong cash management. Despite shareholder related cash outflows of £19.4 million on ordinary dividends, net funds only decreased by £4.4 million from £12.1 million at 31 December 2019 to £7.7 million at 31 December 2020.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure is concentrated on assets with strong returns, in total £4.9 million was invested in the hire fleet this year; lower than the normal level due to the decline in customer demand. 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 2020	**33,480**	**7,000**
1st half 2019	34,974	6,918
2nd half 2020	**33,779**	**9,386**
2nd half 2019	42,272	12,380
Total 2020	**67,259**	**16,386**
Total 2019	77,246	19,298

The above table reflects the length and severity of the coronavirus pandemic which extended longer than most people anticipated. The majority of the decline in both turnover and operating profit occurred in the second half of the year as all this period was affected by the pandemic.

The turnover of our main business segment in the UK and Northern Europe decreased from £60.4 million last year to £55.2 million and operating profit fell from £16.9 million to £15.1 million in the year under review. This reflects a decrease in both air conditioning and heater hire revenues due to a combination of the coronavirus pandemic and a relatively mild summer and winter in the UK and most of Europe. Pump and boiler hire proved to be more resilient, the latter being assisted by some key contracts in the UK.

The turnover of our hire and sales business in the Middle East decreased from £13.2 million last year to £10.3 million and operating profit decreased from £3.2 million to £2.0 million in the year under review. Whilst last year's result was exceptionally good, the second half of the current year was badly affected by the pandemic, the postponement of Expo 2020 and a slump in the oil price which all had a very negative impact on the local economy. Nevertheless, there were some early signs of an improvement in our pump hire business towards the end of the year.

Our fixed installation business sector in the UK returned an operating profit of £0.2 million this year, the same as that achieved in 2019. The market continues to be fragmented with high levels of price competition.

Central overheads were £0.8 million in the current year compared with £1.0 million in 2019.

Profit for the financial year

Profit before tax was £15.8 million this year compared with £18.6 million last year, a decrease of £2.8 million. This is attributable to the above £2.9 million decrease in operating profit and the reduction of £0.1 million in net interest costs.

Tax charges decreased from £3.5 million in 2019 to £2.8 million this year. The overall effective tax rate decreased slightly from 19.1% in 2019 to 17.8% this year. Profit for the financial year was £13.0 million compared with £15.0 million last year.

Defined benefit pension scheme

A formal funding valuation as of 31 December 2019, 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 will be paying £1.3 million per annum into the pension scheme in both 2021 and 2022. Prior to the signing of this agreement, and prior to the payment of the special interim dividend noted below, the group made a one-off voluntary contribution of £600,000 to the pension scheme during 2020.

Equity dividends

The company paid three dividends during the year. On 19 June 2020, a final dividend for the year ended 31 December 2019 of 10.5 pence per ordinary share was paid and this was followed by two interim dividends for 2020. The first, a special interim dividend of 23.7 pence per ordinary share was paid on 28 August 2020. This dividend was paid out of the group's substantial brought forward cash reserves accumulated from previous years trading, a proportion of which were surplus to the group's requirements and were therefore returned to shareholders. On 6 November 2020, the company paid a second interim dividend of 11.9 pence per share. Therefore, during 2020, a total of £19.4 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 11.5 pence per share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £4.85 million, will be paid on 18 June 2021 to shareholders on the register as of 28 May 2021.

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 of 4 May 2021, 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

Despite shareholder related cash outflows of £19.4 million on ordinary dividends, net funds only decreased by £4.4 million from £12.1 million at 31 December 2019 to £7.7 million at 31 December 2020

Bank loan facilities

The group continues to operate within its bank covenants. 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 is due to be repaid by a final balloon repayment on 30 April 2022.

JG Murray

Chairman

4 May 2021

Andrews Sykes Group plc

Consolidated Income Statement
For the 12 months ended 31 December 2020

	12 months ended	12 months ended

	31 December 2020 £'000	31 December 2019 £'000
Continuing operations		
Turnover	**67,259**	77,246
Cost of sales	**(28,184)**	(32,244)
Gross profit	**39,075**	45,002
Distribution costs	**(12,136)**	(11,996)
Administrative expenses	**(12,183)**	(13,708)
Other operating income	**1,630**	-
Operating profit	**16,386**	19,298
EBITDA*	**26,089**	28,519
Depreciation and impairment losses	**(7,183)**	(7,203)
Depreciation of right-of-use assets	**(3,014)**	(2,538)
Profit on the sale of plant and equipment	**450**	520
Profit on the sale of right-of-use assets	**44**	-
Operating profit	**16,386**	19,298
Finance income	**116**	146
Finance costs	**(669)**	(884)
Profit before taxation	**15,833**	18,560
Taxation	**(2,813)**	(3,541)
Profit for the financial period attributable to equity holders of the parent	**13,020**	15,019

There were no discontinued operations in either of the above periods

Earnings per share		
Basic (pence)	**30.87p**	35.61p
Diluted (pence)	**30.87p**	35.61p
Interim and final dividends paid per equity share (pence)	**46.10p**	23.80p
Proposed final dividend per equity share (pence)	**11.50p**	10.50p

* Earnings Before Interest, Taxation, Depreciation, profit on the sale of property, plant and equipment, Amortisation and non-recurring items.

Andrews Sykes Group plc

Consolidated Statement of Comprehensive Total Income
For the 12 months ended 31 December 2020

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000

Profit for the financial period	**13,020**	15,019
Other comprehensive income and (charges)		
Items that may be reclassified to profit and loss:		
Currency translation differences on foreign operations	**529**	(906)
Foreign exchange difference on IFRS 16 adjustments	**(3)**	1
Related deferred tax	**1**	-
Items that will never be reclassified to profit and loss:		
Remeasurement of defined benefit assets and liabilities	**(1,980)**	559
Related deferred tax	**376**	(106)
Other comprehensive charges for the period net of tax	**(1,077)**	(452)
Total comprehensive income for the period	**11,943**	14,567

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2020

	31 December 2020		31 December 2019	
	£'000	**£'000**	£'000	£'000
Non-current assets				
Property, plant and equipment		**22,774**		24,561
Right-of-use assets		**12,463**		11,515
Prepayments		**42**		44
Deferred tax asset		**704**		254
Retirement benefit pension surplus		**498**		1,963
		36,481		38,337
Current assets				
Stocks	**8,048**		6,333	
Trade and other receivables	**17,274**		21,333	
Cash and cash equivalents	**24,012**		27,880	
	49,334		55,546	
Current liabilities				
Trade and other payables	**(12,290)**		(12,942)	
Current tax liabilities	**(1,161)**		(1,674)	
Bank loans	**(493)**		(493)	
Right-of-use lease obligations	**(2,656)**		(2,279)	
	(16,600)		(17,388)	
Net current assets		**32,734**		38,158
Total assets less current liabilities		**69,215**		76,495
Non-current liabilities				
Bank loans	**(2,998)**		(3,490)	
Right-of use lease obligations	**(10,193)**		(9,482)	
		(13,191)		(12,972)

Net assets	**56,024**	63,523
Equity		
Called-up share capital	**422**	422
Share premium	**13**	13
Retained earnings	**51,421**	59,447
Translation reserve	**3,922**	3,395
Other reserves	**246**	246
Surplus attributable to equity holders of the parent being total equity	**56,024**	63,523

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2020

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Cash flows from operating activities		
Cash generated from operations	**26,266**	22,917
Interest paid	**(592)**	(609)
Net UK corporation tax paid	**(2,288)**	(2,227)
Overseas tax paid	**(1,131)**	(1,559)
Net cash flow from operating activities	**22,255**	18,522
Investing activities		
Sale of property, plant and equipment	**619**	685
Purchase of property, plant and equipment	**(4,157)**	(6,207)
Interest received	**79**	100
Net cash flow from investing activities	**(3,459)**	(5,422)
Financing activities		
Loan repayments	**(500)**	(500)
Capital repayments for right-of-use lease obligations	**(2,832)**	(2,296)
Equity dividends paid	**(19,442)**	(10,038)
Net cash flow from financing activities	**(22,774)**	(12,834)
Net (decrease) / increase in cash and cash equivalents	**(3,978)**	266
Cash and cash equivalents at the beginning of the period	**27,880**	27,862
Effect of foreign exchange rate changes	**110**	(248)
Cash and cash equivalents at the end of the period	**24,012**	27,880

Reconciliation of net cash flow to movement in net funds in the period

Net (decrease) / increase in cash and cash equivalents	**(3,978)**	266
Cash outflow from the repayment of loans and right-of-use lease obligations	**3,332**	2,796

Non-cash movement in respect of raising loan finance	**(8)**	(7)
Non-cash movement in respect of termination of right-of-use lease obligations	**249**	-
Non-cash movements re new right-of-use lease obligations	**(3,943)**	(2,593)
Net (decrease) / increase in net funds during the period	**(4,348)**	462
Opening net funds at the beginning of the period	**12,136**	23,381
Transitional adjustment for right-of-use leases at the start of the period	**-**	(11,699)
Effect of foreign exchange rate changes on right-of-use lease obligations	**(226)**	240
Effect of foreign exchange rate changes	**110**	(248)
Closing net funds at the end of the period	**7,672**	12,136

Andrews Sykes Group plc

Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2020

	Attributable to equity holders of the parent company						**Non-controlling interest**	**Total equity**
	Share capital £'000	Share Premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000	£'000	£'000
At 31 December 2018	422	13	54,013	4,300	246	58,994	10	59,004
Profit for the financial period	-	-	15,019	-	-	15,019	-	15,019
Other comprehensive income and (charges):								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign operations	-	-	-	(906)	-	(906)	-	(906)
IFRS 16 adjustments	-	-	-	1	-	1	-	1
Related deferred tax	-	-	-	-	-	-	-	-
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	-	-	559	-	-	559	-	559
Related deferred tax	-	-	(106)	-	-	(106)	-	(106)
Total other comprehensive income and (charges)	-	-	453	(905)	-	(452)	-	(452)

Transactions with owners recorded directly in equity:									
Dividends paid	-	-	(10,038)	-	-	(10,038)	-		(10,038)
Write-off of non-controlling interest	-	-	-	-	-	-	(10)		(10)
Total transactions with owners	-	-	(10,038)	-	-	(10,038)	(10)		(10,048)
At 31 December 2019	422	13	59,447	3,395	246	63,523	-		63,523

Profit for the financial period	**-**	**-**	**13,020**	**-**	**-**	**13,020**	**-**	**13,020**
Other comprehensive income and (charges):								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign operations	**-**	**-**	**-**	**529**	**-**	**529**	**-**	**529**
Foreign exchange difference on IFRS 16 adjustments	**-**	**-**	**-**	**(3)**	**-**	**(3)**	**-**	**(3)**
Related deferred tax	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	**-**	**-**	**(1,980)**	**-**	**-**	**(1,980)**	**-**	**(1,980)**
Related deferred tax	**-**	**-**	**376**	**-**	**-**	**376**	**-**	**376**
Total other comprehensive income and (charges)	**-**	**-**	**(1,604)**	**527**	**-**	**(1,077)**	**-**	**(1,077)**
Transactions with owners recorded directly in equity:								
Dividends paid	**-**	**-**	**(19,442)**	**-**	**-**	**(19,442)**	**-**	**(19,442)**
Total transactions with owners	**-**	**-**	**(19,442)**	**-**	**-**	**(19,442)**	**-**	**(19,442)**
At 31 December 2020	**422**	**13**	**51,421**	**3,922**	**246**	**56,024**	**-**	**56,024**

Andrews Sykes Group plc
Notes
For the 12 months ended 31 December 2020

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 2020 or 31 December 2019 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 2020 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, with the exception of the May 2020 UK VAT payment that was deferred and paid in early 2021, all fiscal payments to the UK and overseas government bodies have been and will continue to be made on time. Bank loan repayments are also forecast to be made in accordance with the bank agreement. The group's UK trading entities continue to make use of the Coronavirus Job Retention Scheme but on a vastly reduced level as compared to April 2020 and the level of monthly receipts are not significant.

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 twelve 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 2021 and has extrapolated this forward into 2022 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 impact of coronavirus on the group and was prepared on a cautiously realistic basis. This forecast takes into account specific factors relevant in each of our businesses. It has been assumed that the impact of the coronavirus pandemic continues to affect trading for the remainder of 2021 but with trade returning to a more normal level in the latter part of the year. These 2021 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2021 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 twelve months subsequent to the date of approving the accounts;
- Bank loan of £3.5m will be paid to terms, repaid in full and no new external funding sought;
- Hire turnover and product sales reduced based on year-to-date trends and 2020 trading levels. In total turnover is reduced by over £15m between the forecast period of March 2021 and May 2022;
- 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%;
- Coronavirus Job Retention Scheme participation ceases immediately;
- All current vacancies are filled immediately;
- Capital expenditure is reduced by 5%.

The above factors have all been reflected in the forecast for the period ending twelve 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 2021 is forecast to be comparable but above the 31 December 2020 figures. Operating profit is comparable to the profit for 2020.
- Closing net funds as at the end of May 2022 are forecast to be below the level reported at 31 December 2020.

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

- The existing bank loan would be repaid to terms in full;
- Capital expenditure falls proportionately to turnover;
- Temporary staff are removed from the group;
- 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 £55m on an annualised basis without any liquidity concerns. For modelling purposes only, if the group were to cease dividends under these assumptions group turnover could fall to below £40m on an annualised basis before any liquidity concerns arose. 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 taking into account the anticipated impact of the coronavirus pandemic, 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 preliminary announcement.

3. International Financial Reporting Standards (IFRS) adopted for the first time in 2020

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 operating income

Other operating income relates to furlough employment support receipts. Income related government grants, for example those related to the furlough scheme, are recognised in the income statement on an accruals basis. They are disclosed separately on the face of the income statement and / or in the notes to the accounts where that degree of prominence is deemed necessary.

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 18 May 2021 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 2019 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2020 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 3.30 p.m. on Tuesday, 15 June 2021 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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