

# SKILLED Group's Acquisition of Catalyst Recruitment

Consolidating SKILLED Group's position as Australia's leading provider of specialist staffing services

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17 August 2006

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# Agenda

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- Transaction Overview
- Catalyst Recruitment Overview
- Strategic Rationale
- Benefits for Catalyst Recruitment shareholders
- SKILLED Group post acquisition
- Conclusion
- Appendices

# Transaction Overview

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- SKILLED Group launches bid to acquire all of the shares in Catalyst Recruitment
- Catalyst Recruitment shareholders to receive a cash offer of 90 cents per share and Catalyst Recruitment's 4 cents per share fully franked 2006 final dividend
- The transaction has been unanimously recommended by Catalyst Recruitment directors in the absence of a superior proposal
- The directors of Catalyst Recruitment intend to accept the offer for all shares they own or control in the absence of a superior offer
- Offer subject to 90% minimum shareholder acceptance
- Ten major shareholders in Catalyst Recruitment have agreed to sell shares totalling 19.9% of issued shares to SKILLED Group at 90 cents each
- These shareholders together hold 40% of issued shares

## Transaction Overview Continued

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- Expected to create significant benefits for SKILLED and Catalyst Recruitment shareholders
  - premium for Catalyst Recruitment shareholders (27.5% premium to Catalyst Recruitment's three month VWAP)
  - expected to be EPS accretive for SKILLED in year one (pre-intangibles amortisation)
- Acquisition to be funded by existing debt facilities
- SKILLED's gearing to increase to around 40% post acquisition
- The transaction has been undertaken at an EV/EBITDA multiple of 8.1 times based on 2006 earnings

# Catalyst Recruitment Overview

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- National recruitment provider: predominantly blue collar
- Operates from 23 locations with 164 staff
  - strong position in Victoria, New South Wales and Queensland
- Place 10,000 candidates annually for over 1,000 clients
- Long term client relationships
- Emphasis on training
- FY 2006 Revenue of \$122M and EBITDA of \$6.1M
- Australian company formed in 1991 and publicly listed in 1999

# Catalyst Recruitment Brands

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## Main Brand



- Blue collar focus
- 23 offices nationally

## Supporting Brands



Executive IT &  
Commercial



Call Centre &  
Govt.



Wine &  
Bottling



Mining &  
Industrial

## Other Brands



Executive & Govt.



Tasmanian based  
Call centre & Govt.



Web based national  
learning solutions



IT

# Strategic Rationale

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- **Excellent strategic fit**
  - minimal client crossover
  - strength in blue collar market
- **Well managed business**
  - strong management team, good people and reputation
  - long-term client relationships
- **Good cultural fit**
  - focused on training and development
  - similar values
- **Consistent with SKILLED's acquisition strategy**
  - aligned to current vertical markets
  - aligned to core business in new vertical markets

## Strategic Rationale Continued

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- **Provides economies of scale and further leverages SKILLED's expertise and corporate infrastructure**
- **Low operational risk**
  - Catalyst Recruitment businesses generally within SKILLED's area of expertise
  - Catalyst Recruitment management and staff to be retained
- **Positive financial impact**
  - EPS accretive (pre-intangibles amortisation) for SKILLED from year one
- **Consolidates SKILLED's position as Australia's pre-eminent provider of staffing services**

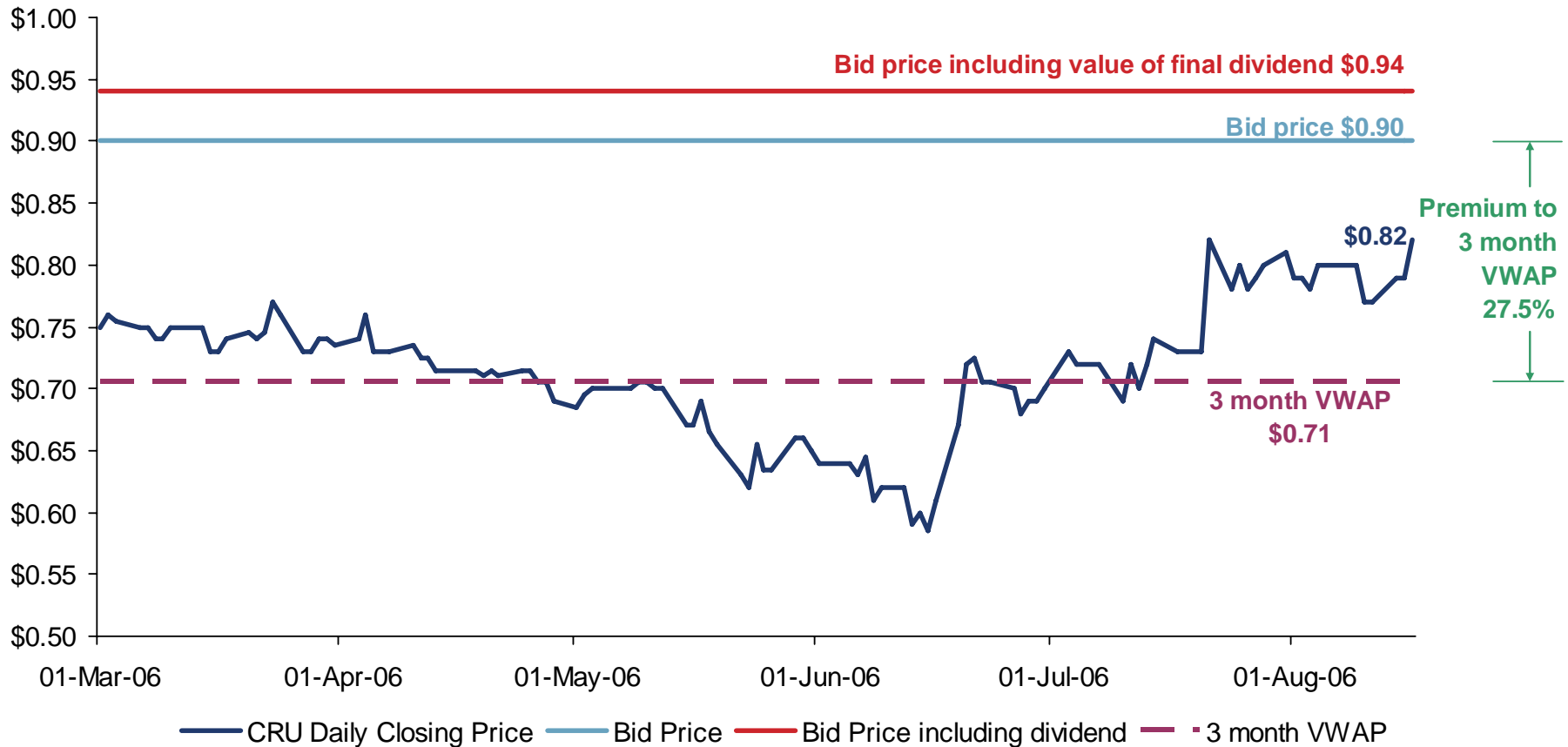
# Value Creation for Catalyst Recruitment Shareholders

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- **90 cents per share represents a significant premium for Catalyst Recruitment shareholders**
  - 27.5% premium to Catalyst Recruitment's three month VWAP of \$0.71 on 16 August 2006
  - taking into account the Catalyst Recruitment final dividend of 4 cents per share this represents a 33.2% premium to Catalyst Recruitment's three month VWAP
- **No brokerage if SKILLED's offer accepted**

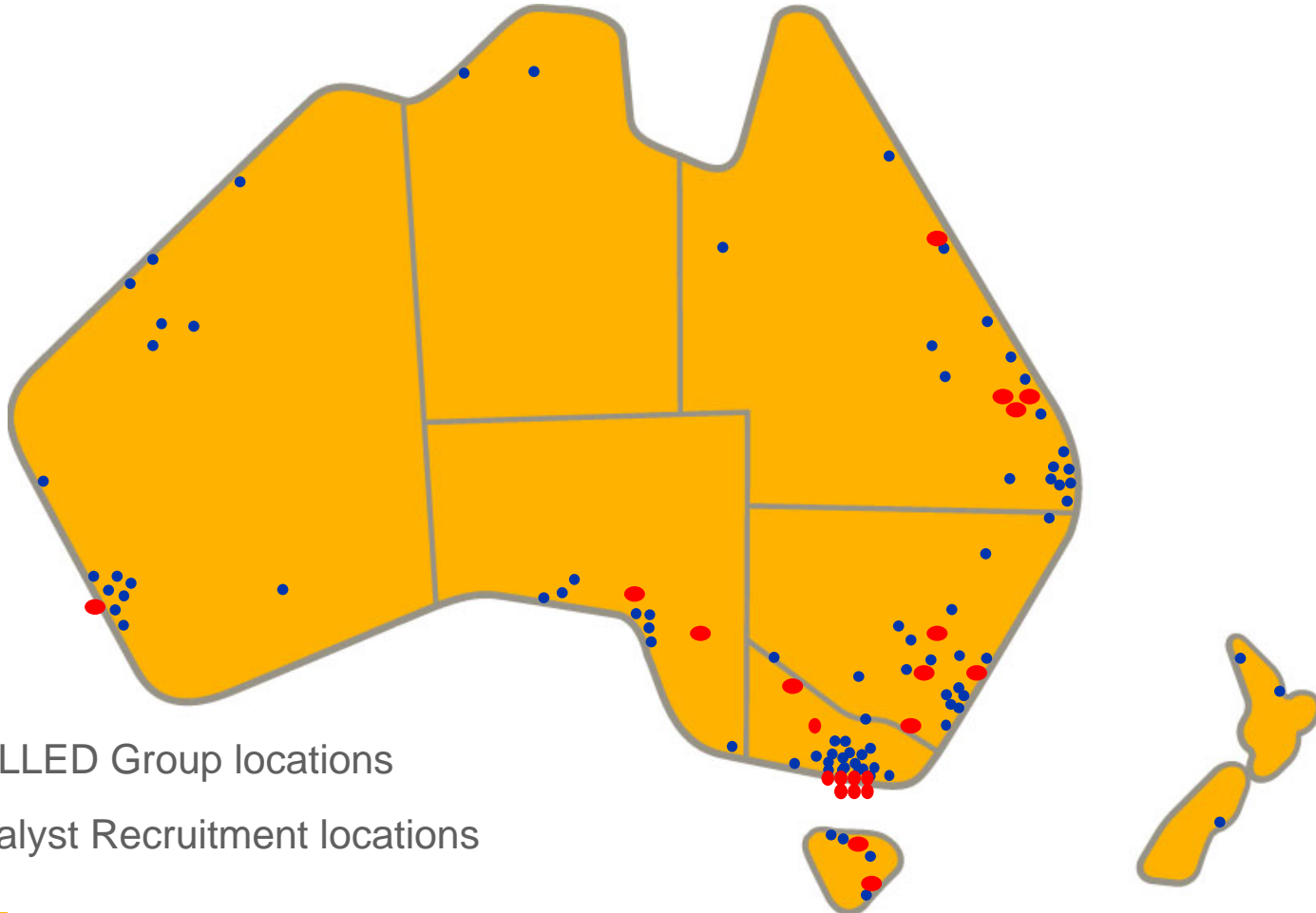
# Value Creation for Catalyst Recruitment Shareholders (con)

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# SKILLED Group Post Acquisition

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- SKILLED Group locations
- Catalyst Recruitment locations

# Future of Australia's Staffing Services Industry

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- Ability to attract and retain field employees
  - SKILLED and Catalyst Recruitment have approximately 23,500 field employees
  - both companies have Registered Training Organisation (RTO) businesses
- Exceptional safety and industrial relations capability
  - SKILLED is the industry leader in safety with LTIFR of 1.13 and clear leader in IR
- Companies seeking workforce productivity partners versus lowest price labour providers
- Increasingly moving from a commodity to value add based industry
- Industry future will be large consolidators or smaller niche players
- Ability to provide consistency through national supply
  - SKILLED and Catalyst Recruitment have 121 offices throughout Australia & NZ

## Conclusion

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- EPS accretive (pre-intangibles amortisation) from year one
- Creates value for Catalyst Recruitment shareholders
- Consolidate SKILLED's industry leadership position
- Excellent strategic and cultural fit
- Funded through existing debt facilities
- Update on financial position of combined business at SKILLED's Full Year Results

# Appendices

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people • risk management • specialist skills • safety  
productivity • innovation • delivery • people • risk  
leadership • productivity • innovation • delivery  
specialist skills • safety • knowledge • integrity •  
delivery • people • risk management • specialist

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## Proposed Timetable

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- |                     |  |
|---------------------|--|
| <b>18 August</b>    | Bidder's & Target's Statements lodged with ASX & ASIC                      |
| <b>25 August</b>    | Bidder's & Target's Statements mailed to Catalyst Recruitment shareholders |
| <b>25 August</b>    | Offer opens  |
| <b>28 August</b>    | Record date for Catalyst Recruitment final dividend                        |
| <b>26 September</b> | Offer closes   |

# Transaction Economics

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Current shares outstanding	50.3
In-the-money options	0.1
Atlas earn-out shares	<u>2.0</u>
Fully diluted shares outstanding	52.4
Bid price	90.0¢
Fully diluted equity value	\$47.1M
Expected post-acquisition net debt (after exercise of options and the purchase of out-of-the-money options)	\$2.3M
Enterprise value	\$49.4M
2006 EBITDA	\$6.1M
<b>Acquisition EBITDA multiple</b>	<b>8.1x</b>