

SKILLED Group

Annual Report 2009

# Annual General Meeting

Melbourne Town Hall

21 October 2009

11:00 am

**SKILLED** Group





**Ken V Loughnan AO**  
Chairman

## An extraordinarily challenging year

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- Significant downturn in Australia during the 2008/09 financial year
- While governments around the world implemented stimulus packages, decisive action was taken by the Board to protect the business
- \$44m of operating cost were removed
- Business has stabilised and positive signs are emerging

## Credible financial result

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- Revenue up slightly from \$1.93b to \$1.94b although on a like for like basis it fell by 8.8%
- Reported EBITDA down 15% to \$86.1m although on an underlying basis it was only down 6% to \$88.7m
- Reported NPAT down 28% to \$28.3m although on an underlying basis it was down 19% to \$34.1m
- EPS is 23cps down from 34.5cps in FY08
- Strong operating cash flow \$121.7m
- Final dividend of 1.5cps taking the full FY09 dividends to 10.5cps

## Well positioned for the upturn

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- History shows SKILLED rebounds strongly following a downturn
- Improved our market share in key industry sectors
- Strong exposure to key growth sectors
- Solid financial position

## Our net debt position

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- Net Debt increased by \$13.8m to \$259m over the year
- But fell by \$40.4m over the 2nd half
- Gearing (debt / debt + equity) up from 51% to 53%
- Since balance date we have extended our syndicated bank debt facilities to August 2012

## Improved balance sheet

- Gearing of 53% (debt / debt + equity) at June 30<sup>th</sup> was too high for the current economic environment
- Your Board resolved an integrated financing strategy
  - Reduce and extend debt facilities
  - Balance interests of existing shareholders with an enhanced share register
- Originally sought \$80m (Share placement \$70m and SPP \$10m)
- Market support demonstrated by more than 100% oversubscription
- Resolved to accept \$100m which has been used to pay down debt
  - \$86m from the placement (\$5m from OMS vendors in lieu of cash earn out)
  - \$14m from the share purchase plan
- Issue of shares was approved at the 25 September 2009 EGM

## Corporate Governance

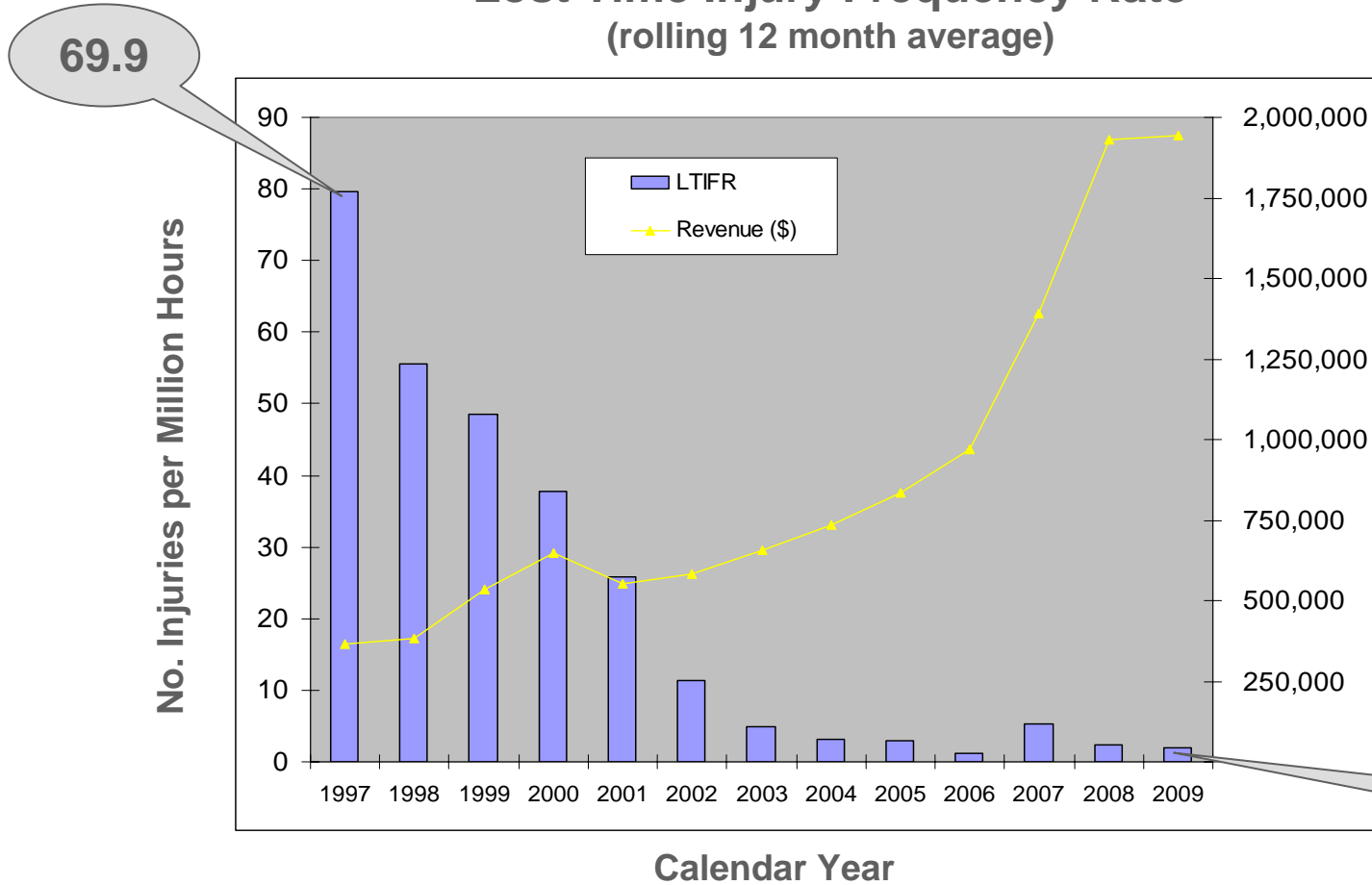
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- The Board is committed to complying with Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council
- Board policies are available from the Company website ([www.skilledgroup.com.au](http://www.skilledgroup.com.au))
- Introduced a new independent Director Peter Gregg
- 5 non executive directors and 3 executive directors
- 4 Board Committees – Audit, Risk, Remuneration, Nominations

We continue to deliver a strong safety performance

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### Lost Time Injury Frequency Rate (rolling 12 month average)





**Ken V Loughnan AO**  
Chairman



**Greg M Hargrave**  
Managing Director & Chief Executive Officer

## Very tough year but continued progress on organisational renewal

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- Moved early on cost reductions but challenged by the rate of decline in 3<sup>rd</sup> quarter
- Lag in timing of revenue falls and cost removal squeezed margins
- Business has stabilised and is delivering improved profit run rates
- Early signs of an improving market but still sector specific
- Progress on key areas of organisational improvement maintained

# SKILLED Group Limited – Segment Reporting

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## Workforce & Maintenance Services



## Other Businesses



## Workforce and Maintenance Services

Have held position in a declining market... greenshoots emerging

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- Financial performance impacted by the economic downturn
  - Revenues fell by 13% to \$1.1b
  - EBITDA after corporate costs down from \$55.7m to \$42.6m
  - EBITDA margins declined from 4.4% to 3.9%
- Maintained our competitive position... held onto customers and grew share
- Some pricing pressure but limited impact
- Strong rebound potential as customers prefer to meet returning demand with flexible labour
  - Weekly hours sold run rate up 7% from the beginning of the financial year
  - Maintenance and small engineering project interest returning

## Other Businesses

### Mixed performance last year and this continues

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- Financial performance constrained by the economic downturn although good performances in OMS, SWAN and Excelior
  - Revenues rose 26% to \$843m driven by OMS offsetting declines in Mosaic, Origin and PeopleCo
  - EBITDA after corporate costs up from \$38.4m to \$43.4m
  - EBITDA margins declined from 5.8% to 5.2%
- Strong activity in the resources and energy sectors over the year assisted OMS and SWAN to perform well... expecting solid performance this year as well
- Excelior only saw a small impact from the downturn... performance should be flat for this year with a significant contract shifting offshore counteracting growth elsewhere
- PeopleCo and Mosaic were heavily impacted by the downturn... PeopleCo has had a good Q1 and Mosaic is stabilising... an improving recruitment market bodes well
- Origin pushing hard into new areas to counteract the current decline in the hospital market

## Critical organisational projects were still delivered

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- Commenced roll-out of our back office IT platform (payroll, billing, finance and human resource functions)
  - Completion expected early in 2010
- Integrated shared services activities into one unit... common process efficiency and internal service focus
- 'Front of house' process improvement and training activities being rolled out
- Consolidation of Workforce Services management structures and Group restructuring into three divisions

Operations have been restructured to align activity, improve capability building and cross sell

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Embedded BU's

### Staffing Services

- SKILLED
- Tesa Mining
- Extraman
- Ex Excelior staffing / Mosaic
- Swan Contract Personnel
- Origin Healthcare
- PeopleCo

### Engineering & Marine

- OMS
- ATIVO

### Business Services

#### External

- Excelior Contact Centres
- Safety
- Industrial Relations

#### Internal

- Shared Services

## SKILLED is positioned to drive significant value

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- Rebased cost position
- Strong competitive and market position
- Expect strong market growth to return with upturn and beyond
- Opportunities to expand into attractive sectors where SKILLED has limited position

## Business performance has improved over 2<sup>nd</sup> half FY09... remain cautious

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- Profit run rates currently above those of 2<sup>nd</sup> half and improving
- Clear signs of improving customer confidence
- Growth trend emerging in key businesses
- Economic recovery yet to gather strength



**Greg M Hargrave**  
Managing Director & Chief Executive Officer



**Ken V Loughnan AO**  
Chairman

## Item 1

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To consider the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2009.

No formal resolution but shareholders are invited to ask questions.

## Item 2

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To adopt the Remuneration Report for the financial year ended 30 June 2009.

*(Note: the vote on this item is advisory only and does not bind the Directors or the Company)*

## Item 3a

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"That Mr K.V. Loughnan AO, having retired in accordance with Clause 14.3 of the Company's Constitution, be re-elected as a Director."



## Item 3b

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"That Mr T.B. Janes, having retired in accordance with Clause 14.3 of the Company's Constitution, be re-elected as a Director."



## Item 3c

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"That Mr P.A. Gregg, who was appointed as a Director since the last Annual General Meeting, having retired in accordance with Clause 14.1 of the Company's Constitution, be re-elected as a Director."



## Item 4a, b and c

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# Approval to grant options to Executive Directors under the SKILLED Group Executive Long Term Incentive Plan

## Item 4a

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"That, for the purposes of ASX Listing Rule 10.14, approval be given to grant up to 380,000 options to Mr G.H. Hargrave, to acquire fully paid ordinary shares in the Company pursuant to the Skilled Group Executive Long Term Incentive Plan upon the terms set out in the Explanatory Notes."

## Item 4b

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"That, for the purposes of ASX Listing Rule 10.14, approval be given to grant up to 220,000 options to Mr J.B. Dixon, to acquire fully paid ordinary shares in the Company pursuant to the Skilled Group Executive Long Term Incentive Plan upon the terms set out in the Explanatory Notes."

## Item 4c

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"That, for the purposes of ASX Listing Rule 10.14, approval be given to grant up to 165,000 options to Mr T.B. Janes, to acquire fully paid ordinary shares in the Company pursuant to the Skilled Group Executive Long Term Incentive Plan upon the terms set out in the Explanatory Notes."



**SKILLED** Group