

SKILLED Group

Morgan Stanley Small Cap Corporate Day
10 June 2010

safety • knowledge • integrity • leadership • production
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

Greg Hargrave, MD & CEO

SKILLED Group

Agenda

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- SKILLED Group Overview
- Group Strategy
- Performance & Outlook

SKILLED Group Key Messages

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Who We Are

- Provider of workforce solutions
- Clear leader in our industry
- A portfolio of leading brands
- Positioned in key industry growth sectors

Industry Prospects

- Strong underlying growth trend
- Expansion opportunities in related services
- Rising entry barriers in key segments

Current Position

- Weathered the downturn
- Strengthened balance sheet
- Positioned for future growth
 - Exposure to attractive industry segments
 - Labour market tightening
 - Strong market position

SKILLED Group is a market leader in the provision of workforce solutions, focusing in three core areas

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Staffing Services

Engineering & Marine

Excelior

Embedded Business Units

Workforce Services



Other Staffing Services





Revenue FY2009
 ~\$1350m

Revenue FY2009
 ~\$530m

Revenue FY2009
 ~\$70m

Each staffing services business specialises across key skill, market and customer areas...

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Skills focus	<ul style="list-style-type: none"> • Trades & maintenance • Production & distribution 	<ul style="list-style-type: none"> • Executive • Professional • Office support 	<ul style="list-style-type: none"> • Production & distribution • Retail • Office support 	<ul style="list-style-type: none"> • Nursing • Nurse support • Locum doctors 	<ul style="list-style-type: none"> • Engineering & technical specialists
Market focus	<ul style="list-style-type: none"> • Mining & resources • Manufacturing • Infrastructure & utilities 	<ul style="list-style-type: none"> • Generalist 	<ul style="list-style-type: none"> • Generalist 	<ul style="list-style-type: none"> • Healthcare / hospitals 	<ul style="list-style-type: none"> • Mining & resources • Oil & Gas
Client segment focus	<ul style="list-style-type: none"> • Corporate clients / large organisations 	<ul style="list-style-type: none"> • Midsize / government 	<ul style="list-style-type: none"> • Small and Medium Enterprises (SME's) 	<ul style="list-style-type: none"> • Public, private, aged care and home care 	<ul style="list-style-type: none"> • Corporate clients / large organisations
Geographic focus	<ul style="list-style-type: none"> • Australia & New Zealand 	<ul style="list-style-type: none"> • Eastern seaboard 	<ul style="list-style-type: none"> • VIC, NSW, QLD, WA 	<ul style="list-style-type: none"> • All Australian states except Tasmania 	<ul style="list-style-type: none"> • WA & QLD • Middle East

...while our other brands focus on marine, engineering, maintenance & customer contact solutions

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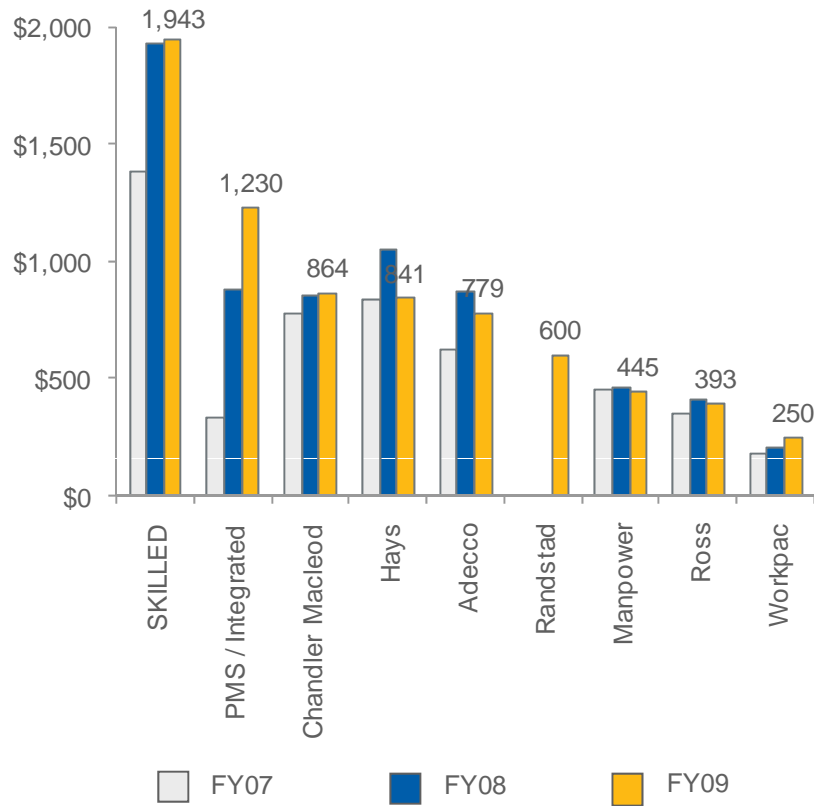


Business focus	<ul style="list-style-type: none"> Offshore marine services provider 	<ul style="list-style-type: none"> Maintenance & project services 	<ul style="list-style-type: none"> Customer contact optimisation
Core capabilities	<ul style="list-style-type: none"> Offshore drilling & marine personnel Vessel chartering & management Offshore catering services Rig positioning 	<ul style="list-style-type: none"> Outages, shutdowns & turnarounds Mill relining Refits, installations & upgrades Dismantling & retirement Contract maintenance 	<ul style="list-style-type: none"> Contact centre staffing Business processing Customer service Sales Health & wellbeing Training Consulting
Market focus	<ul style="list-style-type: none"> Offshore oil & gas 	<ul style="list-style-type: none"> Manufacturing Mining & resources Infrastructure 	<ul style="list-style-type: none"> Major corporates, all sectors Government clients
Geographic focus	<ul style="list-style-type: none"> Australia / NZ Worldwide 	<ul style="list-style-type: none"> Australia 	<ul style="list-style-type: none"> Australia

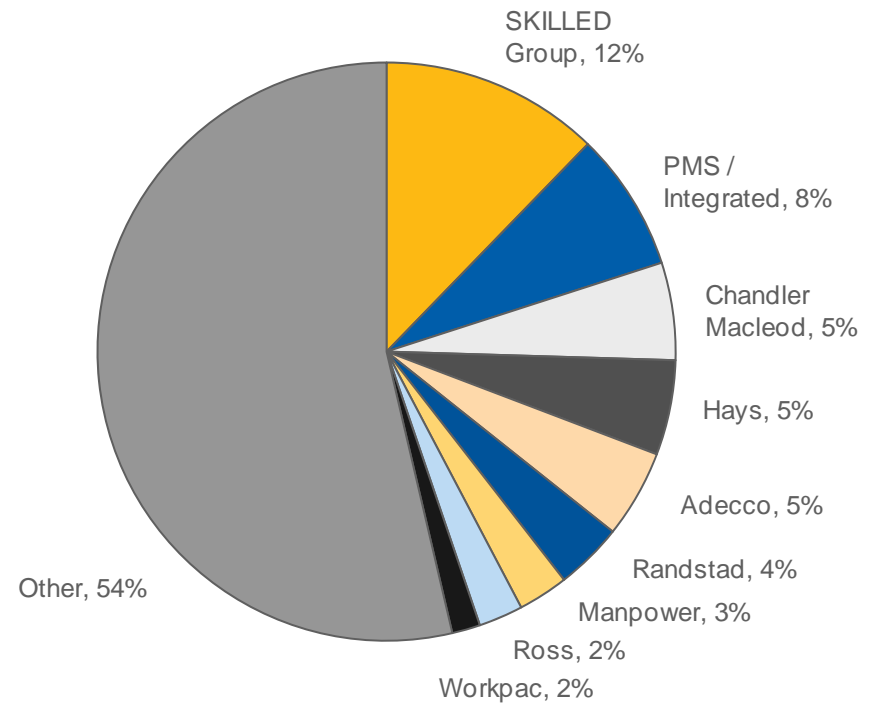
SKILLED Group is by far the largest player in the workforce solutions sector in Australia

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Estimated Revenue (\$m)



Estimated Market Share (%)

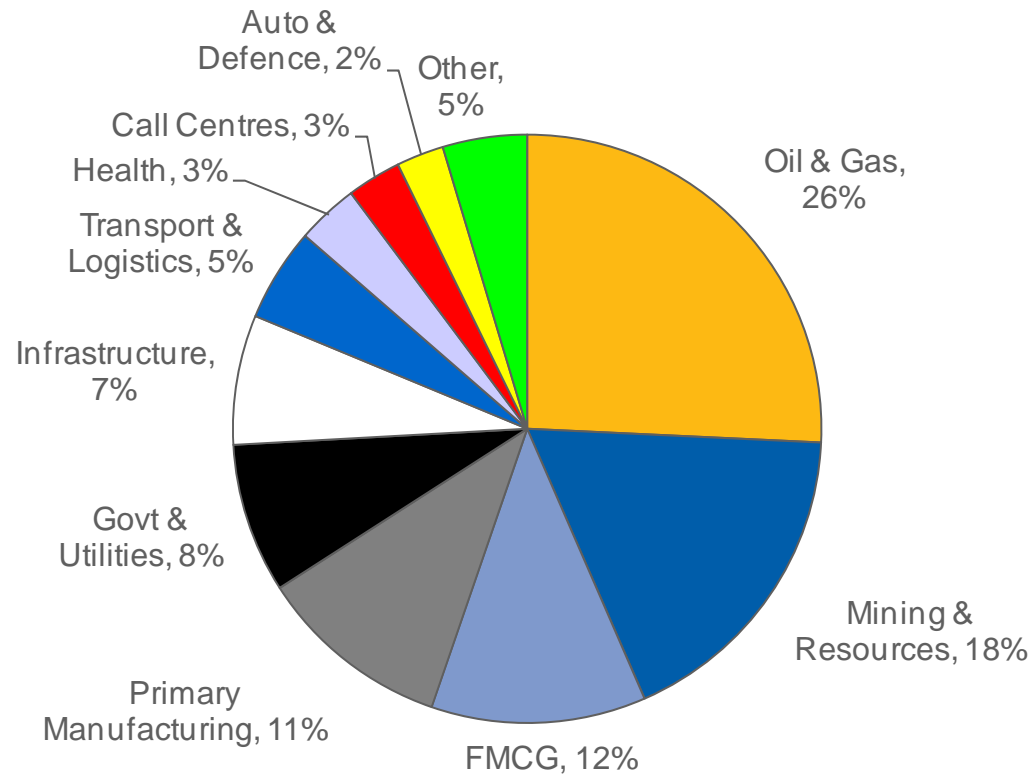


Source: IBISWorld, annual reports, ShortList
 Note: financial reporting date differs between companies.
 Some data calculated on % change from prior year
 Commercial in Confidence

The business enjoys positive exposure to key growth sectors

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SKILLED Group Industry Segmentation H1 FY2010



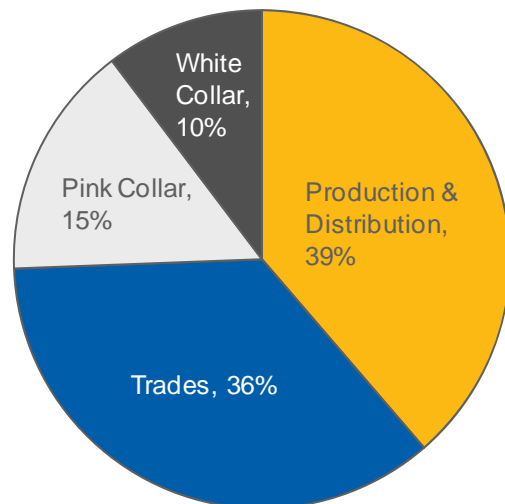
- Strong position in long term growth sectors of energy and resources
- Building larger position in the expanding area of infrastructure and government
- Primary manufacturing showing steady improvement

Our business mix ensures diversification in our employee and client base

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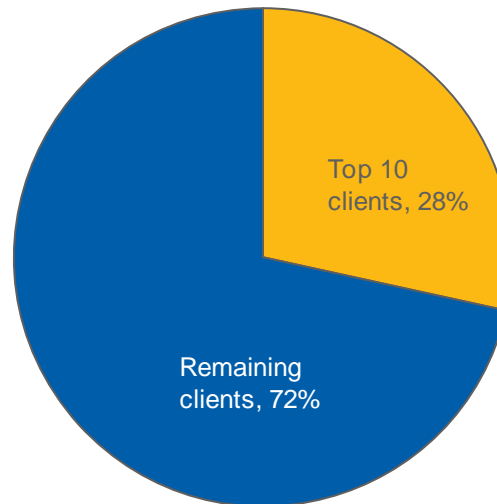
SKILLED Group Revenue Breakdown H1 FY2010

Revenues by Skill



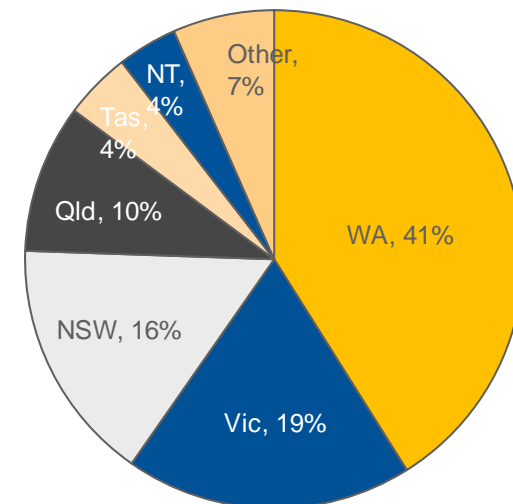
- Capabilities span the skill spectrum
- Strong focus on scarce skills
- Well positioned to benefit from renewed labour market tightening

Revenues by Client Segment



- Low concentration in client base
- Blue-chip client base... grown alongside many of our clients
- Benefit from cross-sell opportunities across brands

Revenues by State

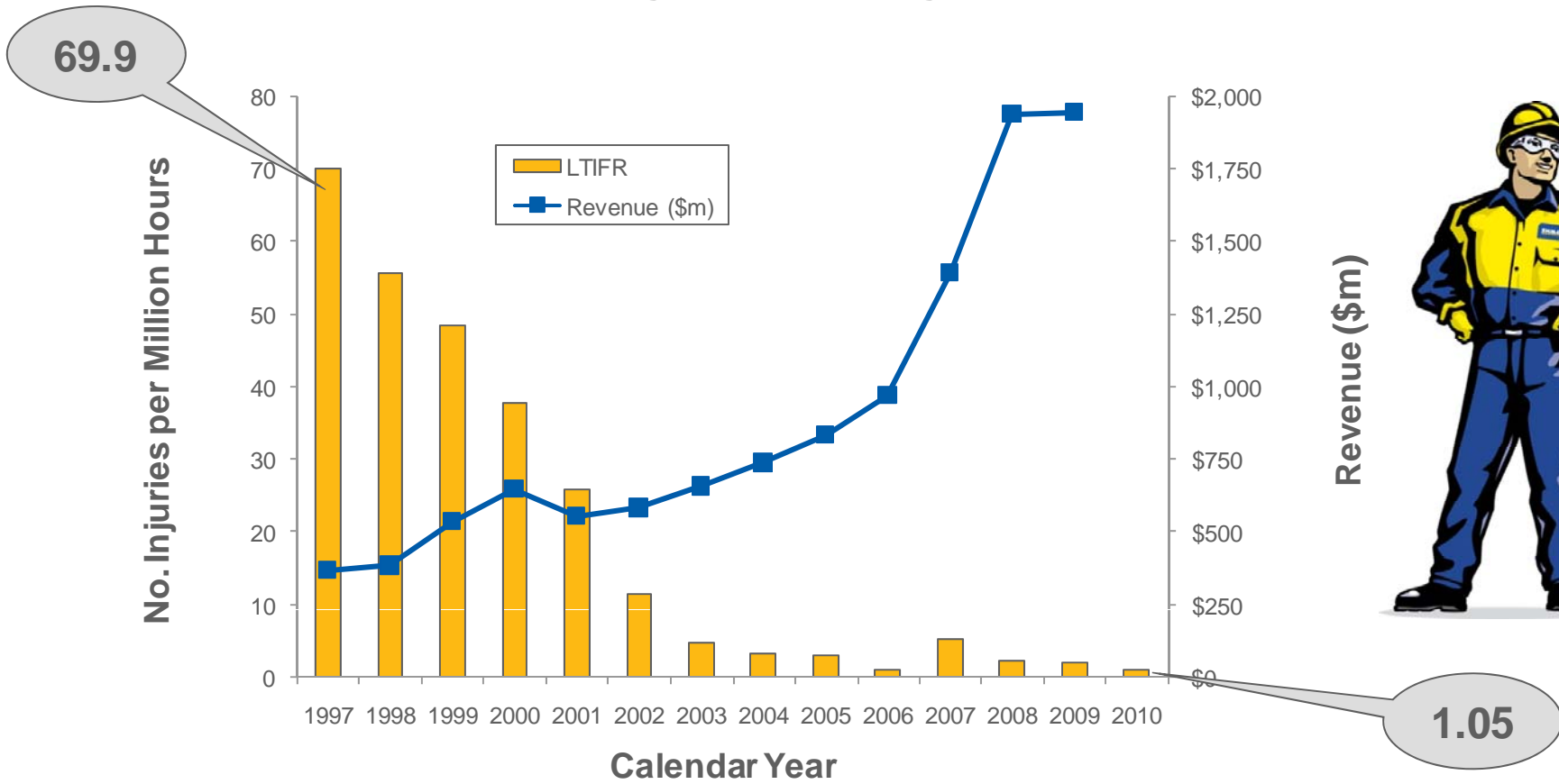


- National footprint (~130 locations across Australia)
- Ability to service clients and employees with a broad geographic reach

We continue to deliver a strong safety performance in line with our commitment to our goal of zero harm

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Lost Time Injury Frequency Rate
(rolling 12 month average)



Revenue data is for financial year
 12 month moving average for 2010 as at April-10; all other years as at December
 Commercial in Confidence

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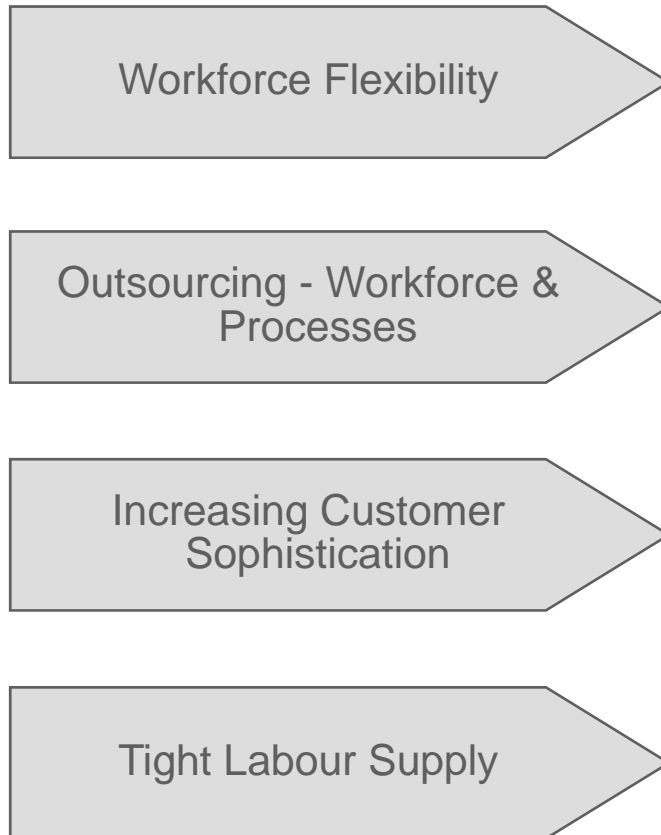
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- SKILLED Group Overview
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- Performance & Outlook

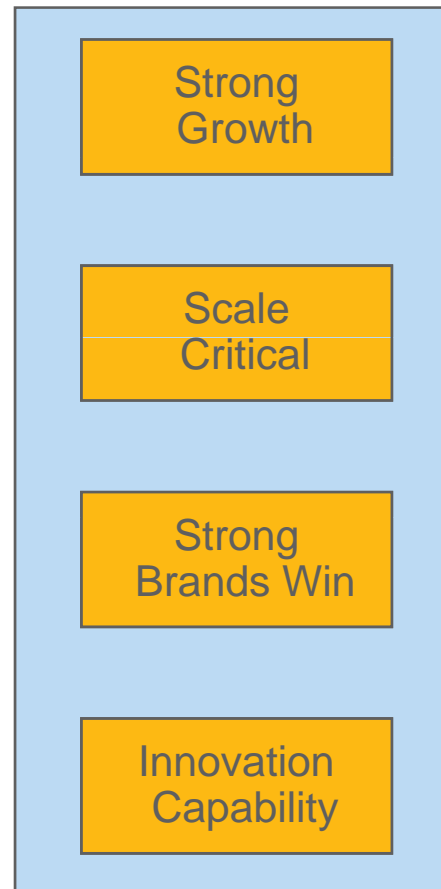
Our business context supports a drive for building sustained industry leadership

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Major Staffing Trends



Implications



Consequence



SKILLED has followed this logic in the strategy it has successfully executed over the last few years

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Strategic Theme

Key Priorities

Comment

**Build
Position &
Scale**

Lead in Blue Collar

- Consolidate and integrate e.g. Catalyst, Hudson
- Differentiate and segment focus

Build Strong Brands in Attractive Verticals

- Growth sectors, skill / labour shortages
- E.g. SWAN, OMS, TESA

Reinforce Service Pushouts

- Excelior investment
- ATIVO creation

**Enhance
Scalability
and
Delivery**

Build Shared Services Platform

- ERP investment
- Functional centralisation

Organisational Control

- Management centralisation and reporting
- Enhanced functional power

**Build
Capability**

Enhance Skills

- Talent investments
- Training

Improve Process Quality

- Standardisation
- Measurement

We have been successful in building a leadership position in aggregate and in many brands

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Market Position

Major Brands	Market	Position
SKILLED	Blue collar labour hire	#1
OMS	Offshore oil and gas manning	#1
TESA	Hunter Valley coal labour hire	#1
SWAN	Technical Professionals	#1
Origin Healthcare	Nursing	#2
Excelior	Third party contact centres	#4
ATIVO	Maintenance and project services	Mid sized
Mosaic	Non executive white collar recruitment	Mid sized

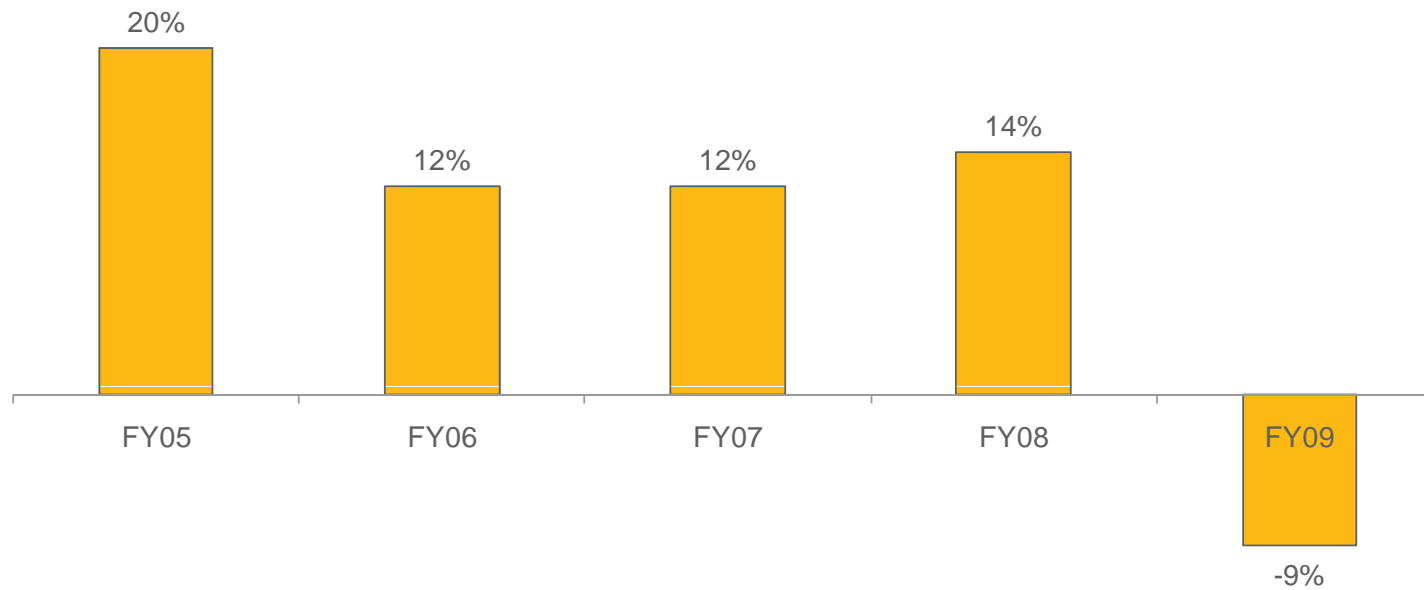
Source: IBIS World, Annual Reports, ShortList, SKE estimates

Commercial in Confidence

The strategy delivered strong organic growth prior to the downturn

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Organic Revenue Growth* Rates (%)



*Organic growth calculated by removing all M&A activity within the relevant 2 year period

Commercial in Confidence

Our acquisitions have been an important part of our strategy for future value creation

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- Delivered the scale required to reinforce brand strength and capture operational efficiencies
- Created our position in long term growth sectors e.g. oil and gas, black coal, mining services
- Returns will expand from these investments as they grow

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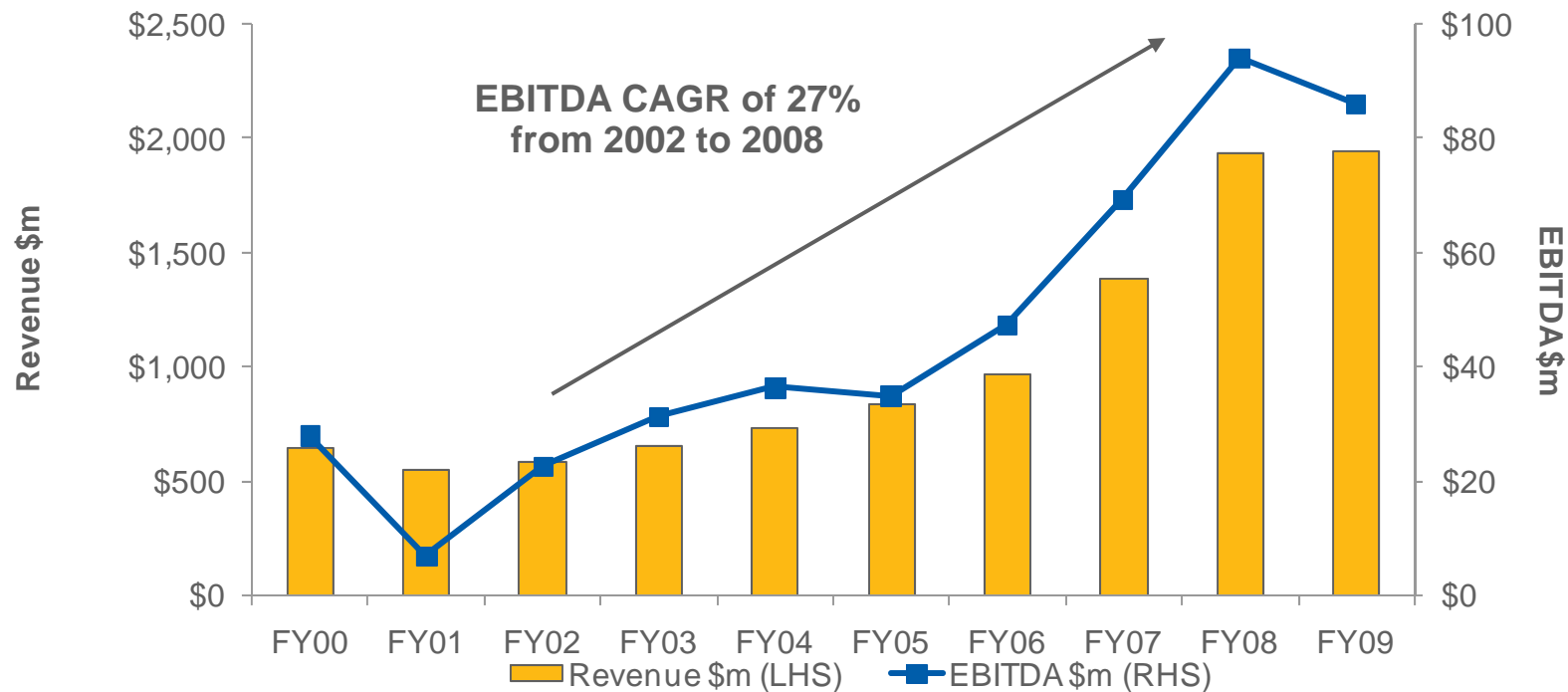
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SKILLED Group has a strong history of revenue and profit growth prior to the global financial crisis

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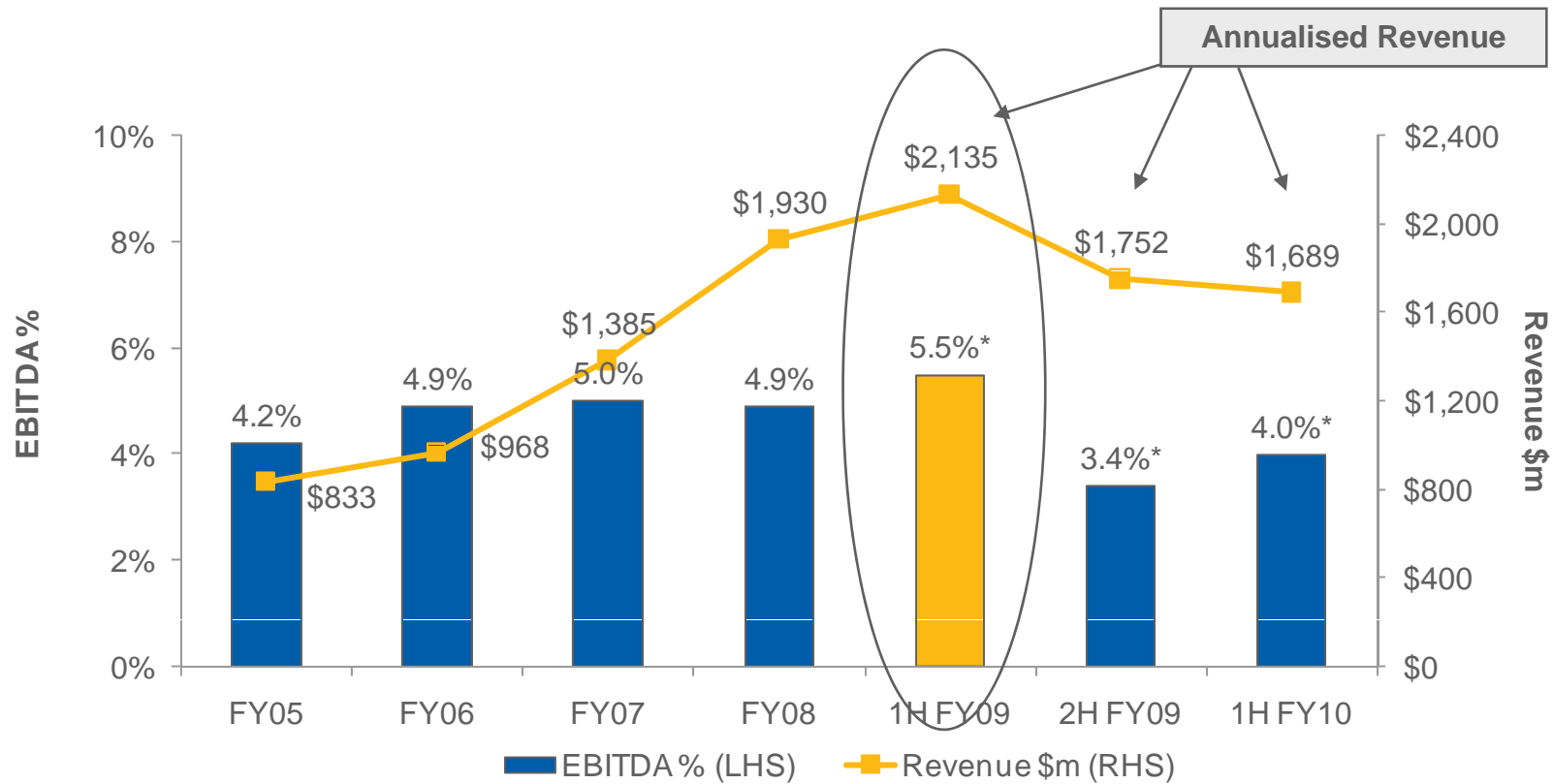
SKILLED Group Financial History Revenue & EBITDA (ex Divestments)



Margins were maintained through a period of dramatic revenue growth and were lifting before the downturn

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Historical EBITDA (Underlying & Excluding Profit on Divestments)



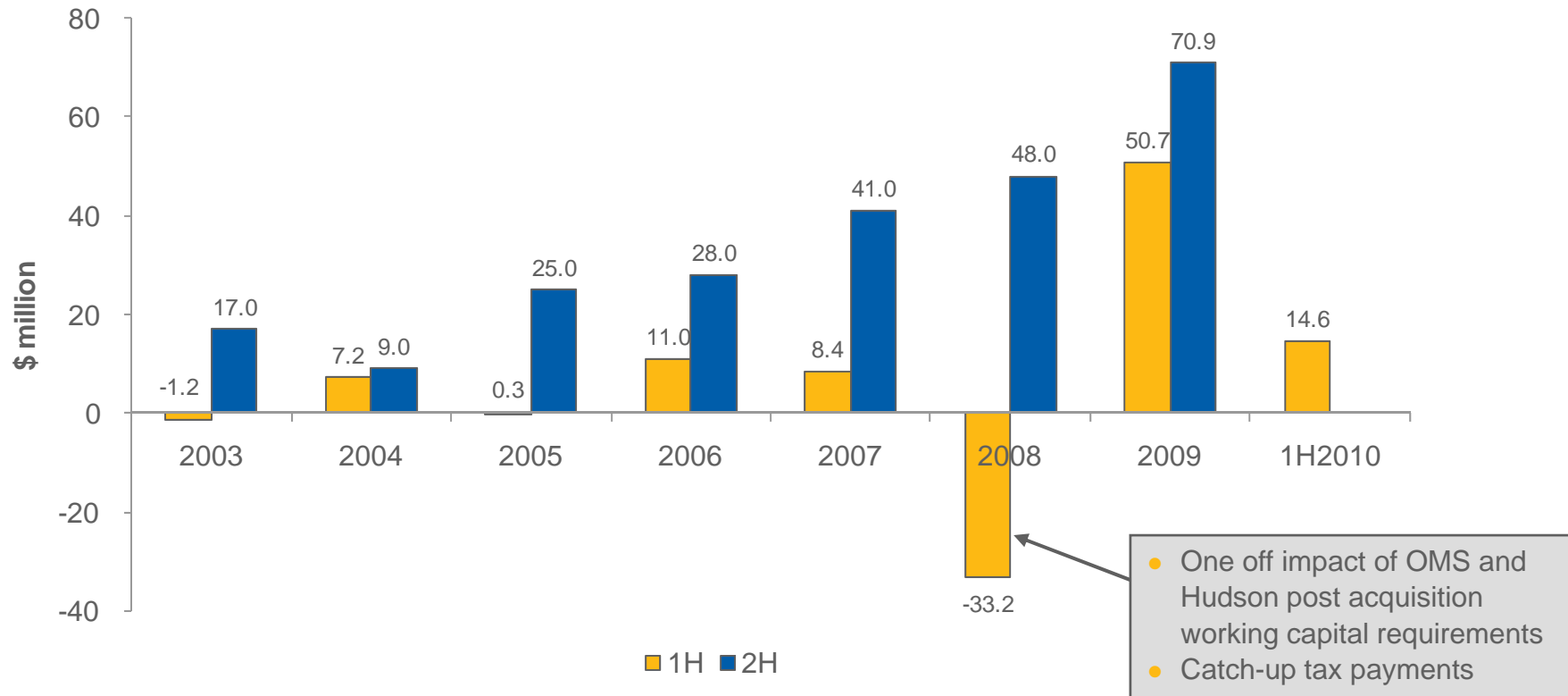
* Underlying basis

Commercial in Confidence

The business has continued to generate positive operating cash flow

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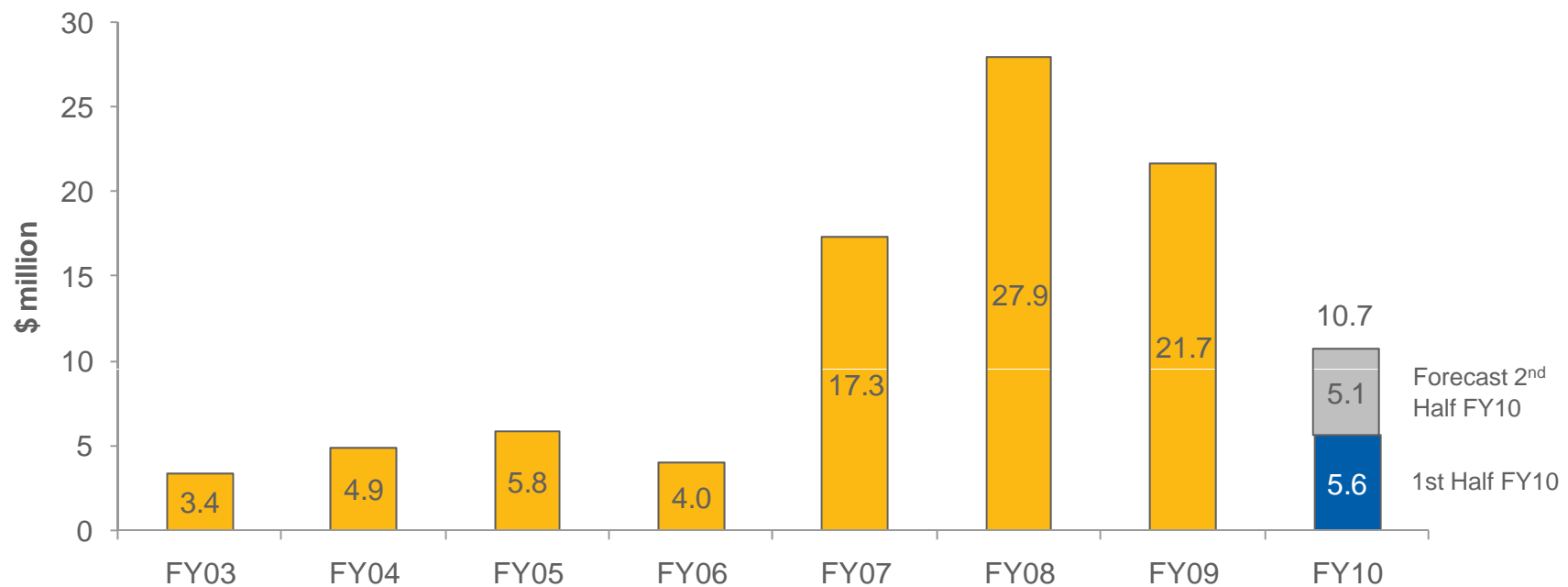
Operating Cash Flow



Capex has returned to more normal levels, now significantly below recent years

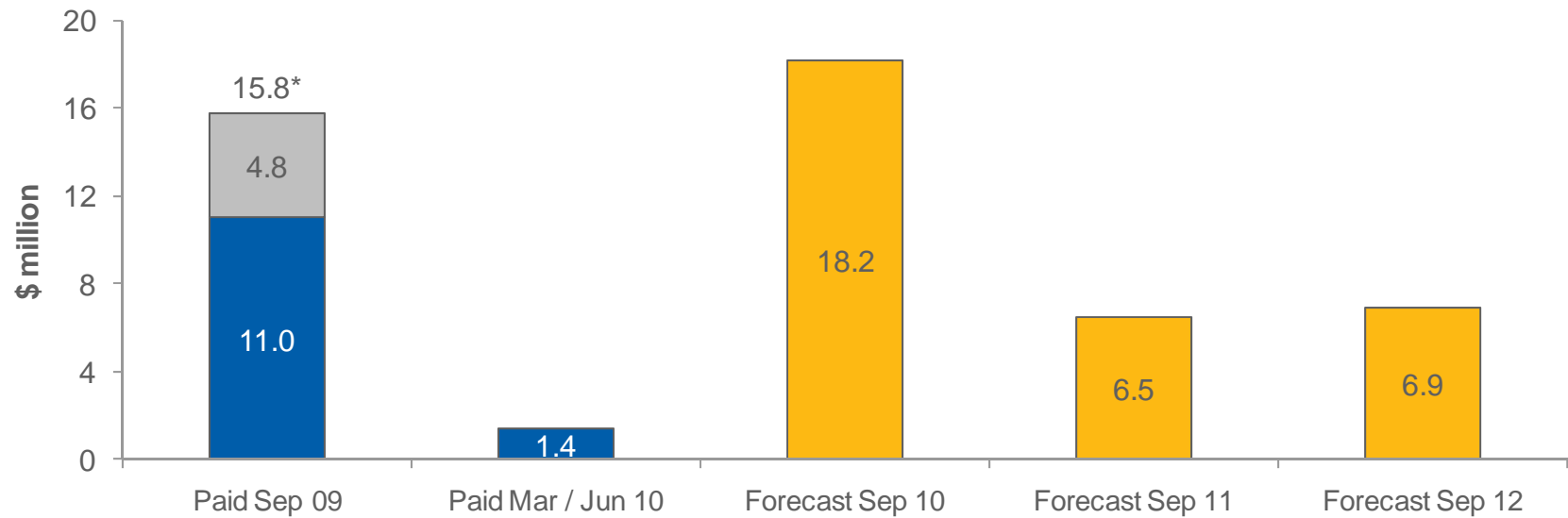
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Capital Expenditure



Estimated future earn-out payments of ~\$32m (nominal)

Acquisition Earn Out Payments
(Nominal \$m)



Relevant Acquired Businesses

- OMS Australia
- OMS NZ
- OMS Intl

- Tradeforce NZ
- OMS Intl

- OMS Australia
- OMS NZ
- OMS Intl
- OMS UK

- OMS Intl
- OMS UK

- OMS Intl
- OMS UK

* Settlement to OMS vendors in the form of \$11.0m cash and \$4.8m equity

We see recovery beginning after a difficult period

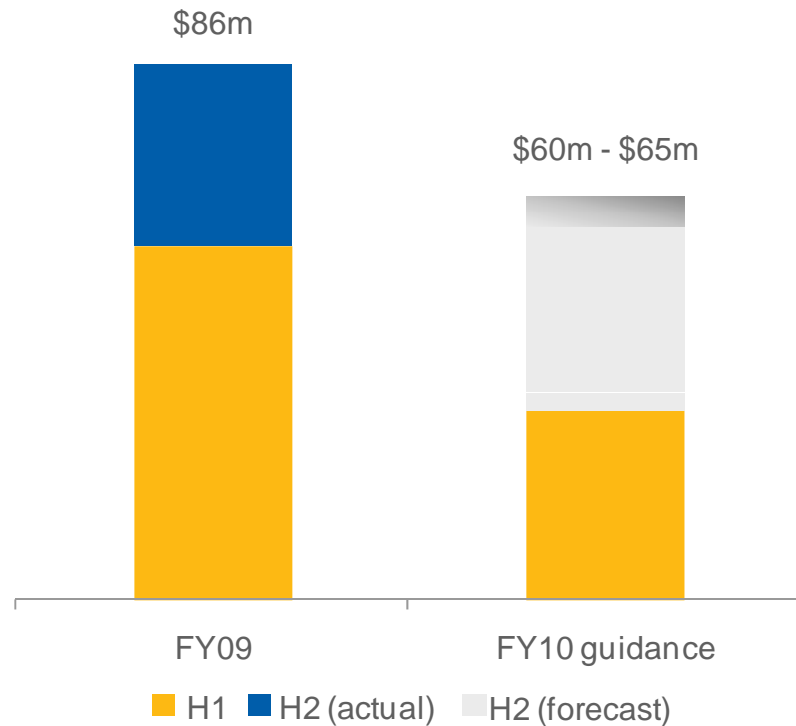
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- Economic downturn impacted heavily in second half FY2009
- Countered with \$40m+ cost reductions
 - Headcount reductions
 - Branch closures
 - 9 day working fortnight (ended Jan-10)
- Staffing businesses showing steady recovery from the downturn... however conditions still flat in other business units
 - OMS continues to experience flat trading conditions, margin erosion and reduced profitability
 - ATIVO was impacted by project deferrals but is now seeing an improved order book
 - Excelior's workflow has been affected by the conclusion of a major contract
 - Origin Healthcare has seen a decline in hospital expenditure on agency staff

FY2010 earnings guidance as reported on 29th April 2010

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SKILLED Group EBITDA FY09 (reported) & FY10 (guidance)



Reported EBITDA \$60 - \$65 million

Underlying EBITDA \$64 - \$69 million

Reported NPAT \$10 - \$14 million

Underlying NPAT \$17 - \$21 million

SKILLED Group's recovery will be underpinned by a strategic review of the business

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- Goldman Sachs JBWere is conducting a review into SKILLED Group's business portfolio, performance and future prospects
- Review will consider a broad range of options for SKILLED Group to enhance value to shareholders and other key stakeholders
- Significant opportunity to align our business to take full advantage of the recovery
- MD & CEO to step aside upon completion of the review and implementation of its recommendations

Outlook for SKILLED Group

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- Staffing Services business bottomed out in mid 2009... we have seen steady growth in hours sold and revenues since then
- Early signs of tightening in the labour market, with excess capacity being absorbed... staffing services businesses poised to benefit
- Engineering & Marine Services businesses enjoy exposure to growth industries
- We retain our strong competitive and market position, maintaining market share in our key segments throughout the downturn
- SKILLED Group is well positioned to take full advantage of Australia's economic recovery