

# 2011 Annual General Meeting

State Library of Victoria  
18 October 2011



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## FY11 Financial Performance

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- Sales Revenue up 10.5% to \$1.88 billion
- Underlying EBITDA up 19.1% to \$82.3 million
- Underlying EBIT up 13.7% to \$57.1 million
- Underlying NPAT up 36% to \$26.1 million
  - Reported NPAT \$3.1 million impacted by restructuring charges; goodwill impairment etc
- Operating cash flow up 161% to \$75.7 million
- Debt refinancing completed; Net Debt reduced to \$96.6 million from \$184.4 million
  - Gearing reduced to 19% from 35%
- Final dividend of 3 cents per share paid 13 October, fully franked

## Growth in all core businesses

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	Sales		Underlying EBITDA		Underlying EBIT	
	\$M	FY11 v FY10	\$M	FY11 v FY10	\$M	FY11 v FY10
Workforce Services	945.9	↑ 12.4%	42.3	↑ 7.4%	36.0	↑ 7.1%
Other Staffing Services	422.0	↑ 20.4%	21.5	↑ 27.2%	9.7	↓ 10.2% <sup>2</sup>
Engineering and Marine Services <sup>1,3</sup>	465.0	↑ 1.2%	33.7	↑ 32.2%	31.5	↑ 37.6%
Business Services (Excelior)	50.3	↓ 3.1%	1.0	↓ 72.2%	(2.0)	↓ 766.7%
<b>Segment Performance</b>	<b>1,883.2</b>	<b>↑ 10.6%</b>	<b>98.5</b>	<b>↑ 15.3%</b>	<b>75.2</b>	<b>↑ 11.2%</b>
Unallocated / Eliminations	(3.2)		(16.2)		(18.1)	
<b>Group Performance<sup>1</sup></b>	<b>1,880.0</b>	<b>↑ 10.6%</b>	<b>82.3</b>	<b>↑ 19.1%</b>	<b>57.1</b>	<b>↑ 13.7%</b>

<sup>1</sup> includes equity accounted income for OMSA JV

<sup>2</sup> includes accelerated amortisation of employee database for Origin Healthcare of \$6.0m in FY11

<sup>3</sup> 7% increase in segment revenue inclusive of the notional 1/3<sup>rd</sup> share of OMSA JV revenue

# Strategy update

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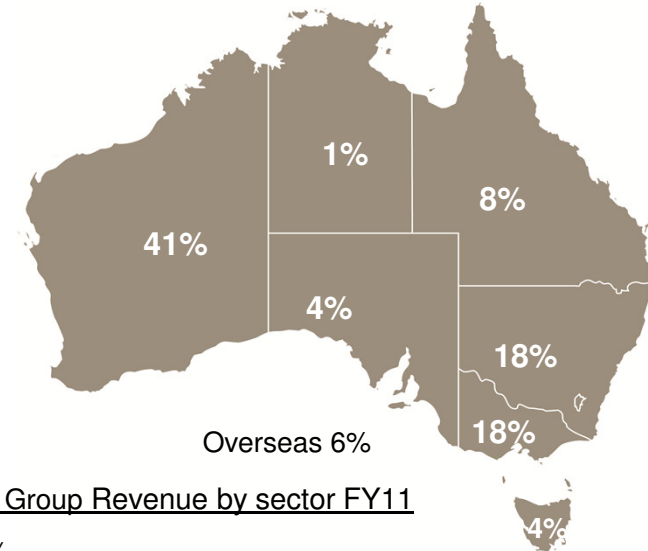


# SKILLED Group – a people business

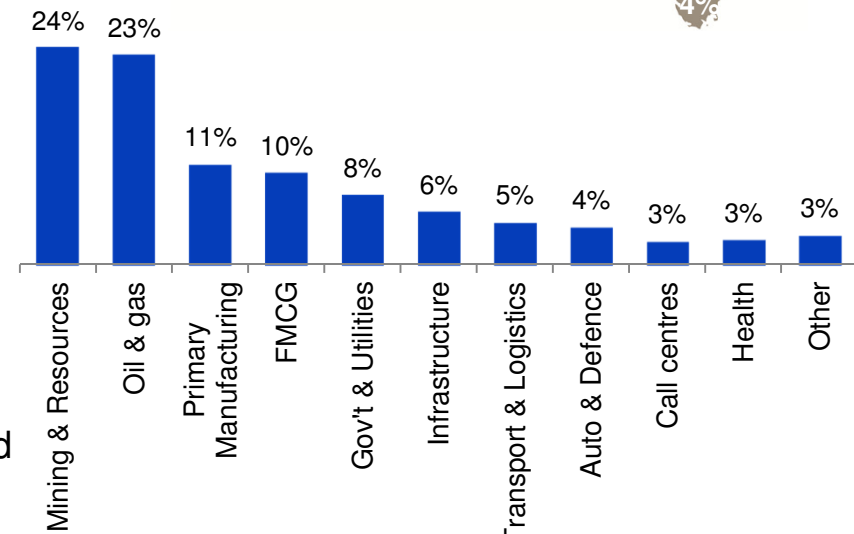
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- Market leader in provision of flexible Labour Solutions: temporary, contract & permanent recruitment
  - Trades, Experienced Operators & Technical Professionals;
  - Engineering Projects & Maintenance;
  - Offshore Marine Services
- Employed 50,000+ people throughout FY11, including:
  - ~ 1,000 traineeships and apprenticeships
  - ~ 230 Indigenous employees
- Well established and trusted brand (~47 years)
- Strong safety record
- Industrial relations expertise
- Extensive branch network across Australia
- Strong position in key growth sectors:
  - Mining & Resources
  - Oil and Gas
  - Infrastructure
  - Telecoms
- \$1.88bn in revenue – approximately 50% in WA and Qld

SKILLED Group Revenue by geography FY11



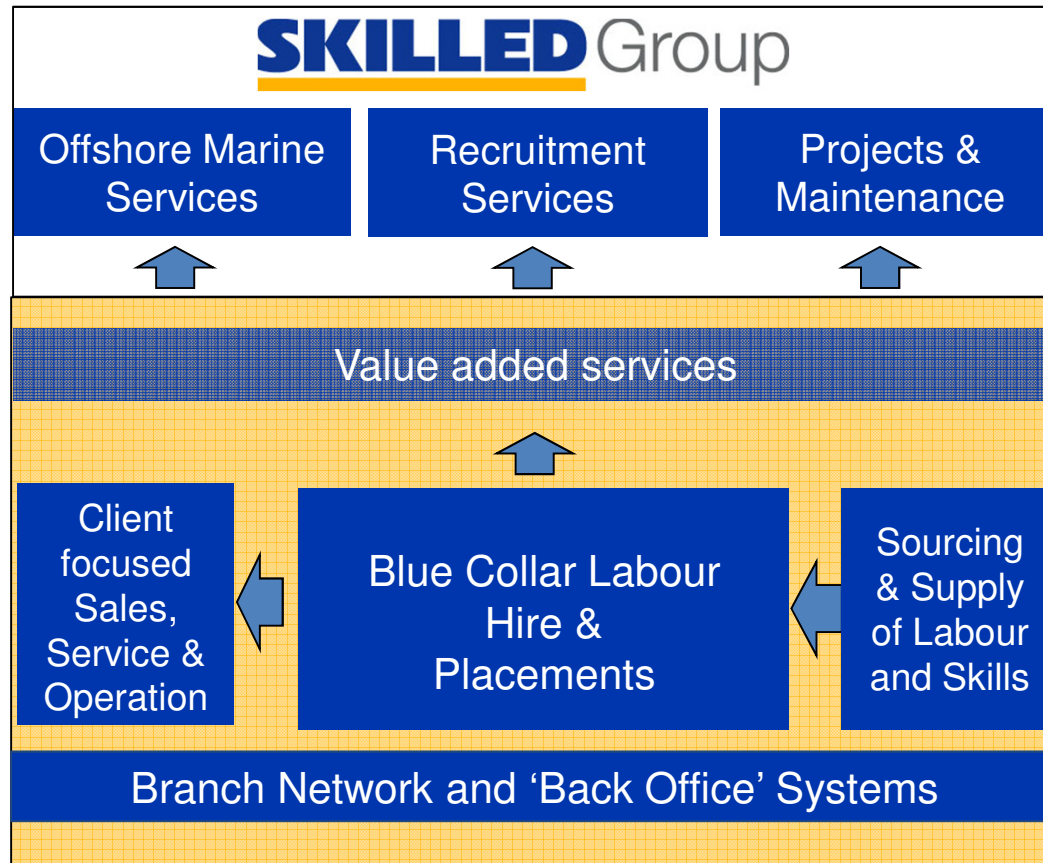
SKILLED Group Revenue by sector FY11



Note: above graphs include notional 1/3<sup>rd</sup> share of OMSA JV revenue

# Core Plus strategy

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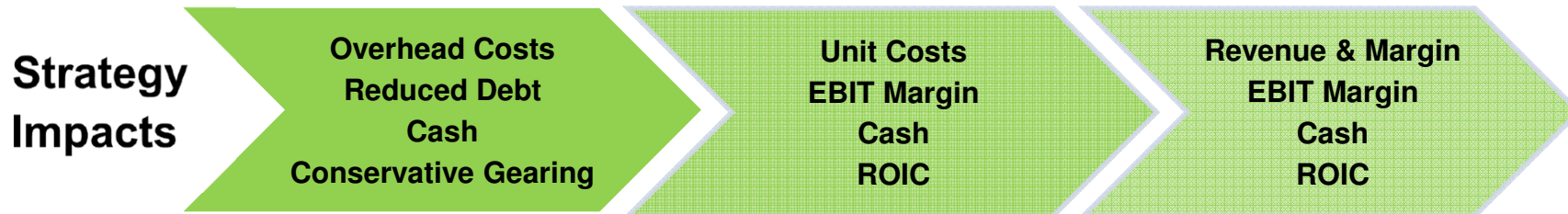
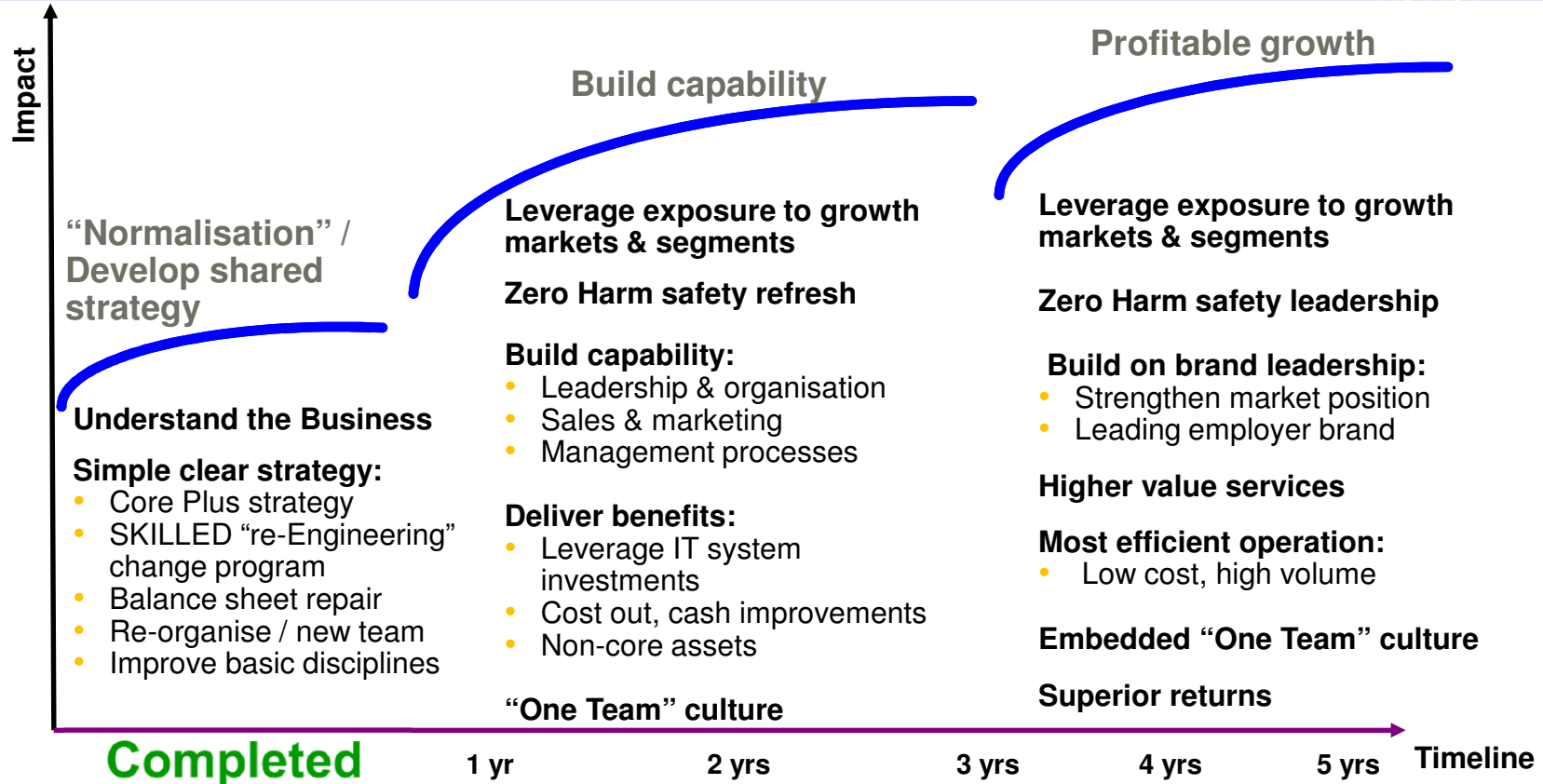
## Core Plus Strategy

- Zero harm
- Focus on the Core business
- Fit for Purpose back office systems
- Scale overheads and cost base to suit
- Drive value added services
- 'Core Plus' businesses leverage the core:
- 'One Team' Culture in support of front line teams
- Improve the performance or exit from non-core businesses

*... Core Plus strategy is appropriate for uncertain economic environment...*

# SKILLED “re-Engineering” change program

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# SKILLED “re-Engineering” – good progress

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## Governance and Strategy

### Improved governance

- ✓ Board renewal completed
- ✓ Core Plus strategy implementation in progress
- ✓ Organisational structure simplified
- ✓ Improved management information/reporting
- ✓ Introduced Balanced Scorecards for FY12

## Key Enablers

### Zero Harm – refresh the approach to safety

- ✓ ‘Safety Golden Rules’ launched, focusing on high risk activities and defences

### ‘One Team’ culture

- ✓ Single executive team, largely new to SKILLED Group
- ✓ Alignment of STI/LTI plans for FY12 at all levels
- ✓ Lease signed for new head office – Hawthorn(VIC). Co-locating 4 Melbourne based offices by mid 2012
- ✓ 15 offices/branches (net) identified for co-location

## Profitable Growth

- ✓ Double digit organic growth in staffing businesses
- ✓ EBIT margin improvement in Engineering & Marine
- ✓ OMSA JV (Gorgon) contract extension to April 2014
- ✓ NBN resourcing contract wins

## Financial

### Balance Sheet repair

- ✓ Capital raised, Working Capital improvements
- ✓ Net Debt \$96.6m and Gearing reduced to 19%
- ✓ Re-negotiation of syndicated debt facility completed
  - new facility A\$160m : A\$60m (2yrs); A\$100m (3yrs)
- ✓ FY12 interest expense expected to be ~ 50% lower

### Sustainable, low cost overhead structure

- ✓ Cost reduction program ahead of plan:
  - annualised saving to date of approx. \$7m
  - FY13 cost reduction target increased to \$12m from \$10m
  - restructuring charges of \$4.6m; further \$1-2m likely

### Integrate acquisitions and leverage systems

- ✓ Extraman brand fully integrated into WFS
- ✓ OMS Australia implementing Agresso back office system

### Address unprofitable businesses / segments

- ✓ Sale agreement executed for sale of Excelior; completion expected end October 2011
- ✓ Exited high risk or low margin contracts in ATIVO and OMS

## Update – confident in the factors we can control

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- **Growth rate slowed to low single digits due to the uncertain economic outlook:**
  - Workforce Services: growth rate slowed to low single digits, especially in metro areas
  - Other Staffing Services: continued revenue growth in Swan and Mosaic IT
  - Engineering and Marine Services: activity levels building through Q2 and into Q3
- **However improvement in controllable factors is expected to continue:**
  - **Agreed sale of Excelior to Serco Group;** to be completed end October 2011
    - \$8.2 million on completion, with a further earn-out payment of up to \$5.0 million over the next two years, subject to achieving set revenue targets
    - ~\$4.5m pre-tax profit on sale of in FY12 (assuming 50% of the earn-out payment is achieved)
    - ~\$1.0m EBITDA loss in FY12 as a result of charges associated with the separation of the GTO training business (retained in SKILLED Group), exit of unprofitable direct sales contracts and consequent restructuring costs to lower overheads, in addition to normal trading
  - **Cost reduction and working capital improvements continue to progress well**
- **Core Plus strategy positions the business well in an uncertain economic environment**

