

# SKILLED Group

Morgan Stanley Emerging Companies Conference

8 June 2011

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

Mick McMahon, CEO

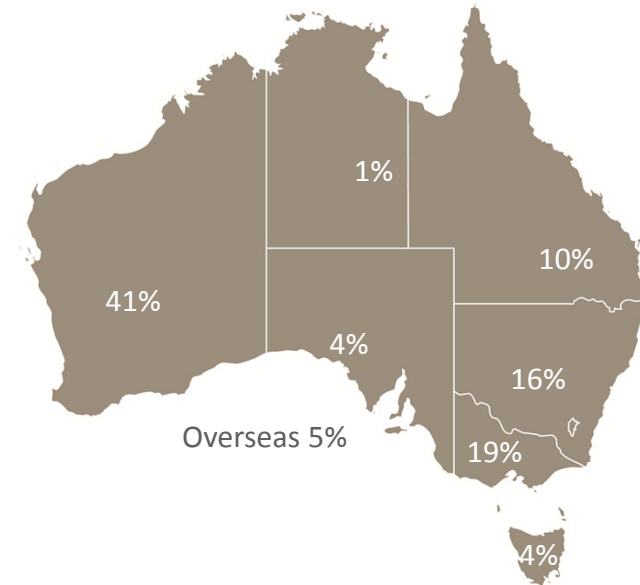
**SKILLED** Group

# Strong foundations

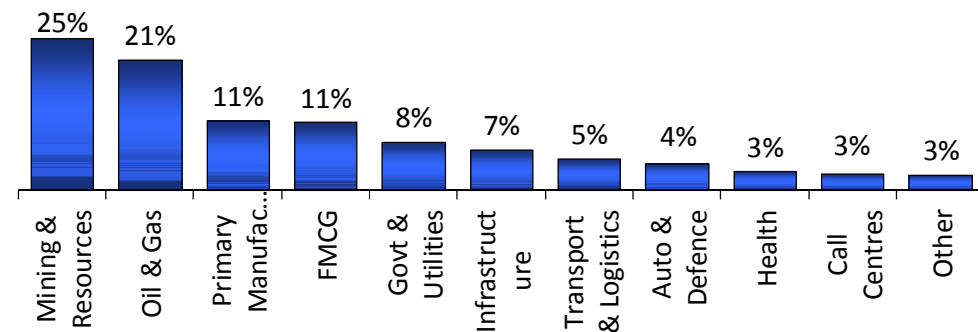
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- **Market leader in provision of flexible labour solutions**
  - complementary positions in white collar recruitment, maintenance and project services and manning services to offshore oil & gas sector
- **Well established and trusted brand (~47 years)**
- **Strong safety record; industrial relations expertise**
- **Extensive branch network across Australia with a predominantly blue chip client list**
- **Broad service offering to suit changing client needs**
- **Strong position in key growth markets and sectors:**
  - Mining & Resources;
  - Oil and Gas;
  - Civil & Infrastructure
- **Employed ~ 48,000 people in FY10**
  - pre GFC ~ 75,000
- **Listed on ASX in 1994**

SKILLED Group Revenue by geography 1H11



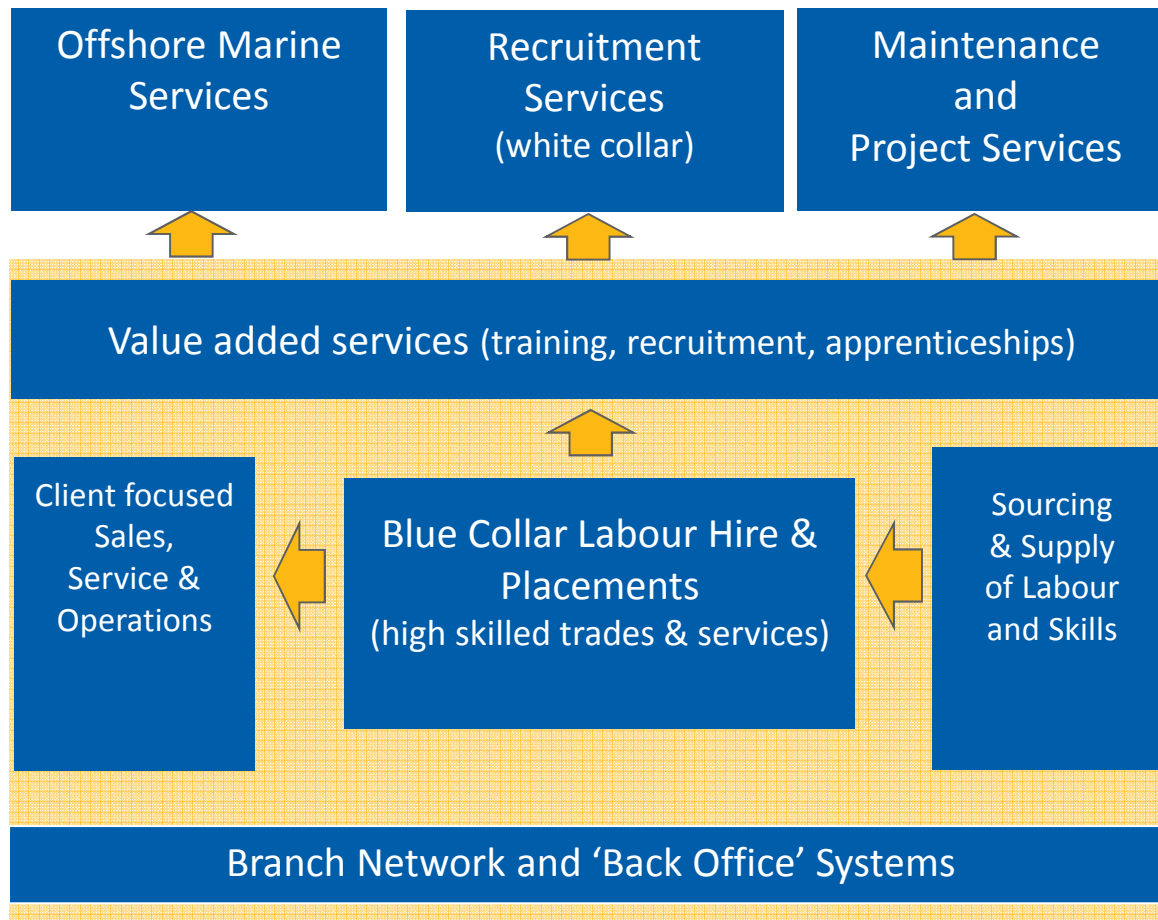
SKILLED Group Revenue by sector 1H11



# SKILLED “re-Engineering” - Core Plus strategy

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## SKILLED Group

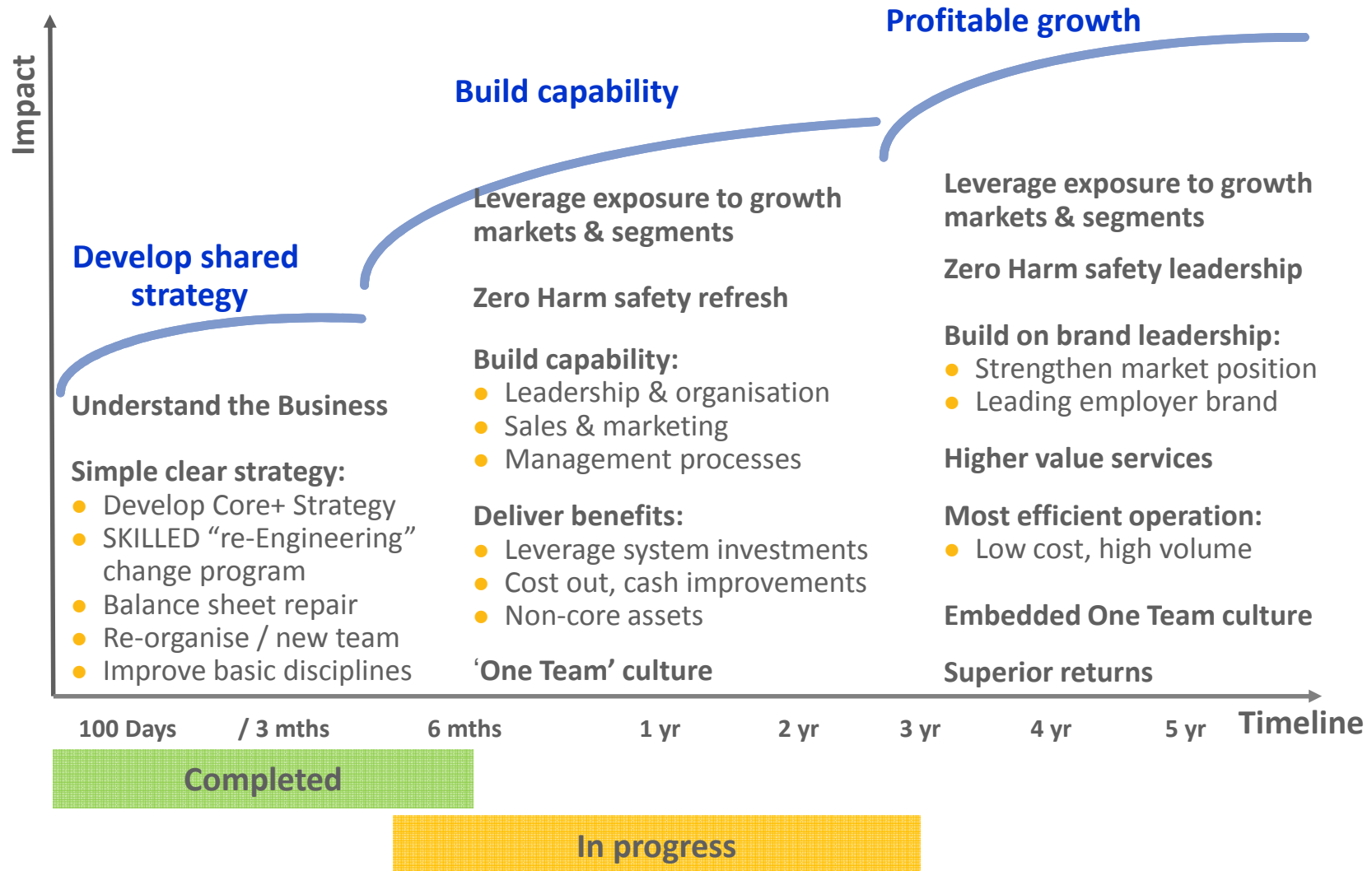


### Core Plus Strategy

- 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

# SKILLED “re-Engineering” - a phased approach

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# SKILLED “re-Engineering”- what we said

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## Governance and Strategy

Improved governance

Simple, clear Core Plus strategy

New leadership

Implement management disciplines

## Key Enablers

Zero Harm – refresh the approach to safety

‘One Team’ culture

- shared offices /branches where feasible
- align and refocus incentives

Organisation & capability build

Improve systems & processes

Brand strategy

## Financial Discipline

Balance Sheet repair

Sustainable, low cost overhead structure

Improved cash cycle / working capital management

Address unprofitable businesses / segments

## Profitable Growth

Profitable growth

- core business exposure to resources & skills shortage
- focus on organic growth
- innovation and value added services
- key account management
- grow into higher value areas : white collar / OMS / ATIVO

Mergers & acquisitions

- deliver synergies from previous acquisitions
- capture lessons learned

# SKILLED “re-Engineering”- progress to date

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## Governance and Strategy

### Improved governance

- ✓ Board renewal completed
- ✓ Audit tender process commenced

### Simple, clear Core Plus strategy

- ✓ Core plus strategy approved by board; implementation underway

### New leadership

- ✓ Organisational structure further simplified:
  - **Workforce Services** simplified from three regions into two regions – Eastern and Western
    - Southern region removed; COO role removed
  - **ATIVO** to be leveraged from workforce services business
    - reporting layers reduced; co-location of branches

### Implement management disciplines

- ✓ Management information and reporting introduced
- ✓ Introducing Balanced Scorecards, clear accountability for FY12 onwards

## Key Enablers

### Zero Harm – refresh the approach to safety

- ✓ Approach to safety refreshed with clear line leadership
- ✓ The Safety Golden Rules launched, focusing on high risk activities and locations:
  - driving
  - electrical
  - confined spaces
  - working at heights
  - suspended loads

### ‘One Team’ culture

- ✓ Single leadership / executive team
- ✓ Co-location of offices underway; 10 completed to date
- ✓ Commenced alignment and refocus of incentive plan for FY12

# SKILLED “re-Engineering”- progress to date

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## Financial Discipline

### Balance Sheet repair

- ✓ Debt reduced by proceeds from equity raising (\$69.4m)
- ✓ Expected reduction in interest expense of ~\$1.5m in 2H11
- ✓ Re-negotiation of current syndicated debt facility in final stages
- ✓ Expected one-off non cash charges of unamortised establishment fees in relation to current facility (~\$4m)
  - new facility establishment fees expected to be substantially lower

### Sustainable, low cost overhead structure

Annualised overhead cost reduction of \$10m pa, requiring restructuring charges of \$4 - \$5m over two years:

- ✓ Commenced corporate office restructure and co-location of offices/branches
- ✓ Targeted reduction in marketing/sponsorship expenditure in progress

### Improved cash cycle / working capital management

- ✓ Working capital initiatives to improve cash cycle in progress

### Address unprofitable businesses / segments

- ✓ Sale process of Excelior progressing
- ✓ Selected high risk contracts exited/not pursued and review other underperforming /high risk businesses
- ✓ Reviewing provisioning of “make good” and “end of charter” costs for OMS vessels

## Operational update - skills

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Strong demand in high skilled and “specialised” labour in certain sectors:

### **Mining / Oil and Gas:**

- strong demand remains for heavy industrial electricians; diesel fitters with heavy equipment experience and mine surveyors (Pilbara region)
- construction industry luring some trades (e.g. electricians) with higher pay
- continued demand for engineers across all disciplines including project managers; surveyors and other technical professionals
- increased demand for deck officers, engineers and integrated ratings as O& G projects commence

### **Rail:**

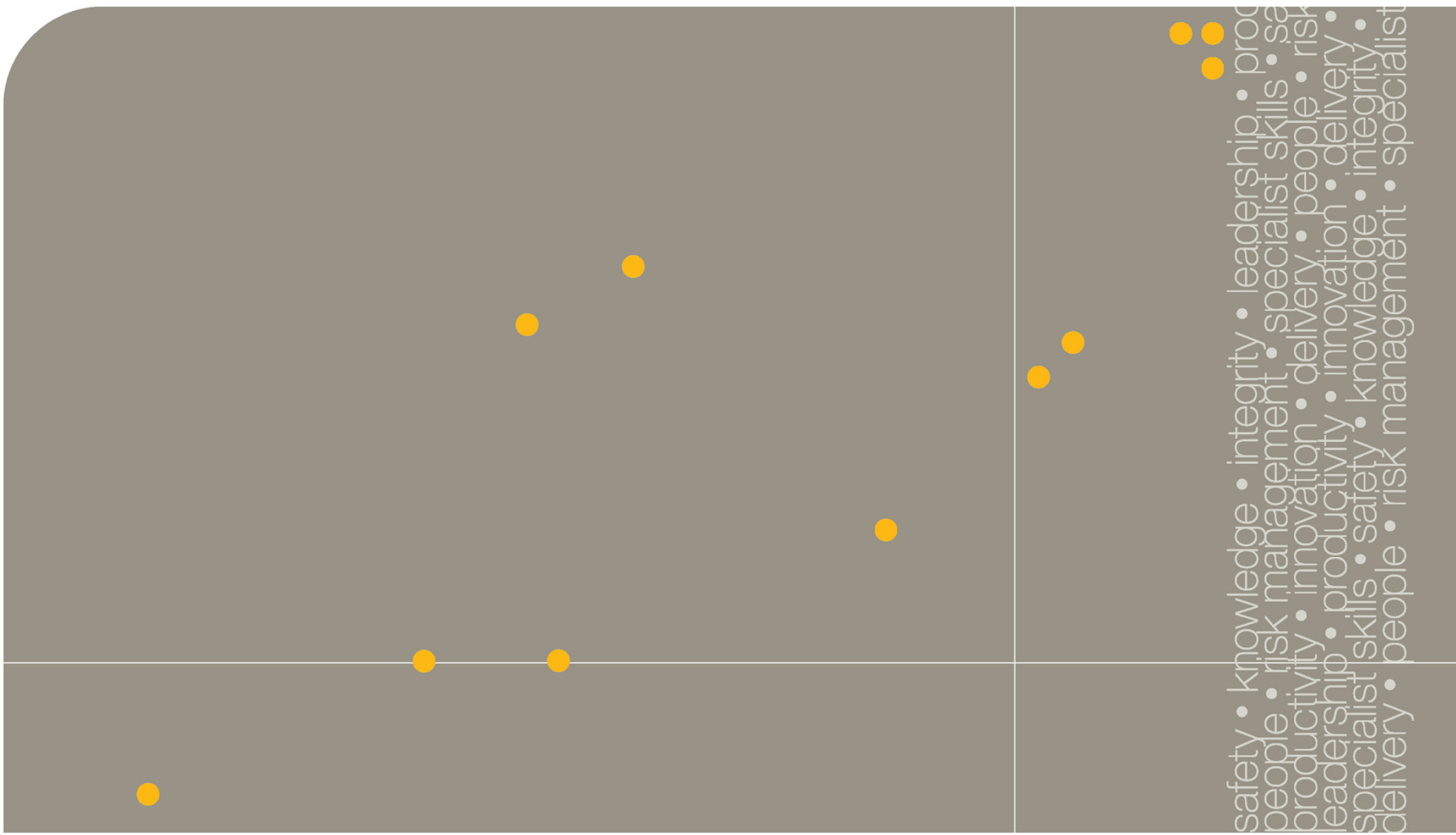
- high demand for experienced locomotive operators with bulk commodity experience (freight , heavy haulage and mining)

### **Telecommunications:**

- selected by NBN Co on a panel of key suppliers to support NBN’s recruitment activities across Australia in a construction, technical operations, and corporate recruitment
- high demand for communication riggers, skilled civil construction operators (borer, winch operators) and semi skilled labourers with exposure to telco infrastructure in WA and FNQ

# Outlook for SKILLED Group

- **Operating outlook remains unchanged from previous update:**
  - Rate of revenue growth in the second half may be impacted by:
    - uncertain timing of economic recovery following the Queensland and Victorian floods;
    - activity levels in industrial sectors remaining patchy; and
    - the deliberate exit from some higher risk contracts in Engineering and Marine Services
  - Underlying profitability in the second half will be impacted by:
    - continued accelerated amortisation of Origin databases in the second half;
    - ongoing restructuring costs; and
    - offset by lower interest costs as a result of the debt reduction
- **Restructuring progressing well**
- **Reduction in debt and interest costs progressing**
- **Sale process of Excelior progressing as planned**
  - subject to realisation of value



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## Appendices

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- Key skill, market and customer areas
- Employment growth by Industry
- HY11 Results overview
- Dividend payments
- Capital expenditure
- Acquisition earn out payments

## Key skill, market and customer areas...

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	SKILLED	mosaic recruitment	PeopleCo.	OriginHealthcare	swan contract personnel
Skills focus	<ul style="list-style-type: none"> <li>• Trades &amp; maintenance</li> <li>• Production &amp; distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Executive &amp; Professional</li> <li>• IT&amp;T</li> <li>• Office support</li> </ul>	<ul style="list-style-type: none"> <li>• Production &amp; distribution</li> <li>• Retail</li> <li>• Office support</li> </ul>	<ul style="list-style-type: none"> <li>• Nursing</li> <li>• Nurse support</li> <li>• Locum doctors</li> </ul>	<ul style="list-style-type: none"> <li>• Engineering &amp; technical specialists</li> </ul>
Market focus	<ul style="list-style-type: none"> <li>• Mining &amp; resources</li> <li>• Manufacturing</li> <li>• Infrastructure &amp; utilities</li> </ul>	<ul style="list-style-type: none"> <li>• Generalist</li> </ul>	<ul style="list-style-type: none"> <li>• Generalist</li> </ul>	<ul style="list-style-type: none"> <li>• Healthcare / hospitals</li> </ul>	<ul style="list-style-type: none"> <li>• Mining &amp; resources</li> <li>• Oil &amp; Gas</li> </ul>
Client segment focus	<ul style="list-style-type: none"> <li>• Corporate clients / large organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate / midsize / government</li> </ul>	<ul style="list-style-type: none"> <li>• Small and Medium Enterprises (SME's)</li> </ul>	<ul style="list-style-type: none"> <li>• Public, private, aged care and home care</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate clients / large organisations</li> </ul>
Geographic focus	<ul style="list-style-type: none"> <li>• Australia &amp; New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>• Eastern seaboard</li> </ul>	<ul style="list-style-type: none"> <li>• VIC, NSW, QLD, WA</li> </ul>	<ul style="list-style-type: none"> <li>• All Australian states except Tasmania</li> </ul>	<ul style="list-style-type: none"> <li>• WA &amp; QLD</li> </ul>

# Key skill, market and customer areas (contd...)

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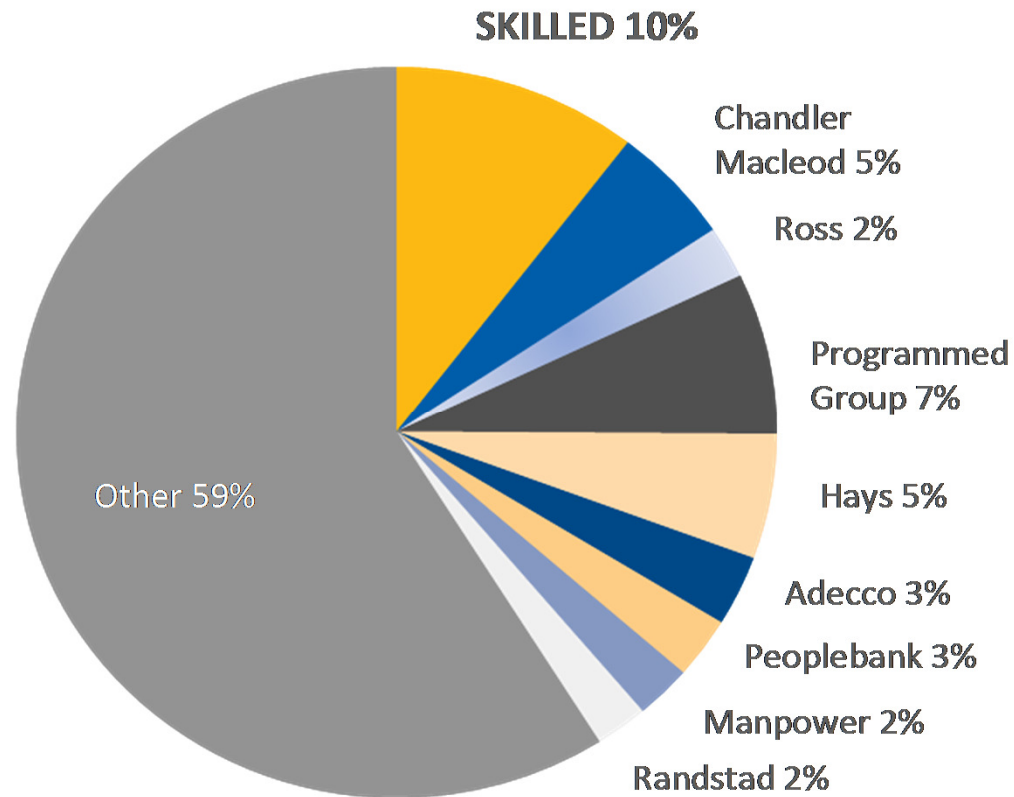


<b>Business focus</b>	<ul style="list-style-type: none"> <li>Offshore marine services provider</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance &amp; project services</li> </ul>	<ul style="list-style-type: none"> <li>Customer contact optimisation</li> </ul>
<b>Core capabilities</b>	<ul style="list-style-type: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

# Key competitors

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## Estimated Market Share FY10

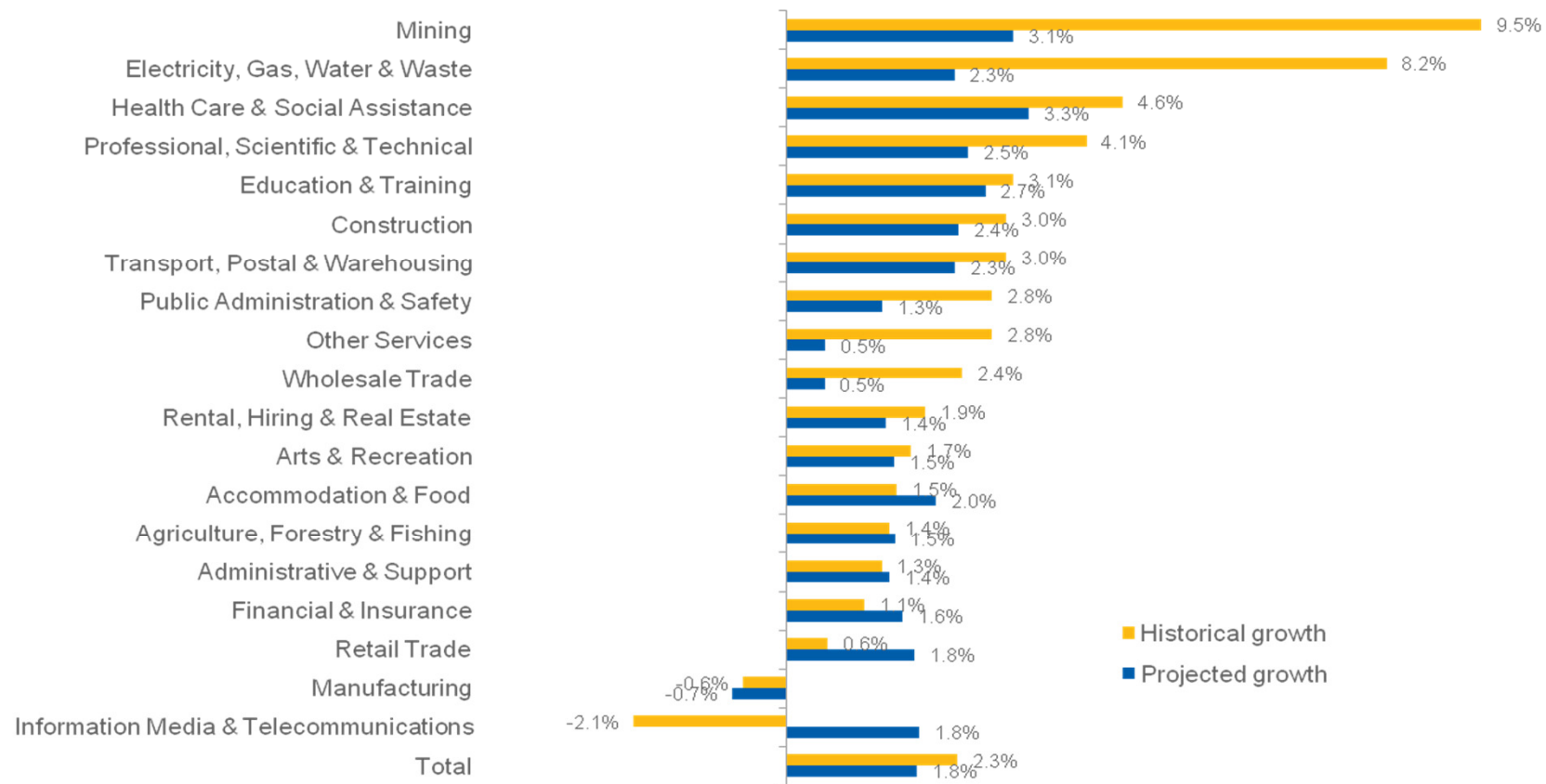


# Projected Employment growth by Industry

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## 5-Year Historical & Projected Employment Growth by Industry

% growth p.a., 2005–2010 and 2010–2015



Source: [www.skillsinfo.gov.au](http://www.skillsinfo.gov.au)

# HY11 Results overview

## Improved underlying result in first half

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	1H 11 \$M	2H 10 \$M	1H 10 \$M	Change 1H 10 v 1H 11
Revenue <sup>1</sup>	934.3	853.4	844.5	10.6%
Reported EBITDA	27.6	31.4	30.7	(10.1%)
Underlying EBITDA	42.7	35.5	33.6	27.1%
<i>Underlying EBITDA % Margin</i>	4.6%	4.2%	4.0%	
Reported EBIT	14.5	20.0	20.3	(28.6%)
Underlying EBIT	30.8	25.5	24.7	24.7%
<i>Underlying EBIT % Margin</i>	3.3%	3.0%	2.9%	
Reported NPAT	(2.3)	8.2	4.5	(151.1%)
Underlying NPAT	13.5	10.2	9.0	50.0%
Reported EPS (cps)	(1.2)	4.5	2.8	
Underlying EPS (cps)	7.1	5.3	5.7	

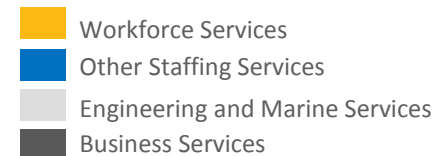
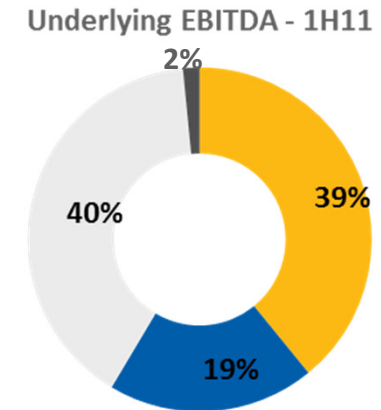
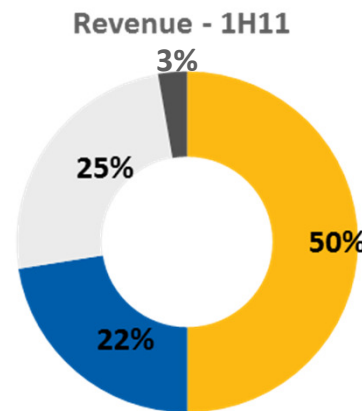
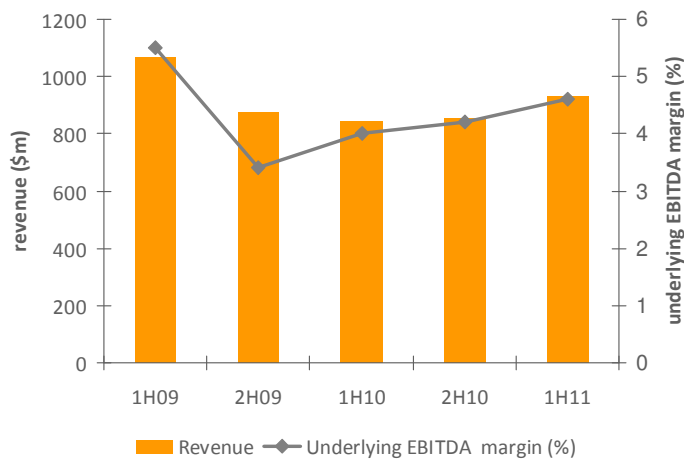
- Revenue up 10.6% (pcp) and underlying EBITDA up 27.1% (pcp)
- Result reflects impact of positive macroeconomic drivers in particular through resource-exposed businesses
  - improved performance from WFS, Swan, OMS and ATIVO
- Underlying adjustments include goodwill impairment, restructuring expenses and costs associated with the discontinued sale process of Swan

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

# Improved result in 1H11 underlines potential

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- 1H11 revenue up 11% to \$934.3 million; underlying EBITDA up 27% to \$42.7 million
- Continued to deliver positive operating cash flow in 1H11, up \$22.3 million to \$37.2 million
- Improvement reflects economic conditions
- Significant change required to deliver potential



# Workforce Services

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## Overview:

*Revenue from this segment is earned predominantly from the provision of blue-collar labour hire to clients in the industrial, mining and resources sectors*

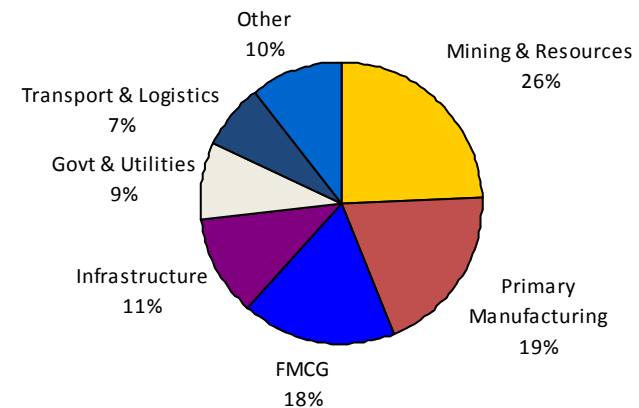
- Activity levels in the mining business continue to grow, however at a slower rate than the overall sector as:
  - some clients have transitioned key employee categories to permanent employees to secure labour
  - unusually high rainfall has led to some loss of production time on some clients' mining operations in the Hunter Valley
- Civil and construction projects and major roads upgrades continue to drive growth along the Eastern seaboard

## Outlook:

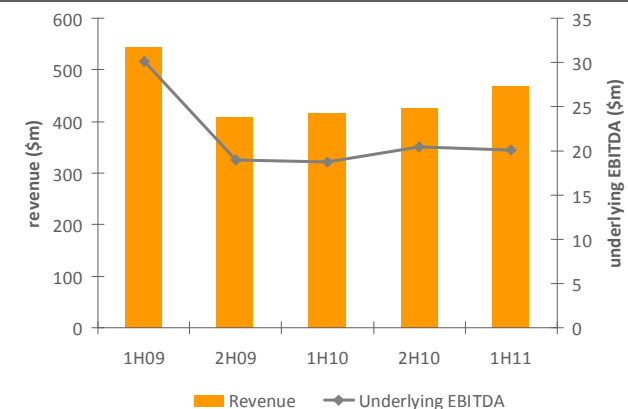
- Slower growth in Q3 due to impact of floods in Queensland; levels of activity expected to be patchy before the reconstruct phase commences
- Growth expected to continue in the second half in the mining sector
- Continued growth in civil and infrastructure sectors

## Industry Breakdown:

Workforce Services Industry Segmentation 1H11



## Revenue and Underlying EBITDA:



# Other Staffing Services

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## Overview:

*Revenue from this segment is earned predominantly from the provision of nursing, white collar, engineering and technical professional staff*

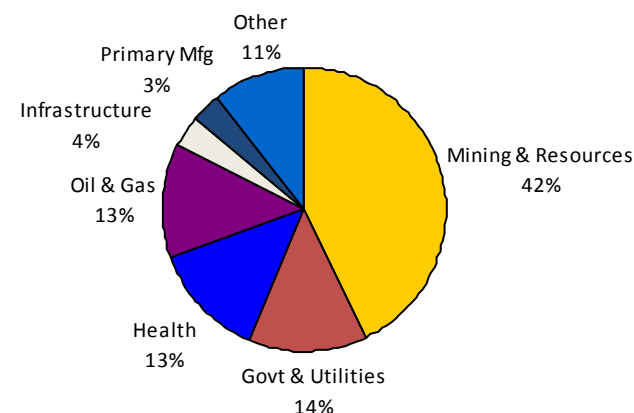
- **Swan:** Substantial increase in revenue and profitability as a result of increased activity in the major LNG and infrastructure projects
- **Mosaic:** Contractor and permanent placements have continued to be strong in the IT&T sector
- **PeopleCo:** Revenue slightly lower in permanent placements due to decisions being held over or placed on hold
- **Origin Healthcare:** Revenue in line with last year; however reduced reliance on agency nursing utilisation from major private and public hospitals impacts growth prospects.

## Outlook:

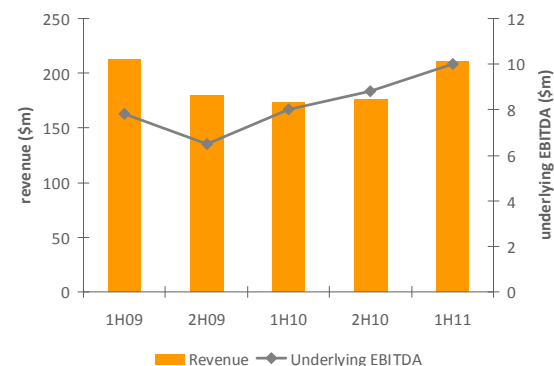
- **Swan:** well positioned to benefit from strong pipeline of resources and LNG projects
- **Mosaic:** demand for labour recruitment in the IT&T sector expected to remain strong; offset by completion of the MYKI contract
- **Origin Healthcare:** growth opportunities remain limited.

## Industry Breakdown:

Other Staffing Services Industry Segmentation 1H11



## Revenue and Underlying EBITDA:



# Engineering & Marine Services

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## Overview:

*Revenue from this segment is earned through the provision of contract maintenance and engineering services and offshore marine staffing and vessel chartering and management services.*

### OMS:

- Improved performance from OMS International operations
- OMS Australia operations impacted by lower rig manning activity due to a reduction in drilling program activity; offset by higher margins on vessels due to an improved currency position and lower bareboat charter rates; and lower vessel maintenance costs and improved utilisation compared to pcg

### ATIVO:

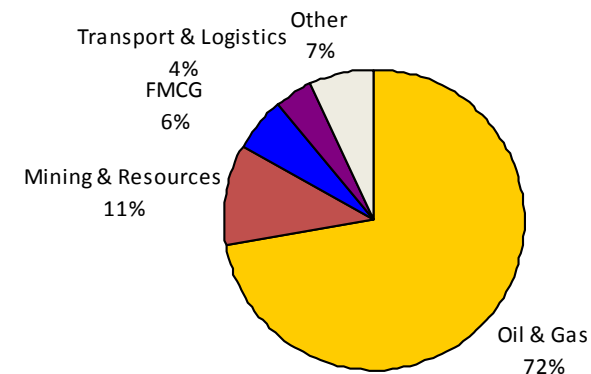
- Increased activity in WA securing a number of contracts with blue chip clients and successful execution of major shutdowns
- Increased activity in the recurring contract maintenance business including in the manufacturing sector

## Outlook:

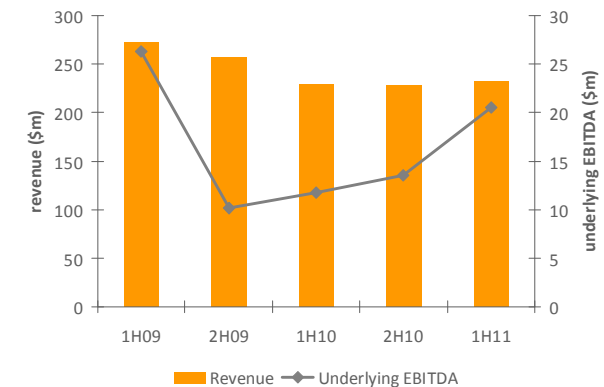
- The impact of possible exits from high risk or low return business in the engineering and project services businesses will result in lower growth in the next 6 months
- Pipeline for major LNG projects remains strong

## Industry Breakdown:

Engineering & Marine Services Segmentation 1H11



## Revenue and Underlying EBITDA:



# Business Services (Excelior)

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## Overview:

*Revenue in this segment is earned through the provision of customer contact solutions for third-party clients*

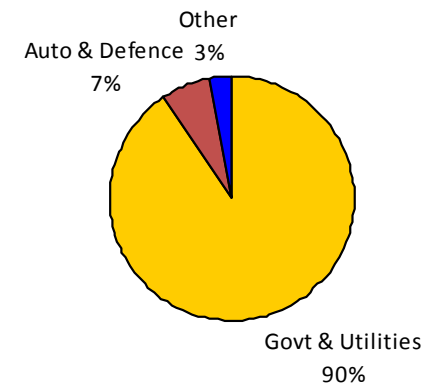
- Revenue down by 10.5% due to reduction in call volumes and utilisation at the Burnie contact centre
- Increased activity from government contracts and on-boarding of several new clients
- In discussion with parties for possible sale, subject to target value being achieved

## Outlook:

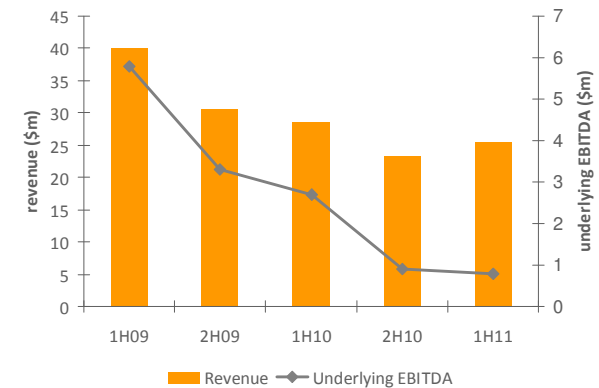
- Positive trend in Government contact centre outsourcing expected to continue
- Growth expected from telecommunications clients in both Direct Sales and Contact Centre outsourcing

## Industry Breakdown:

Business Services (Excelior) Segmentation 1H11



## Revenue and Underlying EBITDA:



# HY11 Results overview

## Underlying adjustments

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\$M	1H 11	1H 10	Change
<b>Reported EBITDA</b>	27.6	30.7	(3.1)
Adjustments:			
Restructuring and branch closure costs	1.7	2.9	(1.2)
Goodwill impairment (non cash) <sup>1</sup>	12.5	-	12.5
Costs associated with discontinued sale process of Swan Contract Personnel <sup>2</sup>	0.9	-	0.9
<b>Underlying EBITDA</b>	<b>42.7</b>	<b>33.6</b>	<b>9.1</b>
<b>Reported EBIT</b>	14.5	20.3	(5.8)
Adjustments:			
Above EBITDA adjustments	15.1	2.9	12.2
Amortisation of intangible assets (non cash) <sup>3</sup>	1.2	1.5	(0.3)
<b>Underlying EBIT</b>	<b>30.8</b>	<b>24.7</b>	<b>6.1</b>
<b>Reported NPAT</b>	(2.3)	4.5	(6.8)
Adjustments:			
After tax EBITDA adjustments	14.3	2.0	12.3
Notional interest on earn-out liabilities (non cash)	0.6	1.4	(0.8)
Amortisation of intangible assets (non cash) <sup>3</sup>	0.9	1.1	(0.2)
<b>Underlying NPAT</b>	<b>13.5</b>	<b>9.0</b>	<b>4.5</b>

<sup>1</sup>Longhill \$2.7m; Skilled NZ \$1.7m; Extraman \$8.0m

<sup>2</sup> includes incremental internal expenses of \$0.3m inclusive of staff retention payments

<sup>3</sup> includes brand names, restraints and customer contracts

# HY11 Results overview

## Segment performance

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	Sales		Underlying EBITDA		Underlying EBIT	
	\$M	1H11 v 1H10	\$M	1H11 v 1H10	\$M	1H11 v 1H10
Workforce Services	468.6	↑ 13.0%	20.1	↑ 6.9%	17.2	↑ 7.5%
Other Staffing Services	210.8	↑ 21.1%	10.0	↑ 25.0%	4.1	↓ 18.0% <sup>2</sup>
Engineering and Marine Services <sup>1</sup>	232.4	↑ 0.5%	20.5	↑ 73.7%	19.5	↑ 78.9%
Business Services (Excelior)	25.6	↓ 10.5%	0.8	↓ 70.4%	(0.4)	↓ 140.0%
<b>Segment Performance</b>	<b>937.4</b>	<b>↑ 10.5%</b>	<b>51.4</b>	<b>↑ 24.5%</b>	<b>40.4</b>	<b>↑ 22.8%</b>
Unallocated / Eliminations	(1.5)		(8.7)		(9.6)	
<b>Group Performance<sup>1</sup></b>	<b>935.9</b>	<b>↑ 10.5%</b>	<b>42.7</b>	<b>↑ 27.1%</b>	<b>30.8</b>	<b>↑ 24.7%</b>

Significant improvement in Engineering and Marine Services:

- OMS: improved contribution from international and Australian operations
- ATIVO: strong contribution from increased activity from major contracts and successful execution of major shutdowns

Strong performance from Swan and improved activity and performance in Workforce Services (blue collar labour hire)

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

<sup>2</sup> includes accelerated amortisation of database for Origin Healthcare of \$3.0m

# HY11 Results overview

## Balance Sheet

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\$M	Dec 10	Jun 10	change
Cash	2.2	2.6	(0.4)
Trade Debtors and Other Receivables	242.4	253.3	(10.9)
Goodwill and Other Intangibles	394.1	414.7	(20.6)
Other Current Assets	8.8	14.0	(5.2)
Other Non Current Assets	36.7	34.8	1.9
<b>Total Assets</b>	<b>684.2</b>	<b>719.4</b>	<b>(35.2)</b>
Current Borrowings <sup>1</sup>	50.3	17.9	(32.4)
Non Current Borrowings <sup>2</sup>	135.2	169.1	33.9
Current Earn out liability	7.3	20.0	12.7
Non Current Earn out liability	6.1	11.9	5.8
Other Current Liabilities	133.8	148.3	14.5
Other Non Current Liabilities	12.0	12.5	0.5
<b>Total Liabilities</b>	<b>344.7</b>	<b>379.7</b>	<b>35.0</b>
<b>Total Equity</b>	<b>339.5</b>	<b>339.7</b>	<b>(0.2)</b>
<b>Net Debt / Net Debt + Equity</b>	<b>35.1%</b>	<b>35.2%</b>	<b>(0.1%)</b>
<b>Interest Cover (times)<sup>3</sup></b>	<b>3.3</b>	<b>2.9</b>	<b>0.4</b>

<sup>1</sup> Current Borrowings include senior debt of \$40.0m and \$10.3m of other borrowings.

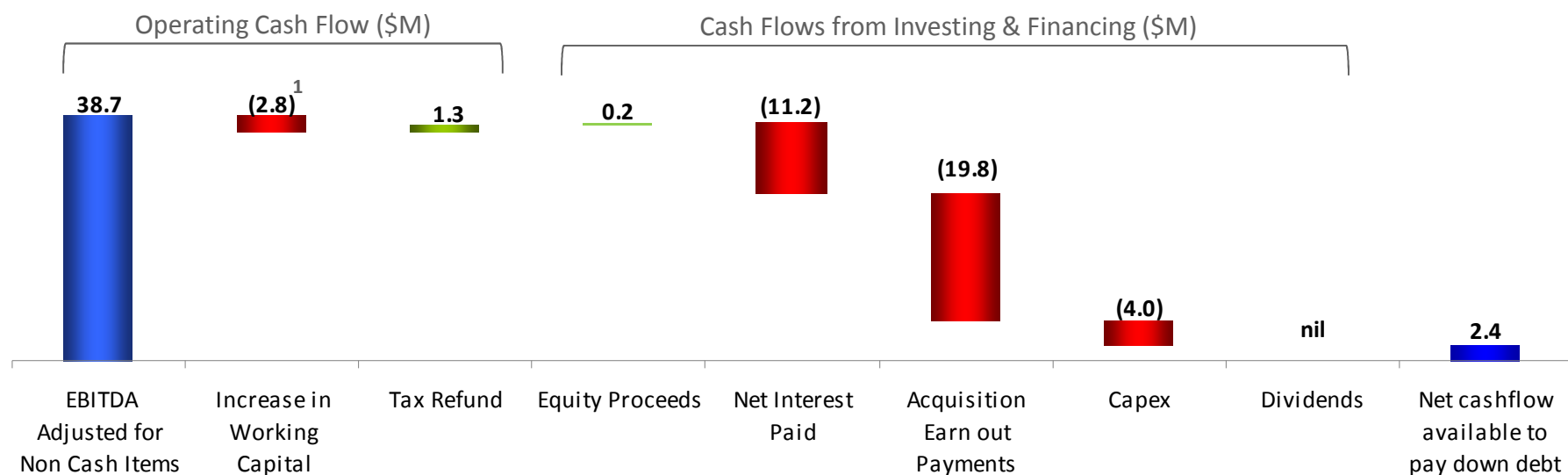
<sup>2</sup> Non Current Borrowings include senior debt of \$134.8m (net of establishment costs) and other borrowings of \$0.4m.  
 The total senior debt facility is \$230m.

<sup>3</sup> 12 month underlying EBITDA / Net Interest excluding interest on earn-out liabilities

# HY11 Results overview

## Continued to deliver positive operating cashflow

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• knowledge  
people • inc  
specialist skills •



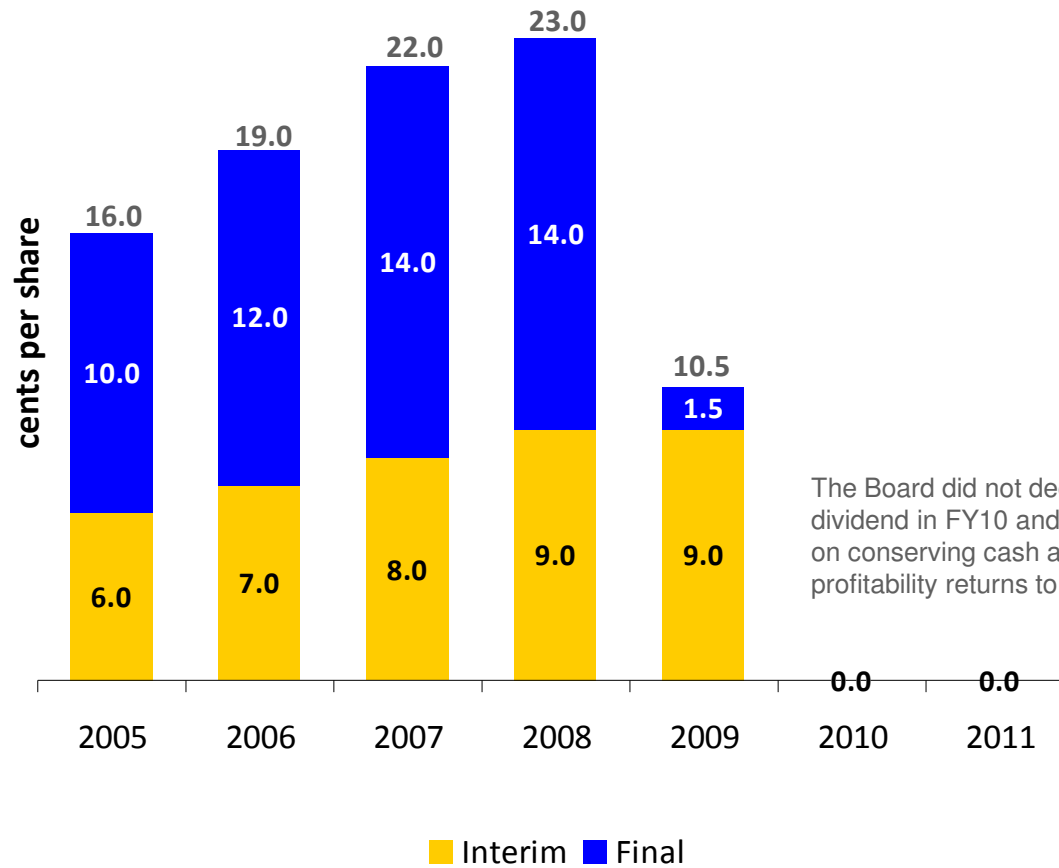
### <sup>1</sup> Movements in Working Capital (\$M)

Receivables	10.9	Lower sales Dec 10 v Jun 10
Other Assets	3.1	Lower prepayments Dec 10 v Jun 10
Payables	(23.0)	Lower activity Dec 10 v Jun 10; payment of back pay accrued at Jun 10
Provisions	6.2	Increase in employee entitlements, including LSL
	<b>(2.8)</b>	

# Dividend payments

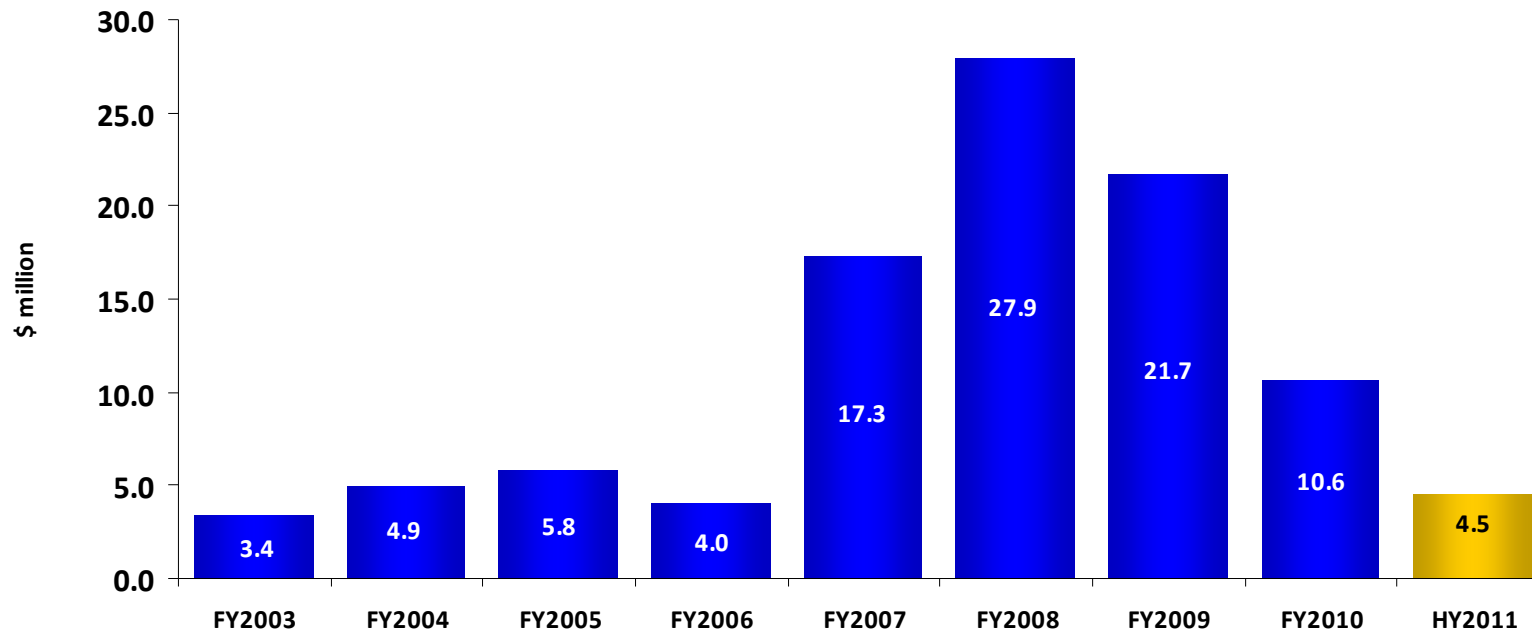
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Dividends Per Share



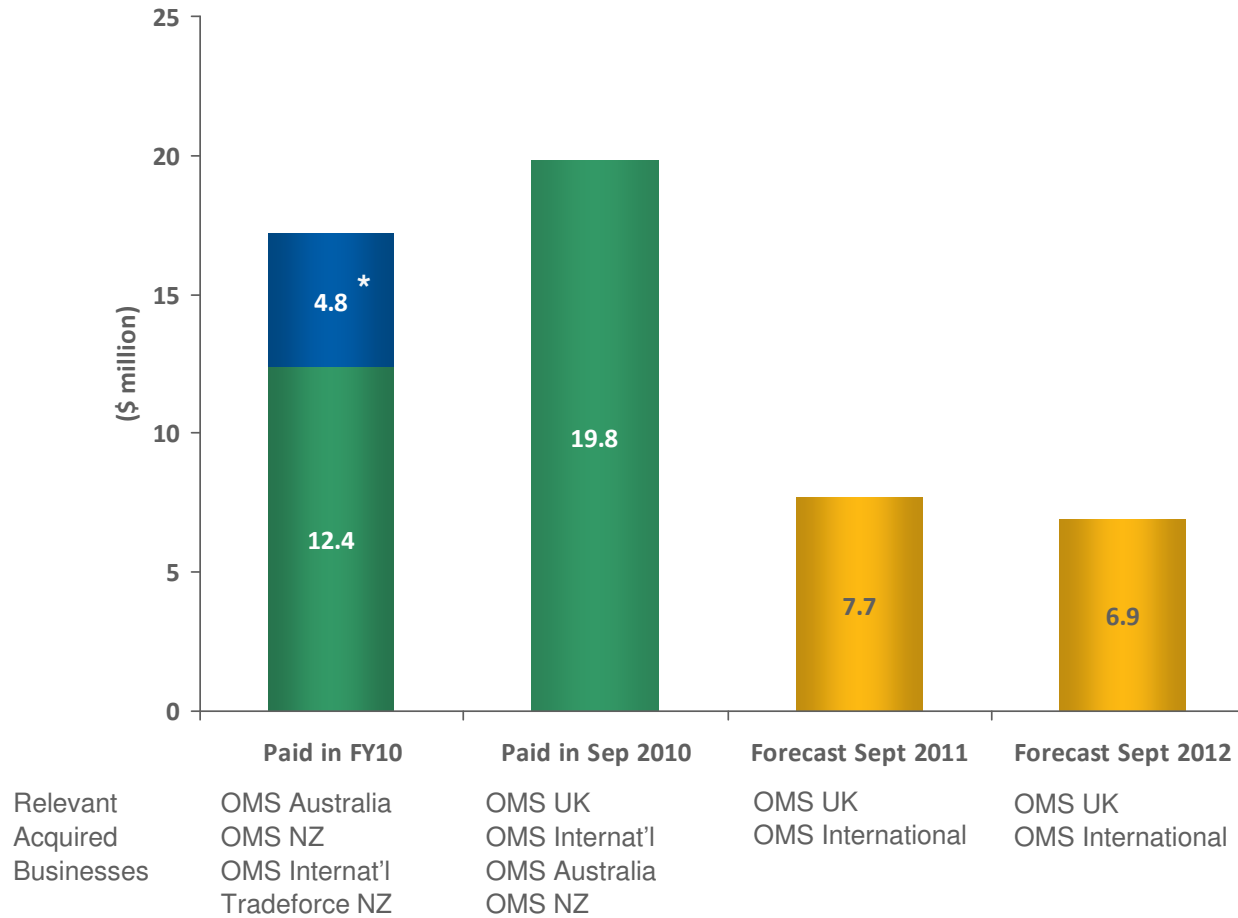
# Capital expenditure

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Approximately \$33 million invested on Enterprise System (Agresso)

# Acquisition earn out payments (nominal)



\* \$4.8m earn out payment to OMS Australia vendor settled via issue of equity

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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