

# 2004/05 Half Year Review of Financial Results & Trading Performance

23 February 2005

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

**SKILLED** Group

# Highlights

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Sales increase 23% to \$428m
- NPAT (including profit from divestments) \$17.5m (EPS of 18.0 cents)
- NPAT (excluding profit from divestments) \$6.3m (EPS of 6.5 cents)
- Major restructure of business portfolio now complete
- Gross cash proceeds from divestments of \$22m to date and further \$9m expected
- Core business EBITDA up 38.5%
- Fully franked interim dividend 6.0 cents per share
- Strong balance sheet provides capacity for future growth

# Total Company – Headline Results

## Including Profit on Divestments

- Sales increase 23% to \$428m
- EBITDA of \$31.1m – an increase of 72%
- EBIT of \$23.8m – an increase of 64%
- NPAT of \$17.5 – an increase of 78%

## Excluding Profit on Divestments

- Sales increase 23% to \$428m
- EBITDA \$17.1 m (last year \$17.1m)
- EBIT \$10.8m (last year \$13.5m)
- NPAT \$6.3m (last year \$9.1m)

# Non-Recurring Items

safety • integr  
 • knowledge  
 people • inno  
 ecialist skills •

## First Half 2004/05

• Profit from Divestments	<b>EBIT</b>	<b>NPAT</b>
	<b>A\$M</b>	<b>A\$M</b>
Communications	2.5	
Power	10.8	
Yallourn	<u>(0.5)</u>	<u>—</u>
	<b><u>12.8</u></b>	<b><u>11.2</u></b>

## First Half 2003/04

	<b>EBIT</b>	<b>NPAT</b>
	<b>A\$M</b>	<b>A\$M</b>
Reversal of superannuation provision	2.3	
• Initial costs for SA self insurance for Workers Compensation	<u>(1.3)</u>	<u>—</u>
	<b><u>1.0</u></b>	<b><u>0.7</u></b>

- Strategy to focus on core competency in staffing services sector
- Communications business had become a commodity business dominated by construction companies
- Power business required significant ongoing capital investment and acceptance of construction type risk
- Yallourn Mechanical Workshops were only marginally profitable and required significant ongoing capital investment
- Strategic decision to exit non-core businesses and to replace those income streams via acquisitions in the staffing services sector
- Achievement of strategy will enable focus on a complementary group of businesses with a common set of core competencies and business model principles
- The acquisition of Origin Healthcare in February 2004 was a key part of this strategy

# Strategic Achievements First Half 2004/05

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Sale of Communications business
- Sale of Power business
- Sale of Yallourn Mechanical Workshops
- Gross cash proceeds from divestments received to date of \$22m, with a further \$9m expected based on achievement of earn out targets
- Book profit from divestments of \$11.2m recorded in this half results
- Results reflect the restructure of the business portfolio which is now complete
- Working toward replacing income stream from divested businesses

# Balance Sheet

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Net debt down to \$40m from \$55m at 30 June 2004
  - Gross cash proceeds from divestments received to date of \$22m
  - Forecast additional cash proceeds from deferred settlement and “earn out” of \$9m
- Gearing (debt to debt + equity) of 30% compared to 40% at 30 June 2004
- Interest cover 10.6 times (12 months rolling)

# Contribution by Business Segments

safety • integr  
• knowledge  
people • inno  
specialist skills •

	<b>1<sup>st</sup> Half 2004/05</b>	<b>1<sup>st</sup> Half 2003/04</b>
<b>Managed Labour Services</b>		
Workforce Services	6 months	6 months
Customer Contact Services	6 months	6 months
Origin Healthcare	6 months	0
<b>Infrastructure Services</b>		
Communications	4 months	6 months
Power	3 months	6 months
Yallourn Mechanical Workshops	5 months	6 months
SEM Fire and Rescue	6 months	6 months

## Managed Labour Services



- Staffing services
- Managed project and contract services:
  - Contract maintenance
  - Shut downs, installations, relocations
  - Managed vendor
  - Primary provider model
- Staffing related services:
  - Training & apprenticeships, OH&S, IR
- Technology solutions

**Industrial**



- Staffing services
- Managed project and contract services:
  - Managed vendor
  - Primary provider model
- Staffing related services:
  - Training, OH&S
- Technology solutions

**Healthcare**

Customer  
Contact  
Services

- Staffing services
- Managed project and contract services:
  - Contact centre in sourcing and outsourcing
- Staffing related services:
  - Scheduling, rostering, training, language services
- Technology solutions

**Contact Centre**



- Emergency services  
vehicle manufacture
- Design
- Spare parts
- Maintenance and servicing

**Emergency services**

# Core Business – Managed Labour Services

## Adjusted for Non-Recurring Items

safety • integr  
• knowledge  
people • inno  
specialist skills •

	1 <sup>st</sup> Half 2004/05 A\$M	1 <sup>st</sup> Half 2003/04 A\$M	Change
<b>SALES</b>			
Workforce Services (Skilled Brand)	315.5	258.7	+ 21.9%
Customer Contact Services	32.0	20.3	+ 57.8%
Origin Healthcare	35.2	---	
Eliminations	<u>(0.2)</u>	<u>---</u>	<u>---</u>
Total Sales	382.5	279.0	+ 37.1%
EBITDA	15.9	11.5	+ 38.5%
EBITDA %	4.2%	4.1%	
Depreciation & Amortisation	5.5	2.2	
EBIT	10.4	9.3	+ 11.6%
EBIT %	2.7%	3.3%	

## Workforce Services

- Strong sales growth in all states
  - Mining/resources
  - Automotive
  - Manufacturing
- “Economy” strong
- Evidence indicates continuing growth of outsourced staffing services
  - Existing customers increasing their usage
  - First time labour hire users
- SKILLED market share growth
  - Focus on value proposition
  - Importance of OH&S
  - Consolidation of supplier base by major customers

# Managed Labour Services

safety • integr  
• knowledge  
people • inno  
specialist skills •

## Customer Contact Services

- Growth within existing customer base strong
- New business wins with Telstra, AGL and Sensis eg: supp worker
- Also market share gains among these players through strong account management in areas such as agency
- Growth also through specific project work with major clients
- Outlook continued momentum and moderate growth, lower gains in second half as some projects come offline

# Managed Labour Services

safety • integr  
• knowledge  
people • inno  
specialist skills •

## Origin Healthcare

- Acquisition was a significant part of Portfolio strategy
- Exposure to Staffing Services for growing health sector
- Excellent strategic fit

**SKILLED**

**origin  
healthcare**

Staffing Services	✓	✓
Specialise in skilled occupations	✓	✓
Demand outstripping supply	✓	✓
Complex matching processes	✓	✓
Market pioneer/leader	✓	✓
Lowest cost supplier in market	X	✓ (potential)
Strong management and business culture	✓	✓

# Managed Labour Services

safety • integr  
• knowledge  
people • inno  
specialist skills •

## Origin Healthcare

- Revenue has remained flat since acquisition and below expectations:

		<b>A\$millions</b>
First Half	2003/04	34.7
Second Half	2003/04	33.7
First Half	2004/05	35.2

# Origin Healthcare – Supply & Demand Issues

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Overall market demand is still robust, nursing skills remain in high demand
- Competitive market continues to be fragmented with many smaller suppliers still operating albeit consolidation is accelerating
- Hospital groups are starting to rationalise suppliers and rely more on single vendors which is an opportunity for Origin
- Nurses are aware of the demand for their skills and are seeking only their preferred work options which suits the larger operators such as Origin who have a wider choice of clients
- Constraint has been the capacity to meet the actual level of demand
  - Insufficient numbers of skilled nurses available to meet demand and requirement to increase utilisation of existing staff
- Internal process re-engineering to increase staff fill rates is showing promise in pilot state

# Origin Healthcare – Going Forward

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Acquisition of Medistaff Nursing Agency
  - Allows greater access to a group of specialist staff who are in particular short supply therefore allows greater satisfaction for clients in the acute hospital sector
  - Synergies between the existing Origin infrastructure and the Medistaff business will allow for further efficiencies
  - Integration plan ahead of schedule
- While recognising current performance is below initial expectations, SKILLED remains confident about the significant opportunities for growth and profitability from Origin Healthcare

## Non-Core – Infrastructure Services

safety • integr  
• knowledge  
people • inno  
specialist skills •

	<b>1<sup>st</sup> Half 2004/05</b>	<b>1<sup>st</sup> Half 2003/04</b>	<b>Change</b>
Sales A\$m	46.0	67.9	- 32.3%
EBITDA A\$m	1.2	5.6	- 78.4%
EBITDA %	2.6%	8.2%	
EBIT A\$m	0.4	4.2	- 89.3%
EBIT %	1.0%	6.2%	

# Summary and Outlook

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Structure now rationalised
  - Divestments of non core businesses complete
  - Future focus of SKILLED group is in “Staffing Services” business
- Workforce Services and Customer Contact Services businesses performing strongly and expect this to continue in second half
- Working toward replacing income stream from divested businesses
- Strong balance sheet provides capacity for further growth
- Full year earnings forecast: NPAT \$24m - \$25m

# Appendices

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Statement of Financial Performance
- Sales Revenue: 10 Year History
- Earnings Before Interest & Tax: 10 Year History
- Net Profit After Tax by Half Year
- Sales Revenue by Half by Division: Managed Labour Services
- Sales Revenue by Half by Division: Infrastructure Services
- Statement of Financial Position (refer A4 slide)

# Statement of Financial Performance

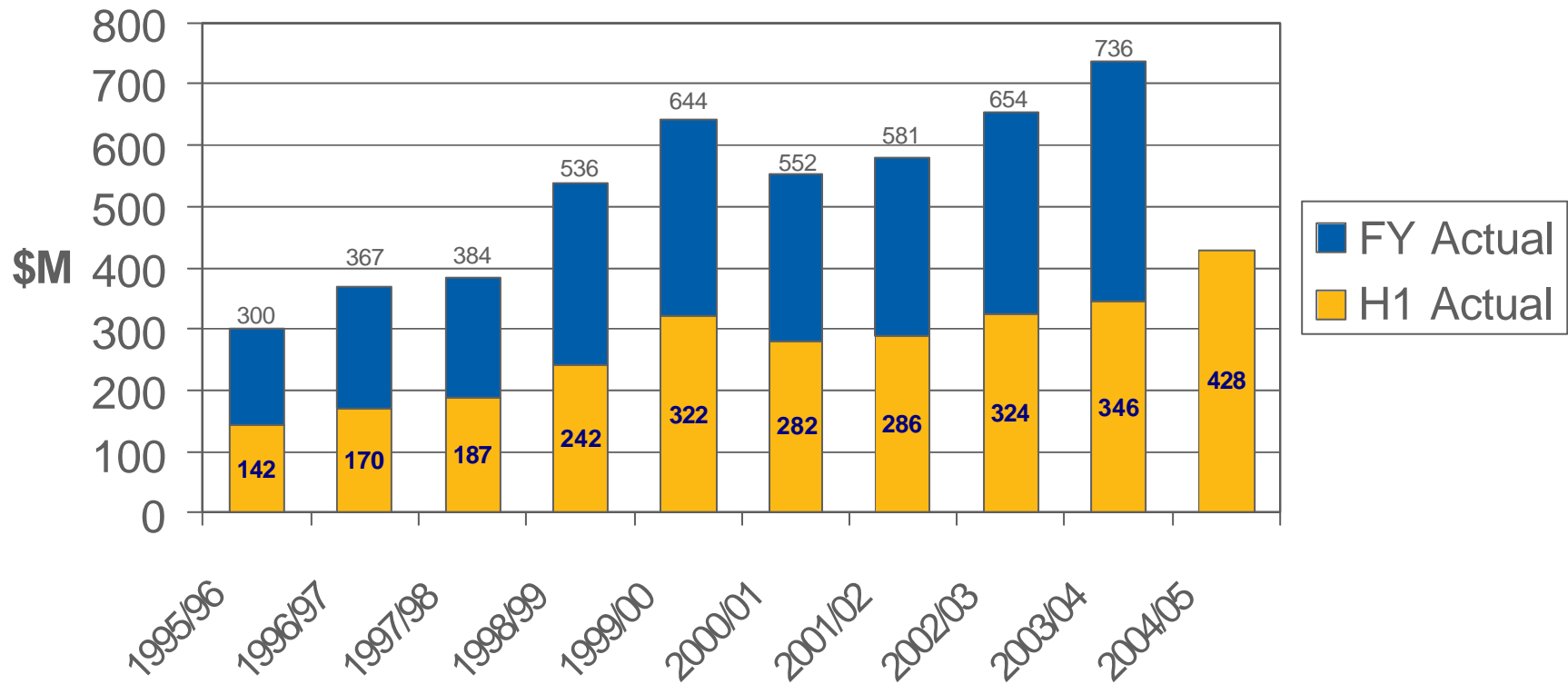
safety • integr  
• knowledge  
people • inno  
specialist skills •

	First Half 2004/05	First Half 2003/04	Increase / (Decrease)
	A\$000	A\$000	%
<b>Sales Revenue</b>	427,873	346,419	+23%
<b>EBITDA</b>	31,083	18,079	+72%
<b>Depreciation and Amortisation</b>	(7,280)	(3,581)	
<b>EBIT</b>	23,803	14,498	+64%
<b>Net Interest</b>	(1,679)	(256)	
<b>Profit before Tax</b>	22,124	14,242	+55%
<b>Taxation Expense</b>	(4,613)	(4,431)	
<b>Net Profit after Tax</b>	17,511	9,811	+78%
<b>EBITDA Margin %</b>	7.3%	5.2%	
<b>EBIT Margin%</b>	5.6%	4.2%	

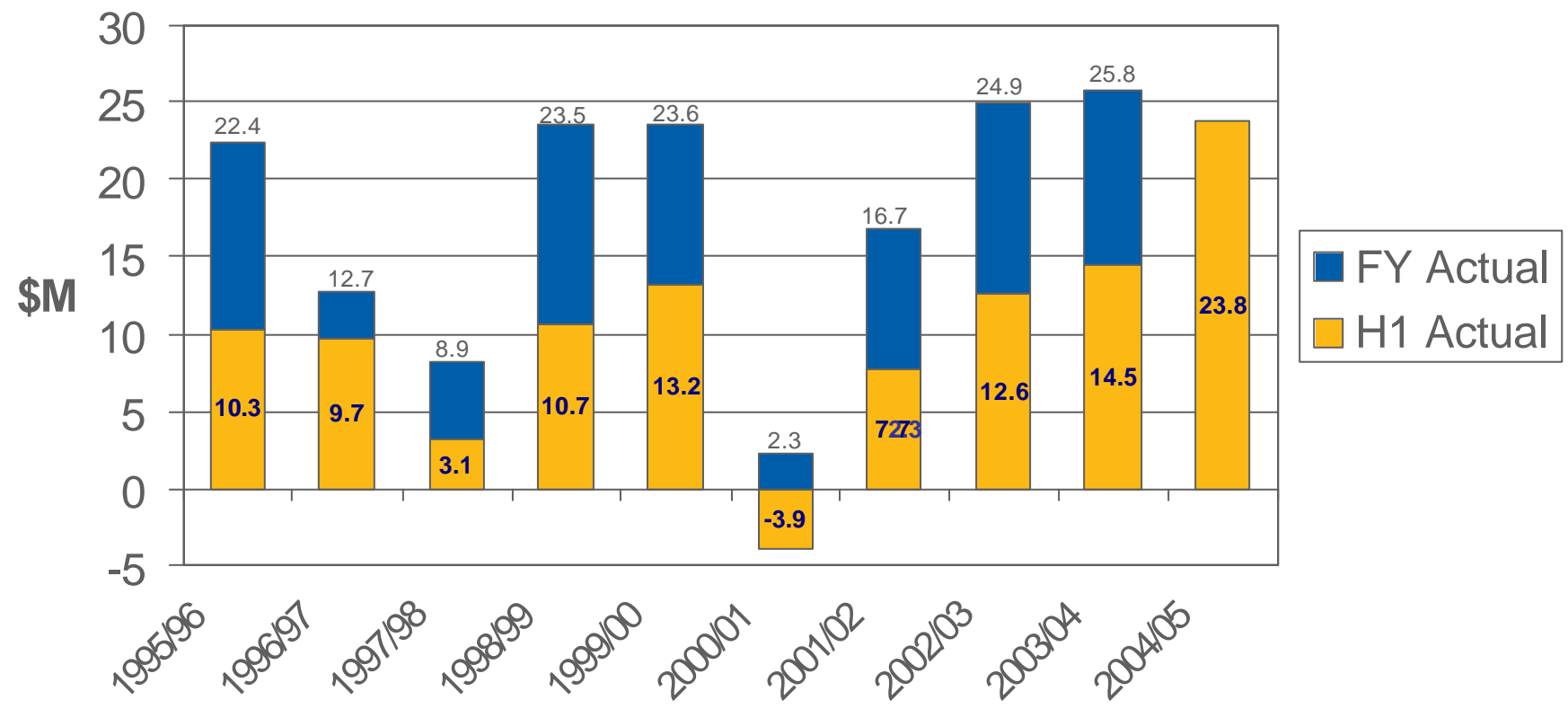
# Sales Revenue: 10 Year History

(Consolidated)

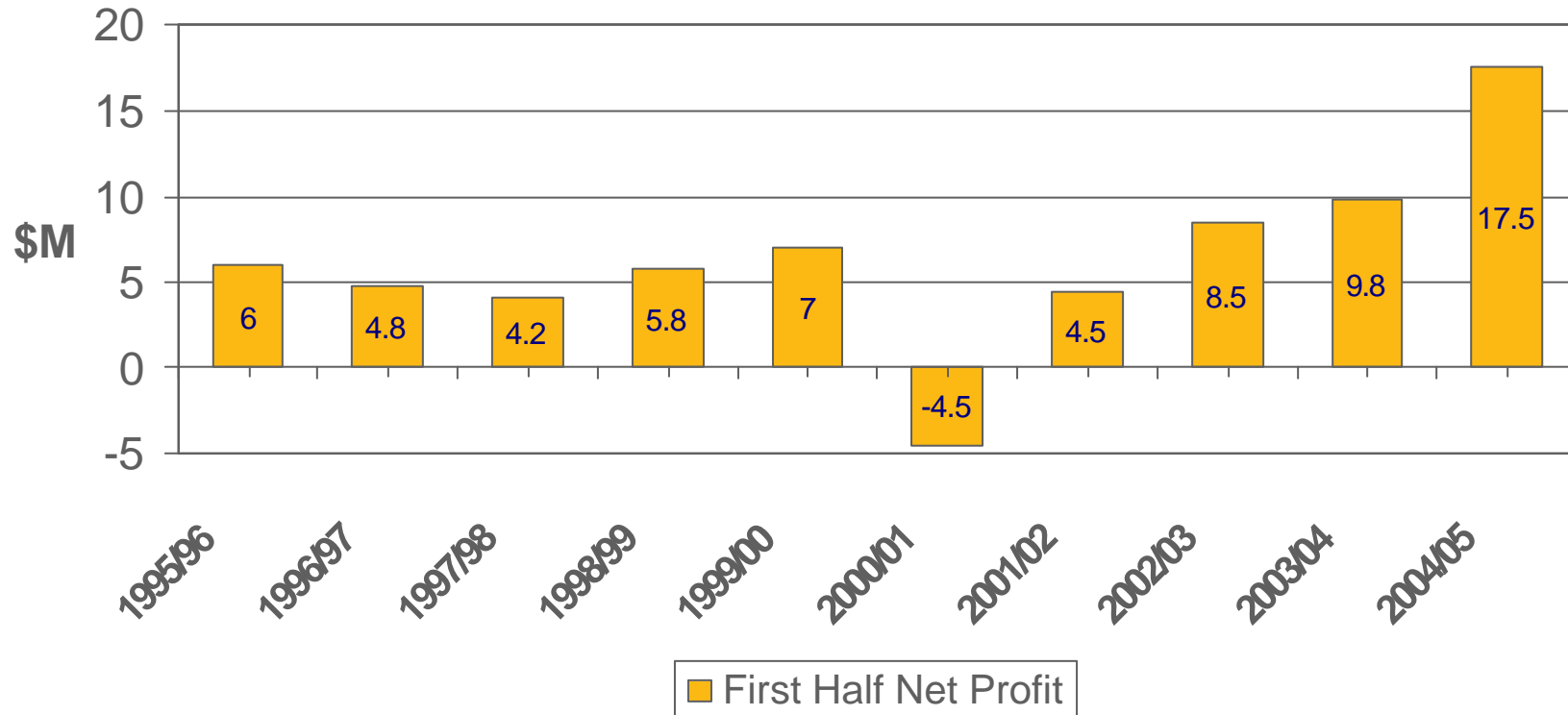
safety • integr  
• knowledge  
people • inno  
specialist skills •



# Earnings Before Interest & Tax

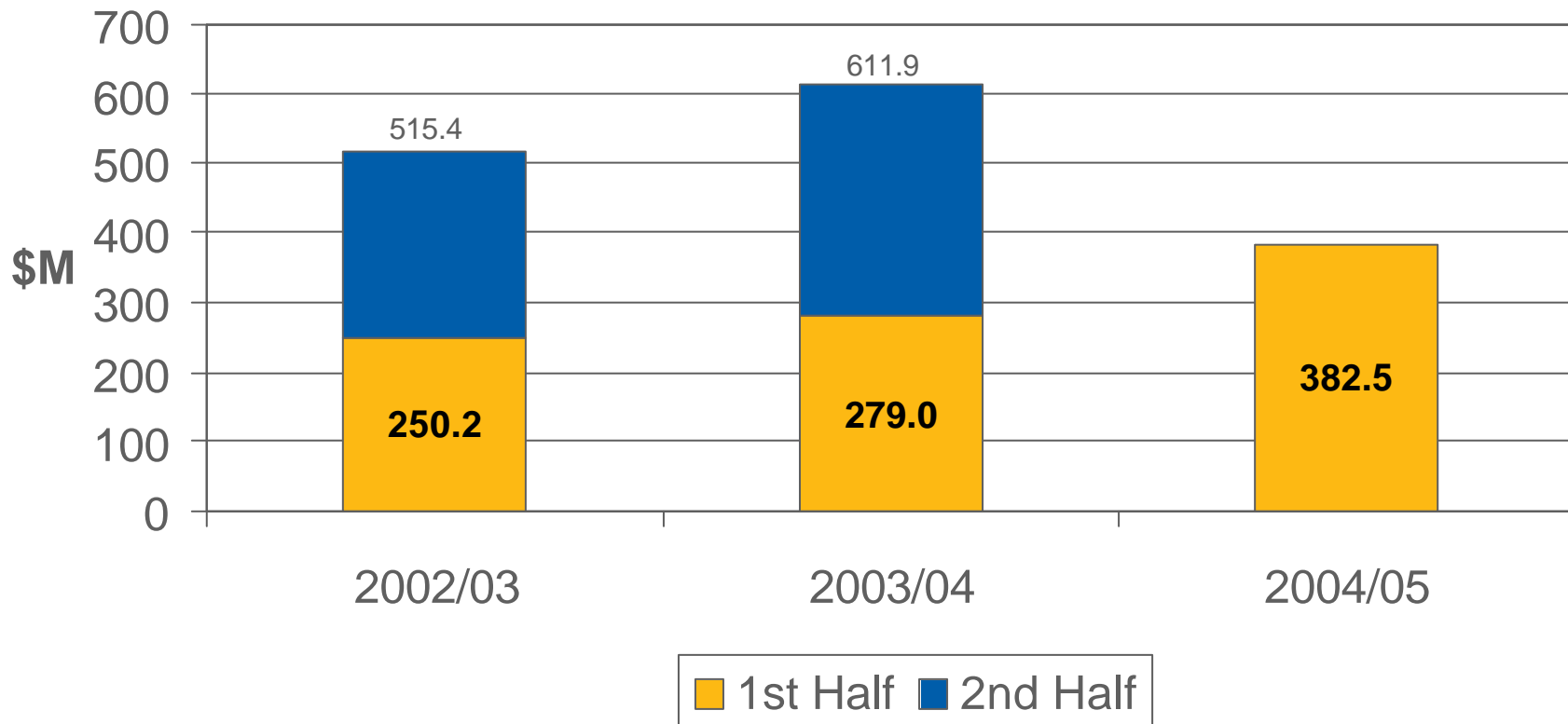


# Net Profit After Tax by Half Year



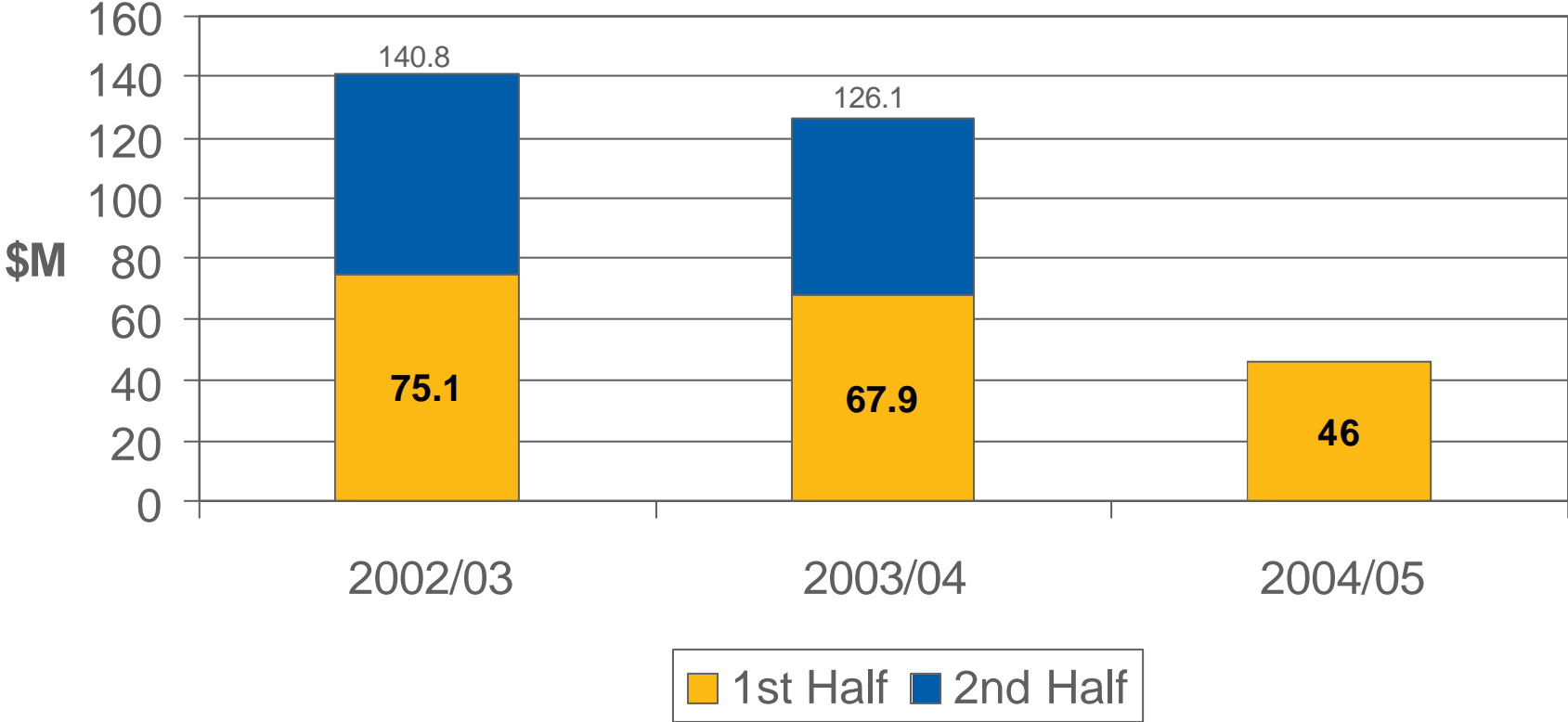
# Sales Revenue by Half by Division Managed Labour Services

safety • integr  
• knowledge  
people • innc  
specialist skills •



# Sales Revenue by Half by Division Infrastructure Services

safety • integr  
• knowledge  
people • inno  
specialist skills •



# Statement of Financial Position

As at 31 December 2004

safety • integr  
• knowledge  
people • innc  
specialist skills •

	December 2004	June 2004
	\$'000	\$'000
<b>Current Assets</b>		
Cash assets	648	7,651
Receivables	94,248	97,509
Inventories	3,724	5,327
Other	2,401	3,802
<b>Total Current Assets</b>	<b>101,021</b>	<b>114,289</b>
<b>Non-Current Assets</b>		
Receivables	1,035	854
Property, plant and equipment	30,224	37,670
Intangibles	52,063	53,977
Deferred tax assets	8,183	9,276
<b>Total Non-Current Assets</b>	<b>91,505</b>	<b>101,777</b>
<b>Total Assets</b>	<b>192,526</b>	<b>216,066</b>
<b>Current Liabilities</b>		
Payables	31,114	43,186
Interest-bearing liabilities	20,926	16,564
Current tax liabilities	73	3,159
Provisions	19,731	21,472
<b>Total Current Liabilities</b>	<b>71,844</b>	<b>84,381</b>
<b>Non-Current Liabilities</b>		
Interest-bearing liabilities	20,132	46,064
Provisions	4,353	5,201
<b>Total Non-Current Liabilities</b>	<b>24,485</b>	<b>51,265</b>
<b>Total Liabilities</b>	<b>96,329</b>	<b>135,646</b>
<b>Net Assets</b>	<b>96,197</b>	<b>80,420</b>
<b>Equity</b>		
Contributed equity	69,812	61,959
Reserves	4,674	4,671
Retained profits	21,711	13,790
<b>Total Equity</b>	<b>96,197</b>	<b>80,420</b>