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Skilled Group Limited  
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**Title:** Open Briefing® . Skilled. MD on Extraman Acquisition

**Record of interview:**

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Skilled Group Limited has today announced the acquisition of the Perth based staffing services business, Extraman, for an estimated price of \$20 million. Extraman is expected to have earned EBIT of \$4.5 million on revenue of \$70 million in FY05. What is the strategic rationale of the acquisition?

**MD and CEO Greg Hargrave**

The acquisition will be EPS positive in the first year and is a low risk reinvestment of our strong cash flow in our core staffing services business. It will not strain our resources as the current experienced management will be retained.

Extraman is a strong cultural fit. The organisation has a knowledgeable and dedicated staff with strong client and employee relationships. Management has similar standards and ethics to Skilled. Importantly, we both have a strong commitment to Occupational Health and Safety which is a key competitive advantage when managing scarce trades employees.

Extraman has a strong exposure to the mining and resources sector and will be a significant addition to our existing capacity in this area. Extraman's revenue growth was strong in FY05 reflecting the buoyant resources sector, it has a history of strong growth over its fifteen years of operation, and we believe there is strong future growth potential.

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Extraman operates in the mining and engineering sectors in Western Australia, Queensland, and the Northern Territory. With this increase in exposure to the resources sector what proportion of your business is now generated from resources?

**MD and CEO Greg Hargrave**

Currently we generate about 15 percent of our revenue from the mining and resources sector and we anticipate this will increase to about 20 percent with the acquisition of Extraman.

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What is the nature of Extraman's customer base and does its acquisition duplicate your existing customer base?

**MD and CEO Greg Hargrave**

It is a positive for us that Skilled and Extraman have few clients in common despite both having a strong exposure to the mining and resources and related sectors in Western Australia, Queensland and the Northern Territory. We anticipate that there will be as little as 10 to 15 percent cross over in the customer base.

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The resource sector experienced a series of mini-booms in the 1980's and 1990's. How sustainable is the current high level of demand for Australia's minerals? Are you buying Extraman at the top of the resource cycle?

**MD and CEO Greg Hargrave**

No, we don't believe so. All the economic data we've studied, in particular the BIS Shrapnel economic forecasts, as well as the feedback from many of our major customers in the mining and resources sector, indicate strong labour demand through to the end of this decade and beyond. There are a lot of large mining projects in the pipeline driven by the strength of demand for resources from China and also India which is expected to remain high for several more years.

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The Australian government's index of skilled job vacancies fell 0.5 percent in June and is now 3.2 percent lower than a year ago. Have you seen any slowdown in your staffing services businesses and are you on track to achieve your previous net profit guidance?

**MD and CEO Greg Hargrave**

Skilled Group businesses continued to be strong in the second half, particularly in the June quarter. We anticipate the reported profit will be in line with our previous guidance, which is in a range of \$24 million to \$25 million.

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What's the longer term outlook for Skilled Group, and in particular what's the outlook for FY06?

**MD and CEO Greg Hargrave**

We are very optimistic in the current environment. We are well equipped to take advantage of the resources boom, strong business investment and the skills shortages in the sectors in which our clients operate. We've done a lot of work over the last couple of years to refocus on our core staffing services offering and the entire management team keenly anticipates the opportunities in the next two years.

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Thank you, Greg.

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For more information about Skilled, visit [www.skilled.com.au](http://www.skilled.com.au) or call Julie McBeth on (03) 9924 2390.

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