
Skilled Group Full Year results 2004-05

24 August 2005

Highlights

- Sales revenue up 13% to \$833.6 million
- Reported Net Profit up 48% to \$24.3 million
- EBITDA for core business – Managed Labour Services – up 25% to \$33.1m
- Major restructure program now complete
- Strong balance sheet provides capacity for future growth
- Fully franked final dividend of 10 cents per share
- Fully franked annual dividend 16 cents per share
- EPS – 25 cents per share

Skilled Group Limited (SKE - formerly Skilled Engineering) Australia's largest staffing services company announced today sales revenue for the year 2004-05 was up 13% on the same period last year to \$833.6 million.

Headline profit (EBITDA – earnings before interest tax depreciation and amortisation) for the year was \$48.6 million. NPAT was \$24.3 million inclusive of profits of \$11.0m from a number of divestments made during the period.

Importantly, EBITDA for Skilled's core business – Managed Labour Services, which includes the company's Workforce Services (SKILLED brand), Excelior (customer contact) and Origin Healthcare businesses, was up 25.3%.

Sales in SKILLED (Workforce Services), which contributed 77% of the Group's total revenue, were up 19.1% to \$644.9 million. The result was driven by strong demand for labour across Australia in industries such as mining, manufacturing and automotive.

Revenue for Excelior (formerly Customer Contact Services) jumped by 35.2% to \$62.3 million, while Origin Healthcare, which was acquired in February 2004, recorded its first 12 month sales for the Group of \$73.8 million.

Managing Director and CEO of Skilled Group, Mr Greg Hargrave said the strong result reflects the decision taken last year to rationalise the company's portfolio through a series of divestments and acquisitions.

"It has been a period of transition for Skilled Group, the core business continues to produce solid results as evidenced by the strong revenue growth. The divestment of our Power, Communications and Yallourn Mechanical Workshop businesses has allowed us to focus on our core competency - staffing services.

“In the past 18 months we’ve grown the core business organically and with the acquisitions of Origin Healthcare, Medistaff Nursing Agency and Extraman. We’ve also broadened our management capability with several important appointments, including Chief Operating Officer, John Dixon. We’re positioned for growth in line with our strategy to build our core staffing services business,” Mr Hargrave said.

While the Origin Healthcare result was disappointing, based on expectations given at the time of the acquisition, he said that Skilled Group remains confident in the long term strategic attractiveness of the healthcare sector as a key part of its staffing services business.

“Given Australia’s ageing population we are committed to growing our presence in the healthcare market. Origin is the market leader in healthcare staffing services and we expect a better performance this year following our restructuring efforts,” Mr Hargrave said.

The Group’s debt position has been reduced to \$25 million from \$55 million with proceeds from the sale of divestments used to retire debt. Interest cover over the past 12 months was a very strong 12.6 times.

The directors declared a fully franked final dividend of 10 cents per share, payable on Tuesday 18 October. The shares will be traded cum div until Monday 19 September and trade ex-div on Tuesday 20 September.

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Summary of recent SKILLED Group announcements

Skilled Communications Services

In July 2004, Skilled announced the divestment of Skilled Communications Services to Service Stream Limited for a price of approximately \$10 million plus and earn out which would add a further \$3million if the expected 2004/2005 EBITDA of \$2.5 million is achieved

Skilled Power Services Business

In September 2004 Skilled Group announced that it had finalised the terms for the sale of its Power business to Abigroup Limited. Net proceeds were expected to be a total of \$16.1 million (based on projected 2004/05 EBITDA of \$3.1 million) with a book profit after tax of \$8.8 million.

Skilled Mechanical Workshops

Skilled Group announced in November 2004 that it would divest the Skilled Mechanical Workshops business to the Elliott Group of companies. Net proceeds (after collection of all receivables, payment of selling costs and repayment of leases) will be \$1 million. This will result in a small book loss on the sale of \$0.2 million.

Medistaff

Skilled Group announced in January 2005 that it has acquired Medistaff Nursing Agency for \$3.5 million. A further amount payable, based on 2005 earnings, could increase the total acquisition price to a maximum of \$7.5 million.

Extraman

Skilled Group acquired Perth-based staffing services business Extraman in July 2005 for an estimated purchase price of \$20 million.

The purchase price is based on an "earn out" arrangement of a multiple of 3.5 times average EBIT for the 2005, 2006 and 2007 financial years and includes the assumption of Extraman's debt. In 2005 Extraman's revenue and EBIT is expected to be \$70 million and \$4.5 million respectively.