ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

31 August 2017

Full Year 2017 Results

Ashley Services Group Limited (ASX: ASH), today announced a statutory after tax loss from continuing operations of $5.4 million for the financial year to 30 June 2017 (FY16: loss of $67.1 million). Total comprehensive loss for the year, including the impact of discontinued operations was $6.0 million (FY16: loss of $69.6 million).

Revenue from continuing operations was $314.7 million, 14% above the pcp (FY16: $276.9 million).

Statutory results for the full year ($ million)	FY17	FY16
Revenue from continuing operations	314.7	276.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(5.0)	(70.2)
Earnings before interest and tax (EBIT)	(6.9)	(73.6)
Net profit/(loss) after tax (NPAT) from continuing operations	(5.4)	(67.1)
Basic earnings/(loss) per share (cents)	(3.7)	(44.7)

Underlying EBITDA result exhibits substantial turnaround

Excluding significant items of $10.7 million net expense before tax, there was an underlying EBITDA profit of $5.7 million representing a substantial turnaround, up $13.4 million on the previous corresponding period (pcp) (FY16: underlying EBITDA loss of $7.7 million), with all divisions making significant contributions to this improvement.

See also Appendix: EBITDA to Underlying EBITDA Bridge – significant items

Underlying results for the full year ($ million)	FY17	FY16
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5.7	(7.7)
Earnings before interest and tax (EBIT)	3.8	(11.1)
Net profit/(loss) after tax (NPAT)	4.6	(4.6)
Basic earnings/(loss) per share (cents)	3.1	(3.1)

Underlying EBITDA by Division:

Underlying EBITDA for the full year ($ million)	FY17	FY16	Change
Labour Hire	7.8	4.9	↑2.9 (↑59%)
Training	2.9	(6.9)	↑9.8
Corporate costs	(5.0)	(5.7)	↓0.7 (↓12%)
Total	5.7	(7.7)	↑13.4

Labour Hire Division – Concept Engineering exhibiting significant growth whilst Action Workforce growth accelerates across the second half of the year

Results for the half year ($million)	FY17	FY16	Variance
Revenue	289.2	248.6	16%
Underlying EBITDA	7.8	4.9	59%

Engaging over 4,500 workers each week, the profitable Labour Hire division is made up of Action Workforce (blue-collar labour hire), Concept Engineering (technical labour hire) and Blackadder Recruitment (white-collar recruitment).

Labour Hire saw strong revenue growth across the year, up 16% on the prior year. Significantly, second half revenues grew by an impressive 21%, which represented a substantial strengthening on the first half (1H17 12%). Action Workforce revenues grew by a solid 12% year on year, but with a significantly strengthening second half trend (2H17 18% v 1H17 6%) reflecting the growing momentum as new contract wins ramp up. With a 70% lift across the year in the higher margin Concept Engineering revenues, the resultant significant 59% lift in EBITDA delivered an increased margin of 2.7% (FY16: 2.0%).

Blackadder Recruitment produced modest top line growth and solid bottom line profitability, and remains a big growth opportunity within our portfolio as we look forward to an improved FY18 and beyond under the leadership of its new GM.

FY17 again saw our Labour Hire division build on its impressive safety record, with our lowest ever FY17 Lost Time Injury Frequency rate (LTIFR) of 0.42 representing an industry-leading result for our employees and our corporate partners, as a direct result of our continued innovation across our Workplace Health & Safety programmes.

Training Division – Reduced scope and geographical distribution but continuing under a culture of compliance

Results for the half year ($million)	FY17	FY16	Variance
Revenue	25.5	28.3	-10%
Underlying EBITDA	2.9	(6.9)	↑9.8

The challenges of successfully reducing the size of our Training division have been well managed, with the Training division delivering a breakeven result across the second half despite the impact of numerous exit costs relating to the restructuring of our Training division, including redundancies, leave balance payouts and refund/credit activity relating to the wind down of exited brands and/or regions.

The Training division has been successfully restructured, now with a far reduced range of qualifications on scope, across a reduced geographical distribution, as we focus our activity on those regions with viable funding contracts. Accordingly, we continue with meaningful training operations in both WA and QLD, whist continuing to train out earlier funding through our Victorian operations which is also continuing to operate successfully on a fee for service basis. We will continue to seek out further government funding opportunities as they arise, primarily, at least in the short term, across these three active markets.

We will continue to invest significantly to ensure a culture of compliance sits above everything we do in our Training division, to make certain our processes and practices protect our position in the industry as a highly trusted, quality training partner for our customers, students, and also for the relevant government authorities who control many aspects of the training sector and its associated government funding schemes.

Balance Sheet, Cash Flow and Funding

The Group balance sheet has been further simplified and strengthened across FY17 following the impact of various write downs largely undertaken at the end of first half FY17, including the impairment of intangible assets ($5.5m) and write down of PP&E ($3.5m), partially offset by a $1.1 million profit arising from the cancellation of shares issued on acquisition.

Whilst net assets at $20.0 million as at 30 June 2017 were broadly in line with the half year position (1H17 $20.6 million), they were down from $27.1 million at 30 June 2016 due largely to these various write downs. Net tangible assets at end 30 June 2017 represent $16.7m or 11.6c per share (FY16: $17.3m or 11.5c per share).

Ending the year with a zero debt, and with a strong cash balance on the back of a positive cash flow result, sees us with a solid platform for future investment and growth.

Operating cash flow (from continuing operations) represented a significant improvement on prior year, delivering an inflow of $3.1 million (FY16 $1.0m inflow), and pleasingly strengthened across the second half (2H17: $1.7 million inflow, 1H17: $1.4 million inflow), despite the impact of numerous exit costs relating to the scale back process in the Training division, including redundancies, leave balance payouts and refund/credit activity relating to wind down of exited brands and/or regions.

As at 30 June 2017, the Group had a $5 million working capital facility through Shrimpton Holdings Pty Limited, a company associated with Ross Shrimpton, Managing Director, and with shareholders of the Group. As at 30 June 2017, the working capital facility was undrawn (30 June 2016, nil). Subsequent to year end, the Company has extended this $5 million working capital facility through Shrimpton Holdings Pty Limited, out for a further year to 29 October 2018.

Managing Director's Comments

Ross Shrimpton, Managing Director, said, "the underlying trading result for the year was a substantial recovery from the previous corresponding period. The challenges of successfully reducing the size of our Training division have been well managed, our cost base has adjusted downwards to reflect this reduction in the overall scale of our organisation, and our Labour Hire division has performed strongly throughout FY17.

With a simplified and strengthened balance sheet, zero debt and strong cash flows we are well positioned to capitalise on a positive business environment with stable employment opportunities. The Ashley Services team of 220 committed team members have continued to deliver for the Company during FY17 and we are confident we have the right team in place to lead us on to future success.

We look forward to further improvement across FY18 driven by continued revenue growth across all brands in our Labour Hire division and increased efficiency dividends as we leverage superior technology investments across the Labour Hire division. Our Training division focus is ensuring a strong culture of compliance sits above everything we do, to position it for future profitable growth in late FY18 and beyond. Corporate costs will continue to be addressed throughout the year ahead as we continue to target further reductions in our cost base.

Assuming we continue to see these trends remain on track at the half year, we anticipate we will be revisiting the dividend policy with a view to returning to dividend payments in FY18".

For further details:

Ross Shrimpton
Managing Director

Chris McFadden
Chief Financial Officer

Established almost half a century ago as a Labour Hire business in Sydney, Ashley Services Group listed on the Australian Securities Exchange in 2014. Today, it has cemented its position as a prominent national labour hire provider engaging over 4,500 workers on a weekly basis.

APPENDIX: EBITDA to Underlying EBITDA Bridge – significant items

	FY17 $million	FY16 $million
Statutory EBITDA[1]	**(5.0)**	**(70.2)**
Reassessment of value of deferred consideration liabilities	-	(3.5)
Impairment of Intangible assets/other assets	9.0	66.0
Restructuring expense	0.7	-
Cancellation of Shares issued on acquisition	(1.1)	-
Training division refunds from prior periods relating mainly to Victorian rectification activity	1.4	-
NSW Department finalisation costs	0.7	-
Net underlying adjustments	**10.7**	**62.5**
Underlying EBITDA	**5.7**	**(7.7)**

NOTES:

1. EBITDA is a non IFRS measure used internally by management to assess the performance of the business. It has been derived from the IFRS figures in the financial report.