



ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

Chairman and Managing Director 2017 AGM Addresses

Sydney: 2 November 2017

Address by Ian Pratt, Chairman

Good morning ladies and gentlemen,

My name is Ian Pratt and I am the Chairman of Ashley Services Group Limited. I'd like to welcome you to Ashley Services 2017 Annual General Meeting.

It is now 11am, the nominated time for the meeting. I am informed that a quorum is present, the meeting is validly constituted, and I am pleased to declare the meeting open. No apologies have been received

I thank you for taking the time to join us here in Sydney in our Corporate Office. Your directors are all here today, including your Managing Director Ross Shrimpton and our newest director and Chief Financial Officer, Chris McFadden. Also in attendance is our Company Secretary, Ron Hollands and Simon James, our Audit Partner from HLB Mann Judd.

The agenda for today's meeting will be as follows:

1. Address by Ian Pratt, Chairman
2. Address by Ross Shrimpton, Managing Director
3. Financial Results
4. Presentation by Chris McFadden, CFO and Executive Director
5. Resolutions as per the Notice of Meeting
6. Finally, we cover any general business including questions

Copies of the Notice of Meeting and Annual Report are available if you wish to obtain a copy.

The 2017 Financial Year was another challenging year for our organisation. We had management changes in the shape of both our CEO and CFO, and at the half year we announced our strategic decision to significantly scale back our Training division and focus on Labour Hire.

I am pleased to report that the Training division has been successfully restructured. The process itself was well managed, and we now have a smaller, focused Training division with a far reduced range of qualifications on scope, across a reduced geographical distribution.

Our Labour Hire division has had a very strong year with solid growth in both our main Action Workforce brand and in our Concept Engineering brand. Overall the Labour Hire division delivered an excellent result for financial year 2017.

The Australian economy gives every indication of continuing to grow modestly and as such doesn't appear to hold any surprises for our businesses. In fact, the areas of both supply chain, which is serviced by our Action Workforce brand, and Infrastructure development, which is the key focus of Concept Engineering, are both continuing to grow above trend and this bodes well for these brands and indeed for our overall Labour Hire division.

I'd now like to hand over to our Managing Director, Ross Shrimpton, to discuss our business divisions in further detail. But before I do, I'd like to formally welcome Ross back to the company he founded. As you know, Ross stepped away from a day to day role back in early 2016 but when the company started to face increasing challenges including the departure of its CEO, Ross stepped back into the Managing Director role and has been instrumental in getting the company back on to a sound footing. Thanks Ross and over to you for a more detailed insight into our 2017 performance and prospects.

**Address by Ross Shrimpton, Managing Director**

Thanks Ian, yes overall, I think it's safe to say that our 2017 results exhibited a substantial turnaround on the prior year. Speaking at an Underlying EBITDA level, to take the various, predominantly non-cash write-downs out of the equation, at an Underlying EBITDA of \$5.7 million we were up \$13.4 million on the Underlying EBITDA Loss of \$7.7 million for 2016.

You may recall that 2016 had some significant losses in the Training division, to the tune of \$6.9 million. Therefore, the Underlying EBITDA from Training in 2017 of \$2.9 million was a large component of the improvement. Labour Hire however was up \$2.9 million (59%) from \$4.9 million to \$7.8 million, which is a significant lift in anyone's language for a mature business. The final component was a substantial reduction in our Corporate costs from \$5.7 million to \$5.0 million.

Giving a little more colour to our Labour Hire performance, Action Workforce, which is predominantly focused on the provision of labour hire to the supply chain sector, saw revenue growth of 16% for the year and an even stronger 21% across the second half.

Concept Engineering, which is a higher margin business servicing the Trades and Infrastructure development space, grew at a scale changing 70% revenue growth year on year.

I would also like to take the opportunity to highlight our Labour Hire division's impressive safety record. Our FY17 Lost Time Injury Frequency rate (LTIFR) at 0.42 is an industry-leading result for our employees and our corporate partners. We take great pride in this result, which is our fifth consecutive year at an LTIFR of 1.0 or lower, and which comes as a direct result of a lot of hard work and our continued innovation across our Workplace Health & Safety programmes.

Blackadder Recruitment was positive in terms of top line growth, but it was modest as was its profitability. We are confident that with the new management in place here that this business is picking up and we have seen signs of that in the first quarter, with good momentum and a strong pipeline pointing to better times ahead for Blackadder.

Similarly, the first quarter performances of Action Workforce and Concept Engineering have continued the momentum seen across 2017 and we are pleased with where these businesses are at for Q1 and their potential for further profitable growth across the remainder of 2018.

Moving forward, all our Labour Hire brands will benefit from our investment in technology with the introduction of new Payroll & Billing systems, On Boarding tools, newly introduced Candidate and Customer databases and the imminent introduction of enhanced Rostering technology, all which should enable these businesses to continue their growth phases and leverage improved efficiencies.

It is important to note that our Training division is now effectively reduced to Western Australia, Queensland and Victoria, with the latter of these, Victoria, largely confined to the train out of earlier funding, as well as continuing to operate successfully on a fee for service basis. We called out, at the full year results, our intention to continue to seek out further government funding opportunities as they arise, primarily, at least in the short term, across these three active markets. This continues to be something we are actively pursuing as a way of re-establishing a meaningful Training division.

With that in mind we have continued to invest in our Training division to ensure a culture of compliance sits above everything we do and 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 for the relevant government authorities.

It is however important to note that in the absence of any further State funding contracts in financial year 2018 that our Training division will be only a minor contributor to our overall profitability and not to the extent it was in 2017, where it delivered an Underlying EBITDA of \$2.9 million, most of which came from the first half of that year.

The last component of our performance was a significant reduction of \$0.7 million in our Corporate costs and we are committed to delivering an even more significant reduction across financial year 2018 and one quarter in are very much on track to deliver that.

So, the message is that we have successfully stabilised our company, we had no debt as at year end, had a very pleasing operating cash inflow and an overall simplified and streamlined balance sheet, all of which leaves us in a strong position to capitalise on the growth opportunities in Labour Hire and to re-emerge as a meaningful Training provider.

I'd like to say personally I'm enjoying being back in the Managing Director role but personally I'd like to take the opportunity to thank Ian for the wise counsel he provides us all in his role as Chairman. I'd also like to thank all the team at Ashley, particularly those at the coal face in our Labour Hire and Training divisions, but also to our Corporate team members. Together they have all done an excellent job in getting our company back on track and I look forward to working with them as we push on to future success. I'd like to also thank our CFO and Executive Director, Chris McFadden, who came in earlier in the year and really hit the ground running, he has made a great contribution to our organisation in a relatively short time. Finally, thanks to our shareholders, many of whom I



recognise have had quite a rocky journey, but I thank them for their support and look forward to delivering them improving performances well into the future.

I will now hand over to our Chief Financial Officer and Executive Director, Chris McFadden, to take us through a presentation of the Q1 FY18 results in a little more detail.