ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

25 October 2018

Chairman & Managing Director 2018 AGM Addresses

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 2018 Annual General Meeting.

It is now 10am, 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 along with Chris McFadden our Chief Financial Officer and Executive Director. 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. Q1 FY19 Financial Results Presentation by Chris McFadden, CFO and Executive Director
4. Resolutions as per the Notice of Meeting
5. 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 2018 Financial Year was our first full "business as usual" year following the significant adjustments which had materially negative impacts on both our FY16 and FY17 results. It also represents the first full year following our announced strategic repositioning back in March 2017 as a Labour Hire company with a smaller and more focused, complementary Training division.

With that in mind, our return to a full year profit in FY18, following on from a profitable second half in FY17, in many ways validates that strategic decision we reached back in mid FY17.

Our Labour Hire division has continued leading the way, delivering a pleasing lift in profit on the back of a solid lift in revenue, led by Concept Engineering. This revenue increase, an increasing Concept mix, as well as the leveraging of our overheads across all labour hire brands during this growth, has resulted in an improved level of profitability being delivered by our labour hire division.

Our Training division emerged from FY18 with a strong Western Australian operation, far improved operations in Queensland, and a strong, highly performing compliance function. Both Western Australia and Queensland delivered pleasing full year profit results, Victoria is improving, and we are well positioned for better performances in the year ahead.

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 congratulate Ross on what he has achieved since he took over the reins again as Managing Director back in early 2017.

When Ross stepped back in, Ashley Services Group had just announced a half year loss for FY17 on top of significant losses in FY16. There hadn't been a dividend since back in late 2015, the company was under voluntary suspension and the share price was languishing around 10 cents, getting down as low as 6 cents.

Today we are reflecting on an EBITDA result for FY18 of $8 million, we recently paid a fully franked dividend of 2.5 cents, our first dividend in almost three years and our share price is touching the 30 cent mark. That's quite an achievement in some 18 months or so. So, thanks Ross and I'll hand over to you for a more detailed insight into our 2018 performance and future prospects.

Address by Ross Shrimpton, Managing Director

Thanks Ian, it has been a rewarding year and a half, but it's definitely not all down to me. I'd like to take the opportunity up front to thank the whole team at Ashley, both the frontline teams and the leaders in our Labour Hire and Training divisions, and also to our Corporate team members. Together this team has done an excellent job in turning around our company and I look forward to continuing to work with them as we push on to future success.

I'd like to also thank our CFO and Executive Director, Chris McFadden, who joined at the same time I took on the Managing Director role and who has been invaluable, working alongside me to turn around our company and lead us to the significantly improved results we are discussing here today. I'd also like to acknowledge the role Ian plays as our Chairman, which again has been of great support to me, with his wise counsel helping to steer our ship into smoother waters.

Financial Year 2018 was definitely a pleasing return to full year profitability and as Ian touched on, validates our strategic repositioning of Ashley Services back in March 2017 as a Labour Hire company with a smaller and more focused, complementary Training division.

At an EBITDA level, we delivered a result of $8 million in FY18, a substantial lift on the $5 million loss for FY17, so a truly impressive turnaround in our company's fortunes. This result was primarily due to the solid performance of our Labour Hire division, with Action Workforce and Concept Engineering offsetting the decline in our Training division.

Top line growth for Labour Hire was strong, at around 13% on the prior year, led by Concept Engineering up almost 60%. This business, which we bought back in May 2014 and which turned over just over $20 million in FY15, has grown to just over $50 million in FY18 and we continue to see good growth prospects for Concept into the foreseeable future.

Action Workforce with growth of 8% also played a significant role in our FY18 performance but as we have announced previously, the loss of a contract renewal with unacceptable terms to us, will see the top line for Action come back, with that contract accounting for revenue of around $58 million in FY18. Again, as previously stated we do not anticipate any material negative impact on the overall profitability of the group as the result of this contract loss.

During the last few months we have brought on two larger new customers and also expanded two of our existing customers to national supply. We will continue to bid sensibly for new opportunities but will fully consider all of these bids on a case by case basis to ensure we only enter into contracts which enhance our profitability. It's not that we don't care about the top line number, it's just that it doesn't pay the bills, it's the bottom line which matters to us.

Aside from the top line strength I just mentioned, cost control in our labour hire division played an important role in our result, with overheads growing at a slower rate than our strong revenue growth, delivering improved profitability in the Labour Hire division due to this improved leveraging of our cost base as well as the increase in mix of our higher margin Concept business.

I'd also like to highlight again our impressive Safety record, with our Lost Time Injury Frequency Rate (LTIFR) reducing to a low of 0.39 in FY18. That truly is world's best practice and something we are extremely proud of, and which is a direct consequence of our strenuous on-boarding programmes, closely partnering with our customers, and also an absolute commitment to continued innovation across our Workplace Health & Safety programmes. I'm also pleased to report that Q1 has seen no lost time injuries recorded across our organisation.

Corporate costs continued to deliver further savings in FY18 with a year on year reduction of $1.2 million. With corporate costs now at $3.8 million this represents a $1.9 million or 33% reduction since FY16. We will continue to look for opportunities to reduce further but the decreases will become lesser now most of the hard work has been done.

In terms of our Training division I am pleased to report that Western Australia has performed well across the year, whilst Queensland closed FY18 in much better shape. Our Victoria operations are still finding their way but again the signs are promising. We believe the Training division is well placed to improve our results across FY19, even if the first quarter, as you will see, is yet to evidence that improvement. Improvements are evident and our work in progress points to better times ahead.

So, the message is that following on from the stabilising year of FY17 we have moved into "business as usual" mode. On the back of a strong operating cash inflow we ended the year with no debt and remain well positioned to capitalise on growth opportunities wherever they may arise. We have looked into a couple of acquisition opportunities but as yet haven't found any that we feel will add to our organisation and represent a prudent use of shareholders funds. We will continue to evaluate opportunities and again, we are in a good place to act when the time and the opportunity is right.

Finally, I'd like to say how happy we are to have delivered a dividend to our shareholders after a period of almost three years without one. In many ways this return to a dividend payment represents our confidence in the sustainability of our results. I'm not going to give any guidance as to the future, as has been our practice for some time now. I'd like to thank our shareholders for their support and we remain committed to delivering them continued 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 brief presentation on our Q1 FY19 results which show that we are ahead of last year and have had a successful start to the 2019 Financial Year.

- ENDS -

For further details:

Ross Shrimpton	Chris McFadden
Managing Director	Chief Financial Officer