ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

28 August 2020

Full Year 2020 Results

- **EBITDA of $9.7 million, up $0.6 million or 6.8%**
- **CCL Group acquisition delivers on business case**
- **Record Operating Cash Inflow of $14.1 million**
- **Zero Borrowings**
- **Dividend maintained at 2.7 cents per share**
- **Moving to twice yearly dividends**

Ashley Services Group Limited (ASX: ASH), today announced a statutory after-tax profit from continuing operations of $5.1 million for the financial year to 5 July 2020, representing a decline of $0.3 million or 6.5% on the prior corresponding period (pcp) (FY19: $5.4 million).

FY20 EBITDA of $9.7 million, was up $0.6 million or 6.8% on the pcp (FY19: $9.1 million), with the EBITDA rate down 28 basis points (bps) to 2.89%, reflecting the declining mix of higher margin labour hire brands.

Operating cash flow was a very pleasing $14.1 million inflow for the year (FY19: $4.8 million). In light of this cash generation along with our stable operating results, the Board has decided to move to twice yearly dividend payments.

Revenue of $336.8 million was up by $49.3 million or 17.1% on the pcp (FY18: $287.6 million), primarily due to the first year of CCL Group revenue ($48.9 million).

Statutory results for continuing operations ($ million)	FY20	FY19	Change
Revenue	336.8	287.6	↑17.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	9.7	9.1	↑ 6.8%
Earnings before interest and tax (EBIT)	7.7	8.1	↓ 5.4%
Net profit/(loss) after tax (NPAT)	5.1	5.4	↓ 6.5%
Basic earnings per share (EPS) - cents	3.24	3.77	↓14.1%

EBITDA by Division ($ million)	FY20	FY19	Change
Labour Hire	12.5	11.5	↑1.0 (↑9.1%)
Training	0.8	1.0	↓0.2 (↓21.4%)
Corporate costs	(3.6)	(3.4)	↑0.2 (↑6.4%)
Group EBITDA	9.7	9.1	↑0.6 (↑6.8%)
EBITDA %	2.89%	3.17%	↓28bps

Impact of adoption of AASB 16 – Leases:

Excluding the impact of the adoption of the new Accounting Standard in FY20 (AASB 16 – Leases) adjusted Group NPAT would have been higher by $0.4 million at $5.5 million, up $0.1 million or 1.6% on the pcp, whilst EBITDA would have been lower by $0.6 million at $9.1 million, the same level as the pcp.

Labour Hire Division – First year of the CCL Group has shown both Revenue and bottom line growth

Results for the half year ($million)	FY20	FY19	Variance
Revenue	329.5	279.5	↑17.9%
EBITDA	12.5	11.5	↑ 9.1%
EBITDA %	3.79%	4.10%	↓31bps

Engaging up to 5,000 workers weekly, our Labour Hire division is comprised of Action Workforce (blue-collar labour hire), CCL Group (construction based labour hire and traffic management), Concept Engineering (technical labour hire) and Concept Recruitment Specialists (white-collar recruitment).

Our Labour Hire division delivered an impressive revenue growth of $50 million or 17.9%. EBITDA at $12.5m represented a $1 million or 9.1% lift on prior year.

Year one of our ownership of the CCL Group, with the acquisition completed on 20 December 2019 and having financial effective date of 1 July 2019, delivered on our expectations which underlined the business case at the time of the acquisition. The CCL Group was able to deliver revenue growth of 23% on the pre-acquisition year, driven predominantly by growth in the Victorian government infrastructure sector.

Action Workforce delivered revenue growth of 3.0% on the prior year.

Concept Engineering, which is strongly Victorian centric, experienced a revenue reduction of 8.7% on the previous year.

Concept Recruitment Specialists, which has now absorbed the former Blackadder operations, experienced a revenue reduction of 13.9% on the previous year, largely the result of the COVID effect on the permanent white-collar recruitment sector.

Training Division – Breakeven second half despite COVID and encouraging start to 2021

Results for the half year ($million)	FY20	FY19	Variance
Revenue	7.3	8.0	↓ 8.6%
EBITDA	0.8	1.0	↓21.4%
EBITDA %	11.2%	13.0%	

Our Training division experienced restrictions on face to face training and a relaxing of the need to attend training classes to qualify for unemployment benefits, both of which impacted class numbers and completions.

The first half of the financial year had Training at an EBITDA of $0.8 million, well up on prior year and well poised for a similar second half. It was pleasing to breakeven across the second half and hold onto a full year EBITDA for the Training division of $0.8 million.

Results so far in the 2021 financial year are encouraging with Queensland and Western Australia returning to pre-COVID student activity and Victoria is holding the line with a move to a greater mix of distance learning.

Balance Sheet, Cash Flow and Funding

The acquisition of the CCL group has seen a significant change to our balance sheet. Net assets at $25.8 million were down by $0.8 million on the financial year ending 5 July 2020 position of $26.6 million.

Please refer to the comments contained within the 4E for greater detail on the major balance sheet movements.

Operating cash flow was strong in the second half, building on an inflow of $2.2 million at the half, to end at our best ever level of $14.1 million inflow for the year (FY19: $4.8 million).

Our cash flow performance has seen us again close the year with zero borrowings at year end.

Managing Director's Comments

Ross Shrimpton, Managing Director, said, "2020 has been a challenging year as we have all faced the difficulties presented by living and working in a COVID impacted environment. Our staff throughout the entire company adapted and adjusted systems and operations, with this hard work having a major effect in limiting the COVID impact on our business. This has enabled us to achieve a profit after tax, normalised for the adoption of the new accounting standard (AASB 16 – Leases), which was up 1.6% on the previous year.

Our business has shown an impressive resilience to provide a hard-earned continuation of our quality results along with strong cash generation. To a large extent our organisation has been shielded from the worst impacts of COVID due to the major drivers underlying our business. Action Workforce has benefited from a high exposure to the supermarket and related supply chain sector. Both the CCL Group and Concept Engineering were supported by their presence in major Victorian government infrastructure projects that have continued throughout the COVID period.

The impressive safety performance of our company continues to represent world's best practice which is something we are extremely proud of.

Our cash flow performance, reflected in a $14.1 million operating cash inflow for the year, was an outstanding result. This has allowed us to again close the year with zero borrowings in a year where we made both our initial acquisition payment and a special dividend for the CCL Group, as well as the payment of our 2019 dividend. This cash position together with the resilience exhibited in our results places us as one of a select few companies maintaining a dividend at last year's level (2.7 cents per share).

As a result of our cash generation and our stable operating results, the Board is pleased to announce the move to twice yearly dividend payments."

For further details:

Chris McFadden
Chief Financial Officer / Executive Director / Company Secretary

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 almost 5,000 workers on a weekly basis.