Results for the year ended 30 June 2014

Presented by: Mick McMahon, CEO
Date: 13 August 2014

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Agenda

Mick McMahon

CEO

- Group Performance
- Business segment overview
- Strategy update
- Outlook

Gary Kent

CFO

Johannes (Jan) Risseeuw

COO – Engineering & Offshore

- Business update

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FY14 Group Performance

	FY14	FY13
Sales Revenue[1] ($m)	1,873.3	1,873.9
Reported NPAT ($m)	44.2	56.2
Underlying NPAT[2] ($m)	55.3	58.4
Underlying EBITDA[3] ($m)	95.4	95.1
Operating cash flow (before tax) ($m)	80.9	89.7
Net debt ($m)	170.1	44.8
Gearing[4]	26.2%	8.7%
Reported EPS (cps)	18.9	24.1
Underlying EPS (cps)	23.6	25.0
Dividend (cps)	17.0	16.0

Revenue and underlying EBITDA in line with pcp

- Stronger 2H driven by Engineering & Marine Services
- Acquisitions' results in line with expectations
- Underlying EBITDA margin maintained at 5.1%
- $15m cost reduction in FY14

Reported EPS includes the impact of:

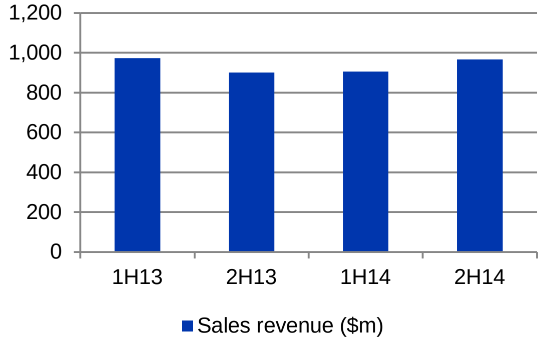
- Non-cash acquisition accounting adjustments
- Integration and restructuring costs

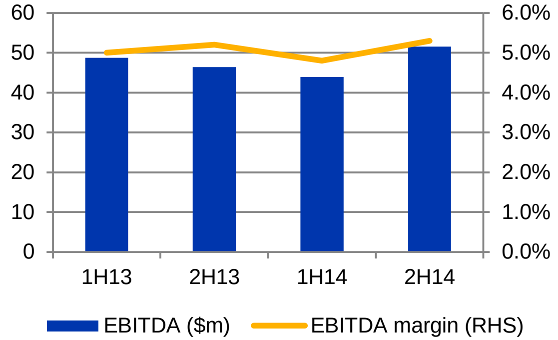
Strong operating cashflow

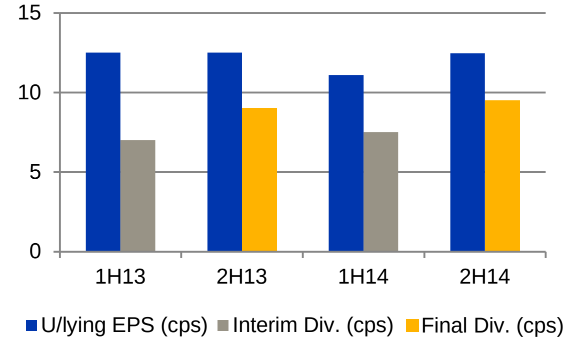
Increase in total FY14 dividend to 17.0 cps

- Increased final dividend of 9.5 cps, fully franked

Gearing remains conservative at 26.2%







[1] Includes equity accounted income from joint ventures
[2] Refer to page 25 for reconciliation of underlying NPAT to reported NPAT. Underlying NPAT is an unaudited non-IFRS measure
[3] As per segment reporting
[4] Debt/(Debt + Equity)

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FY14 highlights

Delivering on the strategy

- Strong 2H revenue
- Shift in earnings mix, with growth in Engineering & Marine Services offsetting the cyclical decline in Workforce Services and Technical Professionals
- Underlying EBITDA margin of 5.1% supported by acquisitions and cost reduction

Significant growth in Engineering & Marine Services

- Broadsword performance in line with expectations, high vessel utilisation rates in 2H
- Thomas & Coffey integration progressing well, performance in line with expectations
- Ramp up of the Saipem project late in 2H, will build further through 1H FY15
- International oil & gas network expanded into Houston and Singapore
- Engineering maintenance and shutdown services well positioned for growth

Good progress on Transformation program

- ERP (Agresso) upgrade completed on time and on budget in July 2014
- Further automation, standardisation and centralisation of core processes

Stronger run-rate in 2H14 is expected to continue into FY15

Performance led by Engineering & Marine

		Sales $m	EBITDA[2] $m	Underlying EBITDA margin
Engineering & Marine Services[1]	**FY14**	**617.8**	**58.3**	**9.4%**
	FY13	468.8	41.3	8.8%
Workforce Services	**FY14**	**884.3**	**35.2**	**4.0%**
	FY13	918.3	40.8	4.4%
Technical Professionals	**FY14**	**375.0**	**16.6**	**4.4%**
	FY13	488.9	26.8	5.5%
SKILLED Group[1]	**FY14**	**1,873.3**	**95.4**	**5.1%**
	FY13	1,873.9	95.1	5.1%

Strong growth in Engineering & Marine Services

- 32% revenue increase, 41% EBITDA increase
- Strong 2H contribution from Australian oil & gas activity; declining contribution from the OMSA JV

Workforce Services impacted by weak market conditions

- Volume stabilising but margins impacted by client and competitive pressures
- Benefiting from supplier consolidation in mining and FMCG market segments
- Supported by Transformation and cost reduction

Significant revenue decline in Technical Professionals

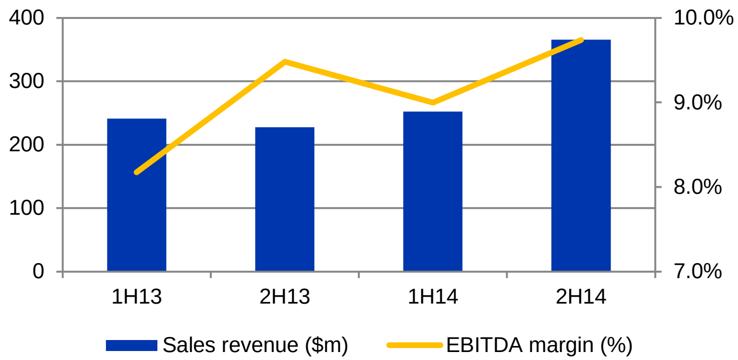
- Decline primarily in Swan, although some signs of stabilisation in contractor numbers by end 2H
- Slowdown in NBN and related telecommunications activity
- Good contributions from Training Services and SKILLED Health

Maintained EBITDA margin overall

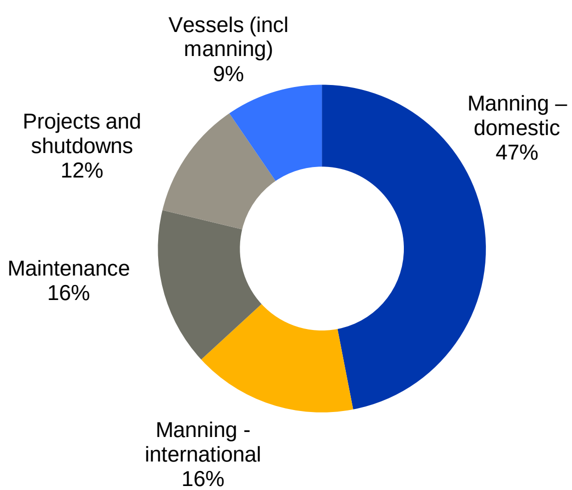
[1] Includes equity accounted income from joint ventures
[2] As per segment reporting

Engineering & Marine

Financial performance[1]



Revenue by activity (FY14)[2]



Strong revenue growth

Engineering well positioned for growth

- Exposure to mining production volumes rather than commodity prices, benefiting from supplier consolidation in mining
- Increased shutdown activity in ATIVO
- Thomas & Coffey performing well, providing reach and capability

Marine benefiting from broad exposure to oil & gas life cycle

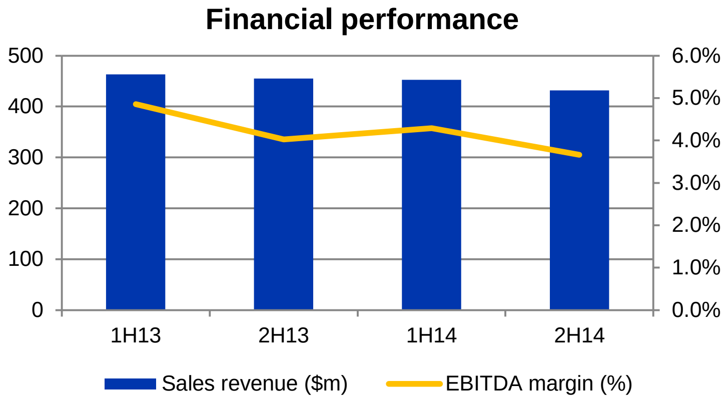
- Increased oil & gas activity levels in Australia in 2H; very strong performance from NZ; International well positioned for growth
- Mobilisation of Saipem contract end 2H; majority of activity in FY15
- Broadsword in line with expectations; high level of vessel utilisation in 2H and good pipeline of work including mining and infrastructure related projects
- OMSA JV continues to de-mobilise vessels consistent with project lifecycle; current contract runs to December 2015
- Expanding international network driven by client demand

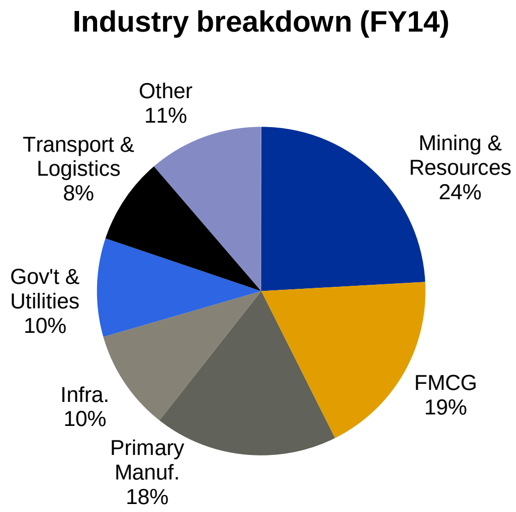
Strong pipeline of opportunities including recent contract wins

- 2H run-rate expected to continue into FY15

[1] Includes equity accounted income from joint ventures
[2] Includes notional 50% share of joint venture revenue

Workforce Services





WFS revenue and margin affected by difficult market conditions

- 2H employment demand weakened post Federal budget
- Volume of hours worked continued to stabilise through 2H
- Benefiting from supplier consolidation in the mining and FMCG sectors
- Recent contract wins in iron ore, coal, infrastructure and rail
- Pipeline of infrastructure projects and re-set of NBN activity expected to support future growth
- Cost reduction program partially offset continued pricing pressure
- Good working capital performance in tough market conditions
- Benefits of continued progress on Transformation
    - Automation of previously manual activities: online and mobile
    - Centralisation of activities, supporting branches
    - Improved system and organisational capability

Strategy is to retain key clients and volumes while maintaining pricing, costs and working capital discipline

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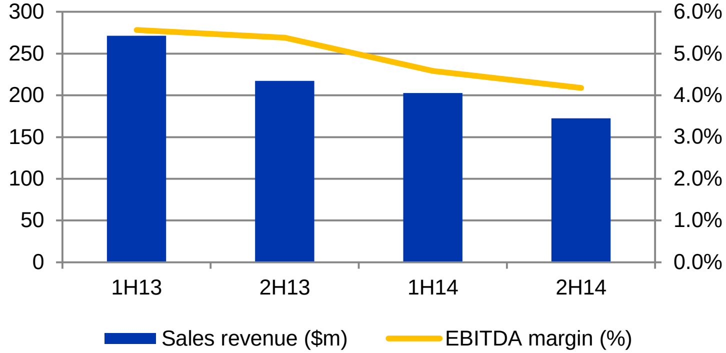
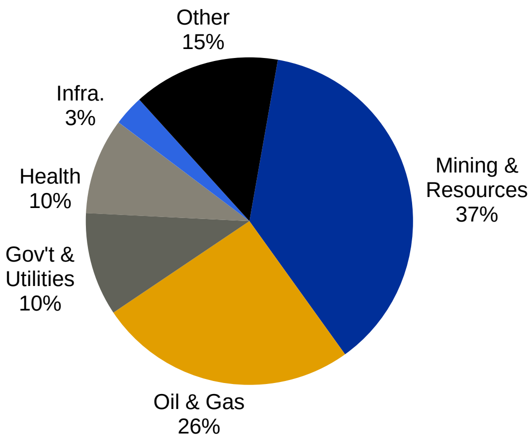
Technical Professionals

Financial performance



Industry breakdown (FY14)



Swan revenue and contractor numbers significantly reduced

- Affected by decrease in engineering project activity
- However, some signs of stabilisation in contractor numbers by end 2H

Weaker demand for technical professional roles

- Weaker demand for both permanent and contractor roles
- Improvement in second half; NBN-related telecommunications activity levels expected to increase through FY15

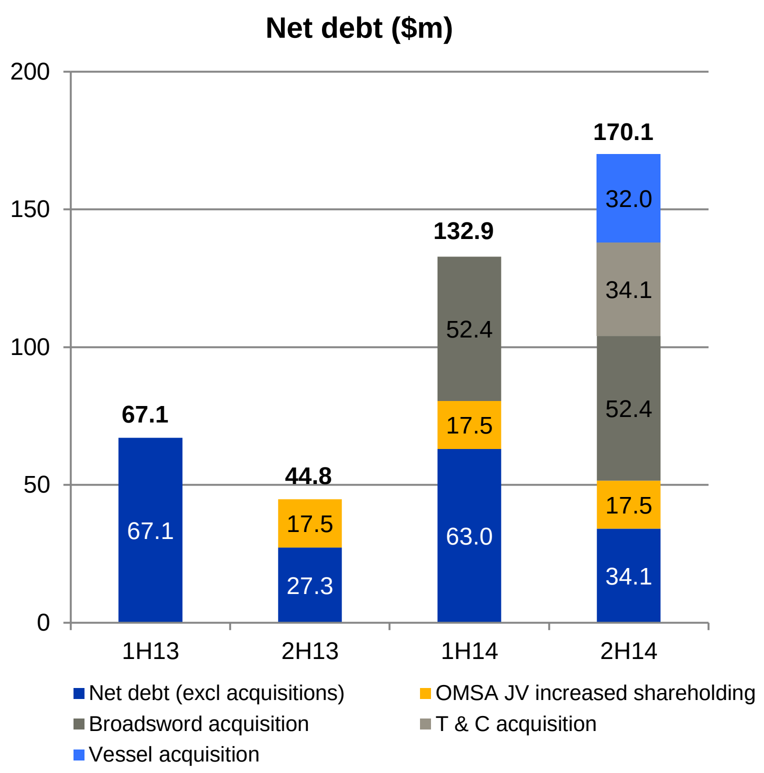
Improvement in the performance of **SKILLED Health** and **Training Services**, including **Indigenous employment**

Cost base lowered significantly through FY14 in response to difficult market conditions

Consistent cashflow, conservative gearing

- Disciplined working capital management
- Net debt increase supporting investment in growth (Broadsword, Thomas & Coffey, vessels, Saipem working capital)
- Working capital to support the Saipem project to peak mid FY15 before declining by end FY15

$m	FY14	FY13	FY14 vs. FY13
EBITDA adjusted for non-cash items	**84.7**	**86.3**	**(1.6)**
Decrease/(increase) in working capital	(3.8)	3.4	(7.2)
Operating cashflow, excluding tax	**80.9**	**89.7**	**(8.8)**
Net tax paid	(20.2)	(27.8)	7.6
Operating cashflow after tax	**60.7**	**61.9**	**(1.2)**
Net interest paid	(7.2)	(3.9)	(3.3)
Capital expenditure	(51.0)	(11.3)	(39.7)
Acquisition/earn-out payments[1]	(86.5)	(27.0)	(59.6)
Dividends paid	(38.7)	(35.0)	(3.7)
Other	(1.0)	2.4	(3.4)
Total cashflow	**(123.8)**	**(12.9)**	**(110.9)**
Opening Net Debt	**44.8**	**27.4**	**17.4**
Cash (inflow)/outflow	123.7	12.9	110.9
Other movements (FX, fees)	1.6	4.5	(3.0)
Closing Net Debt	**170.1**	**44.8**	**125.3**
Gearing[2]	**26.2%**	**8.7%**	**17.5%**



[1] Net of cash/debt acquired
[2] Debt/(Debt + Equity)

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Strategy update

Building on our heritage and values

SKILLED has been the market leading brand for 50 years

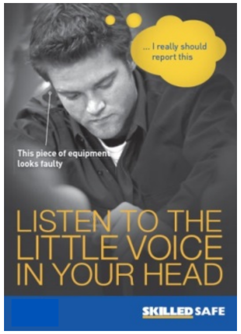
- Brand refresh program underway

We continue to strengthen the culture and organisational capability

- Simplified organisation and strong senior management team
- Transformation of core processes and systems
- ‘Brand and Culture’ program rolling out across the Group

Safety is core to SKILLED’s culture

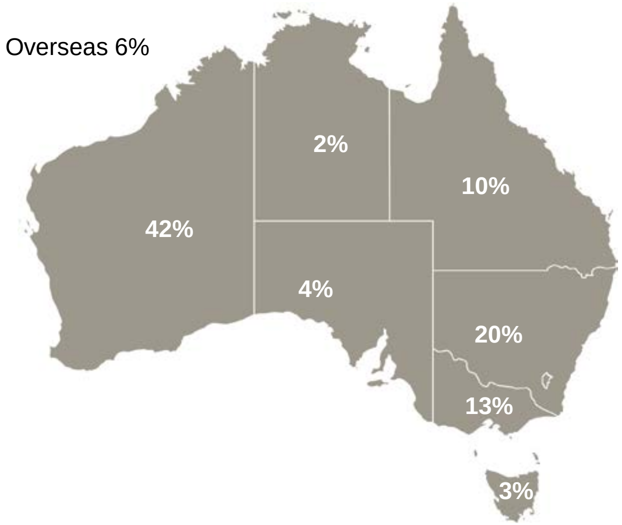
- 14% reduction in AIFR[1] in FY14 vs FY13
- Continued reduction in workers’ compensation costs
- Risk-based approach to safety management via the Golden Rules



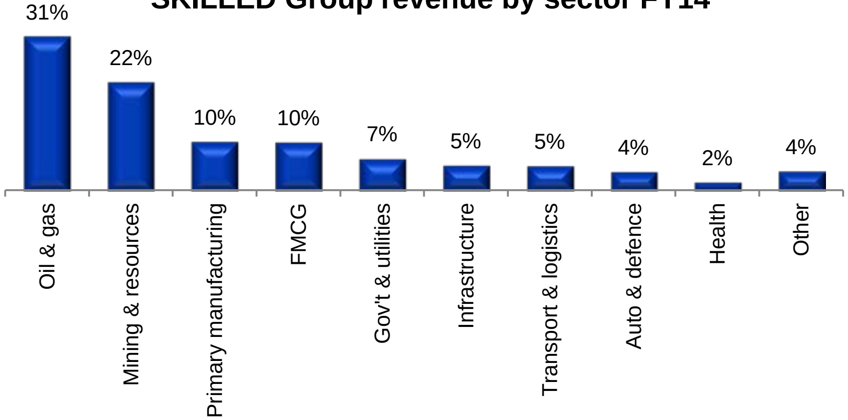
[1] AIFR: All Injury Frequency Rate

Our competitive advantage

SKILLED Group revenue by geography FY14



SKILLED Group revenue by sector FY14



Market leader in the provision of flexible labour solutions

- Tradespeople, experienced operators & technical professionals
- Engineering projects & maintenance
- Offshore marine services

Strong position in key growth sectors

- Mining & resources; oil and gas; infrastructure; telecommunications

Safety leadership in the industry

Industrial relations expertise

~50,000 people employed each year, including:

- ~ 1,000 traineeships and apprenticeships
- ~ 500 Indigenous employees

Long term client relationships

Well established and trusted brand

Extensive branch network across Australia

Note: above graphs include notional 50% share of joint venture revenue

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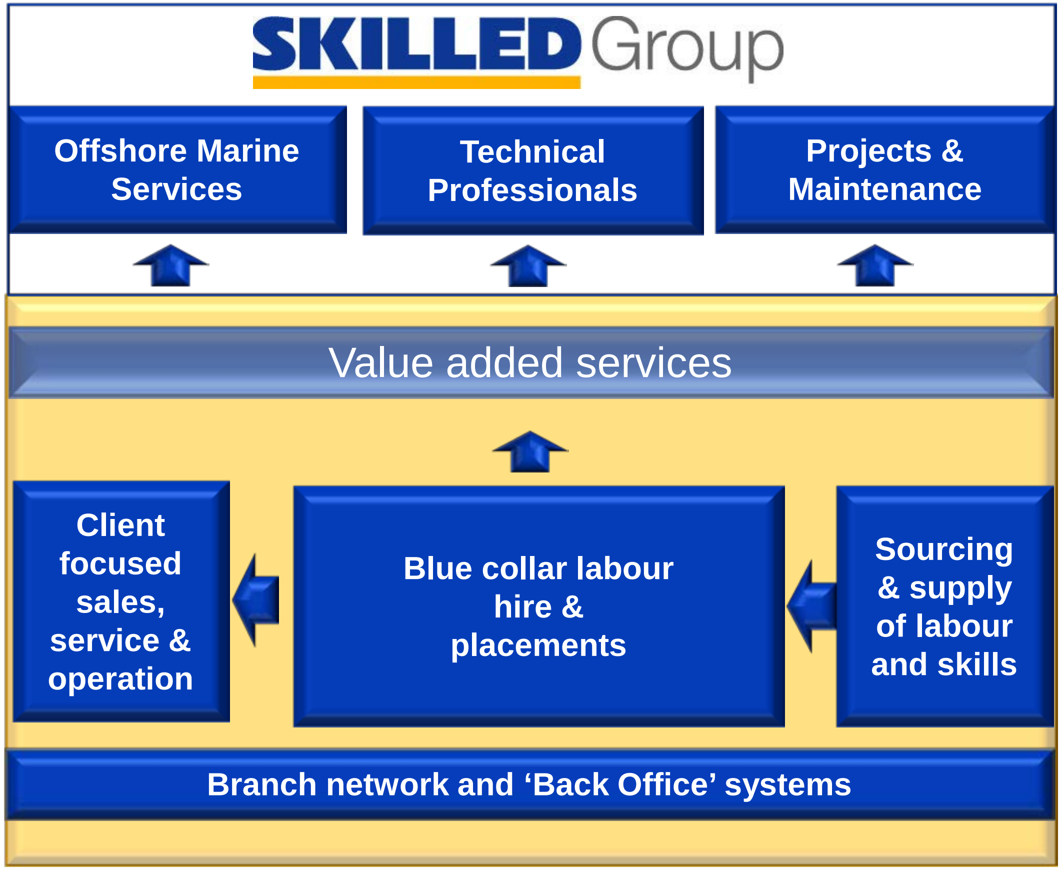
Strategy for value growth



Build scale and capability in attractive higher skill, higher margin segments

BROADSWORD MARINE CONTRACTORS

thomas &coffey

Leverage scale and brand strength in Workforce Services

- Transformation, cost efficiency, data based decision support
- Focus on safety and higher skill roles

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Strategy implementation on track

Build scale and capability in attractive higher skill, higher margin segments

- Rapid growth in Engineering & Marine Services
- Broadsword EBITDA of $16.6m in FY14 (vs expectation at time of acquisition of $16-17m); integration well progressed; opportunities for further growth
- Thomas & Coffey adds capability and reach; high quality team; integration on track; synergies delivered as expected to date, with further synergies to be delivered in FY15
- Saipem project – capability to recruit and mobilise for large scale projects
- Expansion of international network of offices into Singapore and Houston
- OMSA JV – activity on Gorgon project winding down

Leverage scale and brand strength in Workforce Services and Technical Professionals

- Further reduction in the cost base – $15m cost out delivered in FY14, targeting a further $10m in FY15
- Successful investment in systems and processes; leveraging scale across the Group
    - ERP (Agresso) upgrade (including payroll, invoicing, procurement) went live in July, on time and budget
    - Continued progress on simplifying, standardising, automating and centralising processes and activities: online and mobile

Good progress but more to do

Developing a shared strategy	Building capability	Profitable growth

Performance

Understand the Business

Simple clear strategy:

- Core Plus strategy
- SKILLED "re-Engineering" change program
- Balance sheet repair
- Re-organise / new team
- Improve basic disciplines

Leverage exposure to growth markets & segments

Zero Harm safety refresh

Build capability:

- Leadership & organisation
- Sales & marketing
- Management processes

Deliver benefits:

- Leverage IT system investments
- Cost out, cash improvements
- Non-core assets

"One Team" culture

Leverage exposure to growth markets & segments

Zero Harm safety leadership

Build on brand leadership:

- Strengthen market position
- Leading employer brand

Higher value services

Most efficient operation:

- Low cost, high volume

Embedded "One Team" culture

Superior returns

Impacts

Overhead Costs	Unit Costs	Revenue & Margin
Reduced Debt	EBIT Margin	EBIT Margin
Cash	Cash	Cash
Conservative Gearing	ROIC	ROIC

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Building our capability

COO – Engineering & Offshore
Johannes Risseeuw

CFO / Shared Services
Gary Kent

COO – Workforce Services
David Timmel

General Counsel / Company Secretary
Sharyn Page

COO – Technical Professionals
Jennifer Boulding

Strong and stable management team

Simplified organisational structure

Closer integration between SKILLED Engineering and SKILLED Offshore divisions: Johannes Risseeuw appointed COO – Engineering & Offshore

Continued investment in people and culture to maintain and strengthen core values:

- Safety leadership
- One team
- Client focus
- Our people
- High performance
- Integrity

Capitalising on opportunities

Capitalising on opportunities - Engineering

National operations & maintenance services business with a broad, scalable platform

- Combination of Thomas & Coffey, ATIVO and Damstra is a focused, truly national business with strategic locations
- Significant exposure to mining & resources; driven by production volumes rather commodity prices
- Contract wins and renewals in FY14 underpin future revenue base

Good progress on integration of Thomas & Coffey

- Successful cultural integration – all key staff retained
- System integration, cost synergies and client retention all in line with expectations

Substantial growth potential in current sectors

- Sales pipeline strong; high conversion rate
- Western Australia mining (iron ore in particular) and Queensland coal seam gas are attractive growth markets

Expansion of Damstra outside coal sector – leadership in online, niche market

- Online Total Workforce Management System – "sticky" product and recurring income stream
- Recent contracts wins in heavy industry, water, rail; New Zealand expansion underway

Capitalising on opportunities - Offshore

Broadsword performance strong with upside potential

- FY15 earnings likely higher than FY14 – high vessel utilisation in 2H expected to continue; generating attractive return from recent investment in vessels
- ~50% of revenue now outside Northern Territory (mainly Western Australia and Queensland)
- Vessel configuration is aligned with production phase of operations and general marine services

International growth

- Substantial global expenditure in oil & gas e.g. Gulf of Mexico, Brazil, SE Asia
- Presence in all key oil & gas hubs – SKILLED offices in Singapore and Houston now open

Australian business evolving

- Saipem contract in progress; operations performing well to date; ~1,000 FTE over life of project
- Whole-of-life cycle marine activity (e.g. seismic, drilling, environmental support as well as construction support) and floating LNG support longer term growth in the oil & gas sector

Outlook

Outlook

Stronger second half trends expected to continue into FY15, despite external market challenges

- **Engineering & Marine Services:**
  - contribution from Saipem project to offset reduced activity from OMSA JV
  - growth expected in Broadsword; approximately half of FY15 planned activities outside oil & gas sector
  - full year contribution from Thomas & Coffey
  - increased activity levels expected, new contract wins and visible pipeline of opportunities
- **Workforce Services:** overall activity levels appear to have stabilised, with wins in FMCG, mining & resources and transport & logistics; however margin pressure is expected to continue in response to market conditions
- **Technical Professionals:** contractor numbers in Swan showed some signs of stabilising by end FY14; telecommunications activity expected to strengthen in line with increased NBN activity; Health and Training Services activity levels are expected to remain solid into FY15

Cost reduction program expected to deliver further $10m in FY15

Working capital to peak mid FY15 in line with activity on the Saipem project

Well positioned for longer term benefit from:

- pipeline of opportunities across infrastructure, mining and oil & gas
- any cyclical improvement in economic activity and expansion in mining volumes
- ongoing strategy implementation; further cost reduction
- a strong balance sheet and cash generation to support dividends and investment in future growth

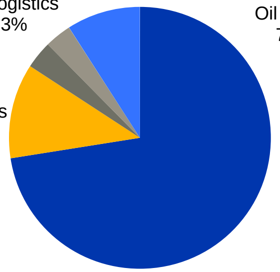
Appendix

Business segments

Engineering & Marine Services

	2H14	1H14	2H13	1H13
Revenue ($m)	365.5	252.3	227.8	241.0
EBITDA ($m)	35.6	22.7	21.6	19.7
EBITDA margin	9.7%	9.0%	9.5%	8.2%

Industry breakdown (FY14)[1]



Workforce Services

	2H14	1H14	2H13	1H13
Revenue ($m)	431.7	452.6	454.9	463.4
EBITDA ($m)	15.8	19.4	18.3	22.5
EBITDA margin	3.7%	4.3%	4.0%	4.9%

Technical Professionals

	2H14	1H14	2H13	1H13
Revenue ($m)	172.3	202.8	217.5	271.4
EBITDA ($m)	7.2	9.3	11.7	15.1
EBITDA margin	4.2%	4.6%	5.4%	5.6%

[1] Includes notional 50% share of joint venture revenue

Reconciliation of result

	$m	Comments
Underlying NPAT	**55.3**	
Redundancy and branch closure	(3.0)	Costs incurred to realise $15m cost saving in FY14
Acquisition and integration costs	(4.0)	Thomas & Coffey acquisition costs and Broadsword integration costs
Amortisation of acquired intangibles (non-cash)	(6.2)	Non-cash amortisation of customer contracts in relation to Broadsword acquisition and increase in OMSA investment
Notional interest on deferred consideration (non-cash)	(1.3)	Non-cash notional interest expense on Broadsword deferred consideration recognised at NPV on acquisition
Tax on reconciling items	3.4	Tax expense on above items, where relevant
Reported NPAT	**44.2**	

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