

# 2014 Annual General Meeting



23 October 2014

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# SKILLED: 50 Years Strong



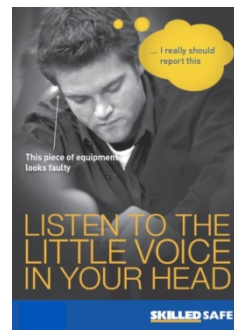
SKILLED has been the market leading brand for 50 years

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
- Brand refresh program continuing

Safety is core to SKILLED's culture

- Continued reduction in workers' compensation costs
- Risk-based approach to safety management via the Golden Rules



# FY14 Group performance

	FY14	FY13
Sales Revenue <sup>1</sup> (\$m)	1,873.3	1,873.9
Reported NPAT (\$m)	44.2	56.2
Underlying NPAT <sup>2</sup> (\$m)	55.3	58.4
Underlying EBITDA <sup>3</sup> (\$m)	95.4	95.1
Operating cash flow (before tax) (\$m)	80.9	89.7
Net debt (\$m)	170.1	44.8
Gearing <sup>4</sup>	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:

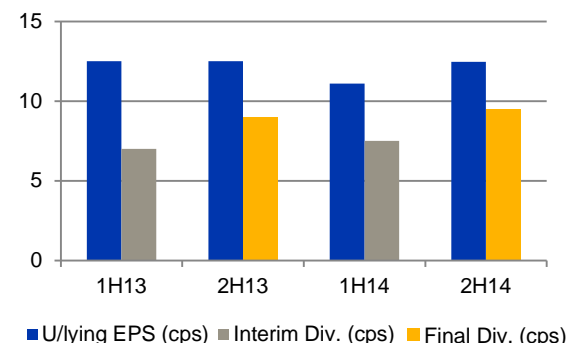
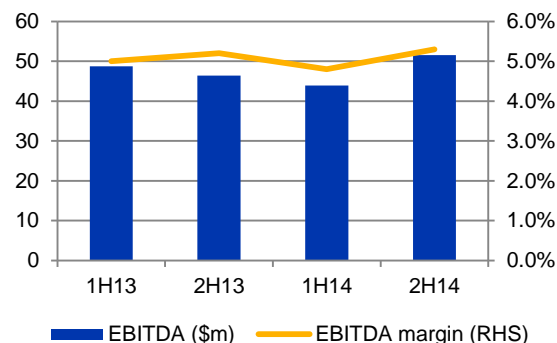
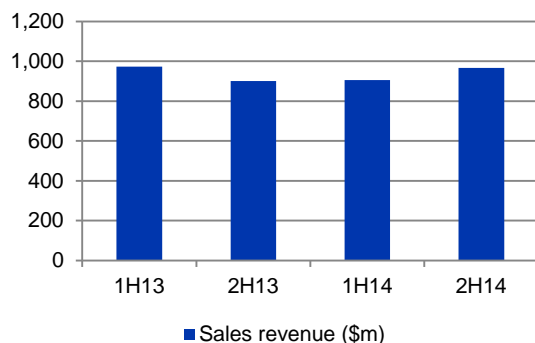
- Non-cash acquisition accounting adjustments
- Integration and restructuring costs

## Strong operating cashflow

## Increase in total FY14 dividend to 17.0 cps

- Final dividend 9.5 cps, fully franked

## Gearing remains conservative at 26.2%



<sup>1</sup> Includes equity accounted income from joint ventures

<sup>2</sup> Underlying NPAT is an unaudited non-IFRS measure

<sup>3</sup> As per segment reporting

<sup>4</sup> Debt/(Debt + Equity)

# 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

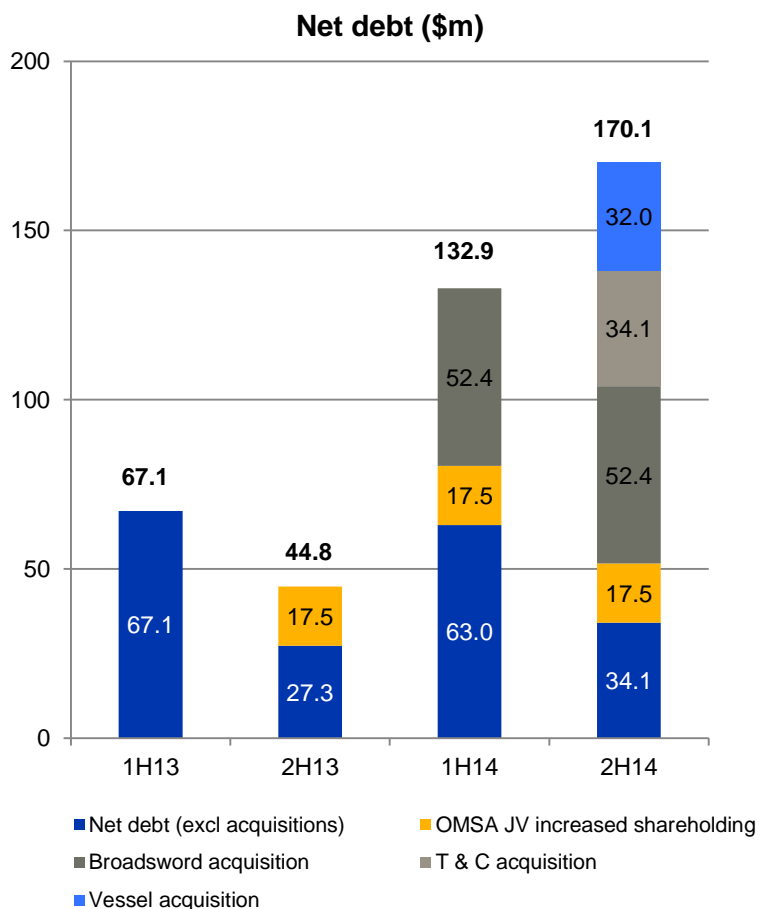
- ERP (Agresso) upgrade completed on time and on budget in July 2014
- Further automation, standardisation and centralisation of core processes

**14% reduction in AIFR<sup>1</sup> in FY14 vs FY13**



<sup>1</sup> AIFR: All Injury Frequency Rate

# Investing for growth and resilience



- Increase in net debt through FY14 was predominantly investment - Broadsword, Thomas & Coffey, vessels, Saipem working capital, systems capability
- Debt to increase in 1H15 as a result of seasonal factors and to support the Saipem project - expected peak mid FY15 before declining by end FY15
  - \$90m Saipem working capital facility in place
- Strong operating cashflow generation
- Gearing remains conservative

# First quarter FY15

## **Overall, strong 1Q15 performance – revenue and earnings 10+% ahead of pcp**

- Stronger run-rate from 2H14 has continued into FY15
- Improved resilience from rebalanced portfolio

## **Engineering & Marine Services**

- Revenue, earnings and margin ahead of pcp; benefiting from contract wins and visible pipeline of opportunities
- Thomas & Coffey integration and performance in line with expectations
- Saipem contract progressing well
- OMSA contract wins and vessel extensions; well positioned for Gorgon shift from construction to production phase
- Broadsword activity levels continue to grow; attractive return from recent investment in vessels

## **Technical Professionals**

- Swan contractor numbers stable through the quarter
- Improved activity levels in permanent placements, telecommunications, Health and Training Services

## **Workforce Services**

- Variation in activity levels across sectors and geographies, FMCG, mining & resources and transport & logistics ahead of pcp
- Overall difficult market conditions, with margin pressure continuing

## **Transformation program accelerated**

- At least \$15m savings expected in FY15 through process improvement and the benefit from systems investment

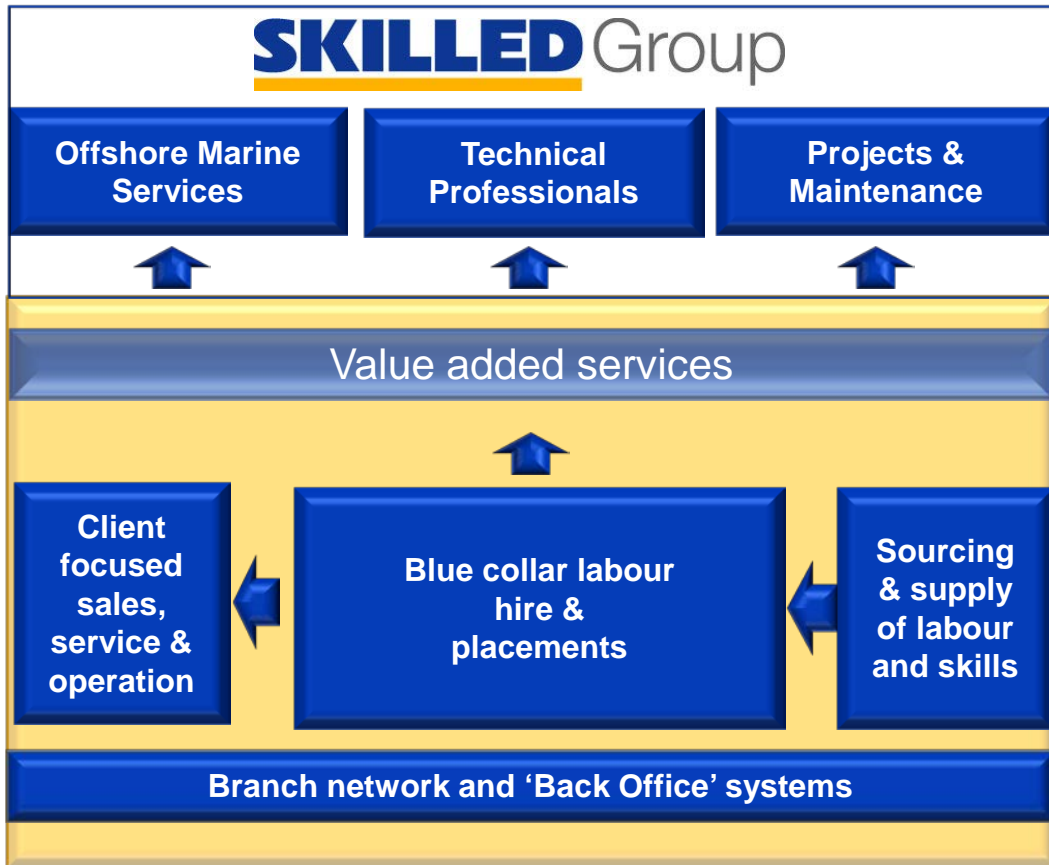


# Strategy update





# Strategy is delivering results



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

Leveraging scale and brand strength in Workforce Services

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

# Strategy has improved resilience

## Improved scale and capability in attractive higher skill, higher margin segments

BROADSWORD  
MARINE  
CONTRACTORS



- Continued strong 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 added capability and reach; high quality team; integration on track; synergies delivered as expected to date, with further synergies to be delivered through FY15
- Saipem project – demonstrating capability to recruit and mobilise for large scale projects
- Houston and Singapore added to international network, performing as expected
- OMSA JV – new contract wins; well positioned for Gorgon construction phase

## Scale and brand strength in Workforce Services and Technical Professionals being leveraged

- Successful investment in systems and processes, progress on simplifying, standardising, automating and centralising processes and activities (online and mobile) and leveraging scale across the Group delivered \$15m cost out in FY14
  - ERP (Agresso) upgrade (including payroll, invoicing, procurement) went live in July, on time and budget, to underpin next phase of business improvement
- The Transformation program has been accelerated, with a target of at least \$15m savings in FY15 through process improvement and the benefit from systems investment

## Strong and stable management team continues to oversee strategy implementation and its results

# 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 than 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



# Capitalising on opportunities - Offshore



## Broadsword positioned for growth

- ~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 Houston and Singapore now open

## Australian business evolving

- 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 1Q15 trends expected to continue**

- Stronger activity levels in Engineering & Marine Services and Technical Professionals (excl. Swan)
- Challenging conditions in Workforce Services to be offset by acceleration of Transformation program

## **Engineering & Marine continues to lead Group**

- FY15 will have benefit of full year contribution from Thomas & Coffey and Broadsword vessel investment, Saipem project and new contract wins in OMSA

## **Technical Professionals showing mixed results**

- Swan contractor numbers broadly stable
- Positive trends in permanent placements, telecommunications, Health and Training Services expected to continue

## **Workforce Services addressing external market challenges**

- Variable activity across sectors and geographies likely to continue
- Margin pressure expected to remain

**Transformation program anticipated to deliver at least \$15m savings in FY15** through process improvement and the benefit from systems investment

**Working capital** to peak mid FY15 in line with activity on the Saipem project; operating within established facility

# SKILLED

50 YEARS **STRONG**

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