ASX Release

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Programmed Maintenance Services Ltd
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19 November 2015

Results for first half to 30 September 2015

NPAT before non-trading items $12.8 million, up 6%
Statutory loss $18.7 million after non-cash goodwill impairment of $28 million
Interim dividend 6.5 cps, fully franked
Integration with Skilled well ahead of schedule

Programmed (ASX:PRG), which provides staffing, maintenance and facility management services, today announced an after-tax profit of $12.8 million before non-trading items for the six months to 30 September 2015 (1H FY15: $12.1 million). After non-trading items, including non-cash impairment of goodwill associated with the Resources division, the company's after-tax loss was $18.7 million (1H FY15: after tax profit of $9.8 million).

Non-trading items were Skilled transaction costs, restructuring and other costs totalling $5.2 million; non-cash impairment of goodwill associated with the Resources segment of $27.8 million (as announced on 13 November 2015); and $0.1 million for Programmed's share of the net loss by its associate OneShift.

The acquisition of Skilled Group Limited was completed on 16 October 2015, so its results are not reflected in Programmed's first half financial report.

Group revenue, at $710 million, was similar to the previous corresponding period (1H FY15: $717 million), with a 5.0% increase in the Property & Infrastructure division's revenue offset by lower revenue by the Resources division. The Workforce division's revenue increased after three years of decline, providing a positive sign of non-resources sector growth.

Earnings before interest and tax (EBIT) by the Property & Infrastructure and Workforce divisions were significantly up, with increases of 68% and 30% respectively, whilst the Resources division's EBIT fell 66%. As a result, group EBIT before non-trading items was $20.1 million (1H FY15: $20.6 million).

Interest paid was down 37% to $1.9 million and net debt was $18 million at 30 September 2015.

The board has determined to maintain the interim dividend at 6.5 cents per share fully franked, payable on 21 January 2016 to shareholders on the register at 7 January 2016.

Chris Sutherland, Managing Director of Programmed, said: 'Our strategy to provide staffing, maintenance and facility management services across all industry sectors has been particularly important during this six month period. The significant growth in our Property & Infrastructure division's earnings, offsetting the sharp fall in revenue and earnings by our Resources division, was very pleasing.

‘We are at the coalface of the Australian economy and our results suggest this was the six month period when the baton was passed from the resources sector to the infrastructure and household services sectors of the economy.

‘Importantly, our Workforce division has seen increased demand for the first time in three years. Customers in markets that have been weak over the past few years, such as retailing, tourism, transport, industrial and manufacturing, are hiring people and spending on their assets again, supported by the lower Australian dollar. Additionally, education and health / aged care opportunities continue to grow.

'We have moved quickly to integrate Skilled’s business, capture efficiencies and seek new revenue opportunities from across the combined group. From Monday 19 October 2015, we have had a new combined management team marching forward as one team with a clear vision and a simple four point plan built upon safety, people and culture, systems and growth. After just five weeks we are well ahead of our integration schedule and will deliver more than $20 million annualised of cost synergies by 31 December 2015. We have communicated with our more than 25,000 employees who are working with us each day, along with over 20,000 customers.’

Operational Structure

As of 19 October 2015 (when Programmed and Skilled came together), a new operational structure has been established to ensure that divisions can operate efficiently and there is no overlap in their services, and to enable referrals and sales of additional services across the combined group.

Programmed will report for the full year ending 31 March 2016 according to this new structure which will consist of three segments: Staffing (combining Professionals and Skilled Workforce divisions); Maintenance (combining Facility Management and Property Services divisions); and Marine. As detailed in the investor presentation released today, the separate businesses in each division will be combined and operated as one division under the master Programmed brand. Consolidation of management teams within each division has already been completed, and rebranding the different businesses and combining their offices will be completed by 31 March 2016, with a significant proportion of this work already achieved.

In combining Programmed and Skilled, a new Group Management Committee has been formed, consisting of 14 executives originating from Programmed and 10 executives originating from Skilled, who all are charged with delivering Programmed’s vision and plan. Programmed is pleased that 38% members of the committee are female, achieving diversity by gender as well company background.

Integration Update

A detailed integration plan was developed based upon what was needed to be achieved on Day 1 (19 October 2015) and within the first 5 days, 5 weeks and 5 months (called a 5/5/5 plan). Detailed 5/5/5 plans were developed for 23 work streams and 5 divisions. On 6 October 2015, the new management team was announced to all Programmed and Skilled employees and the first Group Management Committee meeting was held on 8 October 2015. Highlights of Day 1 included:

- New operational structure was in place so all employees knew what part of the business they were in and to whom they reported;

- Corporate support functions areas (including ICT networks, business systems, human resources, risk & legal, insurances, workers compensation and communications) were integrated and supporting the whole company from the first day;

- ICT networks were connected, enabling any employee from Programmed or Skilled full access to staff directories, global address books, wi-fi & cable connections, and systems and drives from every office (Programmed or Skilled);

- Email addresses and signature blocks with the correct branding were deployed to every user;

- A new intranet landing page was deployed to every user as a source of information and news, and enabling him or her to ask questions or provide feedback to the leadership team; this included a video welcome from the Managing Director explaining the company's vision, values and plans;

- Welcome to the 'new, better, stronger Programmed' packs were distributed to every employee across the group – Group Talk, Safety News, welcome letter, summary of corporate strategy and a welcome gift.

Over the first five weeks, all customers, suppliers and business partners have been communicated with, including face-to-face meetings with major shared customers. Advertisements have been placed in the financial media and on billboards on major arterial roads and at airports so job seekers and customers are aware that Programmed and Skilled have been combined. In addition, the Managing Director has visited many locations and met with staff, sharing with them the Programmed strategy, vision and plans for the combined group and its operating philosophy.

Programmed is on track to deliver more than $20 million annualised of cost synergies by the end of December 2015 from the integration of Programmed and Skilled. More than 20 offices will have been vacated by the end of December, with operations merged with other offices. One-off costs in the second half of FY16 associated with the Skilled transaction, redundancies from the integration and other restructuring costs are expected to be approximately $17 million.

Board Changes

Programmed is pleased to announce that Mr Jim Walker, formerly a director of Skilled, has agreed to join the board of Programmed effective 19 November 2015. He brings a wealth of knowledge and experience, further strengthening the depth and breadth of expertise among directors.

Mr Walker has had a distinguished career at WesTrac, holding the position of Managing Director and Chief Executive Officer and leading the company's rapid development in industrial and mining services in Australia and China. Prior to joining WesTrac, he held roles with other Caterpillar dealers in Australia, including Hastings Deering and Morgan Equipment, and with the Bougainville dealership in Papua New Guinea.

In addition to Skilled, Mr Walker is a former director of Seven Group Holdings Ltd, National Hire Group Limited and Coates Group Holdings Pty Ltd, and was National President of the Australian Institute of Management. He currently is the Chairman of the WA State Training Board and Macmahon Holdings Ltd and a Non-executive Director of Seeing Machines Ltd and RACWA Holdings Pty Ltd.

Mr Jonathan Whittle, the founder of Integrated Group and a director of Integrated Group and then Programmed (after it acquired Integrated Group in 2007) for the past 23 years, has decided to retire effective 19 November 2015. Mr Whittle has provided significant knowledge and experience, particularly in the staffing business, to the board and his valuable contributions and insights will be missed.

Mr Whittle has served on all the company's board committees and his active participation has made a significant contribution to the growth and strategic development of Programmed.

Programmed Chairman, Mr Bruce Brook said 'On behalf of the board, I would like to thank Jon for his years of exceptional service and support to the company, and his wise counsel and advice to myself and my colleagues. We welcome Jim to the board and look forward to his contribution. Recognising the increase in scale and scope of the combined Programmed / Skilled business ($3 billion+ revenue / 25,000+ employees each day), we have decided to expand the size of the board and are currently seeking to appoint an additional director.'

Group Results	**1H FY16 30 Sep 2015 $m**	**1H FY15 30 Sep 2014 $m**	**% change**
Revenue	**709.7**	**716.9**	**(1.0%)**
Results Before Non-Trading Items			
EBITDA	**25.3**	**26.3**	**(3.8%)**
Depreciation and amortisation	(5.2)	(5.7)	8.8%
EBIT	**20.1**	**20.6**	**(2.4%)**
Interest	(1.9)	(3.0)	36.7%
Profit before Tax	**18.2**	**17.6**	**3.4%**
Income tax expense	(5.4)	(5.5)	1.8%
Profit after Tax (before non-trading items)	**12.8**	**12.1**	**5.8%**
Non-Trading Items			
Skilled transaction, restructuring and other costs	(5.2)	(0.9)	
Resources goodwill impairment (non-cash)	(27.8)		
Incentive payment (Turnpoint acquisition)		(1.4)	
Share of net loss of associate (OneShift)	(0.1)	(0.3)	
Tax on non-trading items	1.6	0.3	
Profit / (Loss) after Tax (statutory basis)	**(18.7)**	**9.8**	
Earnings per Share (before non-trading items)	**10.8**	**10.2**	**5.9%**
Earnings per Share (statutory basis)	**(15.7)**	**8.2**	
Weighted Average Shares on Issue (million)	118.8	118.4	

Property & Infrastructure	1H FY16 30 Sep 2015 $m	1H FY15 30 Sep 2014 $m	% change
Revenue	416.9	397.3	5%
EBIT	18.7	11.1	68%

The Property & Infrastructure division, which contributed 54% of the company's EBIT in FY15, provides a range of maintenance, property and operational services, including painting, electrical, communications, grounds, signage, specialist turf, general building repairs and facility management.

Significant improvement in earnings from task-based painting, grounds, signage, electrical and communication works was due largely to improved systems, combined with tight operational control.

Painting program demand was stable, with no material reduction of capital invested, in contrast to recent years when the capital invested has been falling with demand.

The division's facility management activities grew significantly on the back of a number of new long-term contracts secured in the prior year.

The facility management business has a strong pipeline of opportunities and recently, as member of the *Juris Partnership* consortium, was announced as the preferred bidder on the ACT Law Courts Public Private Partnership Project. The project will include the refurbishment of the existing Magistrates Court and Supreme Court, integrating a new building to combine the courts into a single facility with improved amenities, and maintaining the courts for 25 years. Programmed will provide asset management and maintenance services over the 25 year term and will also provide interim services for some existing assets during the construction phase, commencing on 1 March 2016.

Resources	1H FY16 30 Sep 2015 $m	1H FY15 30 Sep 2014 $m	% change
Revenue	96.1	130.1	(26%)
EBIT	3.9	11.6	(66%)

The Resources division, which contributed 34% of the company's EBIT in FY15, provides a range of workforce, maintenance, construction support and operational services to both the offshore oil and gas and onshore mining sectors.

Revenue and earnings were significantly lower as demand for vessel management, manning, catering and logistical services fell due to i) completion of some major offshore construction projects and ii) the significant fall in the oil price which resulted in cancellation of some existing exploration work and deferral of exploration and development work previously forecast.

Some new opportunities are being sought relating to seismic, drilling, construction and production projects on the NW Shelf and in the Timor Sea, Bass Strait and New Zealand waters, but demand is expected to be weak in the near term.

A number of opportunities are also being sought for maintenance services in the onshore mining sector, and the acquisition of Skilled will provide additional capability to assist in securing new work.

Workforce	1H FY16 30 Sep 2015 $m	1H FY15 30 Sep 2014 $m	% change
Revenue	196.0	188.4	4%
EBIT	3.9	3.0	30%

The Workforce division, which contributed 13% of the company's EBIT in FY15, provides staffing services across most industry sectors, and particularly the manufacturing, light industrial, transport and logistics, construction and mining sectors.

This was the first period in three years that demand from growing parts of the economy has offset falls in demand from weaker parts. The business is seeing positive signs in the blue collar economy where customers in segments such as retail, manufacturing (food), industrial and transport are now planning to invest in assets and hire staff.

The Federal Government has restructured how unemployed people are managed back to work and recently awarded a number of new National Employment Services contracts. Programmed has formed an alliance with APM (a national provider of workforce and rehabilitation services) which has secured contracts in nine regions, including the metropolitan areas of Sydney and Perth and the major regional centres of Geelong and Gold Coast. These contracts commenced on 1 July 2015.

Unallocated Costs

Unallocated costs, which relate to corporate overheads and non-trading income and expenses, were $6.4 million (1H FY15: $5.1 million).

Cash Flow and Net Debt

Cash flow was positive and demand for painting programs solid, and thus there was no additional release of capital from painting programs as occurred in recent years. Hence, gross operating cash flow was lower than pcp at $17.4 million (1H FY15: $46.1 million). Net operating cash flow was $9.7 million (1H FY15: $36.1 million).

Net debt was $18 million at 30 September 2015 compared to $7 million at 31 March 2015.

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