19 August 2014

Chandler Macleod results for the year ended 30 June 2014
A strong second half

Summary:

- Reported EBITDA of $38.2 million, steady
- Underlying EBITDA[1] of $40.2 million, down 11%. Second half underlying EBITDA of $21.5 million, up 15% on first half
- Reported NPAT of $13.5 million, up 26%
- Underlying NPAT[1] of $14.2 million, down 22%. Second half underlying NPAT of $8.1 million, up 33% on first half
- Fully franked final dividend of 1.8 cents per share
- Strong operating cashflow[2] of $36 million
- Net debt reduced by $25 million, gearing reduced to 32%
- Share buy back announced
- Excellent safety performance. TRIFR reduced by 10%

Financial Performance

Chandler Macleod Group Limited (ASX:CMG) today announced a reported NPAT of $13.5 million for the year ended 30 June 2014, up 26% over the prior corresponding period. The underlying NPAT[1] of $14.2 million was 22% lower than the prior year.

The second half performance was much stronger than the first half with underlying EBITDA of $21.5 million, and underlying NPAT of $8.1 million up 15% and 33% respectively over the first half. The first half was adversely affected by the economic conditions in the months before and immediately after the election.

Commenting on the result, Chandler Macleod's Managing Director, Cameron Judson, said: "It is pleasing to have achieved this stronger second half result, particularly given the conclusion of the Qantas Avalon contract and the impact of seasonality in Staffing Services. This demonstrates the momentum we have built in the business.

"We have seen a healthy recovery in Staffing Services following the Christmas shut down. Hours worked have returned to pcp levels and we are confident this trend will continue. AHS continues to grow and Vivir had a strong fourth quarter with expansion in both New South Wales and Queensland, providing further impetus into 2015. The switch in focus of the Aurion business to outsourced payroll processing delivered a stronger result in 2014 and a more resilient revenue base for 2015."

Chandler Macleod continued its cost reduction program which delivered significant savings in the period. Excluding the impact of the Vivir acquisition, costs were down 9% ($14.6 million). The associated restructuring charge of $4.3 million includes a provision for further rationalisation of premises. The benefit of this rationalisation will be realised in future periods.

"The productivity and efficiency changes we made during the year delivered over $14 million of cost savings, a very pleasing outcome. Staffing Services has a program of further productivity initiatives to deliver in 2015, and we also expect to see significant benefits from a stronger focus on improving profitability following the roll out of our new management information system" said Mr Judson.

1. Before acquisition and restructuring costs and fair value adjustment to contingent consideration
2. Before interest, acquisition and restructuring costs

Debt, Interest and Cashflow

The capital raising in December 2013 resulted in reduced debt levels at 30 June 2014. Gearing has fallen to 32%. Interest expense for the year was $8.5 million, in line with the prior year. The full year interest expense associated with the Vivir acquisition was more than offset by reduced debt from the capital raising. The Group has negotiated new banking arrangements with Westpac and HSBC which will deliver more efficient management of funding and lower funding costs in 2015.

Group operating cash flow before interest, transaction and restructuring costs was $36.0 million. This excellent result was due to a very strong operating cash flow in the second half.

Reconciliation of Results	**2014**	**2013**
Reported EBITDA ($m)	**38.2**	**38.1**
Acquisition costs	0.6	1.6
Restructuring costs	4.2	7.4
Fair value adjustment to contingent consideration	(2.8)	(1.8)
Underlying EBITDA ($m)	**40.2**	**45.3**
Reported Net Profit after Tax ($m)	**13.5**	**10.7**
Acquisition costs	0.5	1.5
Restructuring costs	3.0	5.1
Fair value adjustment to contingent consideration	(2.8)	(1.8)
RHS Brand write off	0.0	2.7
Underlying Net Profit after Tax ($m)	**14.2**	**18.2**

Divisional Results

Staffing Services reported an EBITDA of $39.0 million before corporate overheads for the year, down 19%. Reduced contract labour hours and lower margins, and lower permanent recruitment activity in most sectors contributed to the result. Conditions in Western Australia saw a large fall in volumes, particularly in mining, while volumes in Victoria decreased in the white collar sectors.

Managed Services reported an EBITDA of $19.4 million before corporate overheads compared to $17.9 million in the prior period. The full year contribution from Vivir, together with growth in AHS, was partially offset by the run off of the Qantas Avalon contract and another large BPO contract.

Specialist Products reported an EBITDA of $6.8 million before corporate overheads, in line with the prior year result. Strong growth in Aurion was offset by lower demand for Consulting products, particularly assessment and development products.

The **International** businesses contributed an EBITDA of $1.9 million compared to $2.3 million in the prior year. The New Zealand result benefited from the addition of Grafton Consulting, while difficult trading conditions across the Asian businesses saw declines in all those geographies.

Final Dividend and Dividend Reinvestment Plan ("DRP")

The Board has declared a fully franked final dividend of 1.8 cents per share (2013: 1.8 cents per share). The DRP has been suspended by the Board.

The dividend will be paid on 17 September 2014 to shareholders on the registry as at 5pm (AEDST) 1 September 2014. The shares will trade ex-dividend from 28 August 2014.

Share Buy Back

Chandler Macleod has separately announced a share buy-back program aimed at purchasing up to 5% of the company's issued capital over the remainder of this financial year. At the current share price the estimated cost of this program would be less than $9 million.

Outlook

Commenting on the outlook, Mr Judson said: "The second half of the financial year saw a steady improvement in the demand for our services reversing the effects of the election lull evident in the first half.

"Our businesses have developed good momentum during the second half. Aurion, AHS, and Vivir have very strong pipelines. Staffing Services is benefiting from increasing demand and a much stronger focus on profitability following the roll out of our new management information system.

"We are continuing to reengineer the Staffing Services business and expect to achieve significant efficiencies over the course of the 2015 and 2016 financial years. Our new funding arrangements will also deliver improved funding costs in 2015.

"Our strategy to change our business mix continues to improve the sustainability and growth of earnings. We are confident the improvement we have seen in the second half of 2014 will continue into the new financial year and beyond." Mr Judson said.

ENDS

SHAREHOLDER AND ANALYST ENQUIRIES

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About Chandler Macleod (ASX: CMG): Chandler Macleod is one of Australasia's largest HR Services providers and a leader in planning, sourcing, assessing, developing and managing talent.