



# MARKET UPDATE

Ashley Services Group

SEPTEMBER 2014

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All references to the FY14 Pro forma results are to be read as unaudited. This presentation has been reported in Australian currency, unless otherwise stated.

All references to "Prospectus" contained within this document refer to the ASH prospectus lodged with ASIC on 7 August 2014.

# INVESTMENT HIGHLIGHTS

**Ashley Services is one of the largest integrated providers of training and labour hire in Australia**



Integrated Training and Labour Hire model – matching vocational training with employment



Attractive markets with significant growth opportunities – both organic and via acquisition



Market leading position in VET with a national presence



Specialist provider of Labour Hire



Strong earnings growth and cash flow generation



Highly experienced and incentivised board and management

# ASHLEY SERVICES GROUP UPDATE

# CRICOS ACQUISITION

## Acquisition of The Cantillon Institute, a CRICOS training business

### The Cantillon Institute acquisition<sup>1</sup>

- The Cantillon Institute is an established Registered Training Organisation (RTO) focused on the fee for service international student market
- It has a Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) licence, which enables it to train international students
- Perth-based with a focus on commercial cookery and hospitality
- Maximum purchase price of \$2.8 million and is forecast to be EPS positive in FY 2016

### Acquisition benefits

- Access to a national CRICOS licence
- Expansion of international student training into the larger Victorian and New South Wales markets, using Ashley Services' existing national footprint
- Market reputation in commercial cookery and hospitality and ability to introduce these courses across NSW and VIC provides strong market opportunity under Ashley Services' integrated labour hire business model
  - Flow on effect: International students likely to prefer training providers that can also offer them employment options
- Forms part of Ashley Services' strategy of diversification of its client and student base and strategy to pursue training for international students



### International Student market

- International student fee for service education market in Australia estimated to be worth more than \$15.6 billion<sup>1</sup>
- In the period 1 August 2013 to 31 July 2014, there were 494,625<sup>1</sup> enrolments of full fee paying students in Australia on student visas, a 12% increase over the previous year
- The vocational education and training (VET) component of the total overseas paying students represents 23.9% of total enrolments

1. See announcement dated 29 September 2014 for more details

# UPDATE ON FUNDING CONTRACTS

## Successful resolution of minor funding contract issue

### Successful resolution of notice to remedy default

- In September, Ashley Services announced the successful resolution of notice to remedy default on a minor funding contract (as detailed in the IPO prospectus)
- Ashley Services has recommenced funded enrolments in that State and the funding contract is now fully operational

### Update on other Ashley Services funding contracts

- Ashley Services has 15 funding contracts across a number of state and Federal Government authorities
- Ashley Services has no outstanding contractual matters for any state funding contracts held and is in full compliance with all 15 state and Federal government funding contracts
- Ashley Services is compliant with the registration conditions of all four of its RTOs

# GROWTH DRIVERS - TRAINING

## Progress update on Training growth opportunities

Growth plans at IPO	Progress to date
<ul style="list-style-type: none"> <li>Leverage Labour Hire and other corporate relationships to expand corporate market share</li> </ul>	<ul style="list-style-type: none"> <li>In discussions with major labour hire client to extend contract to include training operations also</li> </ul>
<ul style="list-style-type: none"> <li>Pursue new funding opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of demand driven model (DDM) in QLD has commenced. Enrolments are tracking well against budget so far</li> <li>WA GTO (Group Training Organisation) licence granted and WA now operational. See following slide for more details.</li> <li>VET FEE-HELP application in progress – anticipate granting of licence in December Quarter. VET FEE-HELP will allow Ashley to access funding and offer students higher education courses (at Advanced Diploma level and above)</li> </ul>
<ul style="list-style-type: none"> <li>Scope expansion and entry into new industries, aligned with:                             <ul style="list-style-type: none"> <li>National Skills Needs List</li> <li>the Labour Hire client base</li> <li>high growth industries</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Qualifications on scope now total 103 (97 at IPO)</li> <li>Introduction by Ashley of new Telecommunications qualification since IPO plus introduction of 5 new qualifications through the Cantillon acquisition</li> <li>Cantillon bolsters Ashley's scope, particularly in hospitality and commercial cookery</li> </ul>
<ul style="list-style-type: none"> <li>Geographic expansion</li> </ul>	<ul style="list-style-type: none"> <li>Continued geographic expansion, with 4 new offices opened in QLD</li> </ul>
<ul style="list-style-type: none"> <li>CRICOS registration for international students</li> </ul>	<ul style="list-style-type: none"> <li>The Cantillon Institute acquisition – provides Ashley with the ability to enrol students in key NSW and VIC markets</li> </ul>
<ul style="list-style-type: none"> <li>VET in secondary schools</li> </ul>	<ul style="list-style-type: none"> <li>MoU signed with a South Australian based school to commence in January. This is the first step in exploring the opportunities within this sector</li> </ul>
<ul style="list-style-type: none"> <li>Target bolt-on acquisition opportunities</li> </ul>	<ul style="list-style-type: none"> <li>The Cantillon Institute was Ashley's first bolt-on acquisition target since IPO</li> <li>The acquisition meets all criteria, including opportunity to enter new markets and industries, leverage the Labour Hire client base, access new revenue sources, expand scope, expand client base and grow geographical footprint</li> <li>Ashley will continue to assess other accretive and strategic acquisition opportunities</li> </ul>

# GROWTH DRIVERS – LABOUR HIRE

## Progress update on Labour Hire growth opportunities

Growth plans at IPO	Progress to date
<ul style="list-style-type: none"><li>• Leverage existing Labour Hire clients to increase demand for services</li></ul>	<ul style="list-style-type: none"><li>• In discussions with major labour hire client to extend contract to include training operations also</li></ul>
<ul style="list-style-type: none"><li>• Tender pipeline</li></ul>	<ul style="list-style-type: none"><li>• Strong pipeline of tender work</li></ul>
<ul style="list-style-type: none"><li>• Geographic expansion</li></ul>	<ul style="list-style-type: none"><li>• No change since IPO</li></ul>
<ul style="list-style-type: none"><li>• Expand Group Training Organisation nationally:<ul style="list-style-type: none"><li>– provides the ability to employ apprentices</li><li>– accreditation received in WA as first stage</li></ul></li></ul>	<ul style="list-style-type: none"><li>• WA GTO (Group Training Organisation) licence has been granted in WA and is now operational</li><li>• The GTO licence allows Ashley to enrol trainees or apprentices into relevant training programs. These programs facilitate access to state and commonwealth funding programs for both training and labour hire in WA</li><li>• Ashley participates in equivalent regimes in other states and these have been in operation for some time</li></ul>
<ul style="list-style-type: none"><li>• Pursue new industry sectors:<ul style="list-style-type: none"><li>– heavy maintenance and construction</li><li>– Telecommunications</li></ul></li></ul>	<ul style="list-style-type: none"><li>• No change since IPO</li></ul>
<ul style="list-style-type: none"><li>• Target businesses that justify investment on stand-alone basis <b>plus</b> drive significant synergies through the potential overlay of the Training business</li></ul>	<ul style="list-style-type: none"><li>• Assessing a number of possible acquisition targets but only intend to pursue transactions that are both EPS accretive and can be leveraged by the Training business</li></ul>



# ASHLEY SERVICES GROUP SNAPSHOT

# BUSINESS OVERVIEW

Ashley Services delivers vocational education and training, labour hire and recruitment services through a multi-brand delivery structure

## Training



## Labour Hire



## Overview of Ashley Services

- Ashley Services was founded in 1968 and is one of the largest integrated VET and labour hire businesses in Australia
- National footprint with 40 strategically located offices and 62 additional training locations in each state and territory
- Delivers a broad range of VET services across 24 industries to the Public and Corporate Markets
- Specialist labour hire provider to large scale organisations across industries such as transport & logistics, FMCG and food
- Strong history of growth, both organic and via acquisition – 14 acquisitions completed since 2000

# BUSINESS OPERATIONS

Ashley services has a national footprint with strategically located offices and training centres in each state and territory to service the demands in each region



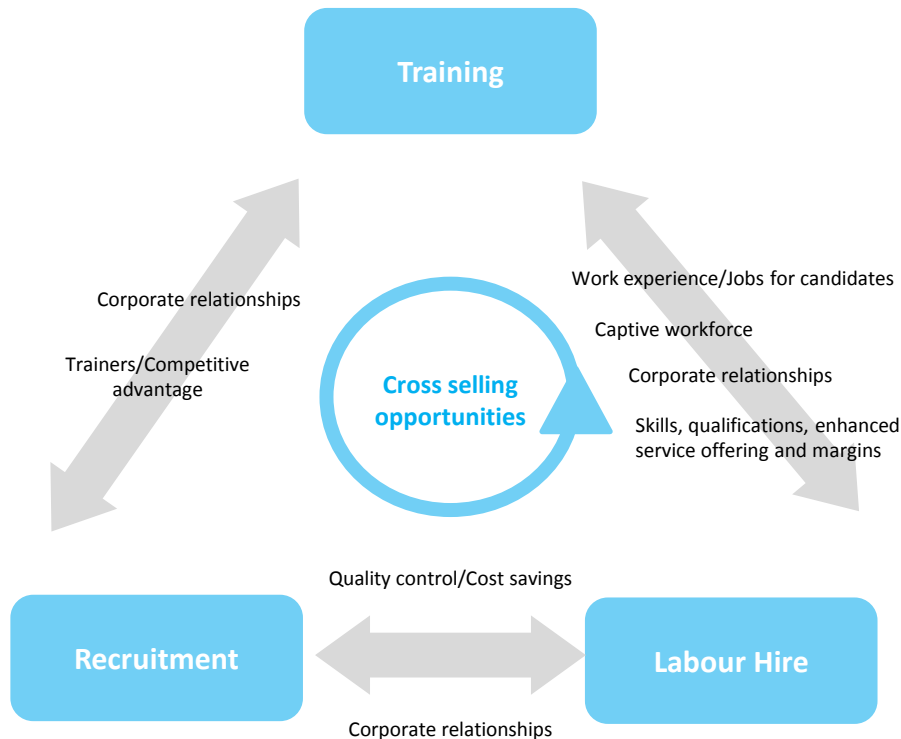
Offices	40
Additional Training locations	62
Staff <sup>1</sup>	355
Trainers <sup>1</sup>	149
Qualifications <sup>1</sup>	97
Enrolments <sup>2</sup>	~19,700
Weekly Labour Hire workers <sup>2</sup>	~3,800
Annual Labour Hire hours <sup>2</sup>	~6.0 million
Labour Hire clients <sup>2</sup>	265

**Note:**

1. As at 30 June 2014
2. FY14F

# AN INTEGRATED MODEL

The integration of Ashley Services' Training and Labour Hire businesses generates material synergies and value through cross selling initiatives and provides value-adding intra-company services



## Ashley Services integrated business model

- Holistic approach to clients' business service requirements enhances service quality and competitiveness;
- Generates synergies through cross-referrals between business segments;
- Training improves skills of the Ashley Services labour force – attractive and beneficial to Labour Hire clients; and
- Integrated returns superior to stand-alone businesses.
- Material incremental revenue and margin contributions:
  - 11% of FY14 Training revenue from Ashley Services Labour Hire clients; and
  - Recruitment has provided 82 trainers and 94 staff members to Ashley Services in FY14.

## Ashley Services integration success stories



# VET QUALIFICATIONS

Ashley Services' offers a broad range of qualifications and is focussed on the design and development of high quality training solutions

## Increase in scope of qualifications

- 6 new qualifications added since IPO:
  - 5 through acquisition of The Cantillon Institute, including a qualification at the Advanced Diploma level
  - 1 new qualification in Data/Voice added within Telecommunications

## Qualification scope and offering

- Comprehensive and diverse VET offering: 103 nationally accredited qualifications covering 24 industries
- Strategic focus on qualifications in skill shortage areas that are most likely to receive ongoing government funding support
- In-house curriculum development IP and capabilities allow Ashley Services to bring new courses to market quickly to capitalise on market opportunities
- Highly experienced trainers typically sourced from within industry

## Training courses scope summary

Course	2011	2012	2013	2014 <sup>1</sup>	Current
Aged Care / Health Services Assist					
Occupational Health and Safety					
Asset Maintenance					
Marketing and Human Resources					
Business					
Customer Contact					
Civil Construction					
Mining / Quarrying					
Childcare					
Training and Assessment					
Transport & Logistics					
Hospitality					
Manufacturing Systems					
Retail Operations					
Engineering Production Systems					
Disabilities					
Food Processing					
Telecommunications / NBN					
Commercial Cookery / Bakery					
Horticulture					
Meat Retailing / Smallgoods Manufacture					
English and Vocational Preparation					
Construction / Scaffolding					
Automotive					
<b>Total Qualifications on scope</b>	<b>59</b>	<b>60</b>	<b>80</b>	<b>97</b>	<b>103</b>
= Qualifications offered					

1. As at IPO

# ASHLEY SERVICE'S CLIENTS

## Labour hire has established and long tenure relationships with high quality clients

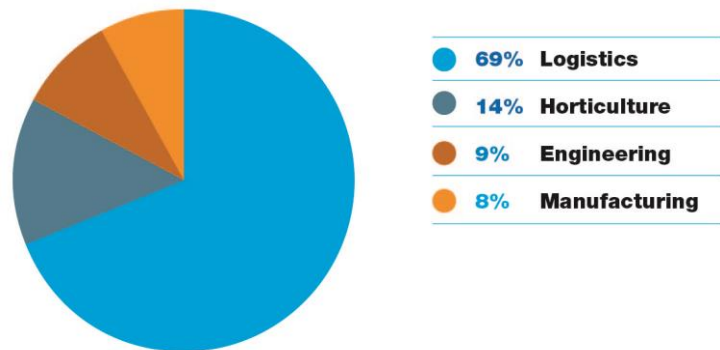
### Clients

- Diversified client base with more than 265 active clients;
- Strong presence in the warehouse, logistics, fast-moving consumer goods, food, pharmaceutical and manufacturing and trade industries;
- Supply to clients nationally, with capability to cater for large national clients; and
- Strategy of supplying labour to high quality businesses with low WH&S risk and safe working environments.

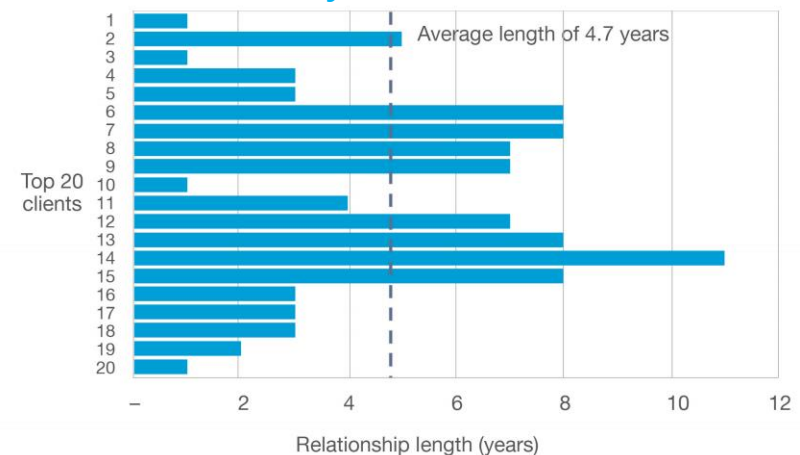
### Strength of relationships

- Strong, long tenure relationships with an average relationship length of 4.7 years with the top 20 clients
- Established relationships attributed to depth of candidate database, quality and availability of candidates, sound customer service/processes and competitive pricing models
- Focus on quality service results in expansion of existing contracts and referrals – result is strong client concentration

### Enrolment Volume by Level FY14



### Enrolment Volume by Level FY14



MARKET UPDATE

# ADDITIONAL INFORMATION

# VET INDUSTRY DRIVERS

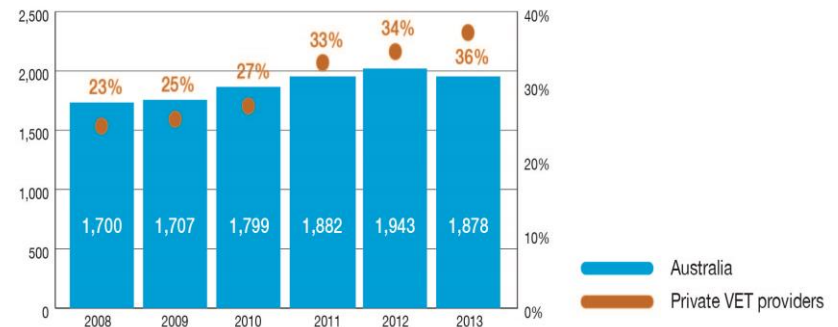
Structural changes in the vet sector have significantly increased enrolments and government funding and sector revenue

## Industry sector drivers

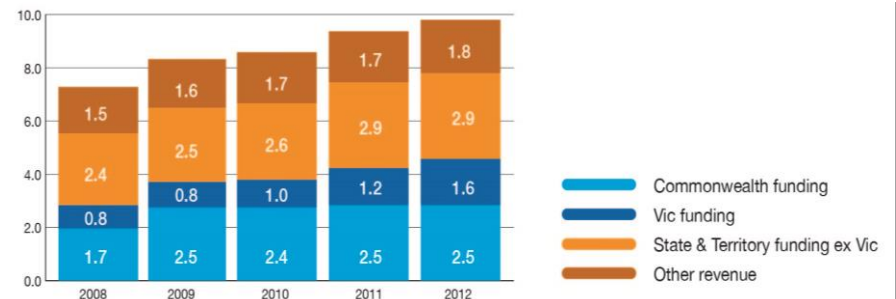
- ✓ Demand Driven Model
- ✓ National Skills Needs List
- ✓ Government policy & reform
- ✓ Mandatory skills legislation
- ✓ Technological advancements
- ✓ Skilled migration incentives
- ✓ Unemployment rate

## Significant growth in enrolments and funding since 2008

VET enrolments in Australia ('000s)



VET sector revenue (\$ billion)

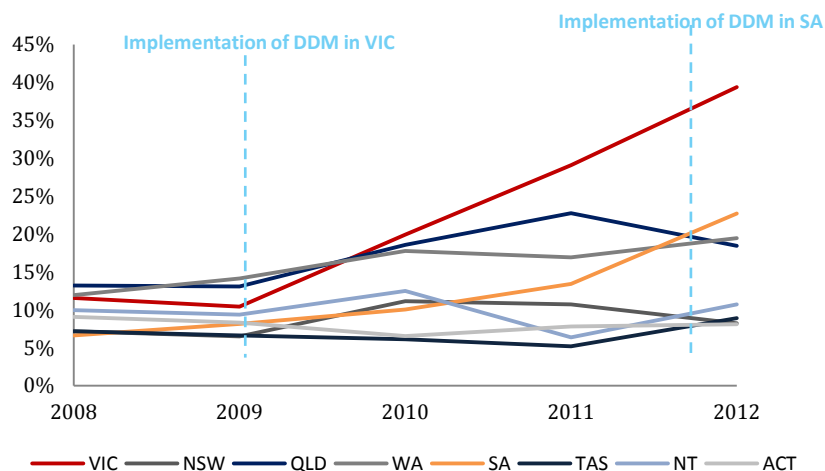




# DEMAND DRIVEN MODEL

Vet enrolments and private RTO funding increased substantially in states post implementation of the demand driven model (DDM). Implementation is now underway in WA, QLD and NSW

## Government payments to private VET providers by state



## Impact of DDM on RTO enrolments & funding

	Enrolments increase	Private RTO funding pre DDM (% of total funding)	Private RTO funding post DDM (% of total funding)
VIC (2009 introduction)	31%	10%	39%
SA (2012 introduction)	16%	7%	23%

Source: NCVER, 2012

## Demand Driven Model

- All state and territory governments signed up to the COAG agreement on skills reform in 2012 requiring a transition to demand driven funding
- The introduction of the DDM in Victoria and South Australia has substantially increased VET enrolments and payments to private RTOs
- Other states have commenced implementation of the DDM in 2014

## Implementation of the DDM in Australia<sup>1</sup>

VIC	✓	2009
SA	✓	August 2012
TAS	✓	January 2014
WA	✓	January 2014
QLD	✓	July 2014
NSW		January 2015

### Note:

1. ACT and NT have not provided definitive statements on timing of implementation

# VET SECTOR OVERVIEW

	VET	Higher Education
Key Sources of Demand	<ul style="list-style-type: none"> <li>• Employees wanting to up-skill</li> <li>• Employees maintaining compulsory certification standards</li> <li>• Unemployed job seekers</li> <li>• New workforce entrants</li> </ul>	<ul style="list-style-type: none"> <li>• Students</li> <li>• Post-graduate students</li> <li>• Professionals</li> </ul>
Key Features	<ul style="list-style-type: none"> <li>• More hands-on and practical approach</li> <li>• Required for a number of professions</li> <li>• Shorter duration (&lt; 3 years)</li> </ul>	<ul style="list-style-type: none"> <li>• More theoretical approach</li> <li>• Required for a number of professional occupations</li> <li>• Longer duration (&gt; 3 years)</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>• Certificates I – IV</li> <li>• Diplomas</li> <li>• Advanced Diploma</li> </ul>	<ul style="list-style-type: none"> <li>• Bachelor</li> <li>• Honours</li> <li>• Graduate Diploma / Graduate Certificate</li> <li>• Masters / Doctoral</li> </ul>
Funding Sources	<ul style="list-style-type: none"> <li>• State and Federal Government funding</li> <li>• Fee-for-service</li> <li>• VET FEE-HELP</li> <li>• Private funding</li> </ul>	<ul style="list-style-type: none"> <li>• Higher Education Contribution Scheme</li> <li>• Private funding</li> </ul>
Providers	<ul style="list-style-type: none"> <li>• TAFE Colleges</li> <li>• RTOs</li> </ul>	<ul style="list-style-type: none"> <li>• Universities</li> <li>• TAFE Colleges</li> <li>• Private VET providers</li> </ul>

# BOARD OF DIRECTORS



**Peter Turner**

Non-executive Chairman

- Ex Chief Operating Officer and Executive Director of CSL Limited
- Founding President of CSL Behring
- Current Non-Executive Director of Virtus Health Limited and NPS Medicinewise



**Ross Shrimpton**

Founder / Managing Director

- Managing Director and Group CEO of Ashley Services Group
- Over 40 years experience in finance and management across large international organisations including CSR/Humes and David Brown
- Qualified Chartered Accountant, Bachelor of Commerce (University of NSW)



**Simon Crean**

Non-executive Director

- Former Member of Federal Parliament and leader of the Australian Labor Party
- Held various ministerial portfolios including Education and Training and Employment and Workplace Relations
- Former President of the Australian Council of Trade Unions
- Former Director of Qantas and the Australian Industry Development Corporation



**Vince Fayad**

Executive Director / Interim CFO

- Director of PKF Lawler Corporate Finance
- 30 years experience in Chartered Accountancy
- Adviser to Ashley Services since 1999
- Current Non-Executive Chairman of BioProspect Limited and Non-Executive Director of Esperance Minerals Limited



**Marc Shrimpton**

Alternate Director

(Ross Shrimpton)

General Manager Recruitment

- Joined Ashley Services in 2000
- Member of the Australian Institute of Company Directors
- General Manager Recruitment

# CONTACT DETAILS



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