

16 February 2015

Chandler Macleod half year results for the six months ended 31 December 2014

Summary

- Reported EBITDA¹ of \$17.8 million, up 4%
- Underlying EBITDA^{1,2} of \$18.8 million, up 5%
- Reported NPAT¹ of \$4.8 million, down 13%
- Underlying NPAT^{1,2} of \$5.5 million, steady
- Interim dividend of 1.7 cents per share, expected to be fully franked
- Operating cashflow^{1,3} of \$9.6 million
- Excellent safety performance

Financial Performance

Chandler Macleod Group Limited (ASX:CMG) today announced a reported NPAT¹ of \$4.8 million for the half year ended 31 December 2014, with underlying NPAT^{1,2} of \$5.5 million in line with the prior corresponding period (pcp). Underlying EBITDA^{1,2} of \$18.8 million for the half year ended 31 December 2014 represents a 5% increase on the pcp.

Commenting on the result, Chandler Macleod's Managing Director, Cameron Judson, said: "It is pleasing to have achieved this improved half year result, given the soft macroeconomic environment. Our strategy to diversify our earnings continues to deliver growth in Managed Services. Staffing Services has achieved growth in the non-resource sectors largely mitigating the impact of reduced contractor hours in the WA mining sector.

"Our focus on productivity and efficiency initiatives continues to deliver cost savings. Operating costs were down 4% in the half. Staffing Services has further refined its operating model resulting in substantial headcount reductions, which have been partially offset by investments in Managed Services and Aurion growth. We also expect to see margin improvement and efficiency benefits following the roll-out of our new management information system" said Mr Judson.

Debt, Interest and Cashflow

Debt levels at 31 December 2014 are in line with those reported at 31 December 2013. Gearing has risen slightly to 35%. Interest expense for the half year was lower at \$4.1 million, compared with \$4.5 million in the pcp.

Group operating cash flow before interest, transaction and restructuring costs was \$9.6 million, which was \$2.8 million higher than the half year ended 31 December 2013.

¹ From continuing operations – excludes Aviation operations in H1 14

² Before acquisition and restructuring costs and fair value adjustment to contingent consideration

³ Before interest, restructuring costs and transaction costs

Reconciliation of Results (\$m)	H1 2015	H1 2014
Reported EBITDA¹	17.8	17.1
Acquisition costs	0.0	0.4
Restructuring costs	0.7	2.5
Fair value adjustment to contingent consideration	0.0	(2.1)
Transaction costs – Scheme of Arrangement	0.3	0.0
Underlying EBITDA¹	18.8	17.9
Reported NPAT¹	4.8	5.5
Acquisition costs	0.0	0.3
Restructuring costs	0.5	1.8
Fair value adjustment to contingent consideration	0.0	(2.1)
Transaction costs – Scheme of Arrangement	0.2	0.0
Underlying NPAT¹	5.5	5.5

Segment Results

Staffing Services reported an EBITDA of \$17.7 million before corporate overheads for the first half, down 8% on the pcp. The decrease is largely due to the impact of reduced contractor hours in the WA resources sector, being partly offset by growth in other States and non-resource sectors. Productivity and efficiency gains from centralisation of branch administration functions delivered \$4.0 million and a 12% reduction in FTEs in the half.

Managed Services reported an EBITDA of \$10.6 million before corporate overheads compared to \$8.3 million in the prior period from continuing operations. Both the AHS and Vivir businesses produced strong growth. AHS added 600,000 rooms at newly signed hotels in the period and, as a key step in delivering their national footprint, Vivir commenced services at 47 new sites.

Specialist Products reported an EBITDA of \$2.1 million before corporate overheads, down from \$3.2 million in the prior period. The soft levels of business confidence has impacted the demand for the Consulting business' assessment products. Aurion achieved 19% growth in BPO volumes.

The **International** businesses contributed an EBITDA of \$0.4 million compared to \$1.0 million in the pcp. Whilst the New Zealand business performed in line with the prior period, Asia and Europe were impacted by difficult economic conditions.

¹ From continuing operations – excludes Aviation operations in H1 14

Interim Dividend

The Board has determined to pay an interim dividend of 1.7 cents per share, which is expected to be fully franked. This dividend is permitted under the Scheme Implementation Deed ('SID') which Chandler Macleod announced on 14 January 2015 it had entered into with Recruit Holdings Co., Ltd (TSE:6098) ('Recruit'). If the Scheme does not become effective, a dividend will still be payable but the Chandler Macleod Board may review and re-determine the amount of the dividend.

The dividend is expected to be paid on 8 April 2015 to shareholders on the register as at 5pm (Sydney time) on 31 March 2015. The shares will trade ex-dividend from 27 March 2015.

Scheme of Arrangement with Recruit ('Scheme')

As announced by Chandler Macleod on 14 January 2015, under the SID, Recruit, through an Australian subsidiary, proposes to acquire 100% of the share capital in Chandler Macleod for a total cash consideration of \$290.4 million.

The Scheme Booklet is expected to be dispatched to shareholders on 23 February 2015, subject to Court approval.

Shareholders will be given the opportunity to vote on the Scheme at a meeting expected to be held on 25 March 2015. Subject to shareholder approval, Court approval and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented on 16 April 2015.

Outlook

Commenting on the outlook, Mr Judson said, "Our strategy to build a diversified business continues to improve the sustainability and growth of earnings.

"AHS, Vivir and Aurion have very strong pipelines and are positioned for further growth.

"The recent significant reshaping of our Staffing Services business will enable a stronger focus on profitability, and deliver further productivity and efficiency gains over the course of the 2015 and 2016 financial years."

ENDS

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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.