ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

24 February 2016

First Half 2016 Results

Ashley Services Group Limited (ASX: ASH), the integrated jobs and skills company, today announced a statutory after-tax loss of $66.7 million for the half year to 31 December 2015 (pcp: $7.5 million profit). Excluding non-cash impairment charges and other one-off adjustments totalling $61.0 million, there was an underlying after-tax loss of $5.7 million.

Revenue from continuing operations was $144.3 million, 8% below the previous corresponding period ($157.6 million), with the decline largely in the Training division.

Statutory results for the half year	**1H16 ($ million)**	**Proforma 1H15* ($ million)**
Revenue	144.3	157.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(67.7)	11.6
Earnings before interest and tax (EBIT)	(69.5)	10.6
Net profit after tax (NPAT)	(66.7)	7.5
Basic earnings per share (cents)	(44.5)	3.48

* The Company reported proforma figures for FY15 following its ASX listing on 21 August 2014

Underlying results for the half year	
EBITDA	(6.7)
EBIT	(8.5)
NPAT	(5.7)
Basic earnings per share (cents)	(3.8)

Stewart Cummins, who was appointed Managing Director and CEO on 15 February 2016, said: ”The underlying trading results for the half year were very poor. The Labour Hire division made a modest profit with margins in line with the industry average, albeit well down on the previous corresponding period, but the Training division made a loss.

”The non-cash impairment charges, totalling $63.3 million, reflect the write-down of asset carrying values for acquisitions for which subsequent results have not justified the purchase price. These follow a detailed strategic review of all parts of the business that has been undertaken since mid-December 2015.

"Following this review, we have embarked on a comprehensive program to revive the Company, transforming it from a siloed labour hire, recruitment and training organisation, with a loosely aligned support structure, into a more dynamic, focused and integrated 'jobs and skills' business. We have made a number of senior management changes and restructured operations into five business units, each reporting to a general manager and accountable for achieving clearly defined targets.

"We are introducing a more cohesive culture focused on all businesses working together to meet, and ideally exceed, our customers' expectations. Our finance and IT platform is being upgraded so we have faster and more accurate information, and we are adopting new customer relationship management and student management systems to improve business performance.

"The process is well under way to restore profitability to an acceptable level. After analysing the Company's operations, business model and competitive strengths, I am confident that this can be achieved," said Mr Cummins.

The Company is in dialogue with IMF Bentham, which announced in August 2015 that it proposed to fund a class action against the Company on behalf of certain shareholders, with the aim of resolving the situation.

The composition of the Board is currently under review and the Company is targeting to have a majority of independent Non-Executive Directors by 30 June 2016.

Divisional Overview

Labour Hire			
Results for the half year	**1H16 ($ million)**	**1H15 ($ million)**	**Variance**
Revenue	129.4	135.3	(4%)
EBITDA	3.1	5.5	(44%)

The Labour Hire division, founded in 1968, consists of Action Workforce, Concept Engineering and Blackadder Recruitment. The Division currently engages approximately 4,000 workers on a weekly basis with offices across Australia. It has a diversified customer base and a strong presence in the warehousing, logistics, fast moving consumer goods, food, pharmaceutical, manufacturing and trade sectors. Relationships with its top 20 customers currently extend to an average of 5.7 years, helped by strong safety processes, performance and good service.

The 4% decline in first half revenue reflected a reduction in the number of hours charged to 3.2 million from 3.4 million in the first half of FY15. This followed unusually low demand for labour by retail logistics customers during the Christmas period, and the down-trade of several engineering customers. Increased competition led to a reduction in average margin to 2.4%.

The Division's performance is expected to stabilise during the second half as a result of the changes being introduced throughout the Company and increased focus on revenue growth.

Training			
Results for the half year	**1H16 ($ million)**	**1H15 ($ million)**	**Variance**
Revenue	14.9	22.3	(33%)
EBITDA	(7.4)	7.4	n/a

The Training division, which provides vocational education courses leading to nationally recognised qualifications, consists of three business units registered by the Australian Skills Quality Authority and the WA Training Accreditation Council – Ashley Institute of Training, Integracom and SILK Education and Training. Unlike its competitors, the Training division operates a low-risk business model, with a well-resourced in house curriculum team, a high proportion of company trainers, minimal use of brokers, and a small VET FEE-HELP business which accounts for less than 1% of total revenue. The Company prides itself on maintaining full regulatory compliance and adheres stringently to the requirements of all government funding contracts.

The Division's performance in the first half was unacceptable due mainly to a steep decline in revenue from Ashley Institute's Queensland business and delays in reducing costs to take account of changes in federal and state funding for training of unemployed workers. Earnings were also affected by investment to grow the International business and VET FEE-HELP programs. The Company also revised the revenue recognition policy as its new, single Student Management System allowed more accurate measurement.

To enable the Division to focus on quality, the number of courses offered will be reduced from ~140 to less than 100 over the next 6-12 months. Pleasingly, several new large customers have recently been secured and, following the structural and operational changes, the Division is expected to make a positive earnings contribution in the second half.

Cash Flow and Funding

Following the impairment charges, the Company's net assets at 31 December 2015 were $30.1 million, compared with $102.9 million at 30 June 2015. Net debt at 31 December 2015 was $5.8 million reflecting seasonality of working capital in the Labour Hire business, and is comfortably within the Company's current $15 million debt facility limit.

Operating cash outflow, including capital expenditure, during the first half was $12.0 million, due partly to a temporary increase in working capital at the end of December 2015. Net cash outflow, following payment of the final FY15 dividend in October 2015, was $10.2 million. Second half cash flow is expected to be positive, benefiting from a moderation of the working capital peak and review of capital expenditure plans, particularly investment associated with the expansion of the international student business in Perth and Melbourne.

Outlook

The Company's key objectives over the next six months are to stabilise its earnings base and build momentum through initiatives to improve culture, accountability and focus. A business update on progress will be provided in May 2016.

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Ashley Services Group specialises in training, recruitment and labour hire. It has a unique, integrated jobs and skills business model, with a broad customer base, national reach and access to skilled resources across a wide variety of disciplines. It has approximately 450 full-time employees and engaged more than 5,000+ workers over the course of 2015.