ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

2016 HALF YEAR RESULTS PRESENTATION

24 February 2016

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AGENDA

ASHLEY SERVICES GROUP

1. Summary
2. Half Year Results
3. Divisional Update
4. Compliance Update
5. Strategy Update
6. Outlook

1. SUMMARY

ASHLEY SERVICES GROUP

- Board and senior management renewal
  - Ross Shrimpton has been replaced by Stewart Cummins as Managing Director and CEO effective 15 February 2016
    - Mr Shrimpton moved into an NED role from this date
  - Paul Brittain staying on as CFO
  - Targeting to have a majority of independent NEDs by June 2016
- Strategic review process under way by new MD – changes will be implemented gradually
  - Leverage integrated jobs and skills business model
  - Emphasis on 3 unique training brands (Ashley Institute, Integracom and SILK)
  - Tighter focus on key customer markets and operational efficiency
- Relationships with ASQA and State government authorities are sound
  - The Company operates a low-risk training model

2. HALF YEAR RESULTS

2.1 FINANCIAL SUMMARY AND OVERVIEW

ASHLEY SERVICES GROUP

Statutory results	▪ Total revenue of $144 million (-7.5% vs pcp) ▪ Loss after income tax attributable to ordinary equity holders of $67 million ▪ Loss per share of 44.4 cents
Significant items	▪ Totalled $61 million net expense: – $63 million impairment of goodwill and intangible assets – $2 million reversal of earn out provisions
Underlying results	▪ EBITDA loss of $6.7 million and EBIT loss of $8.5 million ▪ Loss after income tax attributable to ordinary equity holders of $5.7 million ▪ Loss per share of 3.8 cents

2. HALF YEAR RESULTS

2.2 1H16 INCOME STATEMENT

ASHLEY SERVICES GROUP

$ million	1H16	1H15 Proforma
Revenue by Segment		
Labour Hire	129.4	135.3
Training	14.9	22.3
Total Operating Revenue	**144.3**	**157.6**
EBITDA by Segment		
Labour Hire	3.1	5.5
Training	(7.4)	7.4
Corporate	(2.4)	(1.3)
Significant items	(61.0)	--
Total EBITDA	**(67.7)**	**11.6**
Depreciation & amortisation	(1.8)	(1.0)
EBIT	**(69.5)**	**10.6**
Net interest expense	(0.3)	0.1
Income tax credit / (expense)	3.1	(3.2)
NPAT	**(66.7)**	**7.5**

Labour Hire Revenue

- Unusually low Christmas peak for major retail logistics customers (-$3 million)
- Down trade by key engineering customers (-$2.7 million)

Training Revenue

- Review of revenue recognition policy (-$2.8 million)
- Ashley Institute down 30% mainly due to weakness in QLD business (-$4.9 million)
- Integracom traded in line with pcp
- Impact of acquisitions (+$2.1 million): SILK and Cantillon (nil in pcp)

EBITDA

- Labour Hire margin of 2.4% well below 3% target and down on pcp
- Training result very poor – mainly due to cost-outs not matching revenue patterns espec. QLD
  - Costs to grow International business and VET FEE-HELP ($1.5 million)
- Corporate – higher public company costs (IT, audit, legal, tax)

2. HALF YEAR RESULTS

2.3 1H16 RESULT VS DECEMBER UPDATE

ASHLEY SERVICES GROUP

Statutory 1H16 EBITDA loss includes a number of period end adjustments:

	$ million
YTD October 2015 EBITDA loss	**(0.6)**
Trading loss over November / December 2015	(0.8)
▪ Guidance had assumed a break-even performance but Ashley Institute performed much worse	
Revenue recognition policy change	(2.8)
Increased bad debt provision	(0.6)
Reclassify earn out provisions reassessment and Cantillon system intangible write down as significant items	(1.9)
Underlying 1H16 EBITDA loss	**(6.7)**

2. HALF YEAR RESULTS

2.4 RESULTS OF IMPAIRMENT REVIEW

- Note 12 of the Company’s FY15 Annual Report set out the cash flow assumptions regarding impairment which were applied in the 30 June 2015 accounts and were considered appropriate at the time
- The Company’s 1H16 financial performance has been weaker than expected, substantially due to external factors which developed after signing the 30 June accounts, and internal factors whereby mitigating actions proved insufficient
- At 31 December 2015 the Company has conducted a further impairment review and applied more conservative assumptions
- The outcome of this review is to identify impairments in both operating segments of the Company as follows:
  - Labour Hire – $7.5 million
  - Training Division – $55.8 million

  These write-downs largely mirror the Company’s reduced market capitalisation
- The decision to write down the carrying value of non-current assets was not taken lightly, and does not diminish the Company’s positive view of future opportunities

2. HALF YEAR RESULTS

2.5 BALANCE SHEET

ASHLEY SERVICES GROUP

$ million	31 Dec 15	30 Jun 15	31 Dec 14
Cash and cash equivalents	2.4	12.6	9.3
Trade & other receivables	38.7	37.7	44.8
Property, plant & equipment	6.2	5.2	4.8
Deferred tax assets	4.9	5.8	6.8
Intangible & other assets	14.2	77.0	73.5
Total assets	**66.3**	**138.4**	**139.2**
Trade & other payables	18.9	22.3	19.0
Borrowings	8.2	0.2	6.7
Deferred earn out and provisions	5.7	7.5	12.0
Deferred tax liabilities	3.5	5.5	4.3
Total liabilities	**36.2**	**35.5**	**42.0**
Net assets	**30.1**	**102.9**	**97.2**

Working capital

- Labour Hire debtors up $10 million from June 2015 due to seasonal factors, in line with December 2014
- Training debtors & WIP down $9.4 million from June 2015 and down $5.2 million from December 2014 – reduction in revenues, collections, and revenue recognition policy change

Borrowings

- Net debt of $5.8 million
  - Reflects seasonal peak in W/C
- BankWest term debt facility has been reduced from $23 million to $15 million in January 2016
  - Acquisition facility cancelled

Intangible assets and deferred earn outs

- Major reduction relates to results of impairment write-down (-$63 million)
- Likely lower liability for payouts on past acquisitions (-$2 million)

2. HALF YEAR RESULTS

2.6 1H16 CASH FLOW

ASHLEY SERVICES GROUP

$ million	1H16	1H15
Underlying EBITDA	**(6.7)**	**11.6**
Change in working capital	(4.4)	(15.7)
Net interest received/(paid)	(0.3)	0.1
Income tax received/(paid)	2.0	(5.2)
Other	0.2	(3.0)
Cash from operating activities	**(9.2)**	**(12.2)**
Property, plant & equipment	(2.0)	(0.6)
Payments for businesses	--	(31.4)
Payments for IP	(0.8)	(0.3)
Cash used in investing activities	**(2.8)**	**(32.3)**
Net proceeds from borrowings	7.9	1.1
Net proceeds from issue shares	--	82.2
Dividends paid	(6.2)	(30.7)
Cash from financing activities	**1.8**	**52.6**
Net cash flow	**(10.2)**	**8.1**

Operating cash flows

- Working capital increase mainly reflects decrease in trade and other payables ($3.4 million)
- Income tax receivable from 30 June 2015 received in period and no tax instalments for current period

Investing cash flows

- PP&E capex comprises:
  - IT and system developments ($1.25 million)
  - Cantillon PER and MEL ($0.75 million)

Financing cash flows

- Draw-down on term debt facility to support seasonal working capital needs – to reverse over 2H16
- Final FY15 dividend of 4.1 cents per share paid in September 2015

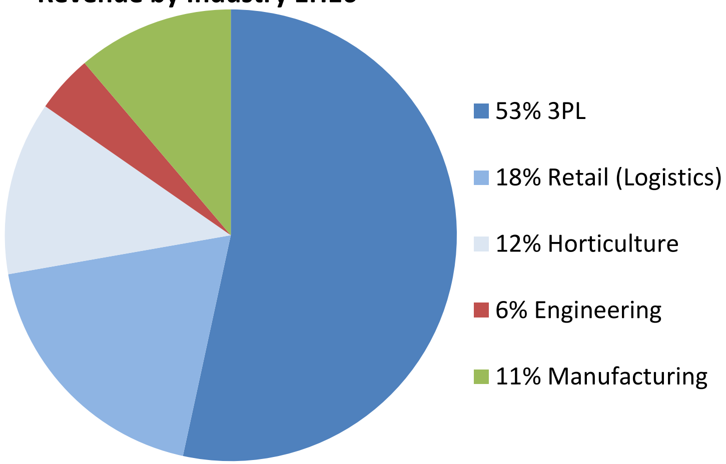
3. DIVISIONAL RESULTS

3.1 LABOUR HIRE DIVISION

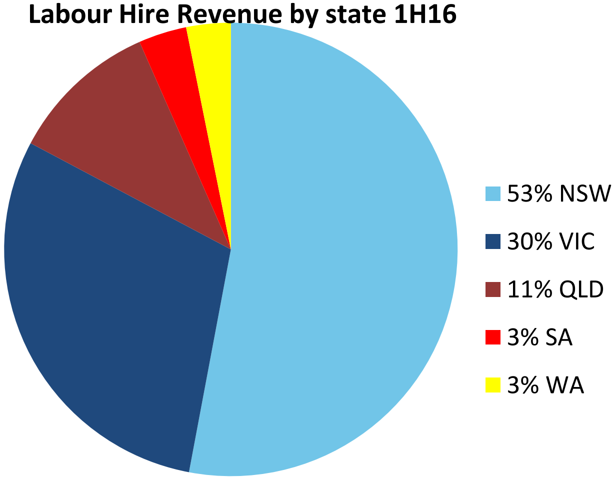
ASHLEY SERVICES GROUP

$ million	1H16	2H15	1H15
Revenue	129.4	125.7	135.3
Operating costs	(126.3)	(122.2)	(129.8)
EBITDA	3.1	3.5	5.5
EBITDA margin %	2.4%	2.8%	4.1%
Labour hours charged (millions)	3.2	3.0	3.4

Revenue by Industry 1H16



Labour Hire Revenue by state 1H16



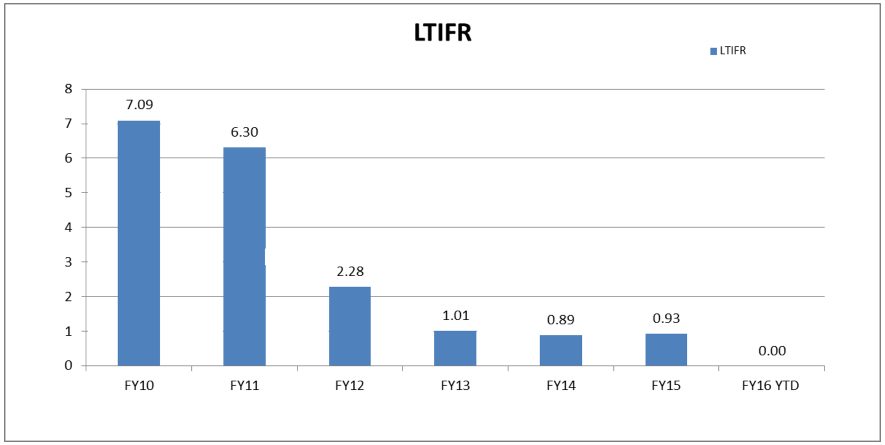
- Action Workforce was established in 1968 as a specialist labour hire business focused on logistics, FMCG, pharma and manufacturing industries
- Concept Engineering specialises in labour hire for trades, engineering and technical services

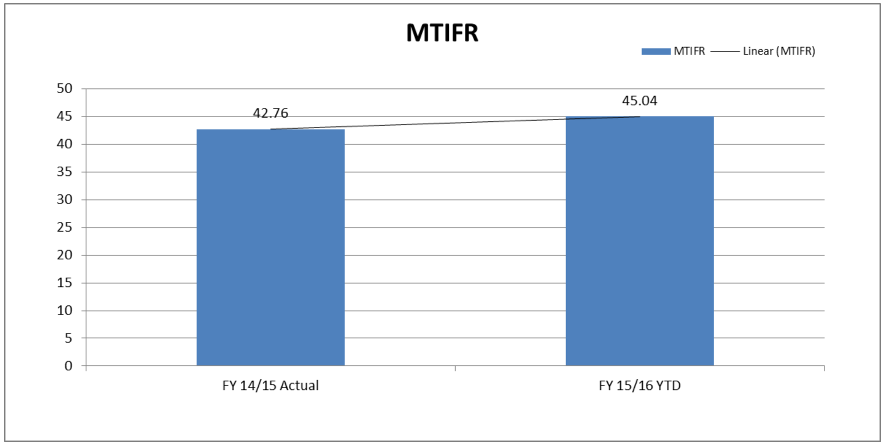
3. DIVISIONAL RESULTS

3.1 LABOUR HIRE DIVISION (CONT'D)

ASHLEY SERVICES GROUP

- Modest drop in hours billed vs pcp reflected 45%/55% split between up-traders and down-traders across Action Workforce's customer base
- Customer retention strong during the period
  - For 2H16, one large retail account has reduced its scope of services in NSW but this will be substantially mitigated through a large national FMCG account which has commenced
- Maintained robust processes for worker assessments and on-boarding – has underpinned an exceptional injury performance (refer LTIFR & MTIFR charts)





3. DIVISIONAL RESULTS

3.2 TRAINING DIVISION

ASHLEY SERVICES GROUP

$ million	1H16	2H15	1H15
Revenue	14.9	22.5	22.3
Operating costs	(22.3)	(15.6)	(14.9)
EBITDA	(7.4)	6.9	7.4
EBITDA margin %	-50%	31%	33%

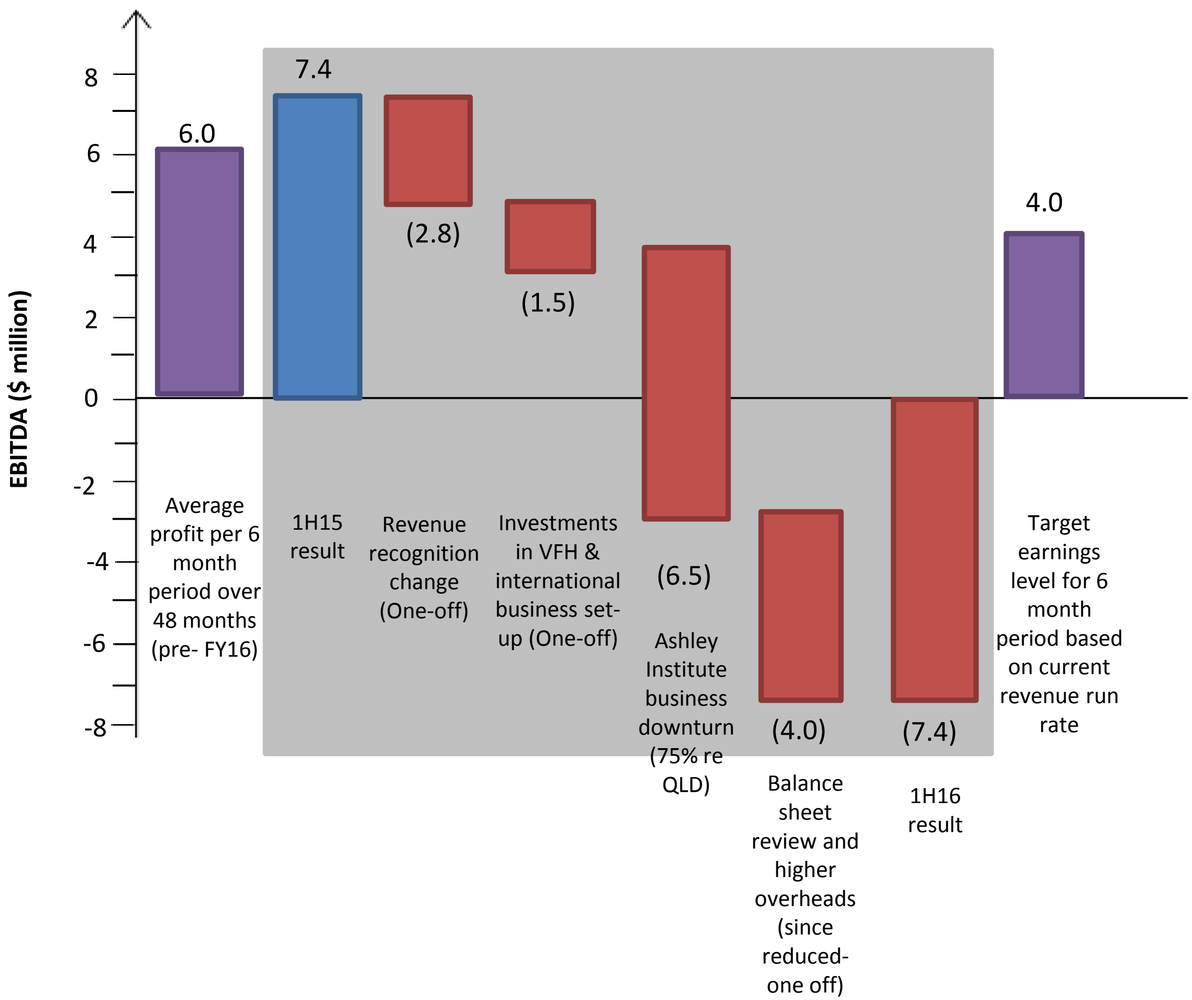
10 layers of quality built into Ashley's student lifecycle …

1. Training & Assessment Strategies
2. Student Suitability Discussions
3. Student Enrolment Checks
4. Trainer & Assessor Skills and currency assessments
5. Training and Assessment materials managed nationally by Curriculum Team
6. Single Student Management System
7. Student Contact Records Repository
8. Results checks and validation
9. Assessment validation managed nationally by Curriculum Team
10. Regular internal audits by National Quality & Compliance Team

3. DIVISIONAL RESULTS

3.2 TRAINING DIVISION (CONT'D)

ASHLEY SERVICES GROUP



- Over the past 8 consecutive half-year periods the Training Division has reported an average $6 million EBITDA contribution (equivalent to a 36% net margin)
- In 1H16 the Company experienced significant turbulence which pushed the Training Division into a loss
- The Company expects to stabilise the Training Division and return it to profitability over 2H16, and to generate a 20-30% net margin in the coming 12 months

3. DIVISIONAL RESULTS

3.2.1 ASHLEY INSTITUTE OF TRAINING

ASHLEY SERVICES GROUP

- Lower commencements due to: (1) delays during 1-in-5 year changeover with Job Service Providers in national employment system; (2) big drop in QLD public market; and (3) funding changes in SA & TAS
- Completions rates are up driven by flow through of 2013/14 student cohorts, revised delivery models, and more comprehensive student support initiatives
- New Corporate clients in meat processing industry and partnerships in the child care and aged care sectors have led to higher enrolments by leveraging pre-employment and return to work programs
- 9 qualifications added to scope: 6 new diplomas in VET FEE HELP, and 1 each in Baking, Building & Construction and IT

3. DIVISIONAL RESULTS

3.2.2 INTEGRACOM

ASHLEY SERVICES GROUP

- Strong growth in enrolments over the period, with a consistent level of completions
- Customer Wins: Large Broadband supplier training contracts, Global Security supplier outsourced training, and several prime contractor training programs underway
- Successful in becoming panel provider for NBN rollout
- Expanded into new revenue streams with vendor-based training and security industries
- Changes in SA Telco state funding model to better support UEE & NBN courses
- Updated curriculum for UEE and ICT courses

3. DIVISIONAL RESULTS

3.2.3 SILK EDUCATION & TRAINING

ASHLEY SERVICES GROUP

- Maintained enrolment levels and student completions over the period
- Gained new funding contract in QLD
- Continue to service a number of large corporate customers in the retail food, hotel and resort markets
  - 8 new customers all high profile national brands
- Curriculum development predominantly through customised corporate programs
- Expanding into new markets during 2016: school-based apprenticeships in commercial cookery; and International market

4. COMPLIANCE UPDATE

The Company has 6 RTOs and strives for the highest level of compliance across its business

RTO number	Legal entity / trading name	Renewal date	CRICOS registration
51895	Tracmin Pty Ltd	28 Feb 16 (being renewed)	N/A
22537	Global Education and Training Group Pty Ltd trading as: ▪ SILK Education and Training	31 Aug 16	Yes
40596	Australian Institute of Vocational Development Pty Ltd	21 Jan 18	N/A
90804	Vocational Training Australia trading as ▪ National Institute of Training	22 Dec 18	N/A
51901	College of Innovation and Industry Skills Pty Ltd trading as: ▪ The Cantillon Institute	31 May 19	Yes
20749	ASH Pty Ltd trading as: ▪ Ashley Institute of Training ▪ ASG Integracom ▪ SILK Education	30 Nov 19	N/A

5. STRATEGY UPDATE

- Ashley Services Group is a real business: it engaged 5,000+ workers during 2015
- Unique integrated jobs and skills business model with a broad customer base, national reach and access to skilled resources across a variety of disciplines

Labour Hire and Recruitment

Competitive advantages

- Medium sized provider
- Specialist in certain industries
- High levels of account management
- Superior customer service

Training

Competitive advantages

- Operates a low-risk training model
- Large in-house Curriculum team
- Minimal use of brokers
- Large proportion of company trainers
- Very small VET FEE-HELP provider

5. STRATEGY UPDATE (CONT'D)

- The new Managing Director has conducted a short Strategic Review process as part of his 2 month induction – the changes to flow from this are evolutionary in nature and will be implemented gradually, as the fundamentals of the Company's integrated business model are sound

- The 3 key themes which will underpin the Company's new strategy are:
  1. **Culture** – to continue the evolution of Ashley Services Group from a privately owned business to a public company post-IPO
  2. **Accountability** – establishment of a new divisionalised Organisation Structure and new appointments in the management team
  3. **Focus** – clarity of targets, better prioritisation, and more rigorous contingency planning

  Focusing on these 3 strategic enablers will further enhance ASH's unique corporate DNA

5. STRATEGY UPDATE (CONT'D)

ASHLEY SERVICES GROUP

There are 5 key steps in Ashley Services' "Road to Recovery" strategy:

1. Accelerate growth in Action Workforce and Concept Engineering
2. Lift external market share in Blackadder Recruitment
3. Turn around Ashley Institute of Training
    a) Rationalise the scope of qualifications – reduce from ~140 to <100
    b) Grow NSW & WA business
    c) Resuscitate QLD business
4. Maintain growth curve of Integracom and SILK
5. Strengthen IT business support platform
    a) Install new CRM system
    b) Complete rollout of single Student Management System across all BU's
    c) Upgrade IT network infrastructure – move to the cloud

And dealing with the threatened IMF class action

6. OUTLOOK

ASHLEY SERVICES GROUP

- Over the next 6 months, the Company's 2 key objectives are to:
  1. Stabilise the earnings base (especially in Ashley Institute of Training)
  2. Build momentum with its Culture, Accountability and Focus initiatives

  The recent new business wins – a large FMCG contract in Labour Hire and a large Facilities Management training contract in Ashley – will underpin 2H16 growth

- Given the early stage of the MD's new strategy implementation, and in view of the Company's recent performance, no financial guidance is provided
  - The previous guidance from 7 December 2015 for an Underlying FY16 EBITDA of $7-9 million is withdrawn
  - An interim business update will be provided to the market in May 2016

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