ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

Tuesday 30 August 2016

Full Year 2016 Results

Ashley Services Group Limited (ASX: ASH), the integrated jobs and skills company, today announced a statutory after-tax loss of $67 million for the financial year to 30 June 2016 (pcp: $14 million net profit). Excluding non-cash impairment charges and other one-off adjustments totalling $62 million, there was an underlying after-tax loss of $4.5 million.

Revenue from continuing operations was $281 million, 7.6% below the previous corresponding period ($304.1 million).

Statutory results for the full year $ million	FY16	FY15
Revenue from continuing operations	280.8	304.1
Earnings before interest, tax, dep'n and amort'n (EBITDA)	(69.9)	23.4
Earnings before interest and tax (EBIT)	(73.4)	20.9
Net profit after tax (NPAT) from continuing operations	(67.0)	14.2
Basic earnings per share (cents)	(44.7)	10.1

Underlying results for the full year $ million	FY16	FY15
EBITDA	(7.4)	20.7
EBIT	(10.9)	18.6
NPAT	(4.5)	13.1
Basic earnings per share (cents)	(3.0)	9.3

Stewart Cummins, Managing Director and CEO, said: "The underlying trading results for the second half were an improvement on the first half. The Labour Hire division continued to generate a profit with margins in line with industry average, and the Training division made a modest profit after its first half loss, reflecting the benefit of a streamlined management structure, narrower product suite, and renewed focus on the four key states of NSW, Victoria, Queensland and WA.

"The Company slightly revised its non-cash impairment charges from the first half, increasing the total FY16 write-down from $63.3 million to $66 million. This revision related to the Labour Hire Division, and followed a detailed strategic review of all parts of the business during 2016.

"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, each being accountable for achieving clearly defined targets.

"I am satisfied that the process to restore sustained profitability is well on track", said Mr Cummins.

Divisional Overview

1. Labour Hire Division

$ million	FY16	FY15	Change
Revenue	248.6	261.0	-4.8%
EBITDA	4.9	9.0	-46%

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 7 years, helped by strong safety processes, performance and good service.

The 4.8% decline in revenue reflected a reduction in the number of hours charged to 6.1 million from 6.4 million in the previous corresponding period. This followed unusually low demand for labour by retail logistics customers during the Christmas period, the down-trade of several engineering customers, and a gap in the timing of won and lost accounts.

2. Training Division

$ million	FY16	FY15	Change
Revenue	32.2	43.1	-25%
EBITDA	(6.6)	14.3	-146%

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 diversified business model, with a well-resourced in house curriculum team, a large internal sales force, high proportion of company trainers, and a small VET FEE-HELP business which accounts for <1% of total revenue.

The Company prides itself on maintaining full regulatory compliance and adheres stringently to the requirements of all government funding contracts.

After a poor first half result, the Division rebounded in the second half with a strong performance especially in NSW, Victoria and Western Australia. This reflected a greater strategic focus on the Company's 6 key industry segments and reducing the number of courses offered from ~140 to 90 over the past 6 months.

Progress was also made in diversifying income streams, with the Company signing Memoranda of Understanding with several South Korean universities which will lead to a steady flow of international students studying with SILK in Melbourne during 2017.

Cash Flow and Funding

There was a strong operating cash inflow (after capex) of $7.4 million during the second half of 2016 (1H16: $12.0 million operating cash outflow) reflecting positive underlying EBITDA trading results, a 60% reduction in capital expenditure, and seasonality of working capital. Changes to capital expenditure predominantly focused on winding back the planned expansion of the international student business in Perth, and did not inhibit investment in the Company's core labour hire and training markets.

Over the full year there was a net outflow of $10.9 million, as a result of the $4.6 million operating cash outflow (after capex) and the final dividend payment for FY15 of $6.2 million.

Subsequent to year end, the Company has revised its funding arrangements by establishing an 'evergreen' invoice discount facility of up to $12 million with a Big 4 bank at competitive rates, and reduced the BankWest debt facility from $15 million to $10 million in August 2016. The intention is to wind this down to $5 million over the next 4 months. This will provide the Company with equivalent liquidity at comparable cost to the previous $15 million facility. The term of the BankWest facility is unchanged (still maturing on 29 October 2017) and includes a similar covenant package, albeit financial measures have been re-set to match the Company's current business plan.

Outlook

The Company's key objectives over the next 12 months are to maintain momentum in earnings growth and continue initiatives to improve culture, accountability and focus. No financial guidance is provided at the current time.

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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 400 full-time employees and engaged more than 5,000+ workers during FY16.