

# 2009/10 Half Year Results Presentation

24 February 2010

safety • knowledge • integrity • leadership • production  
people • risk management • specialist skills • safety  
productivity • innovation • delivery • people • risk  
leadership • productivity • innovation • delivery  
specialist skills • safety • knowledge • integrity •  
delivery • people • risk management • specialist

**Greg Hargrave, MD and CEO**  
**Terry Janes, CFO**

**SKILLED** Group

## Disclaimer

safety • integr  
• knowledge  
people • inno  
cialist skills •

The forward looking statements included in these materials involve subjective judgment and analysis and are subject to significant uncertainties, risks, and contingencies, many of which are outside the control of, and are unknown to, SKILLED Group. In particular, they speak only as of the date of these materials, they are based on the particular events, conditions or circumstances stated in the materials, they assume the success of SKILLED Group's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks.

SKILLED Group disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of SKILLED Group since the date of these materials.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including SKILLED Group). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statement will be achieved. Actual future events and conditions may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward looking statements.

# Agenda

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Summary and Results Overview
- Segment Reporting
- Outlook

## Overview

safety • integr  
• knowledge  
people • inno  
specialist skills •

- The prior comparative period (1H FY09) was the strongest in SKILLED Group's history
- This was followed by a widespread decline in market demand and our profitability as the global financial crisis developed during 2H FY09
- The business as a whole bottomed early in this financial year and has improved since then
- Our revenue and operating profit results for this half are in line with our ASX announcement of December... a little below on a revenue basis and a little above on an EBITDA basis compared to 2H FY09
- As flagged during our capital raising we continue to see key parts of the business recovering with the improving economy but this is not yet across all parts of the business
- Indications from the market are generally positive although this may not impact all parts of the business by the end of this financial year

## Financial Highlights – Prior Comparable Period

safety • integr  
• knowledge  
people • inno  
cialist skills •

### Comparison of Half Year Performance 1H FY10 to 1H FY09

\$M	1H FY10	1H FY09	change
Revenue	844.5	1067.4	-21%
Reported EBITDA	30.7	56.8	-46%
Underlying EBITDA <sup>1</sup>	33.6	58.8	-43%
<i>Underlying EBITDA % Margin</i>	4.0%	5.5%	
Reported NPAT	4.5	21.4	-79%
Underlying NPAT <sup>2</sup>	9.0	27.2	-67%
Net Operating Cash Flow	14.6	50.7	-71%
Reported EPS (cps)	2.8	17.5	-84%
Fully franked Dividends per Share (cps)	0.0	9.0	na
Net Debt	181.2	299.1	-39%
Gearing (net debt / net debt + equity)	35%	57%	

Note 1 and 2: See page 7

## Financial Highlights – Adjacent Half Year Comparison

safety • integr  
• knowledge  
people • inno  
cialist skills •

### Comparison of Half Year Performance 1H FY10 to 2H FY09

\$M	1H FY10	2H FY09	change
Revenue	844.5	875.9	-3.6%
Reported EBITDA	30.7	29.3	+4.8%
Underlying EBITDA	33.6	29.9	+12.4%
<i>Underlying EBITDA % Margin</i>	4.0%	3.4%	
Reported NPAT	4.5	6.9	-35%
Underlying NPAT	9.0	6.9	+30%
Net Operating Cash Flow	14.6	70.9	-80%
Reported EPS (cps)	2.8	5.5	-49%
Fully franked Dividends per Share (cps)	0.0	1.5	na
Net Debt	181.2	258.7	-30%
Gearing (net debt / net debt + equity)	35%	53%	

## Financial Highlights – ‘Underlying’ Adjustments

safety • integr  
 • knowledg  
 people • inno  
 specialist skills •

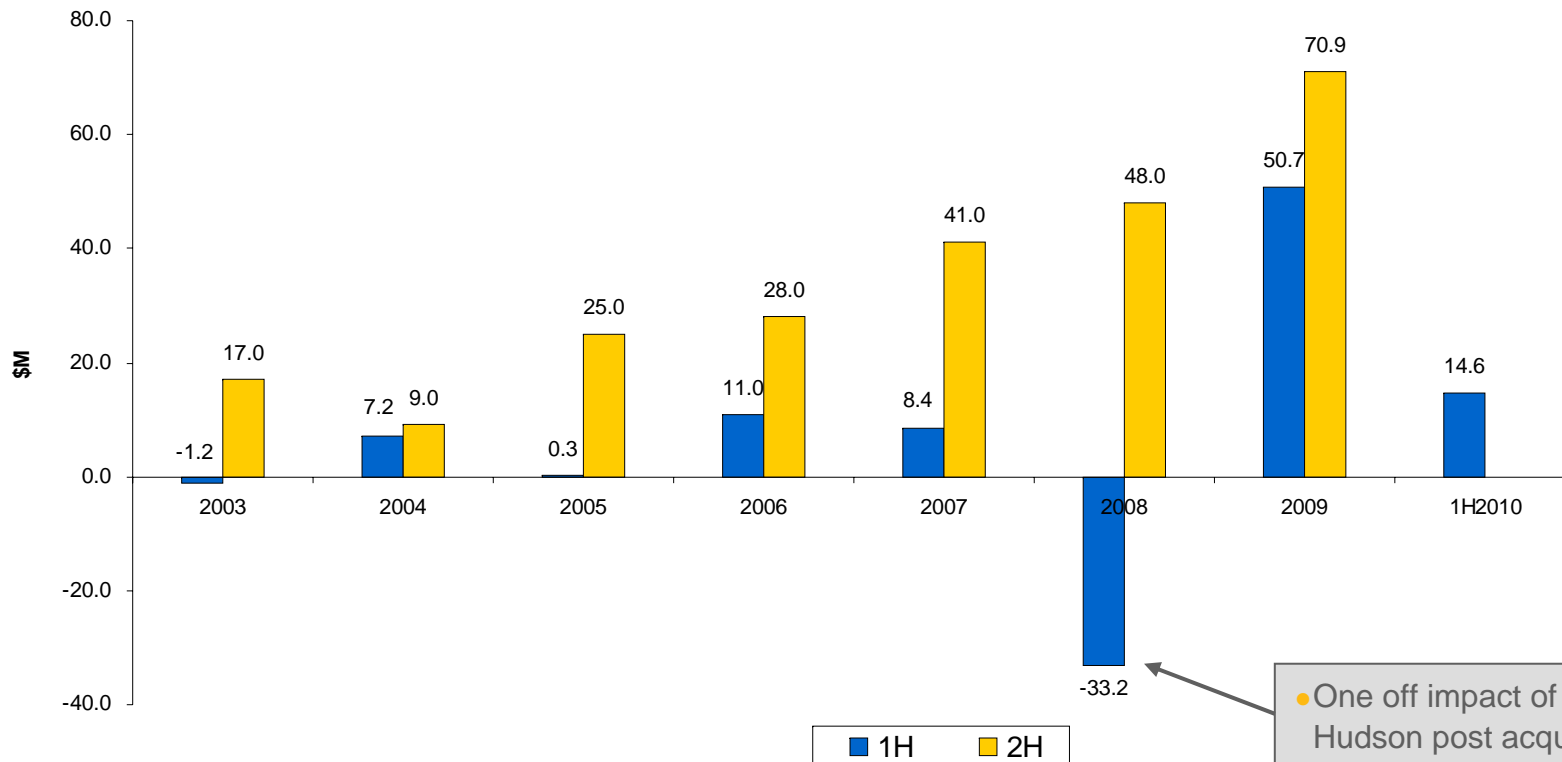
### Underlying Profit Adjustments for Recent Periods

\$M	1H FY10	2H FY09	1H FY09
Reported EBITDA	30.7	29.3	56.8
Adjustments:			
Redundancy and Branch Closure Costs	2.9	3.0	2.0
Adjustment to Executive option expense	-	(2.4)	-
Underlying EBITDA	33.6	29.9	58.8
Reported NPAT	4.5	6.9	21.4
Adjustments:			
After tax EBITDA Adjustments	2.0	(0.3)	1.4
Notional interest on earn-out liabilities (non cash)	1.4	1.0	2.7
Amortisation of intangible assets (non cash)	1.1	1.3	1.7
R&D Tax Concession	-	(2.0)	-
Underlying NPAT	9.0	6.9	27.2

# Operations delivered positive cash flow

safety • integr  
• knowledd  
people • inn  
specialist skills •

## Operating Cash Flow



- One off impact of OMS and Hudson post acquisition working capital requirements
- Catch-up tax payments

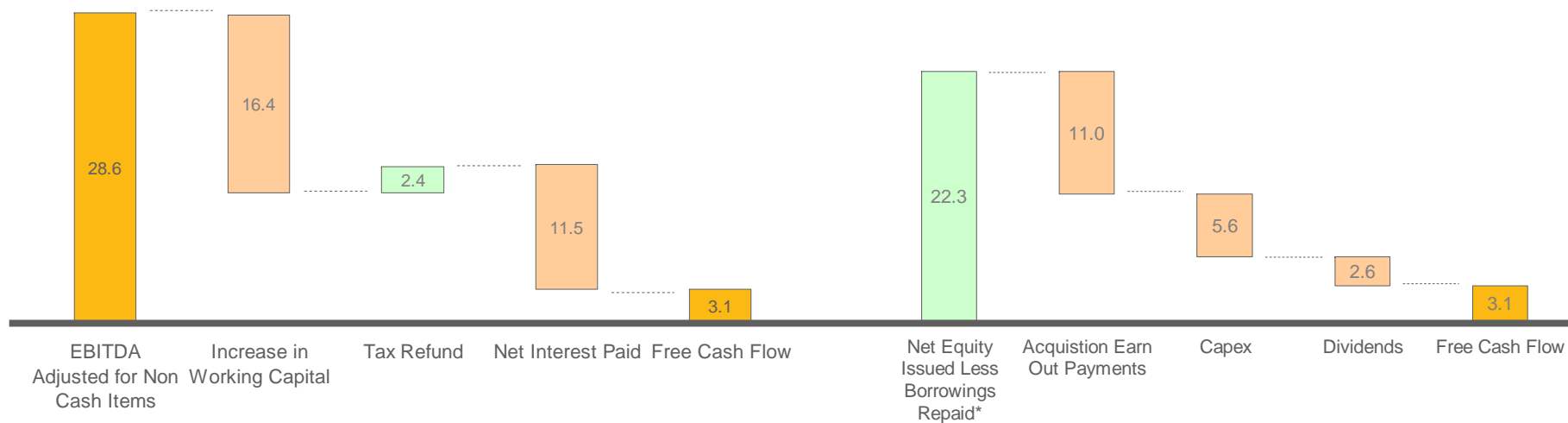


# SKILLED delivered positive free cash

safety • integr  
• knowlege  
people • inn  
ecialist skills •

## Disaggregation of Free Cash (\$m)

## Uses of Cash (\$m)

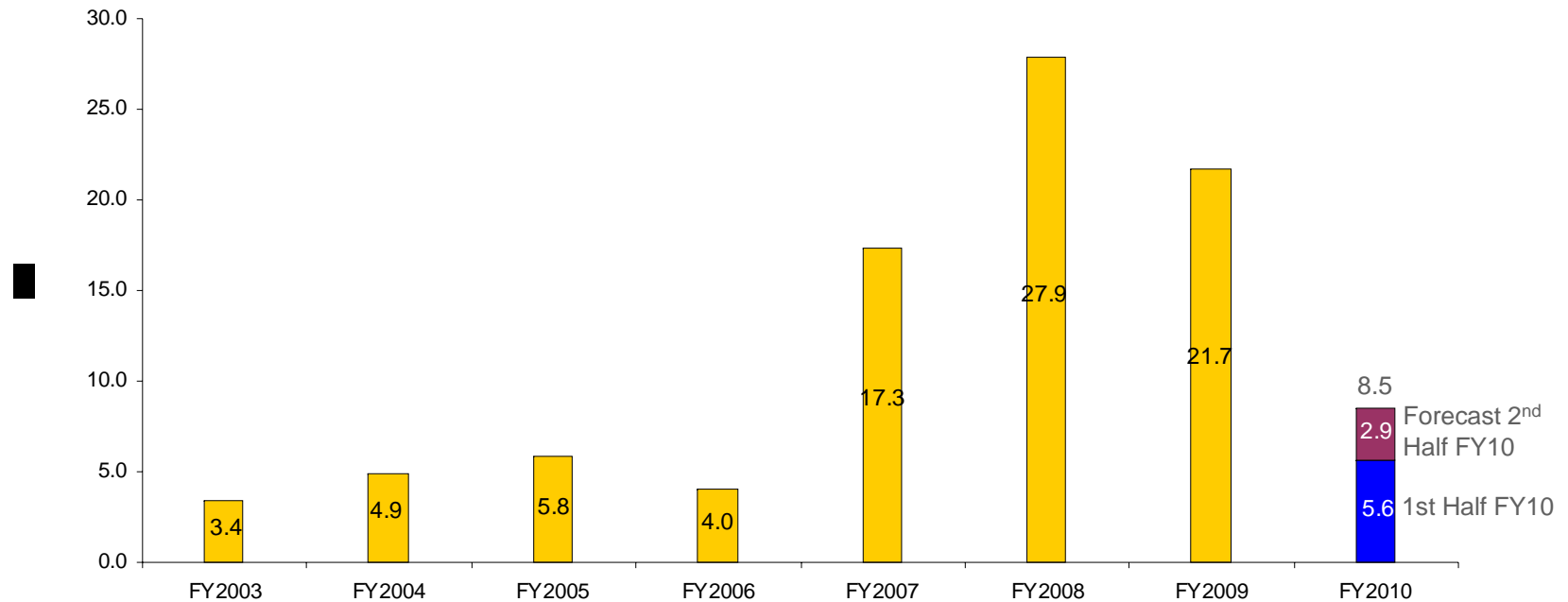


Note: EBITDA Adjustments: As reported EBITDA less movement in employee equity settled benefits reserve; net loss on disposal of PPE; non cash JV income  
\* Net equity issue of \$92.9m less borrowings repaid of \$70.6m excluding cash movements

Capex has returned to more normal levels...  
significantly below recent years

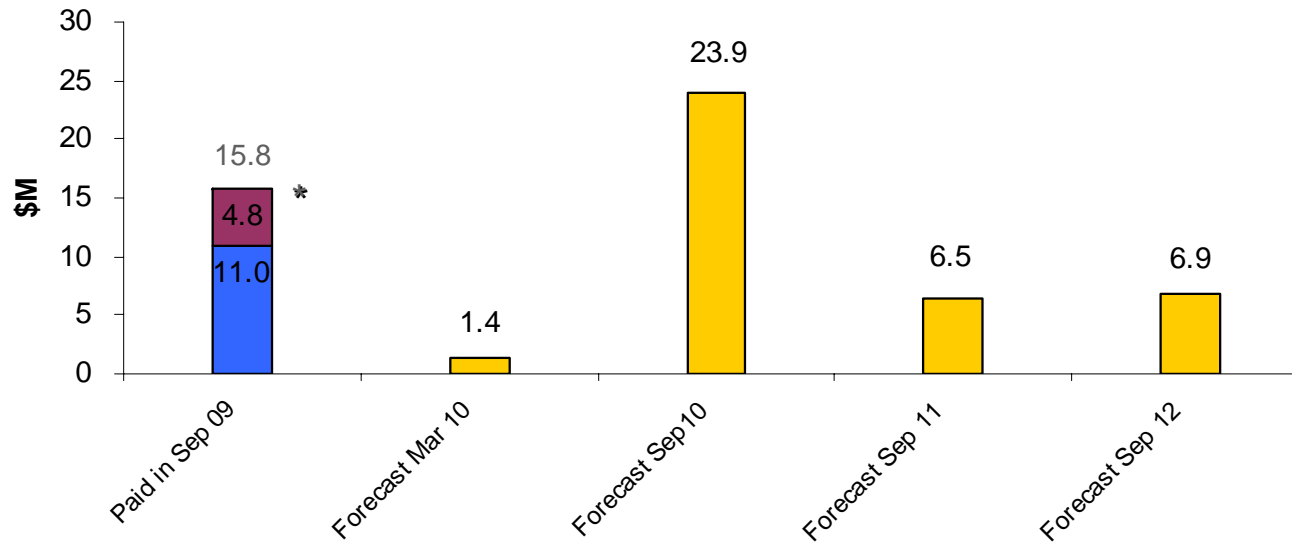
safety • integr  
• knowledge  
people • inno  
cialist skills •

### Capital Expenditure



# Estimated future earn-out payments of ~\$39m (nominal)

## Acquisition Earn Out Payments (Nominal \$m)



**Relevant Acquired Businesses**

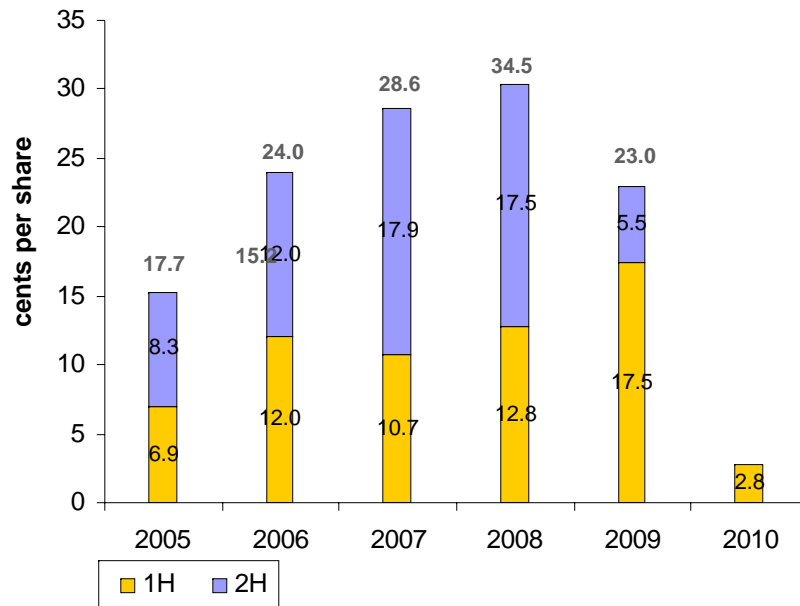
- Tradeforce NZ
- OMS UK
- OMS Internat'l
- OMS Australia
- OMS NZ
- OMS UK
- OMS Internat'l
- OMS UK
- OMS Internat'l

\* Settlement to OMS Australia vendors in the form of \$11.0m cash and \$4.8m equity

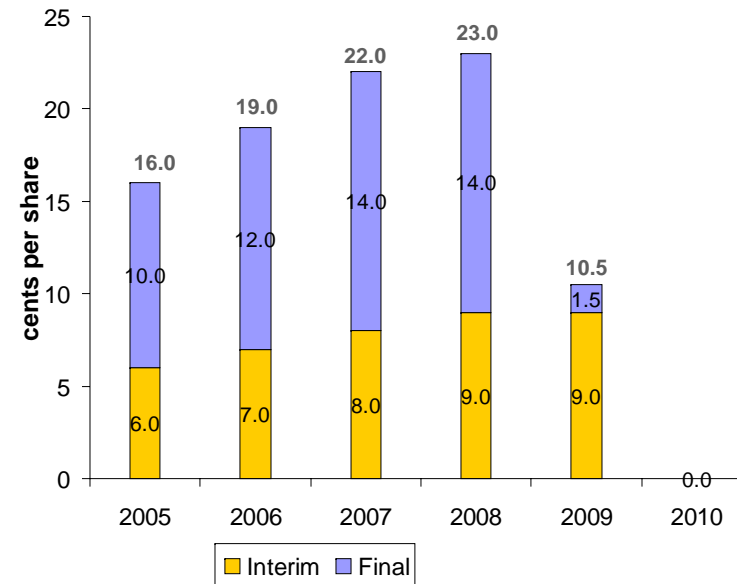
# EPS well down on historical levels; no interim dividend

safety • integr  
 • knowledge  
 people • inn  
 specialist skills •

Earnings Per Share (less divestments)



Dividends Per Share



Focus remains on cash conservation

# Agenda

safety • integr  
• knowledge  
people • inno  
specialist skills •

- Summary and Results Overview

- Segment Reporting

- Outlook

# SKILLED Group Limited – Segment Reporting

safety • integr  
• knowledge  
people • inno  
cialist skills •

## Staffing Services

## C. Engineering & Marine

## D. Business Services

Embedded BU's

### A. Workforce Services



### B. Other Staffing Services



customer contact solutions

## Segment Summary

safety • integr  
 • knowledge  
 people • inno  
 specialist skills •

### Overview of Segment Results 1H FY10\*

\$M	Group	Workforce Services	Other Staffing Services	Eng. & Marine	Business Services	Other**
Revenue	844.5	414.6	174.0	229.1	28.6	(1.7)
EBITDA (before Corporate Office Costs)	30.7	17.9	7.3	11.4	2.2	(8.1)
EBITDA Margin	3.6%	4.3%	4.2%	5.0%	7.6%	

\* Columns may not add due to rounding  
 \*\*Eliminations and Unallocated

# Staffing Services

## A: Workforce Services

safety • integr  
 • knowledg  
 people • inno  
 specialist skills •

### Workforce Services Segment Results

\$M	1H10	2H09	1H09	Change on 2H09
Revenue	414.6	409.1	544.4	+1.3%
EBITDA (before Corporate Office Costs)	17.9	17.5	29.0	+2.3%
EBITDA Margin	4.3%	4.3%	5.3%	





## Workforce Services Improving from its lows... still very much in recovery

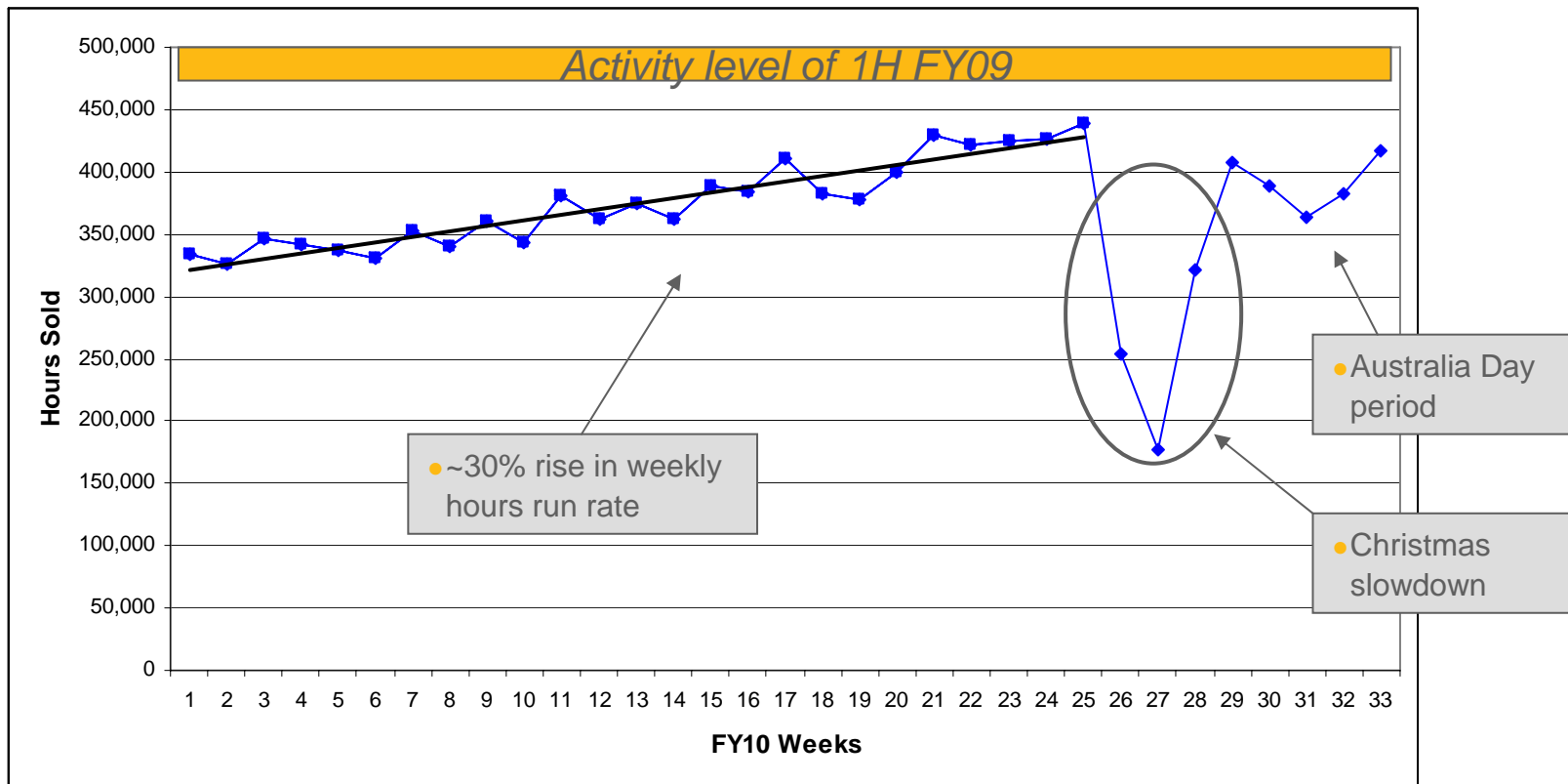
safety • integr  
• knowledg  
people • in  
ecialist skills •

- Low was July / August
- Good improvement since then with weekly run rates up circa 30% from July (before the Christmas slowdown)
- Close control of costs is offsetting a reduction in gross margin
- Recovery strongest in a few sectors (FMCG, T&L, Manufacturing) but all remain off their highs of early last year... further recovery expected

# Workforce Services Improving from its lows... still very much in recovery

safety • integr  
• knowlege  
people • innc  
socialist skills •

Workforce Services Weekly Hours Sold



# Staffing Services

## B: Other Staffing Services

safety • integr  
 • knowledge  
 people • inno  
 specialist skills •

### Other Staffing Services Segment Results

\$M	1H10	2H09	1H09	Change on 2H09
Revenue	174.0	180.5	212.5	-3.6%
EBITDA (before Corporate Office Costs)	7.3	6.2	7.5	+17.7%
EBITDA Margin	4.2%	3.5%	3.5%	



## Other Staffing Services Restructuring has delivered improved profits

safety • integr  
• knowledge  
people • inno  
cialist skills •

- PeopleCo performance has been strong and is expected to continue to build
- Mosaic is benefiting from refocused sales efforts
- Improving co-ordination across brands is winning integrated solutions e.g. supporting the Myki rollout (Victorian public transport ticketing system)
- Technical professionals (SKILLED and SWAN brands) improved on the east coast and we expect growth to return to the west coast in the second half
- Origin Healthcare falling demand trend appears to have stabilised

## C: Engineering and Marine Services

safety • integr  
 • knowledge  
 people • inno  
 specialist skills •

### Engineering and Marine Services Segment Results

\$M	1H10	2H09	1H09	Change on 2H09
Revenue	229.1	257.3	272.2	-11%
EBITDA (before Corporate Office Costs)	11.4	9.4	26.1	+21%
EBITDA Margin	5.0%	3.6%	9.6%	



# Engineering and Marine Services

## Improvement over 2H09... driven by OMS Alliance contribution

safety • integr  
• knowledge  
people • inno  
cialist skills •

### ATIVO

- ATIVO disappointed this half... operated at about breakeven
- Capital spending remained slow
- A lot of 'market testing' by customers leading to delays and margin pressure
- Improved order book of work will deliver a better result in the second half

### OMS

- Good performance in the manning business
- Vessels business has been constrained
  - Weak market
  - Margin pressure (including FX impacts)
  - Unexpected downtime
  - Unexpected higher maintenance costs
- Expecting the 2<sup>nd</sup> half to continue to be tough
- OMS Alliance JV (Gorgon project supplier) beginning to deliver

## D: Business Services

safety • integr  
• knowledge  
people • inno  
specialist skills •

### Business Services Segment Results

\$M	1H10	2H09	1H09	Change on 2H09
Revenue	28.6	30.7	40.1	-6.8%
EBITDA (before Corporate Office Costs)	2.2	3.1	5.7	-29%
EBITDA Margin	7.6%	10.0%	14.1%	



## Business Services

Impacted by the ending of a major contract

safety • integr  
• knowledge  
people • inno  
cialist skills •

- Period of rebuilding is required to offset ending of a major contract
- Related restructuring costs
- Sales pipeline has been slower to convert than expected... this may continue into the 2nd half



# Agenda

safety • integr  
• knowledge  
people • inn  
specialist skills •

- Summary and Results Overview
- Segment Reporting
- Outlook

## Outlook

### Signs are positive for further improvement

safety • integr  
• knowledge  
people • inno  
cialist skills •

- The business is recovering
  - Economic drivers are improving... business activity, job advertisements
  - Strong growth in labour hire through the first half
  - Companies beginning to open their capital budgets
- Tight control of costs is delivering improving EBITDA% margin run rates
- Total quantum of second half performance tough to predict though... rate of recovery variable across different business areas

## APPENDICES

# Positive exposure to key growth sectors

## SKILLED Group Industry Segmentation H1 FY2010

