

# **SKILLED** Group



**Macquarie Annual Australia Conference**  
**Mick McMahon, CEO**  
**2 May 2012**

# Disclaimer

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# Agenda

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SKILLED Group overview

Improving performance

Core Plus strategy

Delivering on the strategy

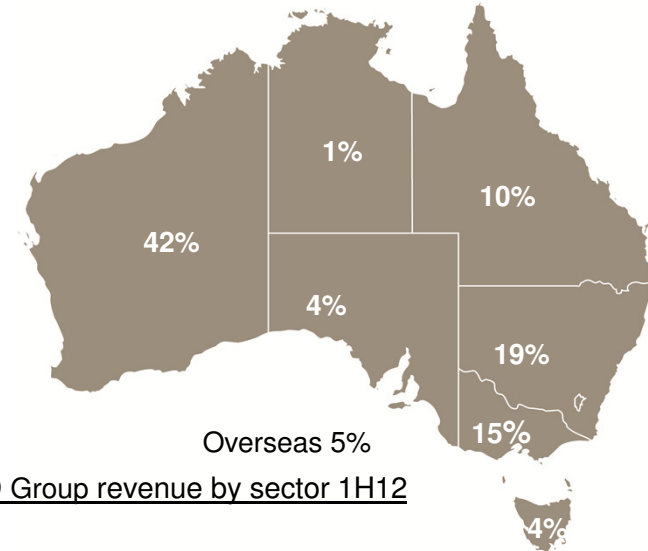
Outlook

# SKILLED Group – our competitive advantage

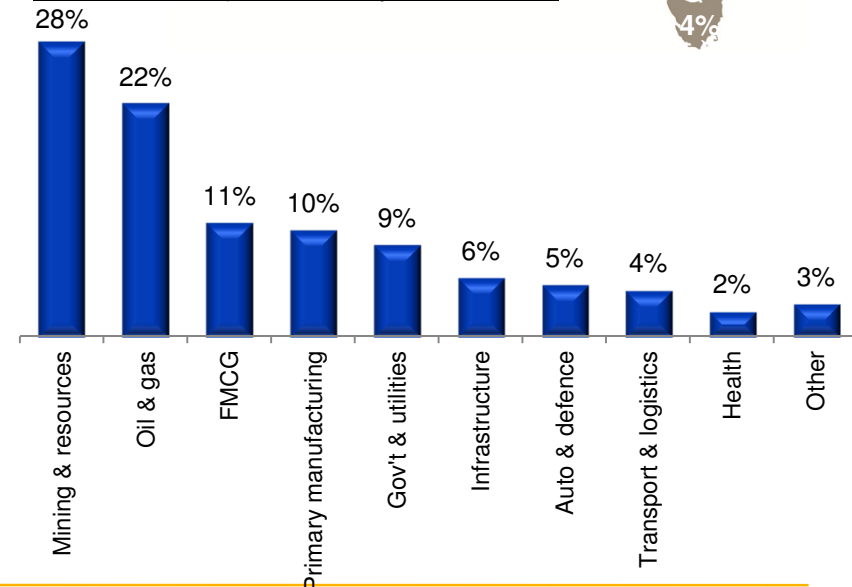
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- Market leader in provision of flexible labour solutions:
  - Trades, experienced operators & technical professionals;
  - Engineering projects & maintenance;
  - Offshore marine services
- Strong position in key growth sectors:
  - Mining & resources
  - Oil and gas
  - Infrastructure
  - Telecommunications
- Strong safety record
- Industrial relations expertise
- Employed 50,000+ people throughout FY11, including:
  - ~ 1,000 traineeships and apprenticeships
  - ~ 500 Indigenous employees
- Well established and trusted brand (~48 years)
- Extensive branch network across Australia
- 52% revenue from WA and QLD

SKILLED Group revenue by geography 1H12



SKILLED Group revenue by sector 1H12



Note: above graphs include notional 1/3<sup>rd</sup> share of OMSA JV revenue

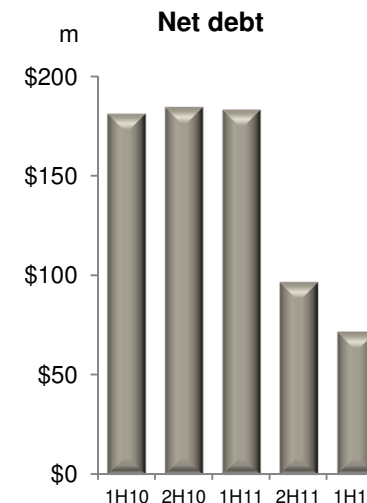
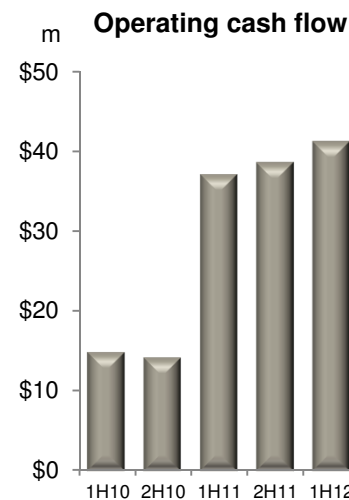
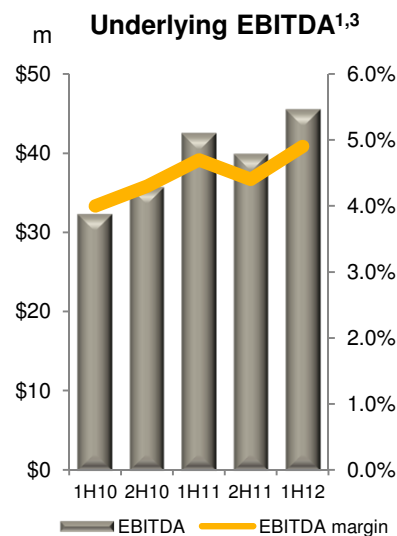
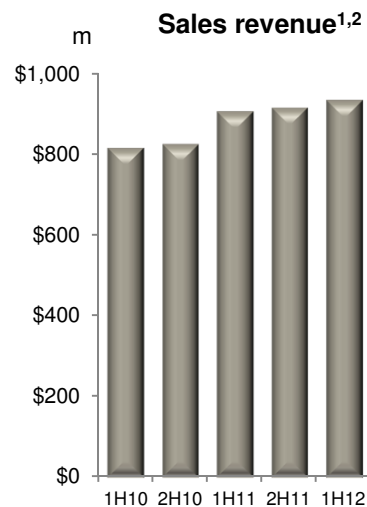
# Improving financial performance

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## HY12 Results:

- Sales Revenue<sup>1,2</sup> up 3.1% to \$935.0 million
- Reported NPAT of \$25.6 million up from a loss of \$2.3 million
- Underlying NPAT<sup>1</sup> up 75.4% to \$24.9 million
- Underlying EBITDA<sup>1,3</sup> up 7.0% to \$45.4 million
- Underlying EBIT<sup>1,3</sup> up 22.3% to \$38.8 million
- Operating cash flow of \$41.2 million
- Net debt reduced to \$71.7 million from \$96.6 million<sup>4</sup>
  - Gearing at 14% compared to 19%<sup>4</sup>
- Reported EPS of 11.0 cps up from (1.2) cps
- Underlying EPS of 10.7cps up from 7.4cps
- Interim dividend of 5.0 cents per share, fully franked

## Performance Improvement:

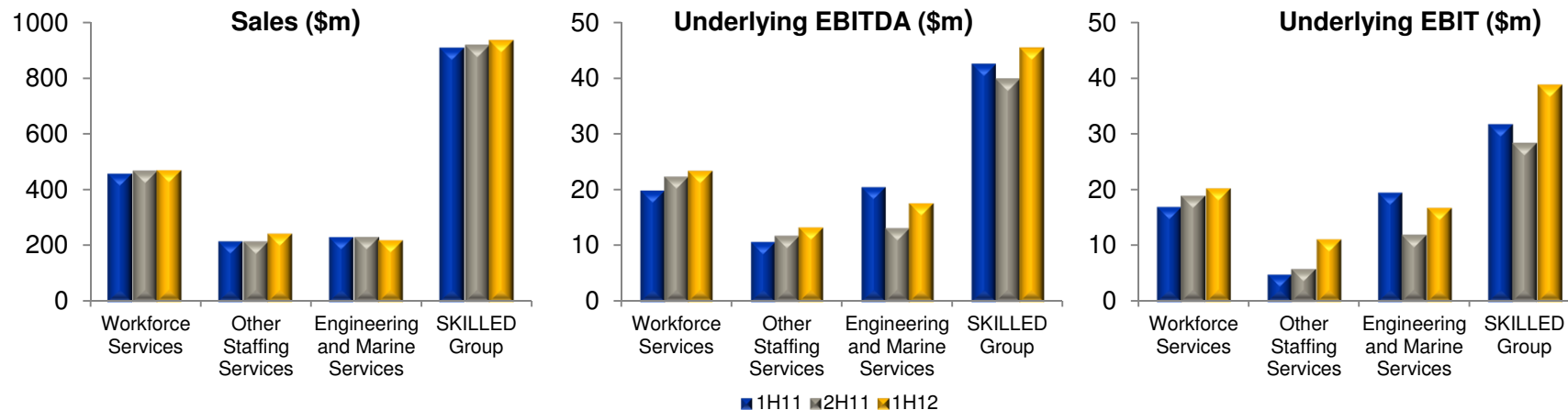


Note: all comparisons above are to the prior corresponding period unless stated otherwise.

<sup>1</sup> from continuing operations; <sup>2</sup> Includes equity accounted income from OMSA JV; <sup>3</sup> as per segment reporting in Half Year Report; <sup>4</sup> as at June 2011

## First half trends continue into the second half

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- Continued growth in Workforce Services despite challenging market conditions**
  - Growth driven by demand for trades and experienced operators in the mining & resources and FMCG sectors; partly offset by decline in manufacturing and logistics and insourcing in some sectors
  - Growth rates have improved from a low point in September/October 2011; trend continued into the second half with some impact of wet weather and IR disputes; South East Australia activity levels under pressure
- Very strong growth in Other Staffing Services**
  - Continued strong growth in Swan Contract Personnel in mining & resources, oil & gas sectors and demand for technical professionals; supported by growth in training and workforce management services
- Continued focus on improving profitability in Engineering & Marine Services**
  - Growth in OMSA JV (Gorgon), OMS Int'l, UK & NZ; improved ATIVO activity levels vs. a very strong pcp
  - Revenue & profit impacted by exit of low return vessel contracts and de-risking of OMS, OMSA and ATIVO

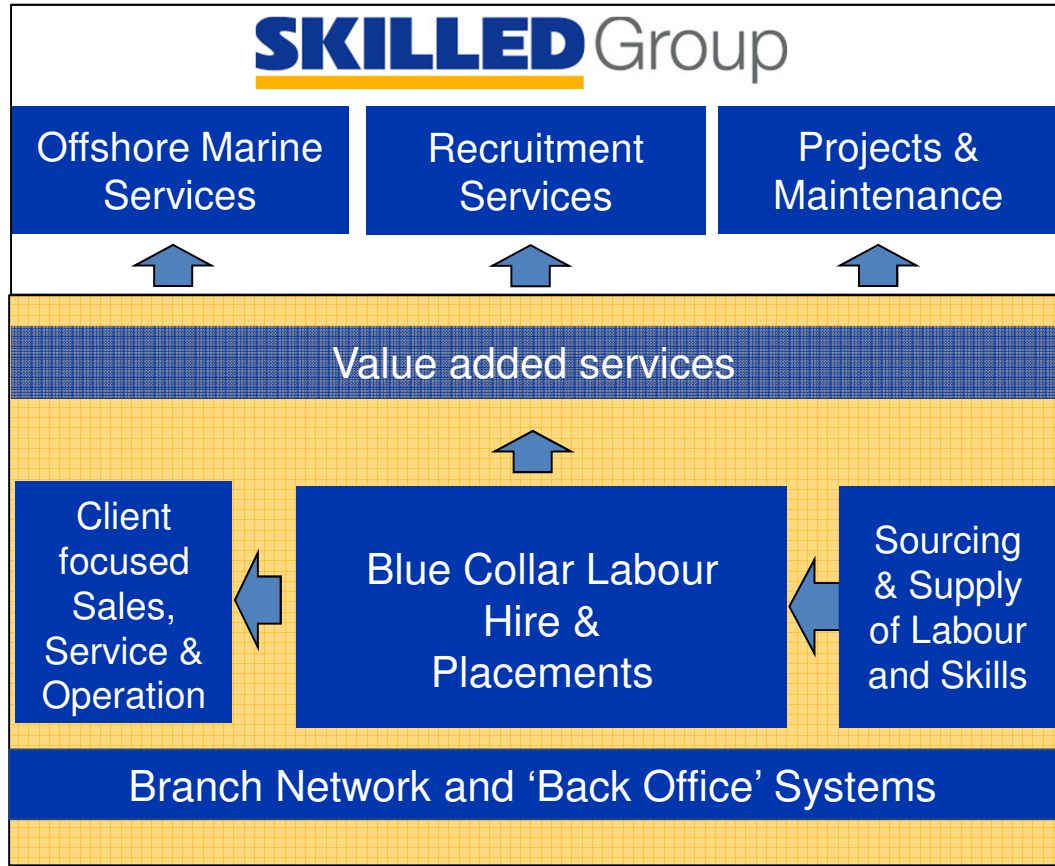
\*fast moving consumer goods

## The Core Plus strategy



# Core Plus strategy

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## Core Plus Strategy

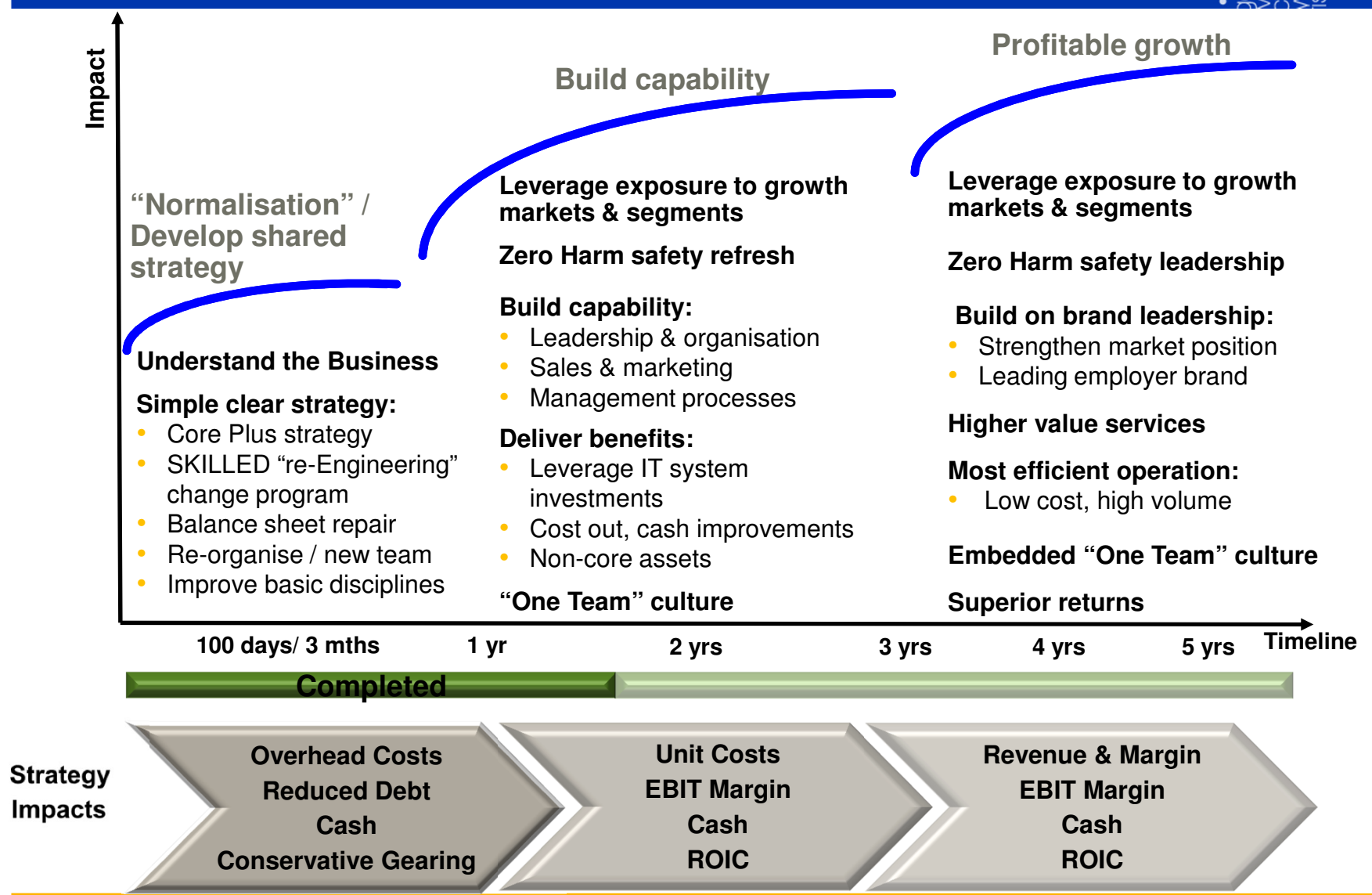
- Zero harm
- Focus on the Core business
- Fit for purpose back office systems
- Scale overheads and cost base to suit
- Drive value added services
- 'Core Plus' businesses leverage the core:
- 'One Team' culture in support of front line teams
- Improve the performance or exit from non-core businesses

**... Core Plus strategy is appropriate for uncertain economic environment...**



# Delivering a turnaround in performance

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## Good progress on strategy implementation

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<b>Governance and strategy</b>	
<b>Improved governance and management transition</b>	<ul style="list-style-type: none"> <li>✓ Board renewal, Core Plus strategy, organisational structure simplification, performance reporting &amp; management information</li> <li>✓ Appointment of Gary Kent as CFO; ex CFO Healthscope</li> </ul>
<b>Key enablers</b>	
<b>Refresh the approach to safety</b> <b>Develop 'One Team' culture</b>	<ul style="list-style-type: none"> <li>✓ Improving performance and "Safety Golden Rules" rolled out</li> <li>✓ Office/branch co-locations in progress with multiple Melbourne offices consolidating to one in the second half</li> </ul>
<b>Profitable growth</b>	
<b>Grow value added services</b>	<ul style="list-style-type: none"> <li>✓ Growing revenues and increasing EBITDA margins</li> <li>✓ Double digit growth in apprenticeships, trainees, workforce management technology</li> <li>✓ Brand research conducted, confirming main brand strength</li> </ul>
<b>Financial</b>	
<b>Low cost overhead structure</b>	<ul style="list-style-type: none"> <li>✓ Cost reduction programme of \$12 million savings targeted at FY13 to be delivered in FY12 with further opportunities identified               <ul style="list-style-type: none"> <li>• Further potential to improve back office processing at lower cost</li> </ul> </li> </ul>
<b>Improve cash flow</b>	<ul style="list-style-type: none"> <li>✓ Improving operating cash flow contributing to lower debt &amp; interest               <ul style="list-style-type: none"> <li>• Debtors days reduced by more than 3 days; underlying interest reduced by 66%</li> </ul> </li> </ul>
<b>Strengthen the balance sheet</b>	<ul style="list-style-type: none"> <li>✓ Net debt reduced to \$71.7 million; gearing reduced to 14%</li> </ul>

# Good progress on strategy implementation

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## Financial (continued)

**Improve the performance or exit from non-core or unprofitable businesses and segments**

✓ **Sale of non-core assets**

- Sale of Excelior completed (proceeds \$8.5m); \$3.8 million post-tax profit on sale
- Sale of the Tradeforce NZ business completed on 30 January 2012 (proceeds A\$2.5m); approx. A\$1.9 million post-tax profit on sale in 2H12

✓ **Improve the performance of Origin Healthcare**

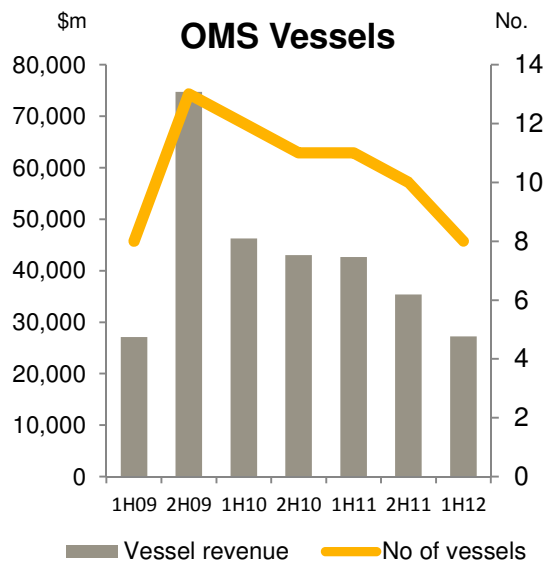
- Strategic review completed; significant potential for performance improvement through operational excellence and cultural change
- Profitability of Origin has improved in the half, but much more to do
- Appointment of Bill Cotter; significant health industry experience; ex CEO Heathcare Australia (HCA)

✓ **Exit unprofitable vessels (OMS)**

- Tactical presence in vessels to support client needs where low risk and profitable
- Primary focus will be on manning growth in Australia, NZ, UK and International, growth of OMSA (Gorgon) JV

✓ **Integrate acquisitions and systems**

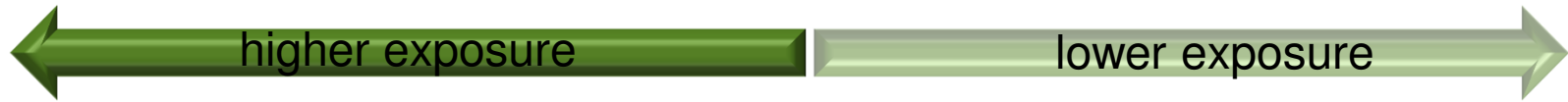
- Back office systems stabilised and performance improved



# Strength in key sectors and skills

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Higher Growth Sectors & Skills	Impacted by:		Lower Growth Sectors & Skills
<p><b>Mining &amp; resources</b>  <b>Oil &amp; gas</b>  <b>Infrastructure / projects</b>  <b>Rail / marine</b>  <b>Telecoms</b>  <b>FMCG</b>  <b>Health</b></p> <p><b>Trades</b>            welders, electricians, diesel fitters, diesel mechanics, riggers, boilermakers</p> <p><b>Technical Professionals</b>            engineers, geologists, technicians, draftsmen, specialist nurses</p> <p><b>High skill / experienced operators</b>            rail drivers, marine crew, mine truck drivers, project supervisors, team leaders</p>	<p><b>Commodities</b>  <b>Investment</b>  <b>China+</b>  <b>Infrastructure \$</b>  <b>NBN</b></p> <p><b>Location shortages</b>  <b>Fly in Fly out</b>  <b>Wage pressures</b>  <b>Work practices/IR</b>  <b>Skill bottlenecks</b>  <b>Skilled migration</b></p>	<p><b>High \$</b>  <b>Interest Rates</b>  <b>Consumer uncertainty</b></p> <p><b>Structural change</b>  <b>Outsourcing</b>  <b>Import assembly</b>  <b>Work practices/IR</b>  <b>Skill bottlenecks</b>  <b>Re-location</b></p>	<p><b>Manufacturing</b>  <b>Transport / logistics</b>  <b>Wholesale / retail</b>  <b>Auto / defence</b></p> <p><b>Production</b>            low skill process work</p> <p><b>Distribution</b>            lower skill pick / pack</p> <p><b>Call Centre/ Business Process</b>            low skill</p>



## Further operating leverage available over 2 to 3 years

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### Current focus on next stage of strategy implementation:

- **Simplification & Automation of manual processes:** e.g. Time sheets, On-boarding, Workplace Risk Assessments, Pricing/Rates Calculations & Margin management, continued Payroll centralisation and automation, improved compliance
- **Improved operating model:** e.g. continued Brand integration, office/branch co-locations, centralised recruitment hubs, 24 hour call centres, online support tools
- **Growth in higher margin skills & services:** e.g. Trades, Experienced Operators, Technical Professionals, Trainees & Apprentices, Indigenous Employment Program
- **Leverage exposure to growth sectors & geographies:** e.g. NBN, Mining, LNG projects, Infrastructure & Construction; WA and QLD
- **Continued improvement in unit costs:** productivity focus from lower cost base
- **Continued improvement in working capital management:** benefits of automation and improved processes to offset growth in longer trading term Mining/O&G sectors

## Outlook



- FY12 outlook unchanged
- Activity levels mixed across activities & sectors;
  - **Workforce Services:** exposure to growth sectors and Trades & Experienced Operator skills should continue to offset decline in other sectors.
  - **Other Staffing Services:** growth rates expected to continue given sector exposure and Swan Contract Personnel strength in Technical Professionals for Mining & Resources
  - **Engineering & Marine Services:** stronger activity levels in the second half but with continued impact of OMS vessel exits
- Cost reduction target of \$12m to be fully delivered in FY12 ( one year early)
- Longer term margin improvement will continue to be supported by the benefits from implementation of the Core Plus strategy

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# Major brands.....

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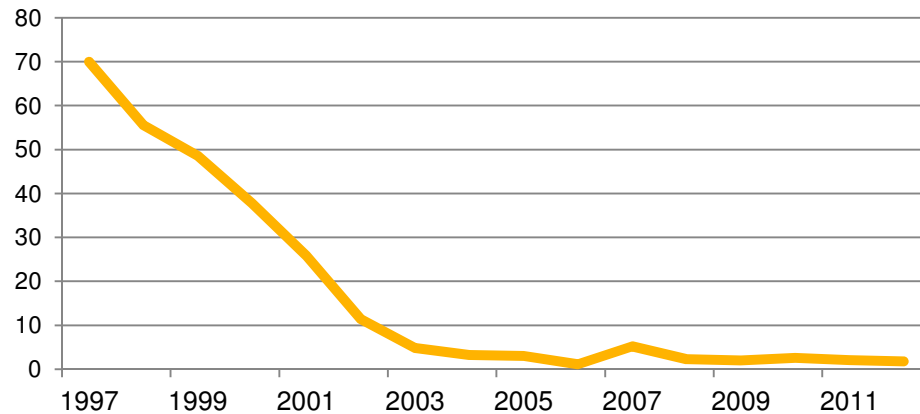


<b>Skills focus</b>	<ul style="list-style-type: none"> <li>• Trades &amp; maintenance</li> <li>• Production &amp; distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Executive &amp; professional</li> <li>• IT&amp;T</li> <li>• Office support</li> </ul>	<ul style="list-style-type: none"> <li>• Engineering &amp; technical specialists</li> </ul>	<ul style="list-style-type: none"> <li>• Offshore marine services provider</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance &amp; project services</li> </ul>	<ul style="list-style-type: none"> <li>• Nursing</li> <li>• Nurse support</li> <li>• Locum doctors</li> </ul>
<b>Market focus</b>	<ul style="list-style-type: none"> <li>• Mining &amp; resources</li> <li>• Manufacturing</li> <li>• Infrastructure &amp; utilities</li> </ul>	<ul style="list-style-type: none"> <li>• Generalist</li> </ul>	<ul style="list-style-type: none"> <li>• Mining &amp; resources</li> <li>• Oil &amp; gas</li> </ul>	<ul style="list-style-type: none"> <li>• Offshore drilling &amp; marine personnel</li> <li>• Vessel chartering &amp; management</li> <li>• Offshore catering services</li> <li>• Rig positioning</li> </ul>	<ul style="list-style-type: none"> <li>• Outages, shutdowns &amp; turnarounds</li> <li>• Mill relining</li> <li>• Refits, installations &amp; upgrades</li> <li>• Dismantling &amp; retirement</li> <li>• Contract maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Healthcare / hospitals</li> </ul>
<b>Client segment focus</b>	<ul style="list-style-type: none"> <li>• Corporate clients / large organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate / midsize / government</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate clients / large organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Offshore oil &amp; gas</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Mining &amp; resources</li> <li>• Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Public, private, aged care and home care</li> </ul>
<b>Geographic focus</b>	<ul style="list-style-type: none"> <li>• Australia</li> </ul>	<ul style="list-style-type: none"> <li>• Eastern seaboard</li> </ul>	<ul style="list-style-type: none"> <li>• WA &amp; QLD</li> </ul>	<ul style="list-style-type: none"> <li>• Australia / NZ</li> <li>• Worldwide</li> </ul>	<ul style="list-style-type: none"> <li>• Australia</li> </ul>	<ul style="list-style-type: none"> <li>• All Australian states except Tasmania</li> </ul>

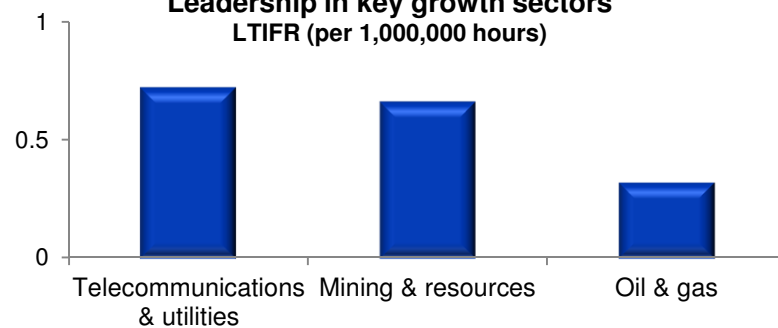
# Safety leadership in key growth sectors

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Long term focus on safety performance  
 LTIFR (per 1,000,000 hours)



Leadership in key growth sectors  
 LTIFR (per 1,000,000 hours)



- 15 years of focus on SKILLED safety leadership
- Zero Harm philosophy is central to the Core Plus strategy
- Safety “Golden Rules” implementation well progressed:
  - Focus on high risk activities and industries
  - Meet different needs across key client segments
- Continued reduction in injury rates
- World class shutdown completed at BHP Kwinana Nickel Refinery (WA) - 45,000 hours, no recordable injuries

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