

17 June 2013

SKILLED Group expands its capability in oil and gas services

SKILLED Group (ASX:SKE) is pleased to announce that it has entered into an agreement to acquire Broadsword Marine Contractors Pty Limited ("Broadsword") for an initial consideration of \$48.8 million, and further deferred consideration of \$26.7 million payable over 3 years; for a total consideration of \$75.5 million.

Broadsword is a Northern Territory based, highly regarded marine services provider with exposure to the full lifecycle of activity in the Australian oil and gas sector. Broadsword provides inshore and offshore 'shallow water' services to a high quality client base, with a fleet of small to medium vessels (typically less than 40 metres), and has an established presence in the Northern Territory, Western Australia and Queensland.

The acquisition is highly complementary to the existing manning and marine logistics services provided by the Group's growing Offshore Marine Services business and the OMSA JV; and the acquisition builds increased scale, geographic reach and service breadth in an attractive high skill, high margin segment.

Broadsword has a blue chip client base, an experienced management team and is enjoying strong growth in demand for its services. It is well positioned to benefit from the strong pipeline of opportunities in the oil and gas sector, including floating LNG projects. These opportunities extend to all phases of exploration, construction, operations and maintenance.

SKILLED Group will provide oil and gas expertise, safety systems, client reach, back office systems and financial strength which will further enhance Broadsword's market position and service capability.

Broadsword's FY14 EBITDA is forecast to be approximately \$16 - \$17 million, with strong growth potential over subsequent years (FY13 EBITDA ~\$14 million on total revenue of ~\$60 million¹).

The acquisition will be EPS accretive, with greater than 10% cash EPS² growth expected in FY14.

A further contingent amount may be payable if 3 year EBITDA growth exceeds agreed stretch targets.

The post integration EV/EBITDA multiple is expected to be around 4.0 times Year 3 EBITDA.

The acquisition will be wholly funded through the Group's existing debt facilities. The Group's gearing level post transaction will remain less than 20 per cent (Debt/Debt plus Equity).

The transaction is expected to be completed in July 2013³.

SKILLED Group Chief Executive Officer, Mick McMahon commented, "This is a carefully targeted and financially compelling acquisition that extends our capability, geographical reach and exposure to oil and gas, while enabling an extension of service to our clients".

"We are very pleased to have secured the ongoing services of Broadsword founder, Grant Farris, who will continue to manage the business. Grant has built a successful business and is well respected by his clients".

¹ estimated FY13 EBITDA and Revenue on a pro forma basis

² cash EPS growth excludes depreciation, amortisation and other non cash items

³ subject to satisfaction of normal business course conditions precedent

Outlook:

The outlook for FY13 remains the same as the previous market update (1 May 2013). Trading conditions remain challenging in some business segments with growth in others:

- **Workforce Services:** weakness in mining with continued price and margin pressure; weak employment conditions overall, with 'pockets' of strength e.g. telecommunications and infrastructure; and in some geographies e.g. Pilbara and metropolitan and regional NSW
- **Technical Professionals:** reduced activity in mining and related engineering services, with growth in telecommunications and training
- **Engineering & Marine Services:** continued growth supported by increased activity levels in oil & gas and maintenance services; the pipeline of oil and gas opportunities remains strong
- Good progress on **transformation and cost reduction** expected to deliver at least \$10 million in FY13; with further opportunity to reduce costs identified for FY14

The Group continues to **expand its capability in attractive market segments** with the previously announced equity increase in the OMSA JV to 50%, and now the acquisition of Broadsword which is expected to deliver approximately \$16 - \$17 million EBITDA in FY14.

The Group is well positioned to maintain a strong balance sheet and continued dividend payments while investing for future growth.

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About SKILLED Group

SKILLED Group Limited is Australia's leading provider of labour hire and workforce services. SKILLED Group has 100 offices across Australasia with annualised revenues of around A\$1.9billion. SKILLED partners with clients to improve their workforce efficiency, enhance safety performance and increase productivity levels. SKILLED is listed on the Australian Securities Exchange (ASX: SKE) and has approximately 5,600 shareholders, predominantly in Australia.