



ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

28 February 2020

First Half 2020 Results

EBITDA of \$6.1 million, up \$1.5 million or 33.8%

EBITDA rate of 3.31% up 25bps

NPAT of \$3.4m million, up \$0.7 million or 26.8%

Ashley Services Group Limited (ASX: ASH), today announced a statutory after-tax profit from continuing operations of \$3.4 million for the half year to 5 January 2020, representing a pleasing improvement of \$0.7 million (up 26.8%) on the prior corresponding period (pcp) (1H 2019: profit \$2.7 million).

Revenue of \$183.4 million was up by \$35.2 million (23.8%) on the pcp (1H 2019: \$148.2 million), due in large part to the inclusion of the CCL Group first half revenue of \$24.9 million. Both the Labour Hire division (up 6.9%) and the Training division (up 9.9%) exhibited revenue growth for the period.

Statutory results for continuing operations (\$ million)	1H20	1H19	Change
Revenue	183.4	148.2	↑23.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6.1	4.5	↑33.8%
Earnings before interest and tax (EBIT)	4.9	4.1	↑19.7%
Net profit/(loss) after tax (NPAT)	3.4	2.7	↑26.8%
Basic earnings per share (EPS) - cents	2.20	1.88	↑17.0%

EBITDA for the half year to 5 January 2020 of \$6.1 million, was up \$1.5 million or 33.8% on the pcp (1H 2019: \$4.5 million), with our EBITDA rate continuing to improve, up 25 basis points (bps) to 3.31%.

EBITDA by Division (\$ million)	1H20	1H19	Change
Labour Hire	5.5	5.8	↓ 5.9%
CCL Group	1.7		
Training	0.8	0.5	↑73.2%
Corporate costs	(1.9)	(1.8)	↑10.0%
Group EBITDA	6.1	4.5	↑33.8%
EBITDA %	3.31%	3.06%	↑25bps

Labour Hire EBITDA was down \$0.3m primarily due to costs incurred in the launch of Concept Recruitment Specialists. The Training division continued its recent improving profitability trend delivering a lift in EBITDA of \$0.3 million. The newly acquired CCL Group delivered a strong \$1.7 million in EBITDA for their first half contribution. Corporate costs were up slightly, primarily due to additional costs related to the CCL acquisition.



Labour Hire Division – Action Workforce drove the first half with Concept Engineering closing the gap on last year’s performance across Q2. Concept Recruitment Specialists is still establishing itself in the recruitment market.

Results for the half year (\$million)	1H20	1H19	Change
Revenue	154.1	144.2	↑ 6.9%
EBITDA	5.5	5.8	↓ 5.9%
EBITDA %	3.56%	4.05%	↓49bps

Labour Hire revenue was up by \$9.9 million or 6.9% on the prior year, with strength in Action Workforce partially offset by Concept Engineering, which as outlined at our AGM, was well down against what was a very strong Q1 in FY19. Q2 revenue for Concept Engineering, whilst still down slightly, closed the gap considerably on Q2 FY19.

Both Action Workforce and Concept Engineering delivered the vast majority of the profit in the Labour Hire division, with Blackadder also contributing, whilst Concept Recruitment Specialists produced a loss for the first half broadly in line with expectations for this start up business.

The increasing mix of lower margin Action Workforce resulted in a reduced Labour Hire EBITDA margin, down 49bps to 3.56% (1H 2019: 4.05%).

Our Labour Hire division continues to deliver an industry best safety performance with an LTIFR which remains at record lows.

Training Division – Improving trends across all States

Results for the half year (\$million)	1H20	1H19	Change
Revenue	4.4	4.0	↑ 9.9%
EBITDA	0.8	0.5	↑\$0.3m
EBITDA %	18.18%	11.53%	↑665bps

Our Training division continues to operate successfully across three states; Victoria, Queensland and Western Australia. Victoria and Western Australia both performed well throughout the half, whilst the improvement in our Queensland operation continues with this state moving into a positive contribution in Q2.

We look forward to continued improving profitability from our Training division, as we add complementary qualifications, always operating under a strong culture of compliance.

CCL Group – Impressive first six months contribution to the Group

Results for the half year (\$million)	1H20	FY19	1H % of FY19
Revenue	24.9	39.4	63%
EBITDA	1.7	2.9	60%

The first six months of the CCL Group has been very pleasing. Revenue is growing well, as evidenced by the first half revenue of \$24.9 million, which compares very favourably, representing 63% of full year FY19 revenue. Similarly, profitability is also growing, with the EBITDA result of \$1.7 million representing 60% of full year FY19 EBITDA.

We look forward to further strength across the second half as project activity again ramps up following the Dec-Jan slow down period. We also anticipate working closer with CCL Group management in the second half following the finalisation of the acquisition in late December 2019.

**Balance Sheet, Cash Flow and Funding**

The acquisition of the CCL group has seen a significant change to our balance sheet. Net assets at \$24.6 million were down by \$2.0 million on the financial year ending 30 June 2019 position of \$26.6 million, primarily due to the creation of a non-current redemption liability (\$2.0 million) in relation to the 20% Put option related to the CCL Group acquisition.

Please refer to the comments contained within the 4D for greater detail on balance sheet movements.

Operating cash flow for the half year period was an inflow of \$2.2 million (1H 2019: inflow of \$0.3 million), which represented our strongest first half operating cash flow result since listing back in August 2014. Traditionally our first half is characterised by a first half labour build to a peak in December, as our customers increase their usage of temporary labour. This creates a short-term lift in our working capital requirement as we pay the higher weekly wages but wait on the related payments in line with credit terms.

The first half also saw the \$3.9 million payment of the 2019 final dividend and the \$5.7 million initial payment (\$4.8m net of cash acquired) for the CCL Group acquisition funded by drawing down against our recently established Bank Bill Business Loan.

During the half year ended 5 January 2020, Ashley Services Group Limited entered into a new banking partnership with the Westpac Banking Corporation which included all transactional banking requirements as well as a \$20 million financing facility, comprised of a \$13 million Invoice Financing facility and a \$7 million Bank Bill Business Loan.

As at 5 January 2020, the Group retained a \$5 million working capital facility through Shrimpton Holdings Pty Limited, a company associated with Ross Shrimpton, Managing Director, major shareholder of the Group. This facility was re-evaluated by the Board in line with its imminent expiry date and determined to be in excess of the Group's funding requirements following the establishment of the new Westpac facilities. Accordingly, this facility has not been renewed and has since expired on 31 January 2020.

As at 5 January 2020, the \$7 million Bank Bill Business Loan was drawn to \$5.712 million. Both the \$13 million Invoice Financing facility and the \$5 million Shrimpton Holdings Facility were undrawn.

Managing Director's Comments

Ross Shrimpton, Managing Director, said, "The first six months of financial year 2020 have been very eventful for Ashley Services as we made our first significant acquisition since listing, bringing on board the CCL Group. We are very happy to move forward with the CCL as part of the greater Group, along with a share being retained by the founder and existing management of CCL. Results from CCL which are included from 1 July 2019 have been particularly pleasing, with both revenue and profitability exhibiting the solid growth which gave us the confidence to go ahead with the transaction.

The acquisition of CCL also saw us enter a banking partnership with Westpac, both to fund the initial purchase payment along with working capital funding. The facilities entered into provide us with sufficient head room to enable us to act quickly on other opportunities as they present themselves. Associated with the establishment of the Westpac facilities, it was determined by the Board that the previous \$5 million working capital facility through Shrimpton Holdings was no longer required, and accordingly this facility was not renewed beyond its 31 January 2020 expiry date.

Overall, our first half result represents a strong lift in both revenue and profitability, obviously with a major driver of this being the contribution from CCL. The pre-existing Ashley Services Group businesses continue to deliver quality results with Action Workforce particularly strong, offsetting a slight downturn in Concept Engineering particularly in Q1, with the gap to last year closing appreciably during Q2. Our Concept Recruitment Specialists division, which was launched in the middle of 2019, is still establishing itself in the market, and shows pleasing signs of growth due to its specialisation in various sectors of the permanent recruitment market.



Our Training division continues to improve, with Victoria adding a few additional qualifications which should bode well for ongoing improvement across the second half.

As with last year, no dividend has been declared in relation to the first half results, again primarily due to the Group's preference to pay fully franked dividends. Given tax loss utilisation and its ongoing impacts, this is best delivered via a final dividend for the 2020 financial year which will likely have similar timing to the dividends of the previous two years. Any final dividend for the 2020 financial year will be subject to board assessment in late FY20, taking into consideration the second half operational performance.

I'd also like to take the opportunity to welcome the CCL team who have joined us following the acquisition. We look forward working closely with CCL management to move the business forward to bigger and better things in the years ahead.

I would finally like to recognise the commitment of our now expanded team at Ashley Services following the acquisition. Both the more than 220 highly committed internal team members, as well as the more than 5,000 employees who work every day in our customer's businesses, delivering a level of service we are extremely proud of and one that we firmly believe is best in class. I thank each and every one of them for this performance and also for the role it plays in our customer's ongoing success".

For further details:

Chris McFadden
Executive Director & Chief Financial Officer

Established almost half a century ago as a Labour Hire business in Sydney, Ashley Services Group listed on the Australian Securities Exchange in 2014. Today, it has cemented its position as a prominent national labour hire provider engaging in excess of 5,000 workers on a weekly basis.