



ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

24 October 2019

Chairman & Managing Director 2019 AGM Addresses

Address by Ian Pratt, Chairman

Good morning ladies and gentlemen,

My name is Ian Pratt and I am the Chairman of Ashley Services Group Limited. I'd like to welcome you to Ashley Services 2019 Annual General Meeting.

It is now 10am, the nominated time for the meeting. I am informed that a quorum is present, the meeting is validly constituted, and I am pleased to declare the meeting open. No apologies have been received.

I thank you for taking the time to join us here in Sydney in our Corporate Office. Your directors are all here today, including your Managing Director Ross Shrimpton along with Chris McFadden our Chief Financial Officer and Executive Director. Also in attendance is our Company Secretary, Ron Hollands and Simon James, our Audit Partner from HLB Mann Judd.

The agenda for today's meeting will be as follows:

1. Address by Ian Pratt, Chairman
2. Address by Ross Shrimpton, Managing Director
3. Q1 FY20 Financial Results Presentation by Chris McFadden, CFO and Executive Director
4. Resolutions as per the Notice of Meeting
5. Finally, we cover any general business including questions

Copies of the Notice of Meeting and Annual Report are available if you wish to obtain a copy.

The 2019 Financial Year was very much a continuation of the positive results we delivered in 2018, with profitability in 2019 building nicely on the prior year. This lift in profitability was a testament to the strength of our business coming as it did despite a reduction in revenue associated with the exit of a large, low margin Action Workforce contract. Additionally, our Concept Engineering business, after two successive years of significant revenue growth, experienced a temporary lull due to a downturn in demand from the second quarter onwards.

Our Labour Hire division has, since our strategic shift back in early 2017, been the clear driving force of our organisation and this was no different in 2019. Labour Hire again delivered the lion's share of our profit.

Our Training division has steadily rebuilt itself into a meaningful profit contributor, exhibiting pleasing revenue growth and a return to profitability in 2019, delivering a \$1 million bottom line, a significant improvement from the breakeven result of 2018.

The year also saw us conclude the class action dating back to 2014 which was launched in the courts back in December 2016. The Deed of Settlement was signed in December 2018 by all parties without admission of



liability by any party and was subsequently approved by the Federal Court in June 2019. There was no negative impact on our 2019 financial results as the result of the resolution.

I'd now like to hand over to our Managing Director, Ross Shrimpton, to discuss our business divisions in further detail and also take this opportunity to again recognise Ross's leadership in building upon the significant turnaround of Ashley Services. After the challenges of Financial Years 2016 and 2017, Ross stepped back into the Managing Director role and Ashley Services has since delivered two successive solid years of impressive results and on the strength of these results, the company, which hadn't paid a dividend since 2015, returned to paying dividends in 2018 and again this year.

So well done Ross to you and the team and I'll hand over to you for a more detailed insight into our 2019 performance and future prospects.

Address by Ross Shrimpton, Managing Director

Thanks Ian, it definitely has been a pleasing turnaround but I'm confident there is much more to come. Let me add that the turnaround is a real team effort and I'd like to take the opportunity again to thank the whole team at Ashley, both the frontline teams and the leaders in our Labour Hire and Training divisions, and also our Corporate team members. Together this team has done an excellent job in building on our 2018 turnaround of our company and I look forward to continuing to work with them as we push on to bigger and better things.

I'd also like to again recognise our CFO and Executive Director, Chris McFadden, who joined at the same time I returned to the Managing Director role and who has played a major role, working alongside me to initially stabilise and turn around our company and then to lead us to the continuing improving results we are discussing here today. I'd also like to thank our Chairman, Ian, for the important role he plays in our company, which is a great personal support to me, with his wise counsel helping keep us keep our company on a steady path to improving results.

At an EBITDA level, we delivered a result of \$9.1 million in 2019, a 14% lift on the prior year, despite the fact that our top line revenue contracted 14% due primarily to the exit of a low margin Action Workforce contract along with the downturn in demand experienced by Concept Engineering from quarter two onwards. Pleasingly though, an improved performance from our Training division and further cost reduction across our Corporate office enabled us to deliver the increase in profitability achieved.

I won't get into the 2019 result in too much detail, it's all in the Annual Report and has been well covered in previous announcements, but of course we are happy to address any questions that may arise at the end of this address.

I will just touch upon our Training division's performance though. After the challenges it experienced in 2016 & 2017, followed by a period of downsizing and stabilisation which delivered a breakeven result in 2018, it was a real positive to see a \$1 million profit delivered on the back of a 19% lift in revenue. I'd like to take the opportunity here to call out the achievements and dedication of our Training staff under the leadership of Aram Sahakian, the General Manager of our Training division, which has been key to this recovery.

As you'll see from the first quarter 2020 results Chris will present shortly, Action Workforce has shown some solid year on year growth in the first quarter and we continue to prove ourselves to be a valuable business partner, reacting quickly to the ever changing needs of our customers and assisting them to deliver upon their own growth opportunities. The Action Workforce business continues to deliver impressive results and is a tribute to the dedication of the team which supports it, under the leadership of Paul Rixon, our Chief Operating Officer – Recruitment & Labour Hire, who also heads up our Labour Hire division.



Concept Engineering as mentioned, experienced a downturn from second quarter 2019 onwards, but again, as you'll see shortly, the trend here is positive, as the first quarter 2020 numbers show average weekly revenue levels well ahead of those seen across the last three quarters of 2019. We're not quite back at the levels seen in second half 2018 or first quarter 2019, but the positive trend is a good pointer to better results ahead for Concept Engineering.

I'd also like to again highlight our impressive Safety record, which continues to deliver record lows in terms of injury rates across the last 3 or so years. These low results are truly world's best practice and something we at Ashley Services are extremely proud of, and which is a direct consequence of our strenuous on-boarding programmes, closely partnering with our customers, and an absolute commitment to continued innovation across our Workplace Health & Safety programmes.

Corporate costs again delivered further savings in 2019 with a year on year reduction of \$0.4 million. With corporate costs now at \$3.4 million this represents a \$2.3 million or just over 40% reduction since 2016. We will of course continue to look for further reduction opportunities at all times, but we are probably getting to a point where future savings will be unlikely to be overly material.

We have recently expanded our offering following on from some success we experienced in introducing a permanent recruitment arm into Concept Engineering in 2019. The result of the learnings gained here has seen us introduce a new business unit, Concept Recruitment Specialists, focusing on specialist permanent recruiting. This new business unit is already operating out of four locations in Sydney including a new Western Sydney office and also in the Melbourne and Brisbane markets.

So, the message I'd like to leave you with, before I touch on a couple of other matters, is that our existing business continues to change and adapt to suit the needs of the market and through this we have a solid path to ongoing future growth, both at a top line and a bottom line profitability level. Our cash flow is strong and again you'll see that shortly in the first quarter 2020 numbers. We remain debt free ahead of any acquisition activity and remain well positioned to capitalise on growth opportunities wherever they may arise.

On the subject of acquisitions, back in late August we announced our intention to enter into agreements to acquire a major shareholding of the CCL Group. Towards the end of September we followed up with another announcement outlining the fact that issues had been uncovered during the ongoing due diligence process and that we were seeking to renegotiate the deal and arrive at a positive resolution of the matter.

The current position is that the investigation and negotiation process is continuing, and both our Chairmen and I were in Melbourne yesterday meeting with CCL representatives. At this stage there have been no payments made by Ashley Services in relation to this transaction and no obligation exists to do so until an agreement is reached on these outstanding matters. We anticipate that this matter will be concluded during November and will keep the market informed on the matter as and when appropriate.

Associated with this matter, and as announced back in late August, Ashley Services has entered into a new banking relationship with Westpac, by way of a new \$20 million facility which will be used to fund both this intended acquisition, ongoing working capital requirements and potentially further acquisition opportunities that might arise. Our Shrimpton Holdings facility has served us well over the past 2 and a half years or so, but with these increased funding requirements and with a couple of very solid years of financial performance from the group, we felt the time was right to establish a long term banking relationship to take us to the next level and we look forward to working with Westpac to deliver future growth to our organisation. The Shrimpton Holdings \$5 million facility remains in place for the time being, with the Westpac facility taking security priority over it.

Before I wrap up, I'd also just like to acknowledge the end of our class action during the year, only by way of adding that we are pleased to have this firmly behind us as this allows us to fully focus on the day to day business of the various Ashley Services businesses and deliver upon our strategic plans for each of them.



Finally, I'd like to thank our shareholders for their ongoing support. We remain committed to delivering them continued improving performances in the years to come. On the back of two years of solid financial performance it has been pleasing to have now delivered two successive years of dividend payment which represents our confidence in the sustainability of our results. I'm not going to give any guidance as to the future, as has been our practice for some time now.

I will now hand over to our Chief Financial Officer and Executive Director, Chris McFadden, to take us through a brief presentation on our first quarter results for the 2020 Financial Year.

- ENDS -

For further details:

Chris McFadden
Chief Financial Officer & Executive Director