

12 November 2013

SKILLED enters into agreement to expand its maintenance services business

SKILLED Group Limited (ASX:SKE) ("SKILLED") is pleased to announce that it has entered into a Sale and Purchase Agreement ("Agreement") with Thomas & Coffey Limited ("Thomas & Coffey"). Under the Agreement SKILLED's wholly-owned subsidiary ATIVO Pty Ltd ("ATIVO") will acquire T & C Services Pty Limited, a subsidiary of Thomas & Coffey which will hold a majority of Thomas & Coffey's existing business and brand ("T & C Services"). The transaction value is \$33.5 million which is subject to customary adjustments.

The Board of Thomas & Coffey has unanimously recommended the proposal to its shareholders (in the absence of a superior proposal).

T & C Services provides a broad range of maintenance and asset management services to the manufacturing, mining, heavy industry and utilities sectors in New South Wales and Queensland, where it has operated for 80 years with longstanding relationships and a high quality client base.

Strategic rationale highlights:

The proposed purchase:

- Expands ATIVO's existing presence and maintenance service offering on the east coast and represents a highly complementary extension to ATIVO's maintenance and shutdown capability;
- Will create a unique and differentiated maintenance services provider with a strong national footprint, supported by a highly skilled and experienced workforce; and
- Adds scale to ATIVO and the opportunity to leverage existing safety capability, back office systems and overhead structures to improve EBITDA margins over time.

FY13 adjusted underlying EBITDA for T & C Services business was approximately \$7.0 million. The acquisition is expected to be EPS¹ accretive from FY15.

SKILLED Group Chief Executive Officer, Mick McMahon commented, "This is a logical opportunity to enhance ATIVO's competitive position through increased scale, capability, and geographical reach. It is expected to provide the business with more diversified revenue streams and increased exposure to the industrial, utilities and mining sectors in Queensland and New South Wales where long term opportunities for provision of maintenance and technical services are attractive."

Completion of the Agreement:

Completion of the Agreement is subject to satisfaction of a range of conditions including:

- approval of the transaction by ordinary resolution and change of company name by Thomas & Coffey's shareholders;
- each of certain specified key employees accepting new offers of employment with T & C Services:
- final confirmatory due diligence by ATIVO in relation to continuing customers and contracts to be acquired (this condition to be satisfied one week prior to the shareholder meeting);
- the in-principle approval of the transaction by the senior lenders of Thomas & Coffey; and
- market standard conditions relating to the transfer of T & C Services to ATIVO as a going concern and free of debt.

excluding amortisation of acquired intangibles

It is currently expected that, subject to the conditions precedent being met (or waived), the sale will be completed at the end of January 2014.

Board and major shareholder support:

The transaction is unanimously supported by the Thomas & Coffey Board (in the absence of a superior proposal) with a commitment from each of its Directors to vote any shares they directly or indirectly own, control or represent in favour of the proposal.

Thomas & Coffey's major shareholders, John and Julia Cordukes, have also confirmed their intention to vote the shares they directly or indirectly own, control or represent in favour of the Proposal (in the absence of a superior proposal).

Funding of acquisition:

The acquisition will be wholly funded through SKILLED Group's existing debt facilities.

Outlook:

Trading conditions remain challenging as per the AGM update (October 2013), with subdued activity levels continuing into the second quarter of FY14:

- Workforce Services: continued price pressure in the mining sector impacting margins; overall
 activity levels appear to have stabilised
- **Technical Professionals:** reduced activity in mining and related engineering services, primarily in Swan and Damstra; partially offset by activity in telecommunications and training
- Engineering & Marine Services: deferral of client activity continuing; however growth expected from increased activity levels in oil & gas and maintenance services in 2H
 - OMS and Broadsword well positioned for the next phase of oil & gas growth as OMSA activity on the construction phase of the Gorgon project reduces from peak levels
 - Saipem contract mobilisation towards end of 2H
 - Risk of industrial relations impact in OMS as industry agreements are negotiated with unions
- Transformation and cost reduction program expected to deliver at least a further \$10 million in FY14 from initiatives already underway, with a higher proportion of savings to be delivered in 2H
- Overall activity pipeline, Broadsword, Saipem and phasing of cost out supports a stronger 2H
- Will benefit from any pickup in economic activity and employment growth, supported by good visibility of the longer term pipeline of future opportunities in oil and gas and maintenance services
- Well positioned to maintain a strong balance sheet to support dividends and invest for future growth

About ATIVO:

Established over 15 years ago, ATIVO is a provider of maintenance, project and shutdown services to the mining and resources, manufacturing, energy, infrastructure and industrial sectors. Servicing a blue chip client base, ATIVO delivers tailored solutions designed to meet client-specific needs, from highly skilled maintenance teams to fully managed solutions. ATIVO is a subsidiary of SKILLED Group Limited.

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.

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