



ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE



2016 FULL YEAR RESULTS PRESENTATION

30 August 2016



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AGENDA

1. Summary
2. Full Year Results
3. Divisional Update
4. Compliance Update
5. Strategy Update
6. Outlook



1. SUMMARY

- Over the past 6 months the Company has been focused on pursuing its 2 key objectives to:
 1. Stabilise the earnings base; and
 2. Build momentum with the Culture, Accountability and Focus initiativesSignificant progress has occurred in both areas

- The strategic review process is completed
 - Cantillon Perth business has been wound down
 - Cantillon Melbourne business has been refocused and rebranded as SILK
 - Operations in QLD, SA and TAS have been down-scaled
 - Qualifications on scope have been reduced from ~140 to 90 unique courses

- Relationships with ASQA and State government authorities are sound

2. FULL YEAR RESULTS

2.1 FINANCIAL SUMMARY AND OVERVIEW

Statutory results (continuing operations)	<ul style="list-style-type: none"> ▪ Total revenue of \$281 million (-7.6% vs pcp) ▪ Loss after income tax attributable to ordinary equity holders of \$67 million ▪ Loss per share of 44.7 cents
Significant items	<ul style="list-style-type: none"> ▪ Totalled \$62.5 million net expense for continuing operations: <ul style="list-style-type: none"> – \$61 million in 1H16 re impairment and earn-out adjustments – \$1.5 million in 2H16 re impairment and earn-out adjustments ▪ Totalled \$2.6 million net expense for discontinued operations
Underlying results	<ul style="list-style-type: none"> ▪ EBITDA loss of \$7.4 million and EBIT loss of \$10.9 million ▪ Loss after income tax attributable to ordinary equity holders of \$4.5 million ▪ Loss per share of 3.0 cents

2. FULL YEAR RESULTS

2.2 FY16 INCOME STATEMENT

CONTINUING OPERATIONS



\$ million	FY16	FY15
Revenue by Segment		
Labour Hire	248.6	261.0
Training	32.2	43.1
Total Operating Revenue	280.8	304.1
EBITDA by Segment		
Labour Hire	4.9	9.0
Training	(6.6)	14.3
Corporate	(5.7)	(2.6)
Underlying EBITDA	(7.4)	20.7
Depreciation & amortisation	(3.5)	(2.1)
Underlying EBIT	(10.9)	18.6
Net interest expense	(0.5)	0.1
Income tax credit / (expense)	6.9	(5.6)
Underlying NPAT	(4.5)	13.1
Significant items	(62.5)	--
NPAT Continuing Operations	(67.0)	13.1

Labour Hire Revenue

- Timing of account wins vs losses (-\$10 million) but will revert in FY17 following 3 wins in June to August 2016 period
- Down trade by key engineering customers (-\$2 million)

Training Revenue

- Ashley Institute down sharply due to QLD (-\$6.7 million) and changes in SA & TAS government funding (-\$3.4 million)
- Review of revenue recognition policy, balance sheet provisioning and historic adjustments (1H16: -\$2.8 million; 2H16: -\$3 million)
- SILK acquisition added \$4 million revenue

EBITDA

- Labour Hire margin of 2.0% was impacted by lag in timing of wins and losses
- Training result poor – mainly due to weak 1H16 and impact of legacy items; underlying 2H16 performance improving
- Corporate – higher public company costs (management, IT, audit, legal, tax)



2. FULL YEAR RESULTS

2.3 2H16 VS 1H16 RESULT CONTINUING OPERATIONS

\$ million	1H16	2H16	FY16
Revenue by Segment			
Labour Hire	129.4	119.2	248.6
Training	14.9	17.3	32.2
Total Operating Revenue	144.3	136.5	280.8
EBITDA by Segment			
Labour Hire	3.1	1.8	4.9
Training	(7.4)	0.8	(6.6)
Corporate	(2.4)	(3.3)	(5.7)
Underlying EBITDA	(6.7)	(0.7)	(7.4)
Depreciation & amortisation	(1.8)	(1.7)	(3.5)
Underlying EBIT	(8.5)	(2.4)	(10.9)
Net interest expense	(0.3)	(0.2)	(0.5)
Income tax credit / (expense)	3.1	3.8	6.9
Underlying NPAT	(5.7)	1.2	(4.5)
Significant items	(61.0)	(1.5)	(62.5)
NPAT Continuing Operations	(66.7)	(0.3)	(67.0)

Labour Hire Division

- 2H16 revenues down 8% vs 1H16 due to timing of wins / losses
 - 2 large accounts lost during 2H16 (1 retail, 1 FMCG transport) and 3 larger accounts won effective FY17 (1 agri, 1 retail, 1 logistics)
- EBITDA drop was due to: (a) net impact of wins vs losses (-\$0.7 million); (b) margin pressure on existing accounts (-\$0.3 million); and (c) lower external recruitment in Blackadder (-\$0.3 million)

Training Division

- 2H16 revenues up 16% vs 1H16 reflecting strong growth in NSW & WA; consistent performance in VIC
- EBITDA held back by: (a) drag of QLD during restructure (-\$1 million); and (b) further balance sheet provisioning and historic adjustments (-\$3.5 million)

2. FULL YEAR RESULTS



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2.4 STATUTORY PROFIT RECONCILIATION

Statutory FY16 EBITDA loss includes a number of large non-recurring items:

	\$ million
Statutory (loss) from Continuing Operations After Income Tax	(69.9)
First half charges	
▪ Impairment of Labour Hire and Training assets	63.3
▪ Earn-out adjustments	(2.3)
Second half charges	
▪ Further impairment of Labour Hire assets	2.7
▪ Further earn-out adjustments	(1.2)
Underlying (loss) from Continuing Operations After Income Tax	(7.4)

- At 30 June 2016 the Company has further reviewed carrying values and determined that it is prudent to book an additional \$2.7 million impairment charge against the Labour Hire Division reflecting continuing margin pressures in this segment
- Therefore total FY16 impairment charges were \$66.0 million

2. FULL YEAR RESULTS

2.5 BALANCE SHEET



\$ million	30 Jun 16	31 Dec 15	30 Jun 15
Cash and cash equivalents	1.7	2.4	12.6
Trade & other receivables	27.9	38.7	37.7
Current tax receivable	2.8	0.1	2.0
Property, plant & equipment	6.1	6.2	5.2
Deferred tax assets	7.6	4.8	3.9
Intangible & other assets	10.8	14.2	77.0
Total assets	56.9	66.4	138.4
Trade & other payables	19.0	18.9	22.3
Borrowings	0.1	8.2	0.2
Deferred earn out and provisions	7.0	5.7	7.5
Deferred tax liabilities	3.7	3.5	5.5
Total liabilities	29.8	36.3	35.5
Net assets	27.1	30.1	102.9

Working capital

- Labour Hire debtors down \$2 million
- Training debtors & WIP down \$8 million vs pcp due to: (a) reduction in revenues; (b) improved collections; and (c) impact of balance sheet provisioning and historic adjustments

Intangible assets

- Major reduction relates to results of impairment write-down (-\$66 million)

Borrowings

- Net cash of \$1.6 million at year end
 - Average drawn debt ~\$5 million
- BankWest term debt facility has been reduced from \$15 million to \$10 million in August 2016

Deferred earn outs and provisions

- Likely lower liability for payouts on past acquisitions (-\$3.7 million)
- Discontinued operations provision (+\$2.5 million)

2. FULL YEAR RESULTS

2.6 FY16 CASH FLOW



\$ million	FY16	FY15
Underlying EBITDA	(7.4)	20.1
Change in working capital	6.5	(4.0)
Net interest received/(paid)	(0.3)	0.1
Income tax received/(paid)	1.6	(7.6)
Operating cash loss from Discontinued Operations	(1.0)	(0.5)
Other	0.4	(3.6)
Cash (used in)/ from operating activities	(0.2)	4.5
Property, plant & equipment	(2.5)	(1.3)
Payments for businesses	(0.3)	(32.8)
Payments for IP	(1.3)	(1.8)
Investment Discontinued Operations	(0.3)	-
Cash (used in)/ investing activities	(4.4)	(35.9)
Net repayment of borrowings	(0.1)	(5.3)
Net proceeds from share issue	--	82.2
Dividends paid	(6.2)	(34.1)
Cash (used in)/ from financing activities	(6.3)	42.8
Net cash flow	(10.9)	11.4

Operating cash flows

- Working capital change mainly relates to decrease in trade & other receivables (refer slide 9)
- Income tax receivable from 30 June 2015 received in period

Investing cash flows

- PP&E capex comprises:
 - IT and system developments (\$1.3 million)
 - Set up of SILK Melbourne international facility (\$0.5 million)
- \$0.3 million earn out on SILK acquisition

Financing cash flows

- Final FY15 dividend of 4.1 cents per share paid in September 2015

3. DIVISIONAL RESULTS

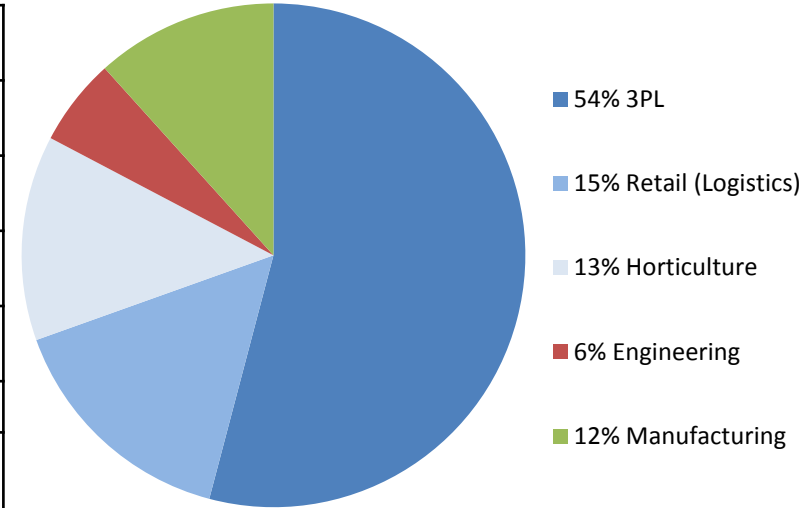
3.1 LABOUR HIRE DIVISION



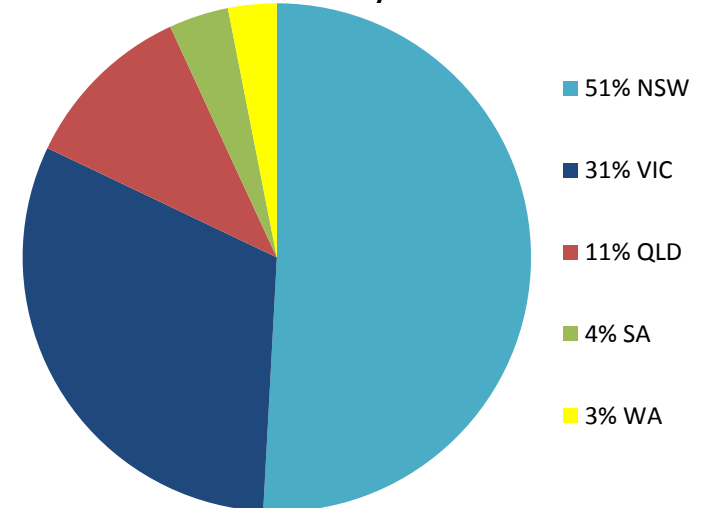
\$ million	2H16	1H16	2H15	1H15
Revenue	119.2	129.4	125.7	135.3
Operating costs	(117.4)	(126.3)	(122.2)	(129.8)
EBITDA	1.8	3.1	3.5	5.5
EBITDA margin %	1.5%	2.4%	2.8%	4.1%
Labour hours charged (millions)	2.9	3.2	3.0	3.4

- Action Workforce was established in 1968 as a specialist labour hire business focused on logistics, FMCG, pharma and manufacturing industries
- Concept Engineering specialises in labour hire for trades, engineering and technical services
- Blackadder Recruitment provides both internal and external recruitment services

Revenue by Industry FY16



Labour Hire Revenue by State FY16

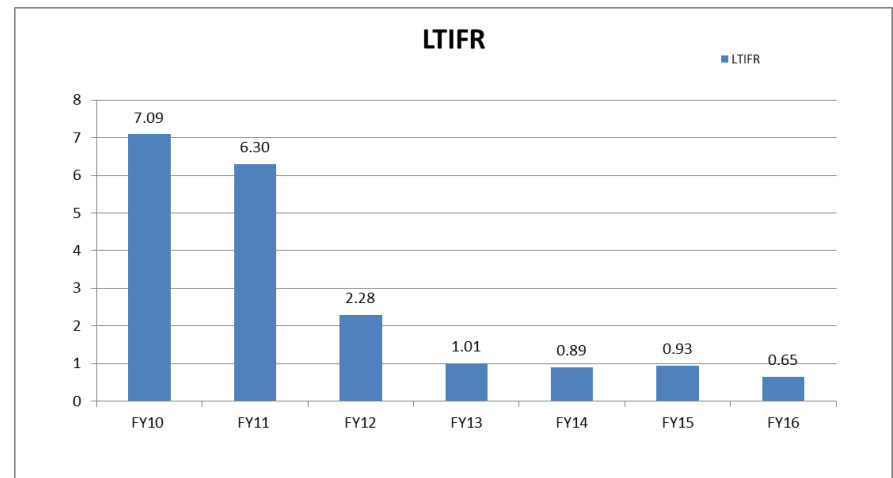


3. DIVISIONAL RESULTS



3.1 LABOUR HIRE DIVISION (CONT'D)

- Modest drop in hours billed vs pcp reflected 45%/55% split between up-traders and down-traders across Action Workforce's customer base
- Customer retention reasonable during the period with value of wins greater than losses, albeit gap in timing
- Maintained robust processes for worker assessments and on-boarding – has underpinned a continuing exceptional injury performance



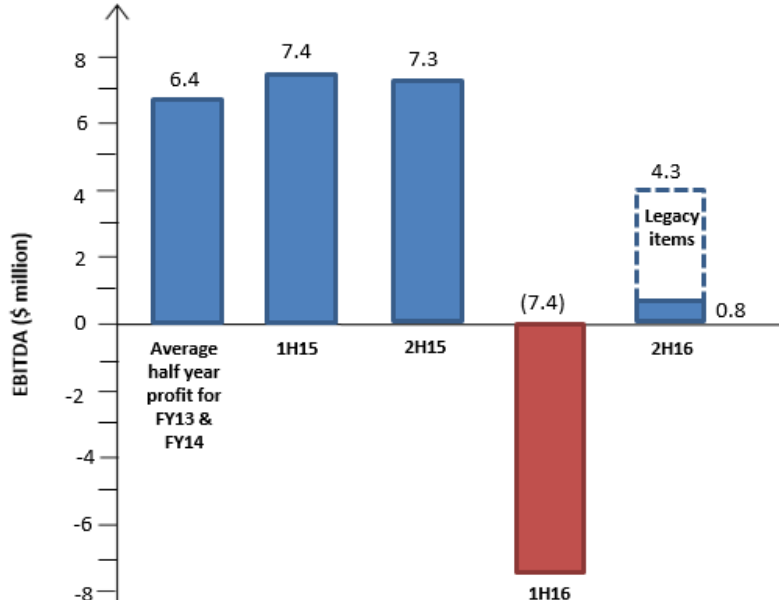
3. DIVISIONAL RESULTS

3.2 TRAINING DIVISION



\$ million	2H16	1H16	2H15	1H15
Revenue	17.3	14.9	22.5	22.3
Operating costs	(16.5)	(22.3)	(15.6)	(14.9)
EBITDA	0.8	(7.4)	6.9	7.4
EBITDA margin %	4.6%	-50%	31%	33%

- Over the past 8 consecutive half-years the Training Division has reported an average \$6.4 million / 36% EBITDA contribution margin
- In 1H16 the Company experienced significant turbulence which pushed the Training Division into a loss
- The Company has stabilised the Training Division and returned it to profitability over 2H16, generating a circa 5% net margin
 - The 2H16 EBITDA result has been held back by: (a) drag of QLD during restructure (-\$1 million); and (b) further balance sheet provisioning and historic adjustments (-\$3.5 million)



3. DIVISIONAL RESULTS

3.2.1 ASHLEY INSTITUTE OF TRAINING



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- Greater strategic focus on 6 key industry segments: Food & Agriculture; Telco & Security; Hospitality; Aged Care, Children's Services and Community Services; Industrial and Logistics; and Business Management
- Number of qualifications offered reduced from ~140 to 90 unique courses
- Stronger focus on preferred geographies of NSW, VIC & WA
- New Corporate clients in meat processing industry and partnerships in the child care and aged care sectors have led to higher enrolments by leveraging pre-employment and return to work programs



3. DIVISIONAL RESULTS

3.2.2 INTEGRACOM



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- As the market leader in telco training, we are taking decisive steps to grow from our existing base
- 2H16 enrolments were consistent with 1H16 but activity levels were slightly stronger
- Customer Wins: Large Broadband supplier training contracts, Global Security supplier outsourced training, and several prime contractor training programs underway
- Leveraging position as a Panel Provider for NBN rollout
- Expanded into new revenue streams with vendor-based training and security industries
- Updated curriculum for UEE and ICT courses



3. DIVISIONAL RESULTS

3.2.3 SILK EDUCATION & TRAINING



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- Maintained enrolment levels and student completions over the period
- Gained new funding contract in QLD (since rolled over for FY17)
- Continue to service a number of large corporate customers in the retail food, hotel and resort markets
 - 40+ new customers, 8 of which are high profile national brands
- Curriculum development predominantly through customised corporate programs
- Signed Memoranda of Understanding with several South Korean universities – will deliver a steady flow of International students studying with SILK in Melbourne during 2017





4. COMPLIANCE UPDATE

The Company has 6 RTOs and strives for the highest level of compliance across its business

RTO number	Legal entity / trading name	Renewal date	CRICOS registration
40596	Australian Institute of Vocational Development Pty Ltd	21 January 2018	N/A
90804	Vocational Training Australia trading as: <ul style="list-style-type: none"> ▪ National Institute of Training 	22 December 2018	N/A
51901	College of Innovation and Industry Skills Pty Ltd trading as: <ul style="list-style-type: none"> ▪ The Cantillon Institute 	31 May 2019	Yes
20749	ASH Pty Ltd trading as: <ul style="list-style-type: none"> ▪ Ashley Institute of Training ▪ Integracom ▪ SILK Education 	30 November 2019	N/A
51895	Tracmin Pty Ltd	28 February 2023 (renewed for 7 years)	N/A
22537	Global Education and Training Group Pty Ltd trading as: <ul style="list-style-type: none"> ▪ SILK Education and Training 	31 August 2023 (renewed for 7 years)	Yes

- Shaded rows above indicate where registrations were renewed during 2H16



5. STRATEGY UPDATE

- Ashley Services Group is a real business: it engaged 5,000+ workers during FY16
- Unique integrated jobs and skills business model with a broad customer base, national reach and access to skilled resources across a variety of disciplines

Labour Hire and Recruitment



Competitive advantages

- Medium sized provider
- Specialist in certain industries
- High levels of account management
- Superior customer service

Training





Competitive advantages

- Operates a diversified training model
- Well resourced in-house Curriculum team
- Large internal sales force
- High proportion of company trainers
- Very small VET FEE-HELP provider



5. STRATEGY UPDATE (CONT'D)





The turnaround plan is progressing well

Step		Status
1. Accelerate growth in Labour Hire and Recruitment businesses		<ul style="list-style-type: none">▪ 3 new customer wins in Agri, Retail and Warehousing / Logistics sectors (annual value \$25+ million) replacing 2 account losses (\$20 million)▪ Expanded scope of services in technical labour supply to several construction engineering projects will underpin stronger FY17▪ Focus on white collar temp/perm placements in SYD and MEL (city and suburbs)▪ New candidate management system implemented for Blackadder▪ Leveraging cross-sell opportunities across ASH's wide customer base
2. Turn around Training Division a) Rationalise the scope of qualifications		<ul style="list-style-type: none">▪ Industry groups consolidated from 23 to 6 enabling a clearer focus and definition of core markets▪ Number of qualifications down from ~140 to 90, though plan to add another 5 qualifications during FY17 in response to customer demands



5. STRATEGY UPDATE (CONT'D)

The turnaround plan is progressing well

Step		Status
2. Turnaround Training Division b) Grow NSW & WA business c) Resuscitate QLD business c) Maintain growth in Integracom and SILK		<ul style="list-style-type: none"> ▪ Solid increase in enrolments and commencements for NSW and WA year-on-year ▪ Strategic shift under way in QLD, with public market programs being down-scaled and greater focus on leveraging cross-training opportunities in Action Workforce and other ASH corporate customers ▪ Expanded Integracom’s scope through addition of ICT15 ▪ SILK has successfully grown from VIC into QLD during 2016 – next step is moving into NSW market during FY17 ▪ MOU’s signed with South Korean universities
3. Strengthen IT business support platform a) Install new CRM system b) Complete rollout of single Student Management System across all BU’s c) Upgrade IT network infrastructure	  	<ul style="list-style-type: none"> ▪ New CRM installed and being rolled out presently ▪ Single SMS fully deployed across all RTOs ▪ New data and voice contracts being implemented, and greater use of cloud computing now occurring



6. OUTLOOK

- Over the next 12 months, the Company's 2 key objectives are to:
 1. Build the earnings base (especially in Ashley Institute of Training and Integracom)
 2. Continue with the discrete Culture, Accountability and Focus initiatives

While extracting greater value from the integrated “jobs and skills” model

- Given the early stage of the new strategy implementation and turn around, and in view of the Company's recent performance, no financial guidance is provided



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