ASHLEY SERVICES GROUP
LABOUR HIRE | RECRUITMENT | TRAINING

29 August 2023

Full Year 2023 Results

- **EBITDA of $20.1 million, up $1.4 million or 7.5% on pcp**
- **NPAT of $11.4 million, up $0.05 million or 0.4% on pcp**
- **EPS down 0.36 cents or 4.6% on pcp**
- **FY23 full year dividend at 6.0 cents, in line with pcp**
- **Operating Cash Flow, a $22.8 million inflow, up $16.1 million on pcp**

Ashley Services Group Limited (ASX: ASH) today announced a statutory after-tax profit of $11.4 million for the year ended 30 June 2023, an increase of $0.05 million (0.4%) on the prior corresponding period ("pcp or FY22") (FY22: $11.4 million).

Revenue of $549.2 million was up $99.4 million or 22.1% (FY22: $449.8 million). Revenue includes $14.5 million and $25.2 million respectively from acquisitions of Linc Personnel Pty Limited ("Linc") and Owen Pacific Workforce Pty Ltd ("OPW"). Excluding acquisitions, revenue was $509.5 million, up $59.7 million or 13%.

EBITDA for the year of $20.1 million, was up $1.4 million or 7.5% (FY22: $18.7 million). EBIT of $16.9 million was in line with pcp, with depreciation and amortisation for the year up $1.4 million, partly due to increased depreciation associated with higher capital expenditures to fund growth in the traffic labour hire business, but also due to $0.8 million of amortisation related to identifiable Linc and OPW customer relationships acquired.

Group Statutory results ($ million)	2023 $m	2022 $m	Growth/ (Decline) %
Revenue	549.2	449.8	22.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20.1	18.7	7.5%
Earnings before interest and tax (EBIT)	16.9	16.9	0.1%
Net profit after tax (NPAT)	11.4	11.4	0.4%
Basic earnings per share attributable to shareholders of ASH (EPS) - cents	7.50	7.86	(4.6%)

EBITDA by Division ($ million)	2023 $m	2022 $m	Growth / (Decline) %
Labour Hire	21.5	21.7	(1%)
Training	3.7	1.5	146.7%
Corporate costs	(5.1)	(4.5)	13.3%
Group EBITDA	**20.1**	**18.7**	**7.5%**
EBITDA %	3.66%	4.16%	(50bps)

Labour Hire Division – Positive revenue contributions from most Labour Hire brands with Action Workforce and CCL Group leading the way.

Results for the financial year ($million)	2023 $m	2022 $m	Growth/ (Decline) %
Revenue	533.2	438.3	21.7%
EBITDA	21.5	21.7	(1%)
EBITDA %	4.04%	4.95%	(91bps)

Labour Hire revenues at $533.2 million were up $95 million (21.7%). Revenue includes $14.5 million and $25.2 million respectively from the Linc and OPW acquisitions. Excluding acquisitions, revenue at $493.5 million was up $55.2 million or 13%. Growth was particularly strong in construction and traffic management in Victoria ("CCL brand") and with existing and new supply chain and logistics customers in NSW and QLD ("Action Workforce" brand).

Labour Hire division EBITDA of $21.5 million, was down $0.2 million (1%) on the pcp (FY22: $21.7 million). EBITDA included $1.5 million and $0.6 million respectively from the Linc and OPW acquisitions. Excluding acquisitions, EBITDA at $19.4 million was down $2.3 million (11%) from the prior period, despite the strong underlying revenue increase. Margins declined from 4.95% in FY22 to 4.04% in FY23, due to the negative impact of fixed hourly margins in the recent inflationary environment, the general competitive environment across the labour hire industry and a decrease in benefits received from government support programmes for trainees. The Group is focused on maintaining overall labour hire margins going forward, working with customers as contracts renew to fully recover increasing costs and diversifying revenue streams into higher margin segments.

Training Division – pleasing lift in revenue and profits

Results for the financial year ($million)	2023 $m	2022 $m	Growth%
Revenue	16.0	11.5	38.7%
EBITDA	3.7	1.5	146.7%
EBITDA %	23.1%	13.0%	1010bps

Training revenues at $16.0 million were up $4.5 million (39%), with the comparative period negatively impacted by COVID restrictions, but also with growth achieved across both the Ashley and The Instruction Company ("TIC") training businesses, as new courses were added to scope and both businesses increased geographic coverage. Current period EBITDA margins were 23%.

Corporate

Corporate overheads (excluding interest, depreciation and amortisation), at $5.1 million were up $0.6 million on prior corresponding period, primarily due to increases in audit and insurance costs, as well as an increase in staffing and salaries to support the growing business.

Cash Flow, balance sheet and funding

Operating cash flow was strong in the 2nd half of the financial year, with an inflow of $15.3 million ($7.5 million in the first half of the year), bringing the full year operating cash flow to $22.8 million (FY22: $6.7 million).

The Group invested $8.7 million (net of cash acquired) acquiring Linc and OPW, $2.8 million in indigenous associated entities and $3.2 million in property, plant and equipment, primarily to fund vehicle and equipment purchases to support the growing traffic management business in Victoria.

Lease payments were $1.3 million and the Group paid $8.9 million in dividends during the year, covering the 2022 final dividend ($4.3 million), the 2023 interim dividend ($4.3 million) and the 2023 final Linc dividend to minority shareholders ($0.3 million).

The total net debt increased $2.1 million during the year to $5.7 million at 30 June 2023.

On 28th December 2022, ASH replaced its original $10 million Bank Bill Business Loan facility with an increased $20 million facility, on largely similar terms and conditions (with adjustments consistent with those associated with a larger institutional facility). The new facility, together with the existing $25 million invoicing facility, increased the Group's total borrowing facilities to $45 million. As at 30 June 2023, the new loan facility was drawn to $4.8 million. The invoice financing facility was drawn to $3.4 million, with total Borrowings at $8.2 million, or $5.7 million, inclusive of cash.

Managing Director's Comments

Ross Shrimpton, Managing Director, said "The financial year ended 2023 saw the Ashley Services Group continue its strong growth in revenues, driven partly by the Linc and OPW acquisitions, but largely through increased hours worked with existing customers and new business wins.

The year saw substantial progress delivering our strategy to diversify outside our lower margin base within the supply chain/logistics labour hire segment by broadening our geographical and industry footprints in growing, more profitable sectors, whilst maintaining our focus on high value service. Importantly, a number of senior staff with relevant industry experience have joined the business, enhancing our foundation for growth during coming years.

On 5th July 2022, the Group purchased a 75% interest in Linc Personnel Pty Ltd ("Linc"), a company providing labour to the oil and gas sector in Western Australia and the Northern Territory. This business performed solidly in FY23, delivering EBIT of $1.5 million, with EBIT margins above 10%. The focus for this business in FY24 is to expand our customer footprint within the sector.

On 6th February 2023, the Group purchased 100% of Owen Pacific Workforce ("OPW"), a company which provides seasonal workers, sourced from Tonga and Vanuatu, to the Australian horticulture industry. OPW's revenues were strong during FY23, but net profits from the date of acquisition to 30 June 2023 (after deducting the amortisation expense of acquired customer relationships and interest expense on funds borrowed for the purchase) were $0.1 million. Profits were adversely impacted by seasonality, transitional costs incurred strengthening the management team to allow the previous owners to move into retirement and increasing costs to serve clients preparing for the introduction of a new deed governing the Seasonal Worker Programme. November to February is the peak period for volumes in this business. Going forward, the business is well placed to deliver expected annual EBITDA of $3 million per year. Final purchase price will be $11.9 million, with $7.1 million paid in FY23, $1.8 million due in October 2023 and $3.0 million payable in October 2024.

The Group has also invested in three new indigenous labour hire providers, with the Group holding 49% non-controlling interests in the three entities. Two of the businesses are in their early phases of business development, but pleasingly, Dardi delivered a strong contribution to its customers and its community in FY23.

These acquisitions and investments continue the strategic expansion of our labour hire business, broadening both our sourcing options for labour and our industry sector and geographic coverage.

On 14 July 2023, the Group acquired the remaining 20% of the CCL Group. The purchase consideration for the 20% interest is payable in two instalments, the first in October 2023 (based upon the actual audited FY23 EBITDA) and the final instalment in October 2024 (based upon the actual audited FY24 EBITDA).

On 28 July 2023, the Group announced a fully franked final dividend of 3.0 cents per share (Ex-div: 31 August 2023; Payment: 15 September 2023). Together with the previously paid 3.0 cents per share interim dividend, this delivers a fully franked full year dividend of 6.0 cents per share for 2023, consistent with the dividend for the 2022 financial year.

We remain focused on continuing improvement in our core areas of strength; namely safety, customer satisfaction, systems and internal staff development as well as enhancing our marketing capability and improving labour retention. We expect organic growth in FY24 from our existing customer base and through effective integration of the FY23 acquisitions.

Our 347 internal staff continue to achieve excellence in their customer service and remain critical for delivery of continued expansion over the coming years".

For further details:

Paul Brittain
Chief Financial Officer and Executive Director

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 over 8,000 workers during the peak seasonal period.