

24 May 2017

47 Burswood Road
Burswood WA 6100
T (08) 9216 2100
F (08) 9216 2186
www.programmed.com.au

Programmed Maintenance Services Ltd
ACN 054 742 264

Results for the year to 31 March 2017

- NPAT before amortisation and non-trading items \$41.3 million
- Statutory NPAT \$12.3 million
- Net operating cash flow \$61.5 million, up 5% from FY16
- Net debt \$200 million, down \$39 million from 31 March 2016
- Marine business forms JV with global provider

Programmed (ASX: PRG), which provides staffing, maintenance and facility management services, today announced an after-tax profit of \$41.3 million before amortisation and non-trading items for the year to 31 March 2017 (FY16: \$38.8 million). After amortisation and non-trading items, the company's after-tax profit was \$12.3 million (FY16: after-tax loss of \$98.0 million).

Earnings before interest, tax, depreciation, amortisation (EBITDA) and non-trading items were \$96.5 million, 19.7% above FY16 (\$80.6 million).

Amortisation and non-trading items totalled \$29.0 million (FY16: \$136.8 million). These were \$11.2 million for the non-cash amortisation of intangibles; \$18.6 million related to the Skilled integration, restructuring and other expenses; \$2.4 million for a share of the net loss of associates; \$4.9 million for exiting Skilled's Hawthorn head office; \$2.6 million for redundancies to reduce future costs by \$10 million per annum; and a tax credit of \$10.7 million related to these non-trading items.

Group revenue was \$2,691.4 million, up 21.8% from FY16 (\$2,209.4 million), reflecting a full year contribution by Skilled which was acquired in October 2015.

Gross operating cash flow was \$85.8 million, down 6% on FY16 (\$90.9 million) and net operating cash flow was \$61.5 million, 5% higher than FY16 (\$58.7 million). The strong cash flow, together with continued focus on capital management, resulted in net debt of \$200 million at 31 March 2017, compared with \$239 million at 31 March 2016, and \$302 million at the time of the acquisition of Skilled in October 2015.

The board has determined to pay a final dividend of 3.5 cents per share fully franked (FY16: 5.0 cents), payable on 31 July 2017 to shareholders on the register at 7 July. This will bring dividends for the full year to 7.0 cents per share (FY16: 11.5 cents per share). The dividend reinvestment plan will apply to the final dividend, with a discount of 2.5%.

The board would like to recognise and thank Andrea Grant, who has retired from the board to commence a new career in the USA. The board has determined at this time not to replace Andrea, but will consider the need for a replacement director next year.

zero/harm

'In difficult trading conditions, with continuing weakness in some of our markets, we are pleased to have completed the integration of Skilled, generated strong cash flow, paid down debt, and set the foundations for future growth,' said Chris Sutherland, Managing Director of Programmed.

'While some economic indicators point to business confidence improving and the economy strengthening in the next 12 months, our recent trading suggests that many businesses in the sectors we serve are still seeking to reduce costs. Governments at all levels are also tightening expenditure. In light of the present uncertainties, and to improve the company's return on capital in FY18, we have reduced annual costs by a further \$10 million per annum since the end of the financial year, with the redundancy of approximately 60 management and administrative personnel. In making these changes, we have taken steps to ensure that our plans to grow sales or improve services will not be impeded.

'In the **Staffing** division's Skilled Workforce business, demand for blue collar personnel tightened during the second half as customers in the manufacturing, industrial, materials, transport and logistics sectors reduced their labour requirements, particularly in Western Australia. While we maintained revenue, this was at a lower margin, and the further reduction in expenses is expected to improve margins going forward.

'Our Professionals business has been restructured, merging systems and sales management with those of Skilled Workforce. We have also created a stand-alone Health Professionals business, as we see an opportunity to develop a unique staffing and direct care services business in the health, aged care and disability sectors.

'The Training Services business has been strengthened with the acquisition of the training business of Apprenticeships Australia from the Chamber of Commerce and Industry of WA.

'In the **Maintenance** division, growth in revenue and earnings by the non-marine businesses was offset by significant falls by the Marine business due to the impact of lower oil and gas prices and completion of major offshore construction contracts. Excluding the Marine results, Maintenance revenue was up 19% and EBITA was up 33%.

'To enable the Marine business to benefit from operating as part of a global enterprise, we have formed a 50/50 partnership with Atlas Professionals, a global provider of staffing services to the oil and gas industry. This is expected to result in a stronger and more capable marine services business. Details of the transaction are included later in this release,' said Chris Sutherland.

Looking ahead

'Programmed's model, providing staffing, maintenance and facility management services gives us considerable strength in an economy that continues to present challenges,' said Chris Sutherland. While demand for staff in some sectors has weakened in the past year, there are growing opportunities in the public infrastructure, tourism, education, health and aged care sectors. We also believe the resources sector has completed its period of downsizing and staff reductions, and expect growth in the next 12 months, particularly in oil and gas.

'While the past year has been challenging, we have a clear vision and long-term plan to grow our business, and a summary of our plan to increase sales over the next three years is included later in this release.'

Group Results

	Year Ended 31 Mar 2017 \$m	Year Ended 31 Mar 2016 \$m	% change
Revenue	2,691.4	2,209.4	21.8%
Results before amortisation and non-trading Items			
EBITDA	96.5	80.6	19.7%
Depreciation	(19.0)	(15.1)	(25.8%)
EBITA	77.5	65.5	18.3%
Interest	(17.4)	(11.2)	(55.4%)
Profit before tax	60.1	54.3	10.7%
Income tax expense	(18.8)	(15.5)	(21.3%)
Profit after tax (before amortisation and non-trading items)	41.3	38.8	6.4%
Amortisation and non-trading items			
Amortisation	(11.2)	(9.3)	
Skilled transaction, integration and other costs	(18.6)	(33.9)	
Marine goodwill impairment	0.0	(102.4)	
Exit Skilled Hawthorn head office costs	(4.9)	0.0	
Further overhead costs out (April 2017 - \$10m pa)	(2.6)	0.0	
Share of net loss of associates	(2.4)	(0.5)	
Discontinued operations (Broadsword)	0.0	(1.7)	
Tax on amortisation and non-trading items	10.7	11.0	
Profit / (Loss) after tax (statutory basis)	12.3	(98.0)	
Earnings per share (before amortisation and non-trading items)	16.2	21.8	(25.7%)
Earnings per share	4.8	(55.0)	
Weighted average shares on issue (million)	254.7	178.3	

Divisional Results

Staffing	Year Ended 31 Mar 2017 \$m	Year Ended 31 Mar 2016 \$m	% change
Revenue	1,370.0	896.7	53%
EBITA	35.8	21.7	65%

The Staffing division provides a range of staffing services across all industry sectors. It trades as five business units: Skilled Workforce (blue collar); Professionals (white collar); Health Professionals (hospitals and aged care); Training Services (licensed RTO and GTO); and OneShift (online recruitment).

In response to the lower demand for blue collar personnel, the **Skilled Workforce** business exited its premises in the former Skilled head office in Hawthorn, as well as reducing management and administration expenses. All Skilled Workforce branches are now operating on the one system, which will improve sales performance, and steps are being taken to consolidate suppliers and offer customers additional value through expanded partnering.

The **Professionals** business is now offering white collar staffing services to all customers of the group and expanding its reach into government administration. White collar employment is growing and new opportunities are being sought in most sectors.

The **Health Professionals** business has been separated from the broader Professionals business to take advantage of forecast growth in the market under new government funding arrangements and driven by the aging population.

The **Training Services** business works with blue chip companies to employ and train their apprentices and trainees, and aims to become a trusted brand for training services. Following the acquisition in May 2017 of the training business of Apprenticeships Australia from the Chamber of Commerce and Industry of WA, which has focused primarily on the oil and gas industry, Training Services now has 19 contracts and more than 200 apprentices and trainees working with the major LNG operators in Western Australia, Northern Territory and Queensland.

In March 2017, Programmed also acquired 100% ownership of **OneShift**, the start-up online recruitment business in which it had held a 27.5% equity stake, with the other shareholder acquiring OneShift's retail and hospitality staffing business. OneShift's online offering will continue to be developed, with the business selling its staff placement services to customers across the group.

Maintenance	Year Ended 31 Mar 2017 \$m	Year Ended 31 Mar 2016 \$m	% change
Revenue	1,316.8	1,309.3	1%
EBITA	58.7	59.4	(1%)

The Maintenance division provides a range of maintenance, building and operational service to asset owners across all industry sectors.

The division trades as five main business units: Property Services; Electrical Technologies; Facility Management; Industrial Maintenance; and Marine Services.

Growth in revenue and earnings by the non-marine businesses was offset by a significant fall by the Marine business due to the impact of lower oil and gas prices and completion of major offshore construction contracts. Excluding the Marine results, Maintenance revenue was up 19% to \$1,146 million (FY16: \$960 million) and EBITA was up 33% to \$54.8 million (FY16: \$41.1 million).

Property Services' revenue and earnings grew due to increased demand by education, retirement, retail and strata customers. Invested capital in long-term painting maintenance programs was \$84.7 million at the end of FY17, compared with \$90.5 million a year earlier.

The **Electrical** business' focus on fit-out, maintenance and upgrades of electrical, data and communications systems in existing buildings and infrastructure is leading to new work, and opportunities are emerging in the defence sector.

The **Facility Management** business consolidated its existing contracts during the year, and mobilised the Western Australian Government Maintenance Services Arrangement contract. The business is positioned to take advantage of opportunities as existing public assets require upgrades and maintenance, new assets are built, and governments look for privately funded and managed solutions.

The **Industrial Maintenance** business, which focuses on operational support and maintenance for customers in the mining and industrial sectors, performed well during the year after a poor second half of FY16.

The **Marine** business provides a range of workforce, maintenance, construction manning support and operational services to the offshore oil and gas and marine services sectors. A number of major projects were completed in FY16 and the business was downsized in response to the lower activity that followed the steep decline in oil and gas prices. Revenue was \$171 million (FY16: \$349 million) and EBITA was \$3.8 million (FY16: \$18.3 million).

The offshore oil and gas business is a global one, with customers increasingly seeking borderless manning and support services. In view of this, Programmed has agreed to form a 50/50 joint venture with Atlas Professionals, a global provider of staffing services to the offshore oil and gas industry, headquartered in the Netherlands.

As part of the agreement, Programmed will sell Atlas 100% of its international marine activities and 50% of its Australian and New Zealand marine services business for \$29 million, of which \$7.5 million will be paid up-front and \$21.5 million will be subject to a vendor finance arrangement, with the finance carrying 5% interest.

Atlas will bring opportunities with its global customers to the Australian and New Zealand joint venture, which will enable the marine business to enjoy the benefits of operating as part of a global enterprise.

This transaction remains subject to due diligence and completion of sale and shareholder agreements, and is expected to be completed on or before 30 June 2017.

The result will be a stronger and more capable marine services business servicing the Australian and New Zealand market.

Programmed's Growth Plan



Unallocated Costs

Unallocated costs, which relate to corporate overheads and non-trading income and expenses including foreign exchange movements on UK and New Zealand payments, were \$16.9 million (FY16: \$15.6 million).

Cash Flow and Net Debt

Cash flow remained strong, with gross operating cash flow of \$85.8 million, down 6% on FY16 (\$90.9 million). Net operating cash flow was \$61.5 million, 5% higher than FY16 (\$58.7 million).

Net debt at 31 March 2017 was \$200 million, compared with \$239 million at 31 March 2016. The net debt to equity ratio at 31 March 2017 was 33%.

For further information contact:

General / Investor Enquiries Chris Sutherland Managing Director Telephone: +61 8 9216 2123	Investor Enquiries Katina Nadebaum Company Secretary Telephone: +61 8 9216 2191	Media Enquiries Ashley Rambukwella Financial & Corporate Relations Telephone: +61 407 231 282
--	---	---

About Programmed

Programmed is a leading provider of staffing, maintenance and facility management services. The company employs directly more than 20,000 people across a broad range of government and private sector businesses.

Services are provided to more than 10,000 customers, often under long-term contracts, and are delivered through over 100 branches throughout Australia and New Zealand.

Programmed's business model is built around its ability to recruit, deploy, manage and maintain a large directly-employed workforce of professional, skilled and semi-skilled staff with a wide range of capabilities.