

# Agreement signed to expand SKILLED's maintenance services business



**SKILLED** Group

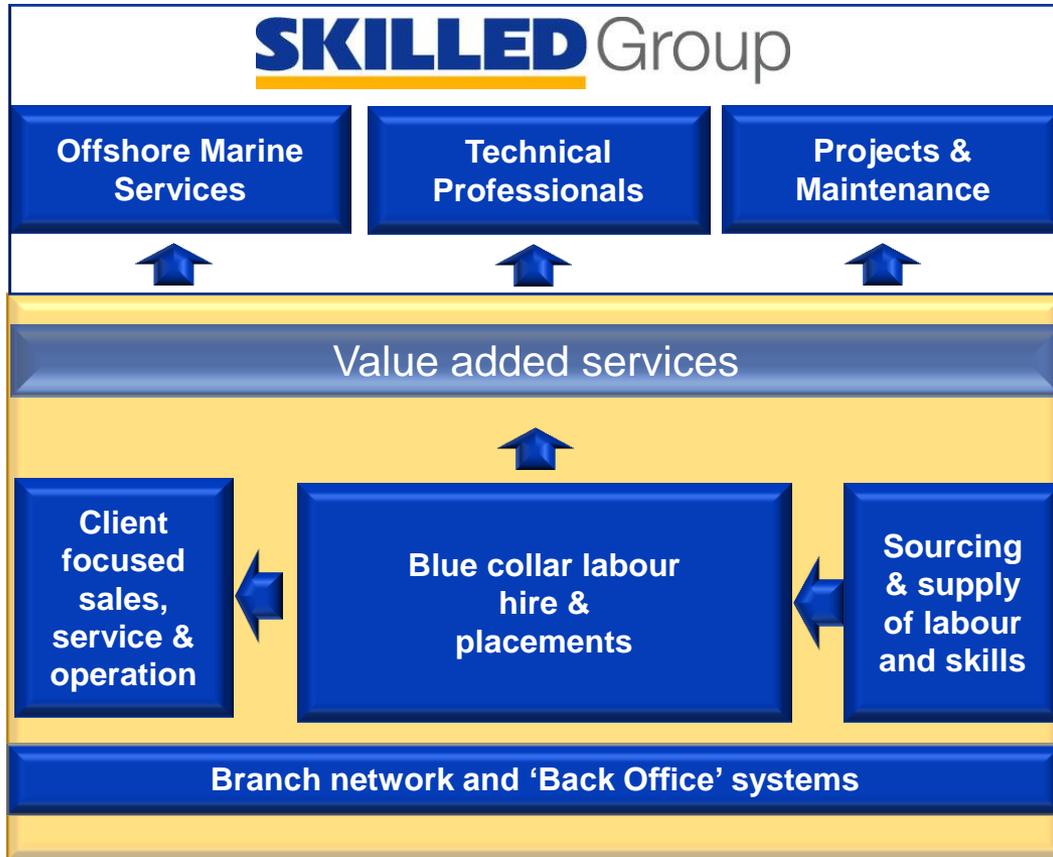
12 November 2013

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<b>Thomas &amp; Coffey Services Pty Limited</b>	<ul style="list-style-type: none"> <li>SKILLED Group Limited ("SKILLED") has entered into a Sale and Purchase Agreement ("Agreement") with Thomas &amp; Coffey Limited ("Thomas &amp; Coffey"). Under the Agreement SKILLED's wholly-owned subsidiary ATIVO Pty Ltd ("ATIVO") will acquire T &amp; C Services Pty Limited, a subsidiary of Thomas &amp; Coffey which will hold a majority of Thomas &amp; Coffey's existing business and brand ("T &amp; C Services").</li> <li>With over 80 years experience, the business of T &amp; C Services is a specialised maintenance services provider with a strong presence in NSW and QLD servicing a blue chip client base</li> <li>Supported by a highly skilled workforce and experienced management team</li> </ul>
<b>Strategic rationale</b>	<p>The proposed purchase:</p> <ul style="list-style-type: none"> <li>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</li> <li>Will create a unique and differentiated maintenance services provider with a strong national footprint, supported by a highly skilled and experienced workforce; and</li> <li>Adds scale to ATIVO and the opportunity to leverage existing safety capability, back office systems and overhead structures to improve EBITDA margins over time</li> </ul>
<b>Purchase price</b>	<ul style="list-style-type: none"> <li>Purchase price of \$33.5 million</li> </ul>
<b>Financial benefits</b>	<ul style="list-style-type: none"> <li>FY13 adjusted EBITDA for T &amp; C Services business of ~\$7.0 million; expected to be EPS<sup>1</sup> accretive from FY15</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>The transaction will be wholly debt funded through SKILLED's current funding facility</li> </ul>
<b>Completion of Agreement</b>	<p>Completion of the Agreement is subject to satisfaction of a range of conditions including:</p> <ul style="list-style-type: none"> <li>approval of the transaction by ordinary resolution and change of company name by Thomas &amp; Coffey's shareholders;</li> <li>each of certain specified key employees accepting new offers of employment;</li> <li>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);</li> <li>the in-principle approval of the transaction by the senior lenders of Thomas &amp; Coffey; and</li> <li>market standard conditions relating to the transfer of T &amp; C Services to ATIVO as a going concern and free of debt.</li> </ul> <p>It is currently expected that, subject to the conditions precedent being met (or waived), the sale will be completed by end of January 2014.</p>
<b>Board support</b>	<ul style="list-style-type: none"> <li>The Thomas &amp; Coffey Board has unanimously recommended the proposal (in the absence of a superior proposal)</li> </ul>



Leverage scale and brand strength in Workforce Services:

- Transformation, cost efficiency, data based decision support
- Focus on safety and higher skill roles

*...acquisition consistent with strategy to build scale in growth sectors*



Mobile maintenance support to customers



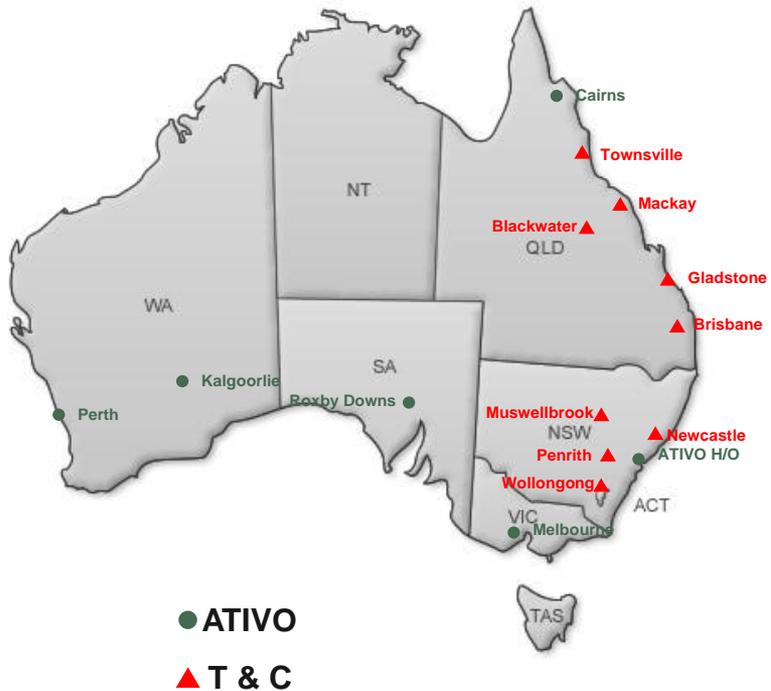
Highly skilled employees



Workshop facilities

- **T & C Services is a leading maintenance services provider to the manufacturing, mining, heavy industry and utilities sectors**
- Maintenance services, asset management and optimisation, as well as preventative maintenance activities such as shutdowns, equipment servicing, machinery repair and inspection
- Supported by workshop services including plant and equipment rebuild / repair, production of spares and consumables, fabrication, machining, welding and electrical work
- **Established presence in NSW and QLD with a blue chip client base**
- Longstanding client relationships built on reputation for safety, quality and service
- **Experienced management team**
- Highly skilled permanent workforce (~ 650 employees)
- Key management to remain following the acquisition
- **Excludes Thomas & Coffey Limited construction projects, head office and residual business risks**





## Capabilities

- Maintenance services
- Planned/routine maintenance
- Asset management and optimisation
- Plant shutdown maintenance
- Reactive maintenance/repairs
- Condition monitoring and inspection
- Processing equipment installations
- Specialised welding
- Heavy equipment maintenance

## Sector exposure

- Industrial
- Infrastructure
- Mining
- Energy

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

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