9 November 2023

Chairman & Managing Director 2023 AGM Addresses

Address by Ian Pratt, Chairman

Good morning ladies and gentlemen,

My name is Ian Pratt and I am the Chairman of Ashley Services Group Limited. I'd like to welcome you to Ashley Services 2023 Annual General Meeting.

It is now 11am, the nominated time for the meeting. I am informed that a quorum is present, the meeting is validly constituted, and I am pleased to declare the meeting open. No apologies have been received.

I'd like to start by acknowledging the traditional owners of the land on which we meet, the Gadigal people of the Eora Nation and I pay my respects to their elders' past and present. I also extend that respect to other Aboriginal and Torres Strait Islander peoples.

I thank you for taking the time to join us. Your directors are all here today, including your Managing Director Ross Shrimpton along with Paul Brittain our Chief Financial Officer and Executive Director. Also in attendance is our Company Secretary, Ron

Hollands, Kinh Luong, our Audit Partner from HLB Mann Judd and Glen Everett, our Chief Operating Officer.

The agenda for today's meeting will be as follows:

1. Address by myself, Ian Pratt, Chairman
2. Address by Ross Shrimpton, Managing Director
3. Q1 FY24 Financial Results Presentation by Paul Brittain, CFO and Executive Director
4. Resolutions as per the Notice of Meeting
5. Finally, we cover any general business including questions.

The company's growth continued during the 2023 financial year, with revenue up $99.4 million to $549.2m (up 22%).

For financial year 2023 ("FY23"), at an NPAT level, we delivered a result of $11.4 million, in line with FY22.

The training division performed strongly, with the prior period negatively impacted by COVID-19 restrictions, but the business significantly growing revenue and improving classroom & trainer utilisation and margins.

Labour hire margins declined from 5% in FY22 to 4% 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 to serve and diversifying revenue streams into higher margin sectors.

Importantly, on 15th September 2023, the Group paid a fully franked final dividend of 3.0 cents per share in relation to the 2023 financial year. Together with the previously paid 3.0 cents per share interim dividend, this delivered a fully franked full year dividend of 6.0 cents per share for 2023, in line with FY22. The pay-out ratio was 80%.

Our current focus, following the acquisitions of Linc and Owen Pacific Workforce in FY23, along with minority 49% investments in Indigenous labour hire businesses, is integration of the newly acquired businesses and maximisation of organic growth opportunities.

Ross will now comment on recent developments and our strategy.

Paul will then review the first quarter 2024 results.

Finally, I will address a specific question asked in advance by one of our shareholders.

Ross, over to you.

Address by Ross Shrimpton, Managing Director

Thanks Ian.

Our core offering is the provision of high value contingent work force solutions. Key to this is our service team capability.

Our 340 internal staff continue to achieve excellence in their customer service and remain critical for delivery of continued expansion growth over the coming years. I would like to take this opportunity to thank all of them for their efforts and dedication.

Our strategy is to drive growth in higher margin labour hire sectors - steadily improving diversification and revenues outside the warehousing/logistics sector. Concurrently, growth is focused on geographic diversification and increasing labour sourcing capability.

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 have been stronger than expected since acquisition and the management team is performing well. November to February is the peak period for volumes and profits in this business. Profits peak in Q3 of our financial year. OPW customer demand is strong for the peak Nov-Feb fruit picking season, with additional new business also being secured in shoulder and off-peak periods. The business is well placed to deliver the expected annual EBITDA of $3 million per year.

Conversely, the current position for Linc, as announced on 31 October is disappointing. As with all acquisitions, there was risk associated with the purchase of our 75% interest in Linc. We had 18 months to renew the major customer contract or secure new customers and expand within the higher margin Oil and Gas sector. As of today, this has proved challenging and we have not secured an alternative significant customer. Earnings from Linc in FY24 will be negligible. Amortisation of the acquired customer relationships will be accelerated and the carrying value of goodwill and other related balances will be reviewed as part of the half year reporting.

I now turn your attention to slides 3 to 5 of the presentation released today.

Our challenge has been declining margins within our historically core logistics/warehousing/supply chain sector. Our strategic goal is to build a diversified, resilient business less reliant on Supply Chain. To achieve this, we aim to:

- be best in class for safety performance, customer service and employee satisfaction;
- grow revenues in higher margin sectors; and
- deliver sustainable margin improvements across all companies.

As slide 3 indicates, this process is well underway. The foundations for this transition are in place. The 5 key pillars to achieve transition are:

i) Grow the technical services division;

ii) Grow the Horticulture and Healthcare Sectors. The horticulture sector is growing significantly, boosted by the OPW acquisition. Healthcare is in start up;

iii) Capitalise on strengths within our Training Division and continue to expand both qualifications on scope and geographic coverage;

iv) Solidify margins in the core Supply Chain and Retail labour hire sectors; and

v) Improve efficiencies and lower cost through continuing system and process improvements, including the use of AI.

Slide 4 shows our Group structure and outlines the Sectors in which we operate and the businesses servicing those sectors. Within technical services, our offering is broader than the pure provision of labour. In construction for example, we also provide the vehicles and equipment required for traffic management.

Slide 5 provides a scorecard against these five transitional pillars, which we will continue to update half yearly.

I will now hand over to our Chief Financial Officer and Executive Director, Paul Brittain, to take us through a brief presentation on our first quarter results for the 2024 Financial Year.

Response to shareholder question by Ian Pratt:

We have received a question from one of our shareholders, which I will respond to today;

Question:

If Labour's proposed legislation affecting labour hire companies gets passed, what will be the impact on Ashley Services? What steps will be taken to mitigate any problems?

Answer:

Legislative changes are a continuing risk, both to the labour hire and training industries.

Our core offering is the provision of high value contingent work force solutions for our customers. Our customers are almost exclusively large, blue-chip clients in industries and sectors which experience variable manning requirements. They use Ashley Services Group because we provide the flexibility to efficiently and effectively manage their cost bases, particularly to deal with business peaks and troughs. Clients are not generally utilising Ashley as a wage rate reduction strategy.

The key components of recent legislation that we assume are being referred to are legislation surrounding casual and permanent work forces, as well as the "Same job, same pay" legislation.

We already operate within the casual versus permanent environment. Many of our casual employees become permanent workers both with our host customers and ourselves.

Regarding "Same job, same pay" proposed legislation, as we largely pay site EBA rates, we feel legislative changes will continue to be manageable within the general course of business.

- ENDS –

For further details:

Paul Brittain,

Chief Financial Officer and Executive Director.