



# ANNUAL SHAREHOLDERS' MEETING

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

22 JULY 2015

# CHAIRMAN'S ADDRESS

**ROSS KEENAN**

CHAIRMAN



# AGENDA ITEM 1

Chairman's Introduction

# AGENDA ITEM 2

Consolidated financial statements for the year ended 31st March 2015

# AGENDA ITEM 3

Fully imputed final dividend of 8 cents

# AGENDA ITEM 4

## Directors Report and Update



## **Presentation to AWF Madison AGM**

Wednesday 22<sup>nd</sup> July 15

From the Board perspective here are some key points from FY15, largely as contained in the Annual Report:

- It was a mixed year, but one that validated the decision to acquire Madison Recruitment Ltd and thereby place two powerful brands together. This enables the Group to provide the full spectrum of recruitment and people placement services across New Zealand.
- A mixed year because in the AWF part of the business, we struggled to match skills to opportunity and vice versa.
- It seems to be an ongoing reality of 35 AWF branches and 8 Madison locations or business units across the regions and cities of New Zealand, as we move ahead. It's a great challenge to have, and the strength of our brands plus the very wide distribution of our revenue (now \$200m) base is a very significant factor in stable growth.
- A year of delivering to what we said in terms of earnings achievement, business size and benefits demonstrated by the acquisition of Madison and of course the purchase itself validated by those achievements.
- A notable year for shareholder opportunity as we did successfully complete a rights issue (1:4) in which all shareholders had the opportunity to participate.
- We listened to you and most of you did participate. As a consequence we reduced debt to well below the debt to EBITDA of 1.5 that a number of financial analysts had advised us as safe territory. We have an ongoing debt reduction programme, which will further improve these ratios.
- We are well situated to enable strong organic growth or should the opportunity be presented then for investment.
- A year of maturity in terms of Board composition and skill mix, as we enjoyed a full year of strong financial contribution from Julia Hoare and more recently welcomed the entrepreneurial skills of Wynniss Armour, well qualified of course by a very successful business track record. In May (following Simon Hull's initiative) we were delighted to welcome Rachel Hopkins to the Board table as part of the IOD Future

Director programme. We have purposefully gone from a Board of 3 (4 when Mike joined) to as of today 6 directors. Within that Board we now have a mix of experience and continuity, with particular financial skills and entrepreneurial flare.

- Separately under Agenda Item 5.4, we are asking you to approve a lift in the Directors' fee pool, so we can pay them appropriately.
- Finally I want to comment on what has proved to be a wonderfully smooth transition from Mike Huddleston as retiring CEO to Simon Bennett as incoming CEO. As many of you will know, it doesn't often work out that way and so on behalf of the Board – Mike, Simon, you are to be commended on how you managed the transition.

So thank you Mike and welcome Simon Bennett.

Ross Keenan

Chairman

# **OUTGOING CEO'S ADDRESS**

**MIKE HUDDLESTON**

OUTGOING CEO





## **Presentation to AWF Madison AGM**

Wednesday 22<sup>nd</sup> July 15

It is perhaps appropriate as the guard changes within AWF Madison that I address you for the final time and briefly review the Group's progress over the last 7 years. This will provide an introduction for the future which Simon Bennett will apprise you on.

Upon my arrival at AWF in mid 2008, I joined a company which, whilst considerably smaller than it is today with revenue of \$85m for YE2008, was performing well having been positioned with a broad reach across New Zealand.

The company was, at that time, predominantly providing services in the labouring sectors of construction and infrastructure development which, by default, left the equally or perhaps more palatable, indoor, manufacturing, food processing, packaging and storage sectors to our larger international competitors.

Some could say that my arrival was poorly timed as it coincided with the global financial crisis and not unlike most companies in the country, AWF experienced a significant slowdown between 2008 and 2010 to a point that revenue for YE2010 had decreased by 20% over the previous two years.

How the business exited the GFC is testament to its underlying strength and to the cycles of business which AWF best thrives in. 2011 and 2012 were extremely strong years as economic uncertainty prevailed and employers were unwilling to make the commitment to take on new staff. Oh how this has changed over the past two years as the employment sector has become candidate short.

The period of the GFC was not the time to actively seek expansion however it did present an opportunity to reposition AWF and to work on improving the market perception of the company – something which we have continued to work on for the past 5 years.

We were determined to challenge our international competitors in the manufacturing and logistics sectors but first we needed to demonstrate greater credibility. Winning a number of substantial multinational accounts, the acquisition of TradeForce Recruitment

Leaving the labouring business behind was not and still is not our intention but elevating the reach of the business and improving its delivery has been tantamount. Having achieved strong growth across a full spectrum of blue collar staff supply it was important that we strengthen the skilled base of our workers and this drove us firstly into the very successful

acquisition of Mourant Ltd, now AWF Mining, and secondly into the development of our Trades division. AWF Trades has been a hard won success but the next few years will demonstrate the full benefits of this business as skilled labour is in short supply and immigration is increasingly necessary. Our Auckland and Christchurch Trades businesses are operating exceedingly well with the best still to come I believe.

By 2013 it was clearly time for us to look at expansion of the core business and extending the offering from blue collar to white collar seemed natural. The acquisition of Madison Recruitment achieved everything we wanted and is proving to be as successful as we had hoped. AWF Madison is now the largest recruitment company in New Zealand, over twice the size of its nearest rival. The business is well balanced to thrive in most economic circumstances and has a strong leadership and staff.

That leaves me with my final words of thanks and appreciation of having worked with you as shareholders and/or advisors over the past 7 years. I am happy to hand over the reins to Simon Bennett who I am confident will successfully lead AWF Madison on the next stage of its journey.

Thanks and best wishes

Mike Huddleston

Outgoing CEO

# **CEO'S PRESENTATION**

**SIMON BENNETT**

CEO



# OUR PEOPLE

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- Across the group 246 people deliver services.
- We deploy up to 4,500 people each day.
- Safety remains our key focus.
- Reduced serious harm from 16 to 11 in FY15. Reduced LTIs from 240 to 222.
- Further strengthening of H&S Programme. Business well prepared for new legislation.

# FY15 FINANCIALS

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- Achievement of satisfactory group financial result.
- Growth primarily due to full year of Madison impact.
- Good growth in underlying earnings.

# SUMMARY RESULT

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	FY 2014 (\$m)	FY 2015 (\$m)	Change (\$m)	Change (%)
Revenue	148.7	197.5	48.8	33%
EBITDA	8.4	12.6	4.2	50%
NPAT	3.9	5.4	1.5	38%
Underlying earnings	4.6	6.8	2.2	48%

# FINANCIAL PERFORMANCE

\$m	FY 2012	FY 2013	FY 2014	FY 2015
Total Revenue	104,915	130,477	148,691	197,514
Employee benefit expense*	-89,468	-112,403	-129,417	-173,192
EBITDA** (from continuing operations)	6,771	8,338	8,385	12,612
Profit for the period (from continuing operations)	2,877	4,952	3,952	5,416
Profit/(loss) from discontinued operations	-271	1,971	0	0
Total profit for the period	2,606	6,923	3,952	5,416
Underlying earnings***	4,613	5,418	4,648	6,756
Underlying earnings per share (cents)	17.8	20.7	17.8	25.8

\* Wage and salary payments

\*\*EBITDA: earnings before interest tax depreciations and amortisation

\*\*\*Underlying earnings are a non-GAAP measure which adjusts for amortisation of identifiable intangible assets acquired through acquisition of subsidiaries, profit on disposal of subsidiaries and impairment of goodwill

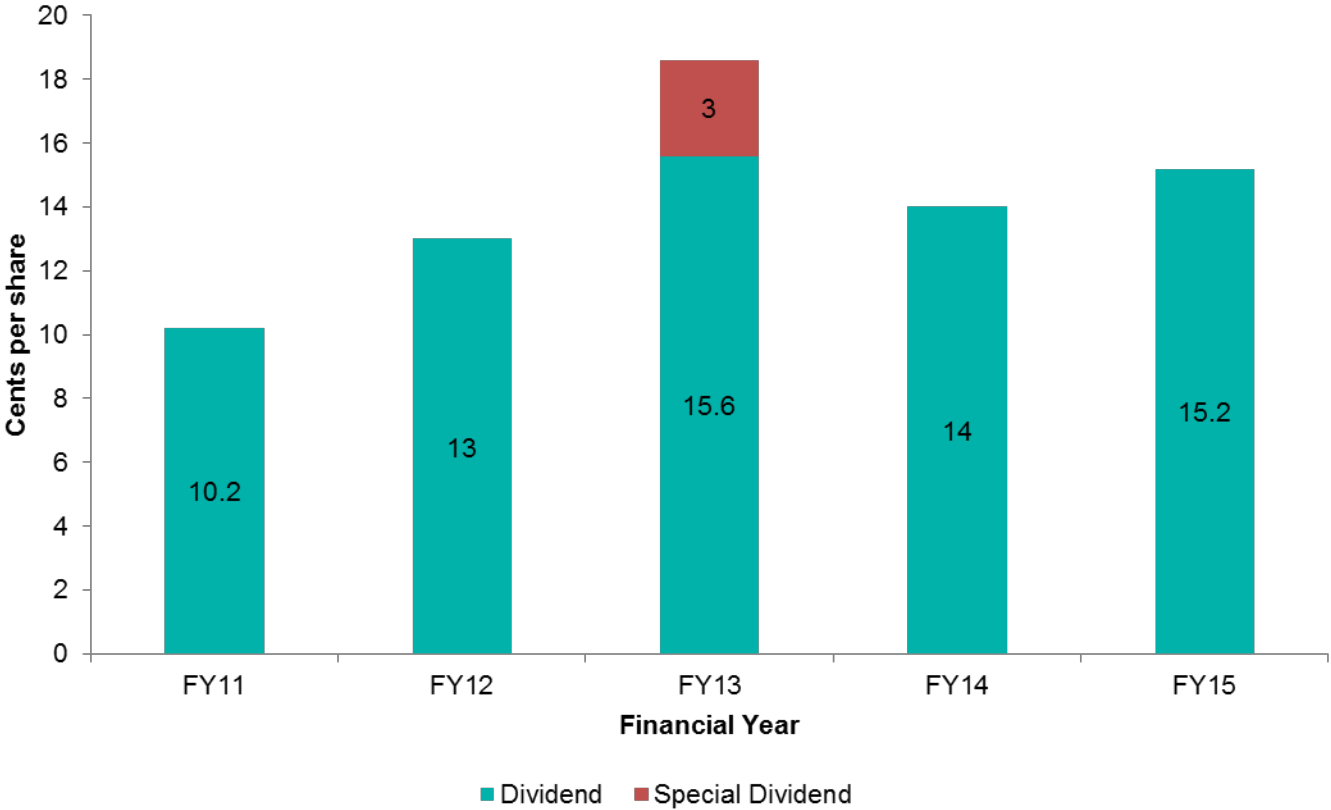
# CAPITAL RAISING AND DEBT

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- \$13.5m (net) proceeds from March capital raising
- Bank funding facility of \$28.8m of which \$21.75m was drawn at 31st March.
- Facility expires later this year.
- Management expect to renegotiate and renew the facility during the year in the normal course of business.
- Net debt \$18.5m at 31st March.

# DIVIDEND CHART

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AWF MADISON

# DIVIDEND POLICY

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- Declare a steady lift in dividends.
- Current annual dividends targeted at 60 - 65% of underlying earnings after tax.
- This policy may change at the discretion of the Board.

# BRAND VIDEO

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AWF MADISON

# BUSINESS PERFORMANCE

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- Maintained all existing key clients, successful in developing FB.
- AWF strong in Auckland, Wellington and Christchurch.
- Regions weaker with reduced spend by central government, impact of NZTA and weaker regional economy.
- Margin impacted by addition of new key accounts and slower regional activity.
- Tradeforce had slow first half but strong second half.
- Two successful Maori cadetship programmes completed and development of pathway project.



# FY16 INITIATIVES

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- Take our H&S to the next level.
- Continue to build on Maori cadetship program.
- Commence rollout of Pathways project.
- Sell other services.
- Operational review, drive efficiency in process to allow better and lower cost delivery.



# BRAND VIDEO

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# Business Performance

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- Performed well on the back of a stronger economy resulting in a lift in permanent recruitment, particularly in Auckland.
- Contracting revenue increased on declining margin resulting in a small reduction in \$ margin.
- Double digit growth in permanent revenue.
- Single digit growth in temporary \$ margin.
- Strong year on year revenue growth.
- Established career pathways for internal staff.



# FY16 INITIATIVES

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- Develop ideal business mix (temp, perm and contract) for the changing economic situation.
- Grow permanent revenue from \$80k+ recruitment.
- Assess delivery models that would focus on a sourcing and candidate led strategy.
- Continue to build capability of our people and grow through 'building talent'.



# GROUP

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- Corporate identity defined as AWF Madison Group Limited, new web and begin to tell the group story.
- Investor relations being strengthened following positive reaction to capital raising roadshow.
- Identified areas of strength from each business that can be leveraged.

# GROUP LEADERSHIP

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- CEO transition completed.
- Alex Park commenced as AWF COO in May 2015.
- Group marketing & sourcing structure established in Apr 2015 – Shereen Low appointed.
- Company Secretary role being established.

# OUTLOOK

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- We have two strong business units.
- Focus for next 12 months on execution and operational excellence.
- Continue to leverage strength of business units.
- Look to build capability in new channels including growth in higher value blue collar recruitment.
- Continue to expand our growing trades offering.
- Strong start to FY16 with management achieving Q1 goals.
- Drive margin and volume improvement.



# **THOUGHTS AS HE SURRENDERS THE MANAGING DIRECTOR TITLE**

**SIMON HULL**

FOUNDER



# AGENDA ITEM 5

## Resolutions:

- Ross Keenan re-appointment
- Simon Hull re-appointment
- Wynniss Armour appointment
- Directors' fee pool

# AGENDA ITEM 6

## Auditors' Remuneration

# AGENDA ITEM 7

## Staff Share Incentive Scheme

# AGENDA ITEM 8

General Business