AWF POSTS STRONG 1H 2014; LIFTS DIVIDEND

HALF YEAR HIGHLIGHTS:
- Sales rise 58% to $98.6 million from $62.5 million
- Net profit rises 54% to $2.90 million from $1.89 million
- Underlying earnings rises 78% to $3.6 million from $2.0 million
- Interim dividend rises 12.5% to 7.2 cents per share from 6.4 cents per share

AWF Group (NZX.AWF) has delivered a significant lift in earnings for the six months to 30 September 2014 and a 12.5% lift to the interim dividend, reflecting a strong performance from its temporary labour recruitment operations and its recent acquisition Madison.

AWF Group Chairman Ross Keenan, on behalf of the Board, said: "Madison has delivered an excellent result for the six months, validating AWF Group's decision to offer a broader range of recruitment solutions across both industrial and commercial sectors. Allied Work Force's temporary labour recruitment business – although constrained by an ongoing shortage of skilled people in key locations – has delivered a strong result with the Christchurch rebuild and Auckland infrastructure investments underpinning performance.

Business from regional New Zealand had delivered an overall mixed result, whilst the Wellington Region is poised to achieve good growth on the back of significant new business in the pipeline."

Group sales for the six month period, the first interim result to include a full contribution from Madison, rose 58% to $98.6 million from $62.5 million. Net profit after tax rose 54% to $2.90m from $1.89m in the same period last year.

Underlying earnings - the measure which AWF Group Directors consider best reflects the overall operating performance of the AWF Group - rose 78% to $3.57 million from last year's $2.00 million.

The Board confirmed that the earnings from Madison would trigger the payment of the additional purchase price to the Vendors ($6m) and noted that this payment would be required to be made on or about the end of November 2014. The payment will be met from existing bank facilities.

"AWF Group has delivered a very satisfactory performance and accordingly the Board has recommended a lift in the interim dividend to 7.2 cents per share, up 12.5% on last year's 6.4 cents per share. This dividend represents 54% of underlying earnings." Mr Keenan continued.

The dividend will be paid on 5 December 2014 to shareholders registered at 5.00pm on 28 November 2014.

As indicated at the Annual Shareholders Meeting and in subsequent communications AWF Group recognises the need to consider the Group's longer term balance sheet structure and continues to look at options in that regard. In the meantime, the excellent operating cashflow is permitting debt reduction to be commenced and continued on an ongoing basis.

AWF Group Chief Executive Mike Huddleston said the strong economy in the six months to 30 September 2014 continued to lift demand for skilled people particularly in metropolitan centres.

"Nationally, we have continued to witness increased activity in Auckland, Wellington and Christchurch but in what is clearly a two speed market many provincial areas remain under growth pressure.

The provinces have clearly suffered from a reallocation of Government spending for the likes of roading and infrastructure development, to Christchurch and Auckland. Their woes have been exacerbated by the short term decline in the fortunes of the timber and farming sectors," Mr Huddleston said.

"That same economic activity has provided an immediate vindication of AWF Group's decision to acquire Madison as white collar recruitment demonstrated strength in a cycle, which has - and will continue to be - challenging for the temporary labour business.

In the economic conditions we now face, employers have a greater confidence in increasing their permanent workforce than has existed for the past 5 years. The result is of course, lower unemployment, higher permanent placement opportunities for white collar recruiters such as Madison, but a significantly tighter supply of high quality skilled people for all sectors."

Mr Huddleston said the consequences of these market conditions for AWF Group were:

- An outstanding performance by Madison in the period, reflecting its strong white collar recruitment capabilities, across permanent, temporary and contract assignments;
- A significant tightening in the labour market resulting in many blue collar job opportunities remaining unfilled on a daily basis across many towns and cities; however
- Some significant new business successes for Allied Work Force with resulting growth in revenue, but continued pressure on margins.

Allied Work Force has, over the past 12 months, introduced a number of initiatives to help alleviate this shortage of available labour and the pressure on margins. These will see temporary blue collar employees remain with the company longer whilst following skills development pathways prior to entering permanent employment with greater capability.

Meanwhile, we are confident efforts to drive revenue from small and medium sized businesses, which are at the core of AWF Group's success and growth, will enhance margin retention in the future and cement AWF Group's position as the country's top recruiter.

For the second half of the year to 31 March 2015, we are confident Madison will continue to meet expectations and Allied Work Force will continue with steady growth from new and existing well serviced key accounts." Mr Huddleston said.

Reconciliation of the Profit for the Period[1] to Underlying Earnings[2]

	30/09/2014	30/09/2013	Difference	Percentage
Profit for the period	2,902	1,885	1,017	53.9%
add back amortisation of intangibles[4]	931	164	767	
Taxation effect on adjustments[5]	(261)	(46)	(215)	
Underlying Earnings	3,572	2,003	1,569	78.3%
Earnings per share (cents)	10.9	7.2	3.7	51.0%
Underlying earnings per share (cents)[6]	13.4	7.7	5.7	74.9%

Reconciliation of Profit before tax to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)[3]

Profit before tax	4,368	2,773	1,595	57.5%
Add back: Finance costs	946	75	871	
Add back: depreciation and amortisation	1,375	568	807	
Subtract: investment revenue	(50)	(1)	(49)	
EBITDA	6,639	3,415	3,224	94.4%

1. *The reported profit for the period information has been prepared in accordance with New Zealand general accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards.*
2. *Underlying earnings is a non-GAAP measure which adjusts for non-cash items of amortisation of intangibles and the tax effect. In the Directors opinion this more clearly reflects the operating performance of the Group. This treatment is consistent with the previous reporting period.*
3. *Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is a non-GAAP measure which allows a comparison of profitability between different companies by removing the effects of interest, tax, depreciation and amortization. This measure will provide consistency with previous financial disclosures. The directors believe that comparing EBITDA this year to the prior year is distorting because the effect of the Madison purchase on interest and amortisation expenses is material.*
4. *Included in the assets of subsidiaries acquired are identifiable intangible assets that are amortised over their useful lives. These amortisation charges have been added back in the calculation of underlying earnings.*
5. *Taxation adjustments as a result of adjustments to 4 above.*
6. *Underlying earnings per share have been calculated on the same basis, as the audited annual financial statements from prior periods, but the number of shares on issue has risen by 575,000 shares in 2014.*

For Further Information Contact

Mike Huddleston
Chief Executive
Tel +64 9 526 8779
Mobile +64 27 577 3057

Ross B. Keenan
Chairman
Tel/Mobile +64 21 685 655

About AWF Group (www.awf.co.nz)

AWF established over 26 years ago is New Zealand's largest recruitment company encompassing the predominantly temporary labour services of Allied Work Force with the white collar temporary, contract and permanent recruitment services of Madison.

The Group is truly nationwide with a network of 41 branches employing 230 permanent staff and placing up to 4,500 temporary staff in work each day.

AWF's strategy is built around meeting the needs of both clients and candidates by delivering quality customer service and by investing in its people.