Rubicor
CONNECTED PEOPLE

2013 Annual General Meeting

Chairman's Address
Mr John Pettigrew, Chairman, Rubicor

I would like to start today's address by taking you through Rubicor's results for financial year 2013 and then comment on a number of recent and significant developments.

Slide - Financial Results

The fragile state of the economy and lack of business confidence, combined with the overall deterioration in the demand for labour, ensured that this was to be yet another challenging year for the Group. Recruitment is always one of the first industries to be impacted by negative business sentiment, and this is reflected in data such as the June 2013 ANZ Job Advertisement Series which noted that job advertisements were down 19% year-on-year, and most noteworthy, the levels were only 8% higher than those reached throughout the worst period of the GFC.

In the 2013 financial year;

» total revenues were $238 million which was a reduction on the prior year's $290 million, with a change in the mix of business and additional pressure on margins which Kevin will discuss shortly

» net disposable revenue (or Gross Profit) was $39.7 million, compared to $55.7 million in the previous year,

» underlying EBITDA was $1.6 million, at the lower end of the earnings guidance given to the market in May 2013, and

» after interest expense and taxation, there was an underlying loss for the year of $3.4million.

These results reflect the uncertainty in the market, and sluggish activity indicates that firms have continued to keep a watchful eye on their bottom line - labour costs in particular - and consequently we have seen our client base continue the trend of hiring staff on a fixed-term, part-time, or temporary rather than permanent basis.

Following a review of the carrying value of the Company's intangible assets and having regard to uncertainty over the timing of a recovery, we decided to make a further $6.4m write down in addition to the impairment charge of $9.3m at December, 2012. As a result, the net carrying value of goodwill has now been written down to zero.

Slide - Capital management and debt reduction

In December 2012, we announced that we had reached an agreement with our bank on a framework to restructure our debt, and on 29 July, 2013 we were pleased to announce details of the restructure, removing a burden which has constrained our operations for a number of years.

As a result of this debt restructure, all debt obligations in respect of the loan facilities (term and subordinated facility) and the bank overdraft facility – which amounted to $95.6m at settlement – were extinguished in full, in exchange for a $7.0m cash payment. This will result in a debt forgiveness gain of $88.6m to be reflected in our 2014 financial statements.

As part of the restructure of the debt facilities, we successfully secured new funding in the form of a debtor finance facility, with an initial limit of $15m. This facility provides funding based on approved receivables and the limit will adjust in line with the value of the approved receivables. This facility has a three year term with no annual review, no financial covenants and no facility amortization repayments. Other facilities (rental guarantees) amounting to $1.9m remain in place in the short-term, and have been cash-backed by funds drawn from the debtor finance facility.

Those of you who have been long-term Rubicor supporters will appreciate the enormous difficulties both the Board and management have endured for a considerable period of time as a consequence of the significant level of debt under which we were operating. This was a clear distraction for the business, management and staff and meant that we were unable to invest in growing consultant headcount or any other potential growth opportunities. Kevin will outline our strategy to move the business forward.

Slide – Vendor payments

During the year we were contractually obliged to make vendor earn-out payments of $1.3 million.

As payments to vendors have always aligned to the profitability of the relevant operating businesses, the balance of these liabilities has reduced as a result of lower earnings. The balance owing to vendors as at 30 June, 2013 amounts to only $1million, and to date this is unpaid. We will review this next year, and the timing of the payment will align with available cash flows.

Slide – Board and Senior Management

Since the AGM last November, we have had a number of significant changes to Rubicor's Board and senior management team.

Jane Beaumont who assumed the position of CEO in 2009, following three years as the Group's Chief Operating Officer, retired in January of this year. I would like to take the opportunity to thank Jane for her contribution to the strategic and operational direction and leadership of Rubicor Group throughout this period.

In light of this, we were pleased to appoint our CFO Kevin Levine to the role of CEO. Kevin has been with Rubicor since 2005, and has shown exceptionally strong leadership and direction since taking this position, mid-way through a challenging year. With the full support of the Board and working with Sharad Loomba and our advisor Trevor Loewensohn from the Alceon Group, Kevin has done an outstanding job on our very successful debt restructure.

To support Kevin, Sue Turk, who has been General Manager of Operations since 2008, was promoted to the role of Chief Operating Officer in January of this year and she is quickly making a real difference to the business.

At this time, we also acknowledge the retirement of Robert Aitken from the Board. Rob, the founding Chairman of the Group, stepped down from that position in 2010, and agreed to stay on as a Non-Executive Director, enabling Rubicor to retain his corporate and industry knowledge and expertise for a further three years. I would like to thank Rob for his contribution to the Rubicor Group over its initial growth period and into this period of consolidation and realignment. In particular, it is worth noting that during complex discussions and considerations over our debt restructure, there were 29 formal meetings of directors plus numerous telephone and informal meetings to which both Rob and Russel were fully committed.

As we move forward, we are now positioned to explore a number of growth opportunities, and we recognised the need to bring more industry knowledge to the Board. To this end, we are pleased to welcome Steven Hatch, who joins the Board as a Non-Executive Director.

Steve brings with him more than 10 years' experience managing and consulting to the recruitment and human resources industry and brings a wealth of knowledge to the Board. Welcome Steve.

Slide – Summary

Looking ahead, the tough conditions we have been experiencing look likely to persist across the many industry sectors in which we operate, as the initial signs of recovery, post federal election seem to have lost momentum. However, we have established a robust platform that will support our strategic initiatives, and the extinguishment of the debt will enable the Board and management team to pursue a number of growth opportunities. Rest assured we will take a prudent approach to growth, mindful that funding the business through uncertain times is a key priority.

The Group is well positioned, through our network of brands, sectors, markets and locations to improve our share of the market and benefit from potential growth resulting from any improvements in economic conditions here in Australia, New Zealand and in Singapore.

I would like to thank you and all our shareholders for your ongoing loyalty and support. With the financial burden removed through the debt restructure, the Company is now in a stronger position, and we look forward to repaying our shareholders for that support. Our market price has improved slightly, but it is imperative we now deliver improved earnings and cash flows to support any further improvements.

I would now like to hand over to our CEO Kevin Levine.

Thank you.

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2013 Annual General Meeting
Addresses to shareholders

CEO's Address
Mr Kevin Levine, CEO, Rubicor

Slide – Market overview

Thank you, John.

It has indeed been a difficult year for the recruitment industry, and Rubicor. Despite a solid start to the financial year and what looked to be an encouraging first quarter, business conditions were overtaken by a significant tightening in the job markets we operate in across Australia, New Zealand and Singapore.

Australia's unemployment rate increased during the year to 5.7%, and while the first quarter of FY13 showed patchy signs of improvement across all sectors, unfortunately this was only to be short-lived. We have made references on a number of occasions , that October 2012 was when the 'tap turned off' in the mining and manufacturing sectors, which had a severe impact on the state economies of both Western Australia and Queensland, with flow-on impacts to most other sectors. Contributing to this was an unstable federal government and the long lead time up to the federal election which also resulted in limited opportunities for job growth.

The New Zealand job market was again impacted by the fallout of environmental disasters, particularly in Wellington, as well as ongoing global economic uncertainty. The latter also affected the Singapore market.

Slide – Revenue

Despite the revenue decrease, we successfully re-signed all our key volume accounts that were up for review during the period. This was a huge achievement and testament to the strength of our client relationships.

While this did result in some margin pressure from the client base, it provided the necessary stability and underpins the strength of our contractor revenue base.

The uncertain business conditions experienced by many employers resulted in inconsistent hiring volumes, and the recruitment landscape remains extremely competitive. As a result of this uncertainty, many employers have not been prepared to expand their business, and candidates have been reluctant to move from the security of their existing roles.

We continue to be mindful of the need to balance both growth and margins, and management continues to monitor this closely.

The graphs highlight our growth in the temporary and contract space, which contributed 53% of NDR, up from 49% last year. Permanent placements however, which account for our most profitable line of business, accounted for 41% of our NDR, down from 44% in the previous year and aligned to industry trends, as employers either downsize or focus more heavily on temporary recruitment solutions.

In line with reduced market activity, performance levels across the Group were down in the second half of the year, yet despite this we did see improvement in Blue Collar, Business Support and Financial sectors and Temporary placements as reflected in the trends mentioned earlier.

To capitalize on this market demand, we will continue to focus on building our strength in the temporary and contract space.

Slide – KPIs

Consultant headcount reduced in order to align with market conditions. As a result, during the year consultant numbers reduced from 215 to 175, and while improvements in productivity were achieved, the benefits were neutralised by the decline in overall headcount which reflected the conditions. Even with reduced consultant numbers, it was encouraging to have both permanent and contracting volumes stabilise during the second half of the year.

Our overall measure of performance, EBITDA to NDR, averaged 5.1% down on the previous year's activity, largely as a result of reduced gross profit, particularly with lower volumes of permanent placements as clients have found security in using a temporary contract workforce in this uncertain period, across all of our markets.

Slide - Strategic initiatives

In response to the challenging market we endured in FY13, the focus for the financial year ahead is to unlock value at both a Group and Brand level driven by our re-energised leadership team. Management has identified strategies to position the Company to deliver increased value to our clients, candidates and shareholders. This includes:

» **Management & operational restructure:**

Following my appointment as CEO and Sue Turk as COO in January 2013, a corporate restructure was carried out across the Group, which marked a significant shift in our overall Group strategy to unlock the existing value within our network of brands through increasing efficiency, extracting synergies and reducing costs.

Operations were restructured to align our network of complementary specialist brands within industry sectors and vertical markets. This resulted in our ability to streamline the operating and management structure, where nine of the existing brands were positioned under the two newly created specialist Groups; firstly

Professional Services which incorporates Apsley, SMF, Credit Recruitment, Dolman & Gemteq Sales & Marketing and our second specialist Group - Digital, Technology, Media & Communications which combined Xpand, SkillSearch, CiTP and Gemteq IT.

Through a strategic integration, the nine brands reduced to five as the latter Group was integrated on July 1 of this year, and now operates under the one brand – Xpand. In addition to these brand changes, the restructure also resulted in eight brand Managing Directors being replaced by two Group Managing Directors.

This restructure has meant that our existing talent pools now service a much wider customer base. Utilising this more efficient and collaborative approach to service delivery, we are effectively positioned to facilitate stronger long-term client and candidate relationships, increasingly adding value by delivering a broader product offering to clients and providing more job opportunities to candidates. Having undertaken these changes in the second half of the year, the business is positioned to experience further efficiency benefits throughout FY14.

» **Office co-location and brand alignment**

As part of our ongoing drive for improved synergies, we have continued the process of consolidating the number of offices through co-locating complementary brands.

During the last financial year there was a reduction in the number of our offices – reducing from 23 to 17 overall. While this has assisted in reducing the cost base, it has also improved collaboration between businesses, leveraging each business' area of expertise and increasing joint initiatives. The consolidation of further offices, have been identified for FY14, which will result in additional rental savings.

» **Improve operating performance**

The Rubicor management team will continue to actively pursue initiatives to enhance our overall performance, including the turnaround of loss making brands and the closure of non-performing brands operating in markets with limited growth potential.

» **Growth in consultant headcount**

Additional investment will be allocated to increase consultant headcount in order to fill identified gaps and address growth opportunities. As a Management team, we will continue to monitor consultant costs in line with economic conditions and identify and action cost saving opportunities where necessary.

» **Improved consultant productivity**

While the Group's overall performance levels declined along with market instability, we did recognise improved consultant productivity during the year. The decline in our consultant headcount, resulting from market pressures (215 to 175) meant the impact of consultant productivity was neutralised. Despite reduced headcount, permanent and contracting volumes stabilised throughout the second half of the year, in response to our operational changes.

» **Asian expansion plans**

Towards the end of the financial year, Asia was identified as a significant geography for the Group to pursue growth opportunities. As you are aware, Rubicor has operated in this region since 2006, however we were previously restricted from making a significant impact and contribution to the region because of our financial position.

With the removal of our debt, we have started to make progress in growing our Singapore operation. This has included the appointment of two practice heads, the addition of new consultants and the re-location of premises that has enhanced our employer and employee proposition.

Moving forward, we are committed to investing in Singapore, to broaden the Company's product and service offering in the current financial year. Rubicor is dedicated to increasing our Asian footprint, and plans to open a second office in Asia in 2014.

» **Commercialisation of Managed Service (RPO) offering**

This has generated greater penetration within the existing client base, and further opportunities for FY14 have been identified across Australia and Asia.

And finally,

» **Group technology strategy**

Unlocking the full value and extracting all the synergies across the Group to the fullest extent cannot be achieved without the use of technology. We have embarked on a program to implement an enterprise level, fully integrated, database platform.

When launched, the common database platform is expected to result in increased revenue benefits through enhanced client and candidate visibility, improved collaboration and greater cross-selling opportunities across our network of brands. We expect the new database platform will also enable significant cost savings and efficiencies in the back office in FY15.

Outlook

Economic conditions continue to have a significant impact on business confidence and sentiment, and as a result, we expect these challenging conditions to remain and soft demand to persist in the short term.

To finish off, I would like to emphasise the two significant milestones achieved by Rubicor in the second half of FY13; firstly, the restructuring of our business and the removal of our debt.

The streamlined structure has re-energised our business and positions Rubicor to unlock value at both the brand and Group levels through driving sustainable growth, enhanced productivity and improved revenue outcomes.

The debt restructure provides the necessary stability, and a solid platform for us to pursue our strategic initiatives.

I would like to thank the Board for their ongoing support, and the management and staff of Rubicor for their commitment, loyalty and absolute desire for success as we continue on our journey.

Thank you.