

29 February 2012

Rubicor: Half year results to 31 December 2011

<u>Financial Highlights</u>			
Six months ended 31 December	2011	2010	Change
Total Revenue	\$149.6m	\$145.9m	3%
NDR (Gross Margin)	\$30.6m	\$32.7m	(6)%
EBITDA	\$4.6m	\$5.9m	(22)%
Underlying NPAT ¹	\$0.0m	\$(0.3)m	
Statutory NPAT	\$(20.2)m	\$(2.1)m	
Underlying EPS before interest and tax ¹	0.0c	(0.3)c	
Operating cash flow before interest and tax	\$6.1m	\$2.5m	
Operating cash flow	\$2.3m	\$(2.0)m	

Rubicor Group Limited (ASX:RUB) today announced EBITDA for the half year of \$4.6 million, within the range of \$4.5m to \$5.0 million announced to the market on 29th November 2011, and down 22 per cent on the prior comparative period. Rubicor achieved a breakeven result at the underlying after tax profit line compared to an underlying after tax loss of \$(0.3) million in the prior comparative period. A statutory after tax loss attributable to members of \$(20.2) million was recorded in the half year of which \$19.5 million related to an impairment charge, as compared to a loss of \$(2.1) million in the prior comparative period.

Ms Jane Beaumont, CEO of Rubicor, commented on the results, "Despite a solid start to the financial year, conditions in the recruitment industry have been challenging. Job markets have tightened in each of our geographic locations (Australia, New Zealand and Singapore) due to global and local economic factors, in particular in the second quarter of the financial year. This matter was heralded in our market update in November 2011.

"In Australia we have continued to see the impacts on the recruitment sector of the much discussed two-speed economy. For example our WA and ACT businesses demonstrated resilience in the half year, with mining and resources, insurance, engineering and Government being the best performing industries across the country. The recruitment market in IT has recently shown signs of tightening; the finance sector has been very challenging particularly in the second quarter; and manufacturing has remained difficult throughout the period, although we have seen small pockets of improvement in select companies we service. In New Zealand the economy was impacted in the second quarter as a result of distractions to business created by the Rugby World Cup and the local election.

¹ Before impairment, amortisation of intangibles and notional interest on deferred payments for business acquisitions under AIFRS

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“In response to these market conditions, Rubicon continued to position itself to benefit from those sectors and geographies which demonstrated resilience. With our individual businesses being boutique and close to their respective markets, we have again been able to respond to changes in demand. We have undertaken selective and prudent expansion where appropriate, realigned service delivery and reduced headcount where conditions are challenging. As a result and despite growing our consultant headcount in the first quarter, numbers have reduced to those consistent with 30 June, 2011.” Ms Beaumont concluded.

Performance

Total revenue increased from \$146 million to \$150 million while the gross margin, or NDR, was \$30.6 million for the six months ended 31 December 2011, a decline of \$2.1 million over the prior comparative period. Temporary and contract recruitment held its ground in the period, while permanent recruitment recorded a decrease as a result of the challenging market conditions.

Pleasingly, other service revenue, primarily human capital consulting and organisational development services, increased from \$1.7 million to \$2.8 million, reflecting Rubicon’s focus on organically growing its consulting and annuity income streams to provide greater predictability and certainty of revenue, a strategy outlined at the 2011 Annual General Meeting.

With the challenging economic environment and consultant growth in the first quarter, consultant costs to NDR ticked up slightly in the period, impacting the overall measure of performance, EBITDA to NDR, which eased from 18 per cent in the prior corresponding period to 15 per cent.

Capital Management and Debt Refinancing

Prudent capital management and debt reduction remain key priorities for Rubicon and the Directors have again not declared a dividend for this half year.

Operating cash flow before interest and taxation for the six months was \$6.1 million reflecting strong conversion of EBITDA to cash. Vendor earn-out payments of \$6.4 million have been made and Rubicon has only \$4.2 million of estimated future liabilities to extinguish by financial year 2014.

During the period, Rubicon operated within its banking covenants. Subsequent to 31 December 2011, the debt facilities have been amended and covenant thresholds have been reset to better align with trading conditions experienced during the latter part of calendar 2011 and the early part of 2012.

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Asset Impairment

In light of continuing challenging trading conditions and uncertainty over the timing of a recovery, Rubicor has prudently undertaken a review of the carrying value of assets at balance date. It has recorded an impairment charge of \$19.5 million at 31 December 2011, in recognition of the impact of these factors on the current value of certain of its businesses.

Outlook

Commenting on the near-term outlook, Ms Beaumont said, "We anticipate difficult market conditions will persist over the second half of this year given global and local economic factors. Where conditions remain tough, we will look for further cost reductions, while pulling the levers on selective expansion where there is demand.

"We will continue to invest in training to support our workforce and technology solutions in order to ensure we strengthen our existing capabilities and get the most out of our existing resources. We have progressed with the outsourcing of our IT services to a cloud solution, a project which is due to be completed in the third quarter of calendar 2012, with benefits being delivered thereafter. Other technology and business efficiency projects are being evaluated and, where clear efficiencies are demonstrated, these will follow. We will maintain our focus on capital discipline and reduction of our bank debt and vendor earn out liabilities.

"Importantly, the fundamentals of the Rubicor business remain sound, with autonomy of decision-making at the operating business level balanced by strict supervisory discipline at the corporate level and ability to offer scale and range from cross-selling capabilities and services.

"Over the longer term, the recruitment sector dynamics will be positive when macro conditions improve. Excellent opportunities for the recruitment industry should be presented by skills shortages, particularly in mining and engineering, attendant wage pressures, and increased mobility of the workforce. We consider that clients will increasingly be attracted to our combination of specialisation and scalability." Ms Beaumont concluded.

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About Rubicor

Established in 2005, Rubicor has 23 strong operating companies offering search, selection, bulk recruitment, professional and support level contracting services and organizational development.

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Each operating company possesses distinct competitive advantages including a strong business culture; integrity; specialist industry focus; excellent profitability and solid growth prospects. The businesses are directed and staffed by industry professionals with extensive experience in their field.

For more information please visit www.rubicorgroup.com.au.

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