

31 August 2017

ASX RELEASE
UNAUDITED RESULTS FOR THE YEAR ENDING 30 JUNE 2017

Rubicor Group Limited (ASX:RUB) ("RUBICOR" or "the company"), one of Australasia's largest recruitment services companies, today reported its unaudited financial results for the 2017 financial year:

- Total statutory revenue: increased 6.4% to \$219.7m
- Total underlying revenue: decreased by \$3.1%
- Statutory gross margin: increased by 35.9% to \$51.9m
- Underlying gross margin: decreased by 14.1% to \$32.8m
- Underlying EBITDA decreased 20.6% to \$2.7m
- Statutory net profit after tax (attributable to equity holders): \$15.5m
- Underlying net profit after tax: \$0.1m
- Cash flow from operations: \$12.3m outflow (FY16: \$7.3m inflow)
- Cash position at 30 June 2017: \$2.6m (FY16: \$11.5m)
- Net asset position at 30 June 2017: \$9.0m (FY16: prior to debt compromise through the Deed of Company Arrangement agreed on 8 August 2016: (\$8.8m))

Financial Performance

FINANCIAL SUMMARY (\$'million)	FY17 30 June 2017	FY16 Restated * 30 June 2016	% Change
Total Revenue (\$m)			
Statutory (\$m) ¹	219.7	206.2	6.4%
Underlying (\$m) ^{2,3,4}	199.8	206.2	-3.1%
NDR (Gross Margin)			
Statutory (\$m) ¹	51.9	38.2	35.9%
Underlying (\$m) ^{2,3}	32.8	38.2	-14.1%
EBITDA			
Statutory (\$m) ^{1,5}	14.6	(3.8)	
Underlying (\$m) ^{2,6}	2.7	3.4	-20.6%
NPAT attributable to equity holders			
Statutory (\$m) ^{1,5}	15.5	(7.7)	
Underlying (\$m) ^{2,6}	(0.1)	(0.4)	75.0%
Earnings per share			
Statutory (cents) ^{1,5}	6.3	(4.7)	
Underlying (cents) ^{2,6}	0.0	(0.2)	

* Refer to Note 1(b) in the preliminary financial statements for details regarding the restatement of comparatives as a result of a change in accounting policy

¹ Includes gain on debt forgiveness of \$14.7m (FY16: \$Nil), gain from bargain purchase of \$5.6m (FY16: \$Nil) and proceeds from sale of business of \$0.7m (FY16: \$Nil).

² Excludes gain on debt forgiveness of \$14.7m (FY16: \$Nil)

³ Excludes gain from bargain purchase of \$5.6m (FY16: \$Nil)

⁴ Excludes proceeds from sale of business of \$0.7m (FY16: \$Nil)

⁵ Includes restructuring costs of \$2.8m: -\$0.5m onerous lease provision write-back, \$0.7m redundancy and termination expense, and \$0.6m personnel and other costs for new system (FY16: \$4.2m: \$0.5m onerous lease provision, \$1.0m redundancy and termination expense, \$0.3m personnel and other costs for new system; and transaction costs of \$0.4m)

⁶ Excludes restructuring costs of \$2.8m: -\$0.5m onerous lease provision write-back, \$0.7m redundancy and termination expense, and \$0.6m personnel and other costs for new system (FY16: \$4.2m: \$0.5m onerous lease provision, \$1.0m redundancy and termination expense, \$0.3m personnel and other costs for new system; and transaction costs of \$0.4m)

Performance Commentary

The statutory revenue results includes a number of one off income items that have positively affected the balance sheet and reflect RUBICOR's goals of obtaining capital stability. These one offs include accounting revaluations of two small acquisitions, where RUBICOR acquired the customer contracts for little consideration, and the gain from debt forgiveness associated with the deed of company arrangement that took place in the first half of the year. A small drop in revenue was experienced, mostly due to the disruption associated with the deed of company arrangement and the sale of Ensure. Based on results in the last half year we expect revenue growth to regain in FY18 and will provide market updates in the coming months.

Underlying EBITDA was broadly in line with guidance given during the year, taking into account the points above. Moving forward RUBICOR is committed to providing statutory EBITDA guidance rather than subjective underlying statements which have been used by previous management.

Consolidated Brand Strategy

To support growth, re-branding of the business is now complete. A significantly more simplified structure has been implemented from both an operational and market engagement perspective. Four of the brands adopted the RUBICOR brand. The six new brands are:

- **Rubicor Workforce** (previously Challenge Recruitment) has a specialist focus on staffing solutions across FMCG, construction, manufacturing, mining and labour hire disciplines
- **Rubicor Government** (previously Gel Gov Group) has a specialist focus in the public sector across local, state and federal governments, not-for profit, education, healthcare and publicly funded utilities

- **Rubicor Professional** (previously Credit Recruitment, Apsley, Dolman, SMF) has a specialist focus on insurance, finance, banking and executive support
- **Rubicor Technical** (previously Cadden Crowe, James Gall, Locher & Associates) has a specialist focus on resources, infrastructure, manufacturing, utilities and supply chain recruitment
- **x:pand** (no change) continues its specialist focus on award-winning digital, technology, media, sales and marketing recruitment, and
- **Gaulter Russell Numero** (previously Gaulter Russell, Numero) continues its focus as a leading supplier of sales, marketing and HR talent to the New Zealand market

One Parent / Six Industry Focused Brands

RUBICOR CEO David Hutchison said “we are positioning our business for growth. Up until now our brand structure has been a hindrance to growth. RUBICOR has operated as 16 individual market-facing brands, each with little or no recognition of the fact that they are part of a much more substantial group. That's 16 different entities, each expending resources to establish their own market presence. This inevitably resulted in an inefficient use of resources and reduced our competitiveness. The new approach positions us much more effectively to gain a greater share of business from existing and new clients. This will significantly enhance market presence, reduce duplication, and position the Group to grow a greater share of client business through a more coordinated, broader offering.”



Establishment of Group Sales and Marketing Function

The refinement of the brands to align with industry segments has been undertaken alongside the establishment of a group sales and marketing function. The purpose of this function is to coordinate national and industry based tendering, sales and marketing initiatives. Previously this function did not exist, leading to internal competition and poor resource management. This new group function which was established in the second half of FY17 should assist with supporting RUBICOR's cohesive and cooperative approach to market engagement. This has been

demonstrated through the addition of RUBICOR to a number of new supplier panels. RUBICOR will continue to refine its organisational structure in order to improve and reward profitable growth, create greater competitiveness and differentiation within the market through the use of technology and shareholder aligned short term and long term incentive plans.

Business Development

Following the restructure of the first half, RUBICOR has concentrated its efforts in business development, successfully deepening client relationships and securing extensions, such as Coca-Cola Amatil, Microsoft, Telstra, Macquarie Bank, South Australia Power Network and Steel Mains.

In the second half of the year RUBICOR has been active in tendering and winning new clients across all brands and locations to expand RUBICOR's capabilities, signing new clients such as AXA Life Hong Kong, Bank of America Merrill Lynch, Bega Cheese, Accenture and Dropbox. We expect to see these activities accelerate and support revenue growth in FY18.

Staff Productivity

With many of the structural issues of the old RUBICOR resolved, the focus for the new RUBICOR is now firmly on lifting the productivity of the organisation as a whole. Current sales per head productivity is materially below industry benchmarks which can be explained through the disjointed and previous combative organisational culture and inconsistent and non-aligned short and long term remuneration policies. Improvements in productivity have been seen in the last half and initial months of FY18, however more is needed with RUBICOR management committed towards continuing actions to improve this throughout FY18 and FY19. To ensure performance is comparable or better than industry peers in the coming years RUBICOR intends to invest in productivity initiatives which will include technology, training and improved recruitment practices.

Cost Management

Through FY17 there has been a meaningful investment in infrastructure technology after years of neglect. This investment has centred around cost out initiatives which can be seen in the underlying operating expenses. For FY18 we expect some spend on technology, however it will have a focus on building technology that streamlines existing labour intensive processes and creates greater knowledge and interaction with our candidates.

Technology Innovation and Partnerships

With the new development of technology RUBICOR is actively assessing opportunities to utilise its improved technology infrastructure to generate additional revenue streams. RUBICOR is well advanced in its thinking and planning, and expects to be able to announce new partnerships and technology platforms in the first half of FY18. We expect that these partnerships will support RUBICOR goal of

increasing competitiveness and being the human resource partner of choice to employers and employees. We note that some of these initiatives will be experimental in nature and may be eligible for research and development grants.

Cash flow

Cash at the end of FY17 was down 77% to \$2.6m (end of June 2016: \$11.5m). Cash flow from operations was \$12.3m outflow (FY16: \$7.3m inflow). The reduction in cash at end of period between FY17 compared to FY16 was due to the cost of realising the gain related to the deed of company arrangement and general timing issues associated with a company with large revenue.

Employee benefits expense was down 11% to \$23.0m (FY16: \$25.9m). Head count has been reduced and a more rigorous and disciplined approach to leave management has been implemented which has resulted in a reduction of employee benefit liabilities.

Capital management

Net assets at 30 June 2017 has improved to \$9.048m, compared to negative assets of \$8.817m as at 30 June 2016. This has been a key milestone for RUBICOR and enables a foundation of growth.

On 26 April 2017, RUBICOR sold its 50.1% shareholding in Ensure Group to Paul Murphy, Ensure Group's managing director who owns the remaining shares. The consideration was \$1.971 million which was used to increase RUBICOR's working capital as the company pursues its current growth strategy. The sale was in line with the directors' strategy of creating one unified group strategy.

Rubicor will continue to manage its capital prudently with a view to reducing debt levels through retained earnings and increasing profitability. RUBICOR does not expect any need for capital given the improved trading conditions following restructuring initiatives unless it is for a value accretive transaction.

Revenue Recognition

It should be noted that Management made a decision to account for certain revenue on a cash basis rather than accrual basis in FY17 which had a negative effect on revenue, but achieves greater accountability and transparency for recognition and remuneration of sales consultants.

Other initiatives to generate accretive earnings

RUBICOR continues to focus on adopting the best in industry practices, accelerating and focussing on developing growth opportunities, additional income streams from existing intangible assets and where appropriate, undertake selective acquisition opportunities which add share accretive operating cash flow while maintaining modest debt gearing. To improve communication and engagement with investors RUBICOR will be seeking to appoint investor relations advisors alongside extending



the depth of the Board now that financial stability has been achieved. Further details of these initiatives will be provided within the full year investor presentation.

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ABOUT RUBICOR

The RUBICOR Group is one of the largest providers of recruitment and human resource services in Australia, New Zealand and Asia. Consisting of 6 specialist recruitment and HR solutions businesses, RUBICOR employs over 200 team members across 18 offices delivering complete staffing, payroll, consulting and managed services solutions across a diverse range of industry sectors and geographies.

