



**Ord Minnett  
Business Services Conference  
Melbourne - November 2007**



## Agenda

- Overview
- Business Overview
- Breakdown of Operations
- Financial Summary
- Financial Outlook

# Business overview

- One of the largest recruitment services groups in Australia and NZ
- 20 operating businesses
- 44 offices
- Over 500 employees
- 2 new offices in Singapore



# Business overview

- Proven acquisition model delivers
  - **accretive acquisitions** and
  - **growth incentives** with de-risking for poor performance
- **Entrepreneurial culture** that encourages managers to drive growth
- **Continued growth** through inter-brand referrals and productivity improvements
- **Strategic acquisitions** of businesses that extend and diversify operations into new areas

xpanc

gaulter russell  
successful people

locher.  
human resources

James Gall  
© associates

GEL GROUP  
Recruitment and Search Consultants

verHouse

credit  
recruitment

Challenge  
Recruitment Ltd

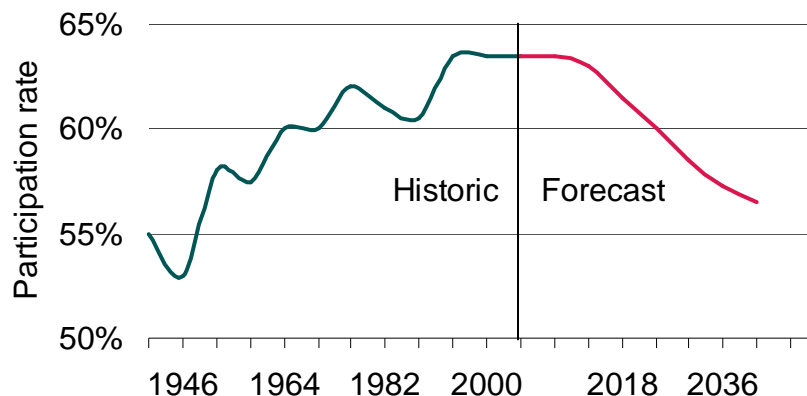
WHEELER CAMPBELL

 Rubicon

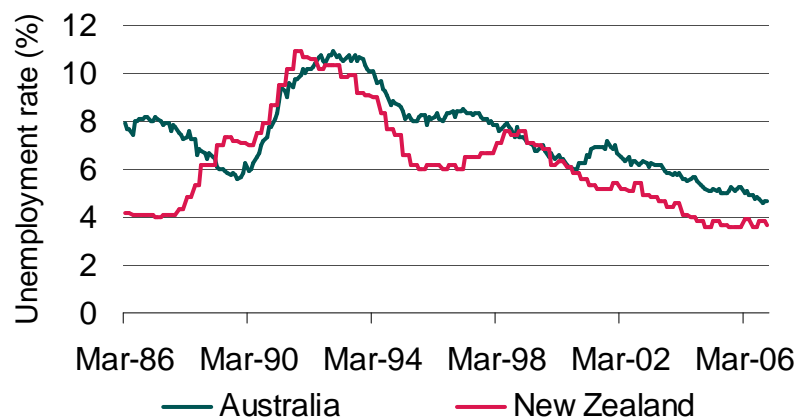
# Recruitment Industry Overview

- Short term labour shortages
- Forecast longer term labour shortages
- Increased labour force flexibility
- Increased use of outsourcing
- Highly fragmented industry

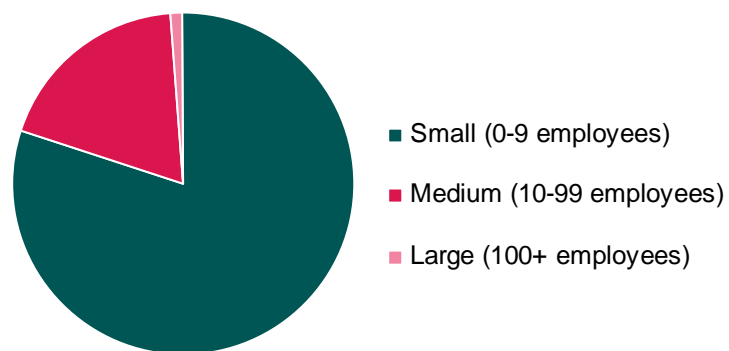
### Australian Participation Rate



### Unemployment rates in Australia and New Zealand (Seasonally adjusted)



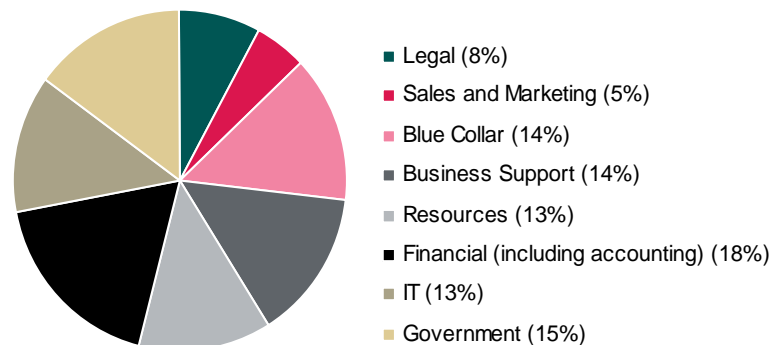
### Recruitment Companies in Australia by Number of Employees



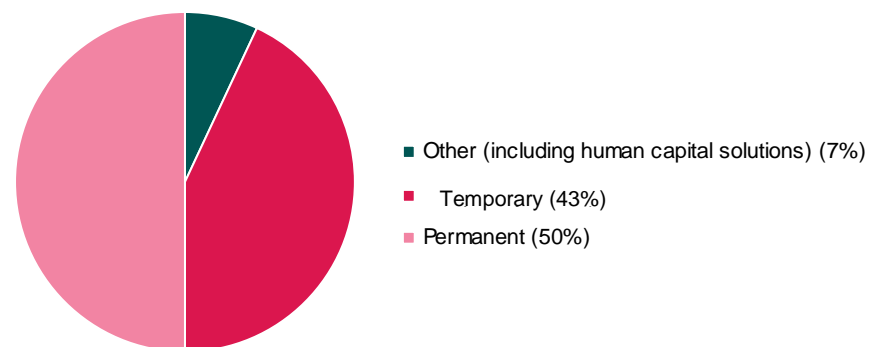
# Operational Split

- Highly diversified revenue
- Focus on maintaining right balance between services

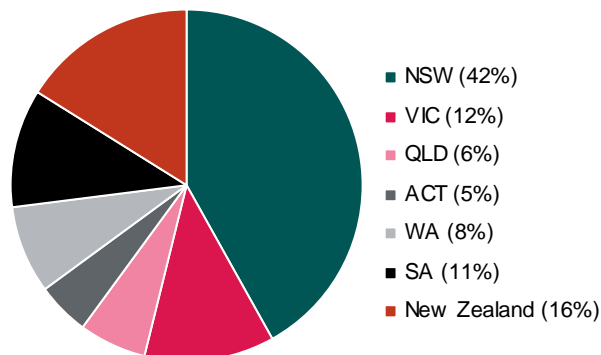
**Industry**



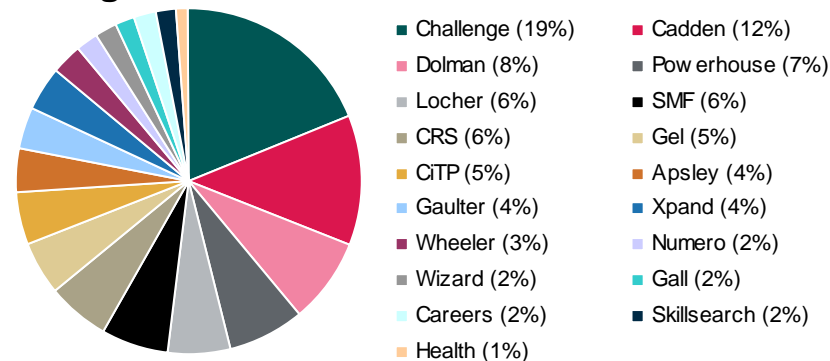
**Service**



**Geography**



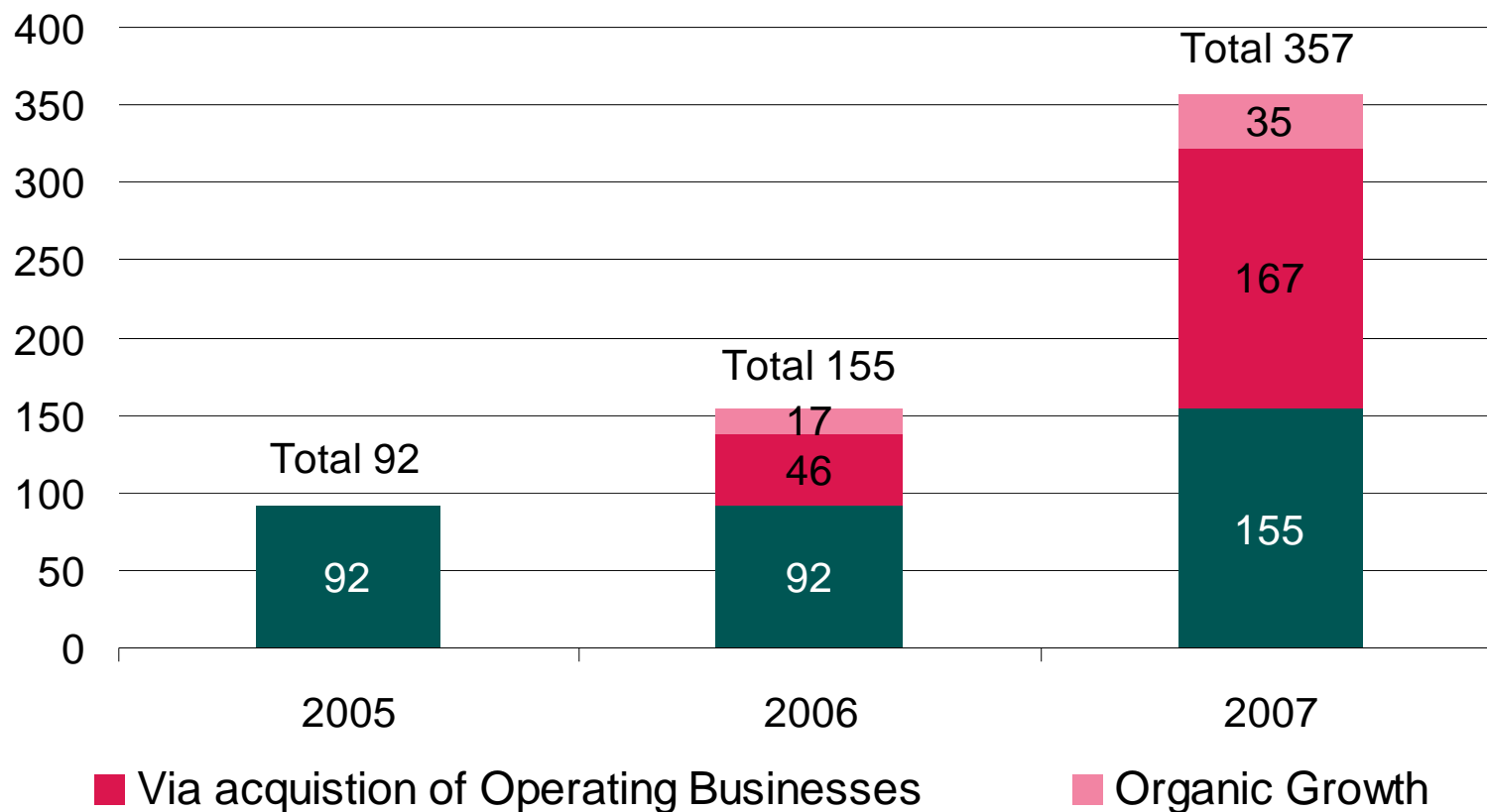
**Operating Business**



Data as at 30 June 2007. Includes Challenge Recruitment, and excludes Steelweld Personnel

# Consultant Growth

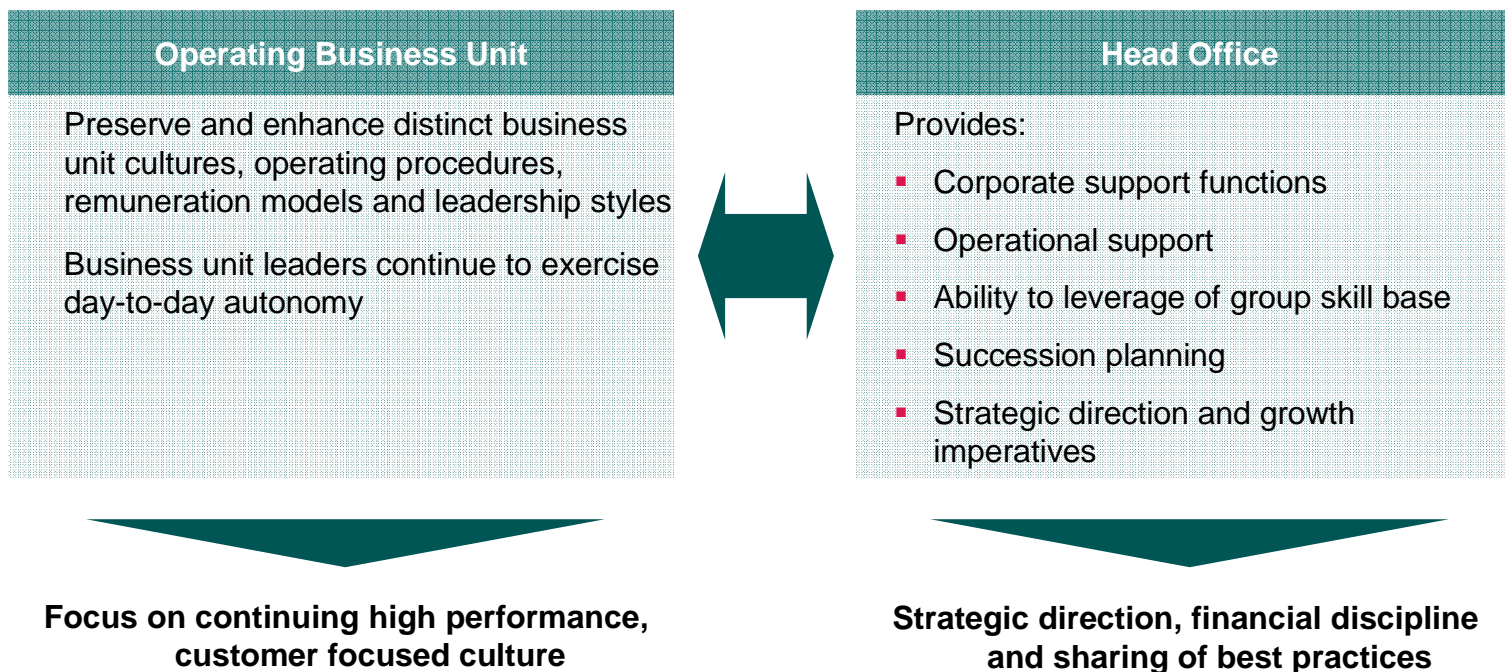
- Organic growth within existing businesses continues to be strong
- Acquisition model allows for additional growth without consistent 'down time'



▪ Data as at 30 June 2007. Includes Challenge Recruitment, and excludes Steelweld Personnel

# Operating Model

- Multi branded operating platform
- Head office provides corporate and operational support
- Business Managers given mandate to drive growth and promote culture of individual operations

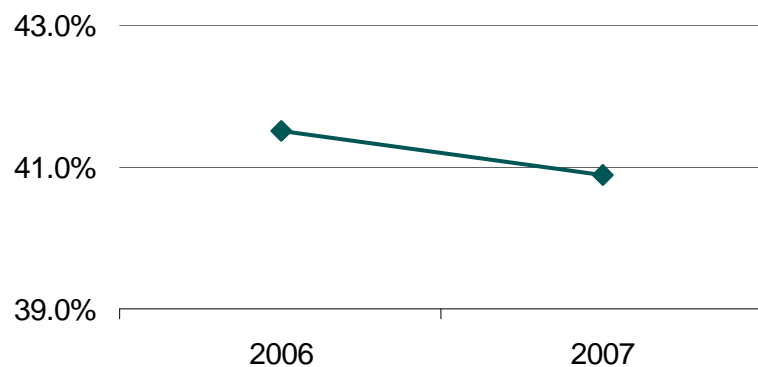




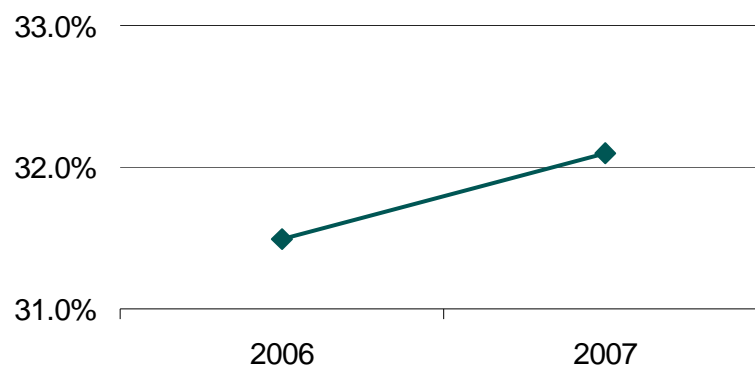
# Key Operating Indicators

- Focus on:
  - Driving consultant productivity with targeted consultant cost to NDR ratios across businesses
  - Maintaining low operating costs

**Consultant costs to NDR**



**EBITA to NDR**



# Acquisition Environment

- Continue to look for acquisitions that enhance diverse revenue base and provide access to high growth markets
- Completed Steelweld acquisition in October that provides access to 'blue collar' West Australian markets at attractive pricing
- Turned down other acquisitions that didn't meet criteria
- Completed acquisitions working well with a continued focus on improving the operating metrics of individual businesses

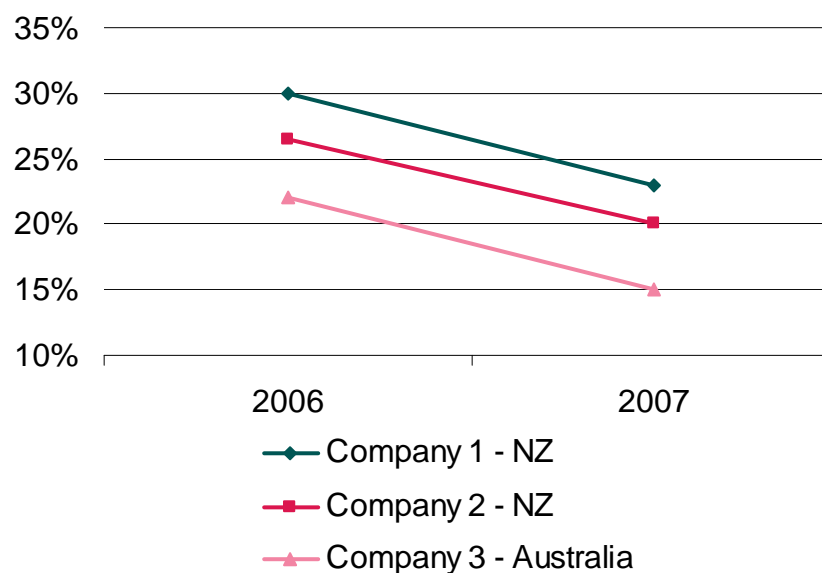
# Completed Acquisitions – Operational Improvements Examples

- Operating model has history of improving the productivity of individual businesses
- Example of improvements at three acquired businesses:

### Consultant Costs / NDR



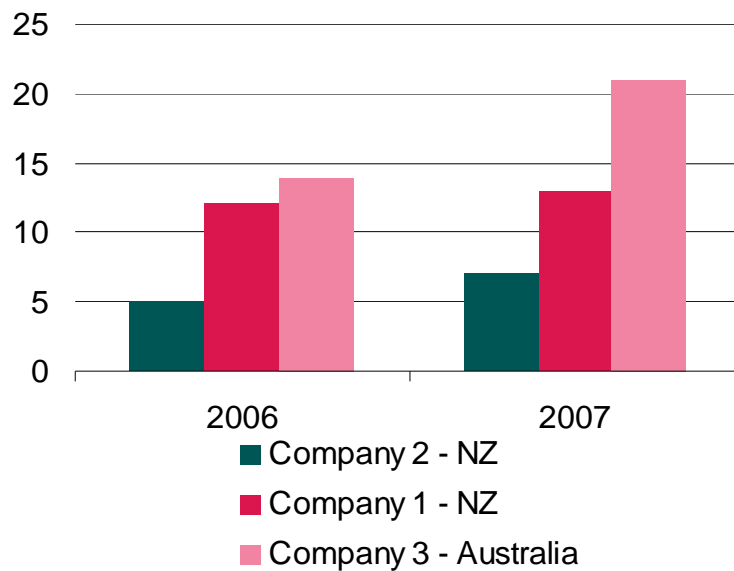
### All Other Operating Costs / NDR



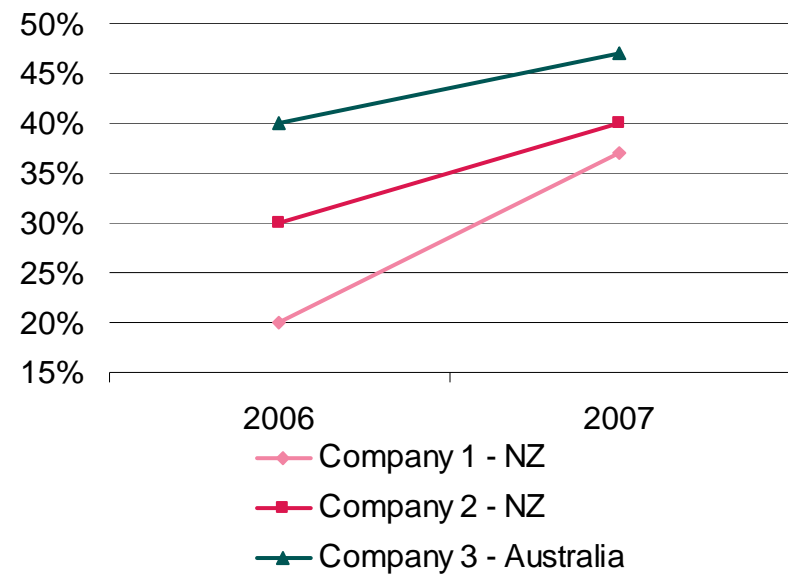
# Completed Acquisitions – Operational Improvements Examples

- Organic growth and productivity improvements of existing business a priority

### Consultant Numbers



### EBITA / NDR



# Financial Performance

- Historic statutory results not reflective of expected 2008 performance due to acquisition accounting treatments

12 Months	FY06 \$M	FY07 \$M	Change %
<b>Revenue</b>	<b>65.1</b>	<b>156.5</b>	<b>140.4</b>
NDR (Gross margin)	31.7	64.4	
<b>EBITDA</b>	<b>6.8</b>	<b>14.3</b>	<b>110.3</b>
EBIT	3.7	10.4	181.1
Interest on Vendor Liabilities	(2.6)	(5.4)	
Finance Costs	(2.5)	(7.1)	
<b>Profit Before Tax</b>	<b>(1.4)</b>	<b>(2.1)</b>	
<b>Profit After Tax</b>	<b>(2.2)</b>	<b>(3.2)</b>	

# Reconciliation of NPAT to Cash Earnings

- Underlying cash earnings best indicator of performance

	FY07 \$'000s	P/F <sup>3</sup> FY07 \$'000s
<b>NPAT</b>	<b>(3,182)</b>	<b>4,953</b>
Significant non-cash items:		
Amortisation of identifiable intangible assets	3,451	4,858
Interest on vendor liabilities (unwind of discount on earn-out)	<u>5,340</u>	<u>7,550</u>
	5,609	17,361
Tax impact of non-cash items <sup>1</sup>	<u>(3,503)</u>	<u>(3,943)</u>
<b>Cash earnings</b>	<b><u>2,106</u></b>	<b><u>13,418</u></b>
<b>Cash earnings per share (cents)<sup>2</sup></b>	<b><u>2.0</u></b>	<b><u>12.8</u></b>

1. The Amount by which the actual tax payments in respect of the year ended 30 June 2007 will exceed the income tax expenses reported. Tax impact includes adjustment for future cost of funding associated with vendor liabilities.

2. Based on 105 million shares.

3. P/F is an abbreviation of Pro Forma and shows what the business would have achieved, had all of the subsidiary businesses been owned for the entire financial year.

# Financial Position

- Prudent gearing provides opportunity for earnings accretive acquisitions

30 June	2006 \$M	2007 \$M	Change %
Cash	2	12.7	535
Receivables	10.6	27.3	157.5
Intangibles	34.4	92.2	168
Other Assets	5.4	9.8	
<b>Total Assets</b>	<b>52.4</b>	<b>142</b>	<b>171</b>
Vendor Liabilities - Current	3.2	11.5	259.4
Vendor Liabilities - Long term	14.9	45.1	202.7
Borrowings	9.2	6.3	(31.5)
Other liabilities	11.7	18.7	
<b>Total Liabilities</b>	<b>39</b>	<b>81.6</b>	<b>109.2</b>
<b>Net Assets</b>	<b>13.4</b>	<b>60.4</b>	<b>350.7</b>
<b>Net Gearing<sup>1</sup></b>	<b>35.0%</b>	<b>9.40%</b>	<b>(73.0)</b>
<b>Net Asset backing (cents)<sup>2</sup></b>	<b>79.7</b>	<b>56.9</b>	<b>(28.6)</b>

1.Excludes cash in FY07 as utilised for Challenge completion payment

2. Based on 105million shares

## FY 2008 Financial Outlook

- Benefit of full year impact on FY07 acquisitions
- Cash EPS<sup>1</sup>: close to 10% on FY07  
actual PF of 12.8 cents
- Dividend: Increase in payout ratio to 80% - 100%  
from previous 50% - 70% of NPAT
- Further earnings accretive acquisitions targeted

<sup>1</sup> Excludes future acquisitions