

2016 Annual General Meeting

RUBICOR AGM VIDEO PRESENTATION

To view this presentation, visit the Investors page on Rubicon's website (www.rubicon.com.au).

Narrator:

Rubicon is one of the largest recruitment services companies in Australasia. In the 2016 financial year, it was comprised of 16 specialist brands that, collectively, employed over 200 staff and offered recruitment services across 5 countries.

In the financial year ending June 30, 2016, Rubicon's total revenue increased 1.1% to \$206.5 million, while underlying gross profit increased by 2.1%, up to \$38.5 million. There was also an improvement in underlying EBITDA, which lifted from \$1.3 million in FY15 to \$3.7 million in FY16.

There was an underlying net loss after tax of \$100 thousand, and a statutory net loss (attributable to equity holders) of \$7.5 million. These results included a number of non-core operational expenses, mostly associated with the change initiative and as a result of board and management changes in June 2015. These items include:

- \$1.02 million for staff restructuring;
- \$1.51 million for consulting services relating to the change initiative; and
- \$540 thousand in onerous lease provisions.

David Hutchison:

When I spoke to you at the 2015 AGM, I told you that the challenges facing Rubicon were significant, that we would likely discover new challenges, and that the road to improvement would not be short one. At that time, I also put forward an ambitious framework of ideas that would give Rubicon its best chance at getting back up to speed with the industry. This change initiative included three very important aspects: promoting financial responsibility, creating operational excellence, and driving innovation.

A year on, what I can tell you is that we have made some significant progress not just in following through on the ideas and improvements that we put forward last year, but in overcoming new challenges that we discovered along the way.

Narrator:

The first goal of the change initiative was to promote financial responsibility. While this permeates every aspect of the group, it is particularly focused on the responsible administration of Rubicon's debt.

During the 2016 Financial year, Rubicon's new management team ascertained that three of the the group's companies – Xpand, Challenge, and Locher – were carrying severe, legacy debt issues that materially impaired their balance sheets. In an attempt to deal with these issues, Rubicon's Directors pursued a number of potential solutions. These included raising capital, divesting, and sourcing additional debt funding.

The capital raise, which occurred from December 2015 to March 2016, delivered \$4.75M of fresh capital in a rights issue and private placement. This was a positive and significant contribution by Rubicon's shareholders.

The other options of divesting and sourcing additional debt funding were then thoroughly investigated but found to be inadequate.

Subsequent to balance date, a decision was made by Rubicor's management and Board to place Xpand, Locher, and Challenge into voluntary administration. Through this process, the directors offered unsecured creditors a Deed of Company Arrangement that proposed:

- The indemnification of the entities' liabilities;
- The full payment of the Scottish Pacific facility;
- The assumption and confirmation of all employee entitlements and liabilities; and,
- A payment of \$1.8 million to fund the VA process and provide a return to unsecured creditors.

On 8 August, at the second meeting of creditors, the Deed of Company Arrangement was agreed to and ratified by creditors. This acceptance meant that the control of the three companies was returned to Rubicor, and their balance sheets were no longer impaired.

While this process was focused on addressing legacy debt, its outcome was vital in assuring Rubicor's current position and its ability to grow into the future.

The second goal of the change initiative was to create operational excellence.

At last year's Annual General Meeting, the new Rubicor management team outlined the need to reduce the company's unnecessarily high operational expenses.

Firstly, the team identified a potential saving of \$1.8 million in corporate and shared services. A year on, the team can confirm that these savings have been achieved, with approximately \$1.88 million being saved in support services across the group. This was achieved while maintaining or improving the quality of these services across the group.

Secondly, the management team identified that Rubicor's lease expenses far exceeded what was required by the company. At the time, Rubicor was operating with an average of 24m² of office space per employee – almost two and a half times the best-practice benchmark of 10m². A year on, the management team can announce that Rubicor has now reduced its office space to only 18m² per employee. That's a reduction of 25%, and has saved the company over half a million dollars a year in ongoing lease expenses. This is a first and significant stride toward achieving the best practice benchmark.

Last year, the management team identified that, in order to achieve operational excellence, Rubicor needed to overhaul its IT systems. A year on, the team can confirm that this transformation is almost complete. Where there used to be 5 CRMs, 16 databases, and convoluted, hard-to-run payment systems, there are now 2 CRMs, 1 Financial system, and 1 Payroll system.

While upgrading these systems, the team also found that the hardware infrastructure that underpinned Rubicor's operations, such as servers and data connections, was outdated and underperforming. This affected the speed and productivity of important aspects of the business. So, after extensive testing and reviews, this infrastructure has now been upgraded. That means new servers, new data connections, as well as new telephone and video conferencing systems.

Not only will this increase productivity, it has also significantly decreased the risk and downtime in Rubicor's operations. The most amazing part, however, is that it was able to be done while saving \$600,000 over 3 years on infrastructure services.

Another way that Rubicor can achieve operational excellence is by introducing technology into its processes to achieve efficiencies. As such, Rubicor is currently reviewing a document automation process that will allow us to input information into our systems faster and more accurately than is currently possible.

Rubicor's brand, Challenge, is a good example of how this system will increase productivity. Each month, Challenge receives thousands of documents such as invoices, timesheets, and registration packs. Currently, each of these documents has to be manually reviewed, processed and, where necessary, approved by Challenge staff. This means that each document inevitably needs to be tracked across multiple versions, go through 3 or 4 people, and, in some instances, be printed multiple times. That amounts to hundreds of labour hours and considerable printing resources per month spent on processing and tracking this data.

The system that Rubicor is reviewing will completely automate this process. From the moment one of these documents lands in a designated inbox, the system will detect, interpret and process this information without the intervention of a single employee. What this means for Rubicor is increased productivity and reduced expense. The most exciting part, however, is that it frees up Rubicor's talented employees to do more skilled and valuable work.

Up until now, Rubicor has operated as 16 individual market-facing brands, each with little or no recognition of the fact that they are part of much larger Rubicor group. That's 16 different entities, each expending resources to try establish their own market presence.

A go-to-market strategy like this inevitably results in an inefficient use of resources, reduced competitiveness, poor market awareness of Rubicor as a larger group, and, in some cases, brands even competing against each other for the same work.

Last year, the Rubicor management team outlined that they wanted to change this by creating a more efficient, cohesive, and cooperative group of brands. So, as part of the change initiative, during the first half of 2017, Rubicor will consolidate its brand structure to more sensibly and effectively make use of its experience and resources.

By refocussing the Rubicor's go-to-market strategy like this, there will be less duplication, increased communication, and a greater awareness of the Rubicor group within the larger recruitment industry.

Last year, Rubicor's management team outlined, as part of the change initiative, the need to foster and drive innovation.

One of Rubicor's brands, Xpand, has done just that by developing a recruitment program for some of the biggest media agencies and eCommerce companies in the world. The initiative is called Digitize and it is being used by the Singaporean government to upskill graduates in the fast-growing field of digital and programmatic marketing.

How it works is this: each placement cycle, Xpand sources and screens hundreds of applications in order to compile a talent pool of 24 Singaporean graduates. Xpand then places these graduates with Google and 15 of its partners. The graduates spend one month with Google in Singapore, one week with Google in Sydney, three weeks with Google's partners in Sydney, and then ten months with Google's partners in Singapore. At the end of this year-long cycle, Google and its partners have the opportunity to hire these graduates as permanent staff.

Xpand's Digitize program is valuable not just commercially, but because it's building intimate relationships with some of the world's biggest media agencies and eCommerce companies and is positioning both Xpand and Rubicor as innovators on the global stage.

David Hutchison:

At the 2015 AGM, I sat in front of you and outlined an ambitious but necessary change initiative that we believed would help drive Rubicor in the right direction. As you can see, we have made some significant progress toward these goals. While, we've encountered some challenges, we've been able to overcome them and continue to deliver on our promises and work towards building a better, more productive Rubicor.

This doesn't mean that the job is done or that there isn't plenty of work left to do. But it does show that, with the right goals and a dedicated group of people driving them, Rubicor is more than capable of being a leader in the recruitment industry.

On a personal level, I very much look forward to working with Rubicor's employees and shareholders to continue this progress and achieve what I know we can achieve.

WELLNESS PROGRAM VIDEO

My name is Sophie L'Estrange, and I'm a nutritionist working to implement the Rubicor Wellness program.

The program aims to empower all of Rubicor's employees to make positive choices around health and wellbeing.

With the Wellness Program, we've adopted the philosophy that information is empowering. So, as part of the program, we are providing information and materials about things like:

- meal planning,
- interpreting and understanding nutrition labels,
- the importance of vitamins and minerals, and
- understanding the five core food groups.

With information and approaches like this, Rubicor employees will be empowered to make informed and healthy decisions when it comes to eating and being active.