

2015 Annual General Meeting

RUBICOR AGM 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. It was formed in 2005 and comprises of 15 specialist brands that, collectively, represent millions of jobseekers across Australia, New Zealand, and South East Asia.

These brands are Apsley Recruitment, Cadden Crowe, Challenge Recruitment, Credit Recruitment Services, Dolman, Ensure Recruitment, Ensure Health, Gaulter Russell, Gel Group, James Gall and Associates, Locher and Associates, Numero, SMF Recruitment, SW Personnel, Wizard People, and Xpand.

Rubicon's CFO, Brent Wall, will now give an overview of the FY2015 Financial Statements.

Brent Wall

In the financial year ended June 30, 2015, Rubicon's total revenue increased 3.2% to \$204.3m, and underlying gross profit increased 1.6% to \$37.7m.

There was a statutory net loss after tax of \$4.4m, and an underlying net loss after tax of \$1.3m.

These results included a number of non-core operational expenses, mostly associated with the restructure initiatives and board and management changes. These expenses included:

- 520K associated with the March 2015 capital raising;
- 920K in staff restructuring activities;
- 720K in impaired capitalised software costs; and
- 690K in surplus lease provisions.

Rubicon's cash-on-hand at the end of the year was \$3m, up from \$2.4m in FY2014. There was an outflow of \$1.7m in cash for operations, an improvement of \$4.1m on FY2014.

Narrator

Every year, a report called the Recruitment Industry Benchmarking report provides key insights into the industry's performance. Using benchmarks from the 2014 and 2015 financial years, we can see that Rubicon is lagging behind its peers.

In FY2014, the average sales growth in the Recruitment industry was 14%, while Rubicon's was negative 16.8%. The following year, in FY2015, the industry grew its sales 19% on average, while Rubicon only managed 3.3%.

In FY2014, our Gross Margin was only 1.53 times greater than our total salaries, while, on average, the industry achieved Gross Margins that were 1.8 times their total salaries. Again, in FY2015, Rubicon was well behind the industry average, achieving a Gross Margin only 1.49

times its total salaries, compared to the industry that, on average, achieved Gross Margins that were 1.9 times their total salaries.

And, in a slightly more targeted metric, that of Gross Margin as a multiple of consultant salaries, Rubicor trailed in both FY2014 and FY2015. In these two years, the industry, on average, achieved Gross Margins that were 2.27 and 2.36 times their consultant salaries. Rubicor, on the other hand, only achieved Gross Margins that were 1.98 and 1.93 times its consultant salaries.

In FY2014, Rubicor's Profit Before Tax was negative 2.6% of its Gross Margin. This was compared to the rest of the industry whose average Profit Before Tax was 17% of Gross Margins. In FY15, Rubicor's Profit Before Tax was negative 4.3% of its Gross Margin, while the industry achieved an average of 20%.

As a percentage of sales, Rubicor's FY2014 Profit Before Tax was negative 0.5%, while the industry average was 3.5%. In FY2015, while the industry's average was 4.3%, Rubicor's posted negative 0.8%.

Not only has Rubicor trailed the industry average in all these metrics, in 4 out of 5 of these metrics, it has trended downwards while the industry has trended upwards.

David Hutchison

By taking a step back and viewing Rubicor's performance within the context of the wider recruitment industry, we can easily see that it is lagging behind its peers. When I arrived in June 2015, we began investigating what Rubicor's position would look like if it were to meet these industry benchmarks. Here are a few examples:

Narrator

From FY2014 to FY2015, if Rubicor had grown its sales at the same rate as the industry's average, it would have delivered revenue of \$235.4m instead of \$204.3m – that's an increase of over \$30m.

In FY2015, the industry, on average, achieved Gross Margins that were 2.36 times that of their consultants' salaries. If Rubicor had achieved this benchmark, its Gross Margin would have reached \$46.16m – an increase of 22.3% on what actually occurred.

And finally, in FY2015, Rubicor made a Loss Before Tax of \$1.64m, which is -4.3% of its Gross margin. If it had achieved the industry average, it would have achieved a Profit Before Tax figure of \$9.23m – that's an increase of over 660% on the actual result.

David Hutchison

So it's quite easy to see that if we were to lift our performance to match our industry peers, we would be in a much stronger financial position. Making this comparison, however, should not imply that the job of reaching these benchmarks is an easy one. Nor should it imply that they are our immediate goals. What it does imply, however, is that we need to start looking at ways that we can improve our performance.

Despite its performance to date, what has become immediately obvious to us is that Rubicor has some pockets of excellence, that, given the right direction and support, can make a real difference to this Company.

So, in the following moments, you will hear from and about some of these pockets of excellence. We will also briefly outline some of the changes that we think are needed to improve Rubicor's position.

Bear in mind, this is not a wholly encompassing plan... it's a roadmap. It's the start of a process. Something we can use to guide us, to start us off in the right direction.

Narrator

After an initial review, it has become obvious that Rubicor's operational expenses are too high. As part of this review the new executive team has identified savings of over \$1.8m in Rubicor's shared and corporate services alone.

They have also implemented a number of savings measures, including cutting the director's fees by 89% -- from \$356,000 down to \$36,000 per year.

Currently, across all of its brands and locations, Rubicor employs 218 people and occupies 5,190 square metres of commercial floor space. That's an average of 24 square metres per person. The best-practice benchmark is 10 square metres per person. If Rubicor could meet this, it would save over \$1.26m per year. It would also free up hundreds of thousands of dollars that are required as bank guarantees for these contracts.

As part of Rubicor's current IT system, there are 5 Customer Relationship Management systems being used across 15 separate brand databases. The payment systems are cumbersome, and there are no overarching mechanisms that capture and centralise any of the data.

For a number of years now, Rubicor has been trying to fix this through its Technology Transformation Strategy, but has been unable to do so.

In June 2015, the new executive team reviewed this strategy and formulated a better way to roll out the new system.

One of the most important outcomes of transforming the IT system will be that it enables brands to share information and collaborate more easily. This will be an essential part of Rubicor's future success.

Craig Woodall is the General Manager of James Gall and Associates and SW Personnel. For the last year and a half, he's been working to increase cooperation between the two brands.

Craig Woodall

When you take a step back and look at it holistically, you start to understand that we are all part of a much larger Rubicor Group. For me, collaboration and cooperation across brands is essential to creating success within this larger group.

Since becoming the General Manager of two Rubicor businesses, I've seen, first-hand, the results you can get when you leverage these relationships. So, when you build a culture of sharing, a culture of cooperation, you're empowering every part of the Group to do two very important things:

1. deliver different and improved services to our customers; and
2. extract more value from each of these relationships.

So by collaborating and cooperating, we don't just help individual brands, we lift the performance of the Group as a whole.

Narrator

Brand cooperation like this will help improve Rubicor's revenue. When we look at Rubicor's sales chart, we can see that each of its clients generally only buys from a single brand. If we

open up communication across the Group, however, multiple brands will be able to sell to the same clients.

For example: An advanced manufacturer purchases labour from one of Rubicor's white-collar specialist brands. However, the client also needs blue-collar labour for its manufacturing plant. By increasing communication across the group, one of Rubicor's blue-collar brands is able to see this opportunity and sell its services to the same client.

A crucial part of reaching industry benchmarks will be creating a high performance culture. Juliet Magee is the General Manager of Gel Group in Western Australia. She has been finding ways to improve the performance of her employees.

Juliet Magee

This is a hearts and minds business. Building strong relationship with our own people definitely encourages better outcomes. So, one of the most important things that we can do throughout the Group is acknowledge those who are doing well. At Gel, I operate with exactly the same approach and I have seen that it is critical to creating a high-performance culture, and we saw this in Gel's results last year. I also think, look acknowledging employees when they achieve good results, we're really saying to them, "we're all in this together, and we really appreciate the work that you're doing". Building these kind of relationships with our own people definitely encourage better results and does help develop a stronger brand.

Ian Tyler

Some of the most exciting things for us and opportunities for us right now are where we are getting deeper relationships and closer relationships with some of our clients—ranging from the managed solutions offering we've got with Yahoo7, also the managed service and outsourcing opportunity we're working through with eBay, including Gumtree. And, for us, that's really a sign of the opportunity that we've got to capitalise on to sell deeper and faster and harder up the value chain, to really maximise the outcomes. And also really working on those trust-based partner-driven relationships. And that, for us, has been absolutely critical to our success over the last 12 months. And it's a real deliberate purpose to focus on managed service projects so we can maximise our return but, in turn, deliver greater value to our customer base.

Yasmine Johnson

In the last 18 months we've been experiencing a downturn in the Adelaide recruitment market, and what that means is that we've had to get creative around getting revenue into our business.

One of the things that we've been successful with at Locher is driving flexible recruitment services, so at a time when our clients don't have a large amount to spend on recruitment services, this is meeting their needs when it comes to still getting great staff into their organisations.

What we've done at Locher is put together formulated packages, put together marketing flyers and over the last six weeks we've really been driving flexible recruitment services with our commercial clients. What we've seen in this time already is that we've picked up; we've had seven requests for work, we're already delivering on two of those and it looks to be a 20% increase in Gross Margin just for the month of October.

Ian Tyler

So with Xpand operating across the APAC markets such as Australia, Singapore, Hong Kong and, more recently, meeting client demand in Malaysia, it's imperative that we continue to adopt a global sourcing strategy to meet demand in all the maturing and also the emerging markets.

And as technology and digitalisation shrinks our world, more and more of our clients really within these markets in which we operate are moving and looking towards international mobility as a solution to their unique skills shortages. So what we really term as a bit of a “work local, deliver global” strategy. So this being the case, it’s important that we are physically located in these regions to build an intimate understanding of the local talent pools, the client demand and also their demographics.

And if we were too fast forward into the future of where the X:pand strategy is really leading us both in terms of opportunity and also our global markets, we consider places like Shanghai, Dubai, London and either the East or West coast of the US as very very attractive and fluid markets where we not only have an engaged global client base to leverage but an active and motivated talent pool that we’re able to tap into exceptionally fast.

Narrator

Across all of its brands, Rubicor represents and has built a database of millions of jobseekers. One way that the Company can create new revenue is by forming partnerships that extract value from this database.

By working with third parties, Rubicor can analyse its database and identify jobseekers who could benefit from further training. Rubicor then refers these jobseekers to Registered Training Operators who provide them with the relevant training and education.

This process generates revenue for Rubicor in two distinct ways. Firstly, Rubicor earns a fee by referring these jobseekers to Registered Training Organisations. Secondly, and more importantly, it helps to improve the skills and employability of the jobseekers themselves. This means Rubicor is more likely to earn fees by linking them with jobs.

David Hutchison

So there we have it. A roadmap of ideas. The first of many conversations that we will have on our way to improving the overall performance of Rubicor.

As CEO, my aim is to lead these discussions with transparency and accountability. By working together and encouraging innovation and operational excellence, we’re giving Rubicor its best chance to get up to speed with the rest of the industry and, hopefully, become a recruitment leader in Australasia and around the world.

Finally, I’d like to leave you with some words from Angus Mason, a Non-executive Director and major shareholder of Rubicor.

Angus Mason

As a Director, we’re all acutely aware of the responsibilities we have to you as shareholders and to the Company as a whole to ensure that governance is front-of-mind in all discussions that we have both in formal Director meetings and in shareholder meetings like this. It is great to have the opportunity to be able to talk to you today and also share with you my hopes as a Non-executive Director and my hopes also as a shareholder in supporting Rubicor in its future endeavours.

We’ve all been made acutely aware of the performance to date of Rubicor and its mixed history over the last 7 years. We all also believe, as Directors, that there is a unique opportunity to turn this around and to bring the performance of the business up to and in front of, potentially, peers out there in the industry.

One thing we know for sure, though, this is not going to be an overnight solution and this is going to take 24 to 36 months at the very least to achieve. Key to achieving that, though, will

be aligning the interests of all parties; not just shareholders, but Directors, Executives, staff, the whole entire community to surrounds Rubicor. It's critical that we all do this as one. Building trust, building performance, and building a shared outcome and vision for Rubicor is critical to achieving that.

--Separate Video--

David Hutchison

At Rubicor, we recognise how important it is to give back to our community. One of the ways that we do this is via a partnership with Red Frogs. I'm going to hand you over to the man that they call Boss Frog, also known as Andy Gourley, who's going to tell you how we are supporting them with their work.

Andy Gourley

Red Frogs Australia is a support network that safeguards a generation of young Aussies. And, as we know, young Aussies do love to drink a bit.

So, basically, what we do is rehydrate people when they're drinking, we rock up with free food, with people who can walk people home and look after young people. And, we're basically like the designated sober guys in the Aussie drinking party.

We look after 70,000 in schoolies around Australia; we do 48,000 in high school presentations leading up to that; we do 289,000 in university parties; and 700,000 in music festivals as they party on with our volunteers that keep them safe and look after them.

As Red Frogs, we know we can't do this by ourselves. And we partner with many community organisations and governments, but also companies like Rubicor that will invest into helping change, literally a generation of future leaders, doctors, lawyers, tradies, sporting personalities.

And I just want to thank every shareholder, every supporter for your contribution and your support for the generation of young people coming through. And on behalf of all the mums and dads out there that are freaking out on schoolies week, they also thank you.

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