



## **Fact Sheet**

# ***Talent2 International Limited***

***Australia's Leading Human Resource  
Outsourcing Solutions and Recruitment  
Provider***

**August 2009**

***talent<sup>2</sup>***

# High Profile Branding

**Asia:**  
**3,712,527,624 people**  
**2,269 languages**  
**37 countries**  
**1 HR outsourcing provider**  
**0 headaches**

*Talent2 is the only multi-national HRO provider that's actually headquartered in Asia Pacific*


You can't beat experience. Except with local knowledge. And when it comes to HRO in Asia Pacific, only Talent2 can bring you both. Our services have earned trust and acclaim with multi-national organisations who rely on us for RPO and Recruiting, Payroll, Learning, HRIS, Career Management and more, across the region. And as an Australian company, the cultural fit is complete. There's no easier way to free yourself from local HR complexities so that you can focus on your business goals.

To find out more about us and what we can offer, contact us on 02 9087 6444 or visit [talent2.com](http://talent2.com)

AUSTRALIA | NEW ZEALAND | CHINA (PRO) | HONG KONG | INDIA | JAPAN | MACAU  
 MALAYSIA | MIDDLE EAST | PAPUA NEW GUINEA | SINGAPORE | TAIWAN | UK | USA

talent management for the future **talent<sup>2</sup>**

A fresh approach to Talent Management  
**Talent Horizons**



The availability and utilisation of talent is a defining factor for every organisation. Talent2 creates a better and more effective way of helping your business recruit, retain and develop the people you need to succeed. *Are you prepared for the future?*

**talent<sup>2</sup>**  
 it's who you know

## How's Your Board?

**Right skill mix and composition?**  
**Performance optimised?**  
**Delivering appropriate value?**

A high-performing Board is one of the most important attributes of a successful company. In tough times like these, Boards need to tackle issues not seen in generations.

We help Boards find the right non-executive talent – perfectly matched candidates to the sector or need, with a profile designed to elevate Board performance and corporate reputation.

Talent Partners BoardSearch also takes an holistic approach to assessing and improving a Board's structure, processes, skills and capabilities. We comprehensively review every aspect of a Board's performance and deliver actionable feedback around skill mix and composition, functionality as a team, independence, diversity and regulatory compliance.

To talk further about building the optimal Board, please contact Andrew Banks, Sean Linkson or Ian Campbell on 02 9087 6888.

Alternatively, email us at: [boardsearch@talentpartnersintl.com](mailto:boardsearch@talentpartnersintl.com)

Executive Search  
 Board Search  
 Board Review

**talentpartners**  
 boardsearch

## Senior International Specialist

- > Significant strategic role
- > International issues and relations
- > Financial markets focus



The Australian Securities & Investments Commission (ASIC) is Australia's corporate, markets and financial services regulator. ASIC contributes to Australia's economic reputation and wellbeing by ensuring that Australia's financial markets are fair and transparent, supported by confident and informed investors and consumers.

In this Sydney-based role, reporting to the Strategy Leader, you will head an externally oriented and achievement focused team responsible for ASIC's engagement with the international regulatory community through participation in international forums, development of policy and liaison with domestic and overseas regulatory agencies on international issues.

Working in the fast paced and ever changing environment of global and domestic financial markets you will need an advanced understanding of key trends and developments and the strategic, technical and policy prowess to shape and manage ASIC's response to complex problems. Appropriate legal and/or financial academic and professional qualifications will be essential.

To apply or for more information visit [www.talent2.com](http://www.talent2.com) and enter **AFR130367** or you can call **Richard Whittington** on **(02) 9087 6229**.

Executive Recruitment Firm of the Year 2009, 2006, 2007 & 2008  
 Fairfax Employment Marketing Awards

**talent<sup>2</sup>**  
 it's who you know

## Company Profile and Fact Note

### Summary Stats

ASX Code	TWO	No. Shares	127 m	M.cap	\$ 139m
Share Price	\$1.10	Cash	\$ 21 m		
GICS sector	Commercial & Professional Services	Listed	Feb 2000 <sup>1</sup>		

	Revenue \$m	Gross Profit \$m	EBITDA \$m	EBITDA Margin on Gross Profit	Reported		Adjusted (Amortisation & Tax adj.)	
					NPAT \$m	EPS	NPAT \$m	EPS
2007 a.	153.4	98.0	15.7	16.0%	6.8	5.7c	9.0	7.6c
2008 a.	229.3	142.8	20.3	14.2%	9.28	7.6c	11.9	9.8c
2009 a.	229.0	151.4	10.5	7.0%	(7.55)	(6.0)c	2.1	1.7c

Talent2 is the first human resources (HR) company in the Asia-Pacific region to offer a complete range of outsourcing services, including executive search and recruitment, Human Resources Information System (HRIS), payroll, consulting and learning. Talent2 currently operates through two divisions in sixteen countries. The divisions are:

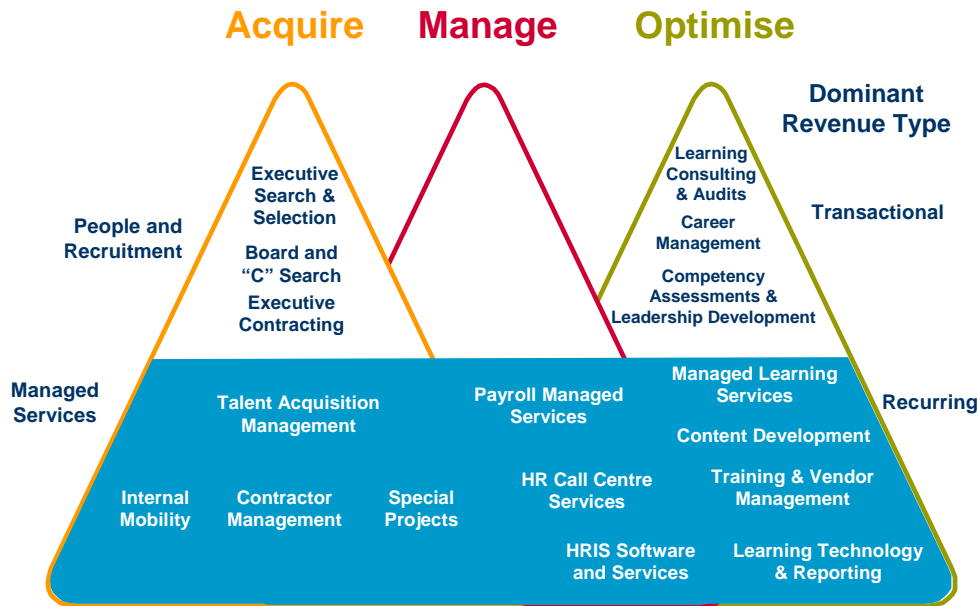
<b>Recruitment</b>	Search and Recruitment Operations
<b>Managed Services</b>	Managed Services whereby clients use Talent2's systems and services either within their operations or on a full outsourced basis

Talent2 is differentiated from other listed Australian HR companies as follows:

- > **Breadth of services** – Talent2 offers a full HR service including Executive Search, Executive Recruitment, Payroll management, Learning services, HR Consulting and many other HR services either through traditional models or through a fully managed service offering
- > **Geography** – Talent2 services are offered in Australia, New Zealand, throughout Asia, the Middle East and in the UK
- > **A track record of success** – as Talent2, and previously as the founding team of Morgan & Banks

<sup>1</sup> Concept Systems International Limited, which changed its name to Talent2 in June 2004

Business Model



Key Trends

Two key mega trends underpin the Talent2 business model:

- > Organisations are discovering that effective human capital practices provide better returns to shareholders substantially in excess of companies which have weak human capital practices. Talent2 delivers improved human capital practices for its customers.
- > One of the strongest-growing markets in HR is HR outsourcing, estimated to be more than US\$100B worldwide. Talent2 Managed Services business has the technology and skills today to take advantage of this trend.

The war for talent is on hold<sup>2</sup>:

- > After 'survival' comes return to future growth!
- > Employers know long-term workforce trends necessary to survive and grow.
- > Economic downturn short-term relief for employers/ongoing skills shortage/ageing workforce.
- > During economic turmoil issue of talent 'mix' becomes even more critical.

<sup>2</sup> Source: Mercer, Workplace 2012 – Beyond the Global Financial Crisis

## Customers

The company is exposed to a number of different industries and companies. However, no one client accounts for more than 5% of Revenue. Our clients include:



## Brief History

A calendar of the main events in the company's history is outlined at the end of this note. The key components of the story are as follows:

- > The HR payroll and software company Concept Systems was established in 1985 and undertook a listing on the ASX in early 2000.
- > In April 2002, Morgan & Banks Investments (MBI), a private company associated with Andrew Banks and Geoff Morgan, acquired a substantial shareholding in Concept.
- > In 2003, Concept announced that it would acquire a newly established HR business from MBI and associated interests in return for shares in Concept. The business was initially called MB2 but later renamed Talent2. Following the acquisition, effective 29 September 2003, MBI's interest in Concept increased to an effective holding of 45% [which has since reduced to 26%]. At the same time, Andrew Banks became Managing Director and Geoff Morgan moved on to the board.
- > In May 2004, at an EGM, the group changed its name from Concept Systems to Talent2 International (adopting the name of the subsidiary). The ASX code changed to TWO (from CSI), effective 1 June 2004.



## Morgan & Banks – a Precursor to Talent2

- > Geoff Morgan and Andrew Banks established Morgan & Banks in 1985 and later sold it to Select plc in UK for A\$38.3m, before buying it back in 1991 for A\$2.6m.
- > In 1994, Morgan & Banks Limited (MBL) listed on ASX with market capitalisation of \$33m, 250 staff and 200 contractors. In 1998, MBL was bought by TMP for \$380m, MBL having at the time revenue of \$330m, EBITDA of \$25.5m and NPAT of \$11.2m. From 1993-1998 MBL's compound annual growth rates for revenue and EBITDA were 46% and 35%, respectively.

## Board and Senior Management

The board and senior management of Talent2 are listed below.

Board	Senior Management
Ken Allen, Chairman	John Rawlinson, Chief Executive Officer
Mary Beth Bauer, Deputy Chairman	Martin Brooke, Chief Financial Officer
Andrew Banks, Managing Director	Paul Jury, General Manager, Recruitment Australia / New Zealand
Geoffrey Morgan, Non-executive Director	Eileen Aitken, Regional Director, HRIS and Payroll Services
Hans Neilson, Non-executive Director	Peter Goldrick, General Manager Optimise Asia Pacific
Pam Laidlaw, Non-executive Director	David Patteson, Company Secretary
Ken Borda, Non-executive Director	

## 2009 Preliminary Final Results

The company reported its 2009 preliminary final results on 12 August 2009. The main highlights were:

- > Revenue remained strong at \$229m, while EBITDA decreased to \$10.5m.
- > The Managed Services division remaining resilient with EBITDA up 37% to \$12.9m.
- > The Recruitment division's EBITDA was down to loss of \$2.4m, directly attributed to an unprecedented stop in global demand in the second quarter.
- > An impairment charge in the amount of \$6.5m was booked in respect of acquired businesses in Hong Kong, UK and India
- > Strong cash collections delivered an increase in operating cash up to \$12.7m from \$11.9m
- > Cash balance remains strong at \$21.0m, with debt at \$16.7m

## Financial Performance

A\$ (except EPS data)	2008			2009		
	1st Half	2nd Half	Year	1st Half	2nd Half	Year
Revenue	107.4m	121.9m	229.3m	128.0m	101.0m	229.0m
EBITDA	9.0m	11.3m	20.3m	7.6m	2.9m	10.5m
<i>EBITDA per share ¢</i>	<i>7.4¢</i>	<i>9.3¢</i>	<i>16.7¢</i>	<i>6.0¢</i>	<i>2.4¢</i>	<i>8.4¢</i>
Depreciation and Amortisation	3.2m	3.9m	7.1m	4.2m	4.9m	9.1m
<i>Of which: Amortisation of acquired intangible assets</i>	<i>1.8m</i>	<i>1.9m</i>	<i>3.7m</i>	<i>1.9m</i>	<i>2.6m</i>	<i>4.5m</i>
Impairment of acquired intangible assets	-	-	-	1.8m	4.7m	6.5m
EBIT	5.8m	7.4m	13.2m	1.6m	(6.7m)	(5.1m)
Interest	0.0m	0.1m	0.1m	(0.2m)	(0.2m)	(0.4m)
Profit before tax	5.8m	7.3m	13.1m	1.4m	(6.9m)	(5.5m)
Income tax expense	(1.8m)	(2.0m)	(3.8m)	(1.2m)	(0.9m)	(2.1m)
<i>Tax rate %</i>	<i>31%</i>	<i>28%</i>	<i>29%</i>	<i>86%</i>	<i>13%</i>	<i>38%</i>
Reported profit after tax	4.0m	5.3m	9.3m	0.2m	(7.8m)	(7.6m)
Minority interests	0.1m	(0.1m)	0.0m	0.0m	0.0m	0.0m
Members profit after tax	4.1m	5.2m	9.3m	0.2m	(7.8m)	(7.6m)
<i>Reported EPS ¢</i>	<i>3.4¢</i>	<i>4.2¢</i>	<i>7.6¢</i>	<i>0.2¢</i>	<i>(6.2¢)</i>	<i>(6.0¢)</i>
Adjusted profit after tax <sup>3</sup>	5.4m	6.5m	11.9m	3.4m	(1.3m)	2.1m
<i>Adjusted EPS before amortization ¢</i>	<i>4.5¢</i>	<i>5.3¢</i>	<i>9.8¢</i>	<i>2.7¢</i>	<i>(1.0¢)</i>	<i>1.7¢</i>

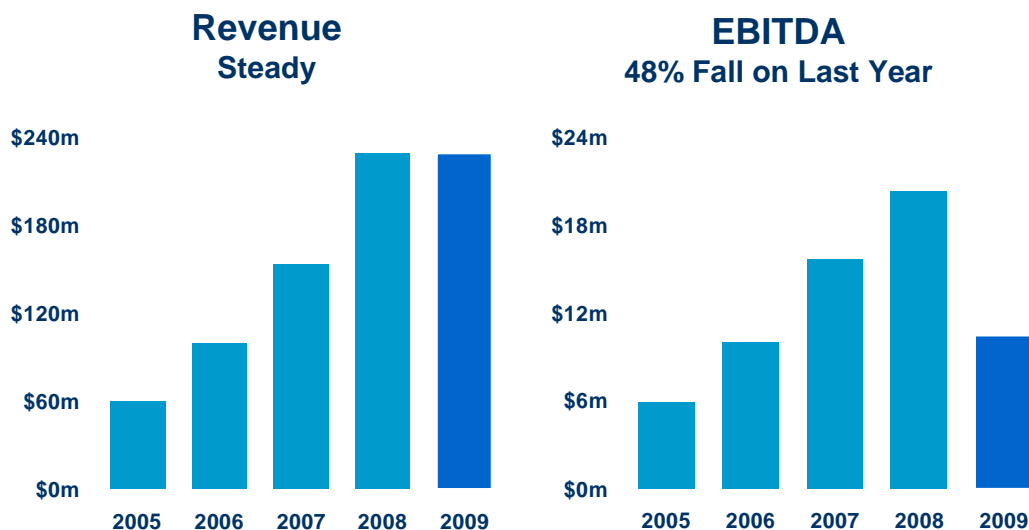
## Valuation Consideration

When valuing companies such as Talent2, it is standard analyst practice to:

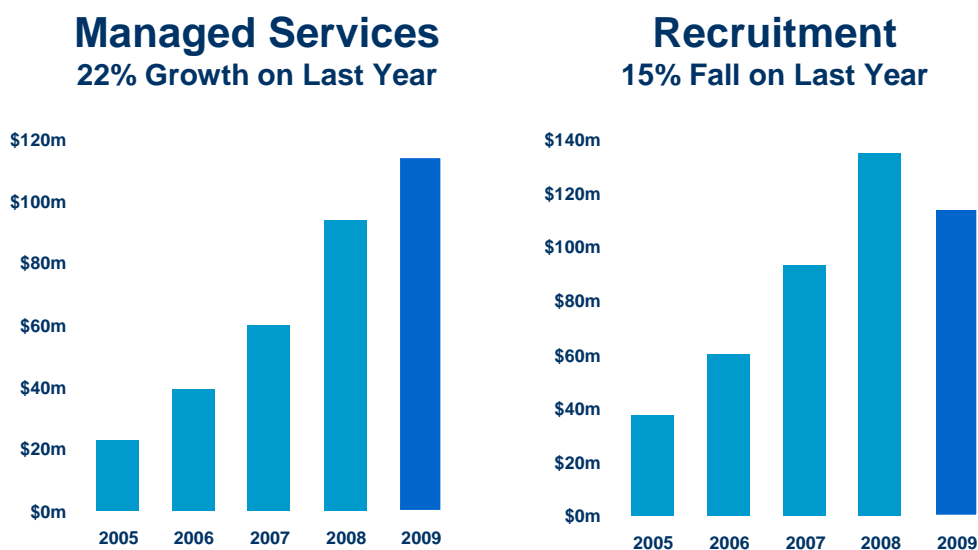
- > Calculate adjusted (core or normalised) profit and adjusted EPS numbers which add-back acquired intangible amortisation after tax and impairment (in 2009).
- > For Talent2, the amortisation adjustment relates to 'amortisation of acquired intangible assets'. This reflects in the main the identifiable intangible assets of acquired businesses, which under the AIFRS accounting standards is subject to amortisation over a period not exceeding eight years.
- > Other non-recurring items include the current period impairment charge.

<sup>3</sup> Profit after tax before, add back amortisation of acquire intangible assets after tax. (i.e. for 2009 year, add back \$3.2m = (\$4.5m - 30% tax) and add back impairment charge (i.e. for 2009, add back \$6.5m)

## Group Results



## Revenue by Segment



## Outlook

- > The Managed Services Division continues to secure high profile clients with more to be announced in the coming months. 2010 will see the addition of new clients and more importantly existing clients moving from implementation to operational stage.
- > Talent2 has now right sized its business as evidenced by the Recruitment business returning to profit in the final quarter of 2009. This will allow Talent2 to take advantage of any recovery in confidence in 2010.



## Detailed Historical Calendar

Date	Event
1985	Concept established.
29-Feb-00	Concept (backdoor) listing on ASX via Arcadia Minerals. ASX code changes to CSI from ARK.
22-Apr-02	Announces proposed share issue of up to 122m shares at 3 cents to raise up to \$3.66m. Morgan & Banks Investments (MBI) acquires interest in Concept. Andrew Banks appointed as a non-executive Director.
29-Sep-03	EGM: Approves acquisition of mb2 (later renamed Talent2). Following acquisition, MBI's interest increases to 45% from 32%. Andrew Banks becomes Managing Director. Geoff Morgan appointed as a non-executive Director.
26-May-04	EGM: Group changes name from Concept International to Talent2 International (adopting the name of the subsidiary). ASX code changed to TWO from CSI, effective 1 June 04.
16-Aug-04	Launches Talent Partners together with acquisition of Hansen & Searson and acquisition of boardSEARCH.
17-Nov-04	AGM: Group approves share consolidation on a 1:5 basis reducing number of shares on issue to approx 95 million.
8-Mar-05	Launches Talent2 eLearn together with acquisition of Southrock.
9-Jun-05	Expands into China with acquisition of Wall Street Associates.
18-Oct-05	AGM: Approves the acquisition of National Payroll Systems. Bud Hawk appointed as a non-executive Director.
15-Nov-05	Launches Talent2 People in New Zealand with acquisition of Stonyer & Associates.
1-Aug-06	Special Dividend Payment: 3c per share.
15-Nov-06	Shareholder approved repayment of 3c per share return of capital.
9-Mar-07	Announces Shanghai office open for business.
29-Mar-07	Opens UK operations with acquisition of Australasian Talent Company (ATC).
23-Apr-07	Invests into India recruitment industry with effective 24% interest in HR One.
2-May-07	Expands training outsourcing service offerings with acquisition of BizEd.
21-Jun-07	Significant RPO contract with Telstra.
14-Aug-07	Release of preliminary 2007 results and announcement of 3.5c per share dividend.
29-Nov-07	Opens Japan operations with acquisition of TOG
21-Dec-07	Open Middle East operations with acquisition of InterSearch UAE
4-Feb-08	Significant RPO contract with UBS in Hong Kong and Singapore
20-Feb-08	Release of 2008 Interim Results
7-Mar-08	Expands New Zealand footprint through acquisition of Duncan Ryan & Associates
4-Aug-08	Significant HRO contract with New Zealand Ministry of Education
13-Aug-08	Release of 2008 Preliminary Final Report and announcement of 4.5c per share dividend
14-Nov-08	Talent2 expands managed learning services through the acquisition of The Learning Group
18-Feb-09	Release of 2009 Interim Report
12-Aug-09	Release of 2009 Preliminary Final Report
21-Oct-09	2009 AGM

Full details available in investor relations section of [www.talent2.com](http://www.talent2.com) Investor Information

### Talent2

Martin Brooke  
Level 4, 77 Pacific Highway  
North Sydney NSW 2060

t +61 2 9087 6333 f +61 2 9087 6395  
e [investor@talent2.com](mailto:investor@talent2.com)  
w [www.talent2.com](http://www.talent2.com)

### Share Registry

Computershare  
t 1300 557 010 or +61 8 9323 2000