



*Talent2 International  
Limited*

**Australia's Leading Human  
Resource Solutions,  
Recruitment and Technology  
Company**

February 2007

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

## High Profile Branding



### Outsourcing HR improves performance

If you're looking for increased value from your human capital, improved organisational performance and a more focused leadership team, there is a solution - outsource your tactical HR management activities to Talent2.

- > Talent Acquisition Management
- > Payroll & Admin
- > Workforce Management
- > Performance & Development

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www.talent2.com



### When performance matters.

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Call Kim Audley on (03) 9918 0919 or email kim.audley@talent2.com  
www.talent2.com



## Multi-Media Marketer

- > Leading direct marketing multinational
- > Media and production focus
- > Circa \$140,000 package

As a commercial, media savvy marketer, with the ability to proactively and profitably expand media channels, this role, within an entrepreneurial business will appeal.

Reporting to the CEO, responsibilities span both media and production. Negotiating media contracts, media analysis, writing media briefs and liaising with external media buyers and directly with the media are key. You also work closely with international and in-house production units in overseeing the editing, scripting and filming of advertisements. Managing a multi million budget and a team of 4, your remit is to drive growth and best practice through existing and complementary media channels.

You have a successful track record working across all areas of media, with a strength in TV, knowledge of the changing media landscape, sound DM and production credentials and good fiscal/ROI skills. With a can-do approach and being a people person, you will be attracted to this dynamic opportunity.

To apply or for more information visit [www.talent2.com](http://www.talent2.com) and enter SMH217399 or you can call Amanda Burke on (02) 9087 6230.

Executive Recruitment  
Firm of the Year  
2005 & 2006  
Fairfax Employment  
Marketing Awards



## Discover a new world in recruitment

At Talent2 we give our **Executive Recruitment Consultants** the space2 be creative and the support to be a success.

You're a specialist at what you do and you want to be treated as such. Now you have a company that respects you are a self managing professional.

By working with Talent2 you will enjoy the benefits of having a market leading research function and support team who will aid you in achieving your career and remuneration goals.

We have a wealth of knowledge and expertise which is continually expanded through hiring the best people. We are looking for talented people who are seeking to fully realise both their own potential and the potential of our business. We want you to use your recruitment and industry experience to make a difference, for yourself and for Talent2.

For a confidential discussion regarding joining the Talent2 Executive Recruitment Team please call Joannah Bernard on (02) 9087 6437 or email joannah.bernard@talent2.com quoting reference number SMH116941.

[www.talent2.com](http://www.talent2.com)

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creating the future in hr

## MARKETING MANAGER

- KEY GROWTH PORTFOLIO
- STRATEGIC FOCUS
- FAST-PACED, ENTREPRENEURIAL CULTURE

Frucor Beverages is one of Australia's fastest growing FMCG companies, and for a marketer it offers the advantage of locally driven strategy, advertising and NPD.

Reporting to the Marketing Director you will be charged with managing the ongoing success of a priority product portfolio, which will involve a major strategic assessment of the portfolio going forward.

While a strong FMCG marketing skill set is a requirement, also of critical importance is someone who is commercially minded who can take a broad view of sales, profitability, and the entire marketing mix. You will demonstrate the ability "to look at things differently" and develop creative solutions to drive category growth. Strong persuasive and influencing skills with internal stakeholders are also considered critical.

To apply, or for more information visit [www.talent2.com](http://www.talent2.com) and enter SMH613173 or alternatively call Peter Steinfeld on (02) 9087 6238.

frucor



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# Company Profile and Fact Note

## Summary Stats

ASX Code	TWO	No. Shares	118 m	M.cap	\$ 254m
Share Price	\$2.15	Net Cash	\$ 13.7 m		
GICS sector	Software & 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 c	NPAT \$m	EPS c
					2004 a.	32.2	25.5	2.4
2005 a. (IFRS <sup>2</sup> )	60.3	43.6	5.8	13.7%	4.9	5.1c	3.4	3.6c
2006 a. (IFRS <sup>2</sup> )	99.6	71.8	10.0	14.0%	3.7	3.3c	5.6	5.1c
2006 a. half (IFRS <sup>2</sup> )	45.2	32.5	4.4	13.5%	1.5	1.4c	2.4	2.2c
2007 a. half (IFRS <sup>2</sup> )	64.8	43.5	6.5	14.9%	2.6	2.2c	3.7	3.1c

1. Concept Systems International Limited, which changed its name to Talent2 in June 2004
2. Comply with Australian equivalents to International Financial Reporting Standards

Talent2 is Asia Pacific's leading human resources solutions, recruitment and technology company. Talent2 currently operates through three divisions in nine countries. The divisions are:

**Executive Recruitment** Search and recruitment operations launched in December 2003

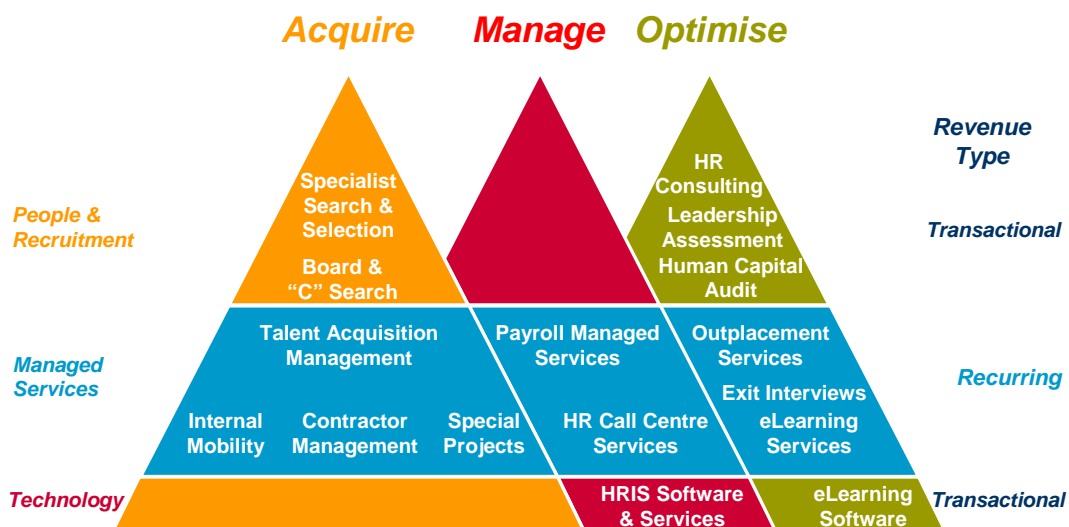
**Managed Services** Managed services whereby clients use Talent2's systems and services either within their operations or on a full outsourced basis

**Technology** Human Resource software systems the company has sold and supported for over 20 years (previously known as Concept)

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, eLearning 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, and the UK; and
- > **A track record of success** – as Talent2, and previously the as the founding team as part of Morgan & Banks (see below).

### 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.

### Customers

The company is exposed to a number of different industries and companies. No one client however accounts for more than 2% of revenues.

### Recent new clients



## 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 declined to 32%]. 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)	Mark Brayan, (Chief Operating Officer)
Andrew Banks, (Managing Director)	Martin Brooke, (Chief Financial Officer)
Geoffrey Morgan, (Non-executive Director)	Michael Bermeister, (Company Secretary)
Brian Gibson, (Non-executive Director)	Paul Jury, (General Manager, Recruitment)
Bud (Bud) Hawk, (Non-executive Director)	Eileen Aitken, (General Manager, Technology)
Hans Neilson, (Non-executive Director)	

## 2007 Interim Results

The company reported its 2007 preliminary final results on 12 February 2007. The main highlights were:

- > Strong organic growth, with revenues up 42% and net profit after tax up 75%
- > The main engines of growth, the Managed Services (or HR Outsourcing) division increased revenues by 82% generating EBITDA profits of 6% of Revenue.
- > Cash generation was strong, and the company paid a special (and maiden) 3c dividend and a capital return of 3c per share.

## Financial Performance

A\$ (except EPS data)	2005			2006			2007
	1st Half	2nd Half	Year	1st Half	2nd Half	Year	1st Half
Revenue	27.6m	32.7m	60.3m	45.2m	54.4m	99.6m	64.8m
EBITDA	2.7m	3.3m	6.0m	4.4m	5.6m	10.0m	6.5m
<i>EBITDA per share ¢</i>	<i>2.8¢</i>	<i>3.4¢</i>	<i>6.2¢</i>	<i>4.0¢</i>	<i>4.9¢</i>	<i>8.9¢</i>	<i>5.5¢</i>
Depreciation and Amortisation	0.8m	1.2m	2.0m	2.5m	2.7m	5.2m	2.7m
<i>Of which: Amortisation of acquired intangible assets</i>	<i>0.1m</i>	<i>0.3m</i>	<i>0.4m</i>	<i>1.4m</i>	<i>1.5m</i>	<i>2.9m</i>	<i>1.5m</i>
EBIT	1.9m	2.1m	4.0m	1.9m	2.9m	4.8m	3.8m
Interest	0.0m	0.2m	0.2m	0.2m	0.2m	0.4m	0.2m
Profit before tax	1.9m	2.3m	4.2m	2.1m	3.1m	5.2m	4.0m
Tax operating	(0.3m)	(0.7m)	(1.0m)	(0.6m)	(0.9m)	(1.5m)	(1.4m)
<i>Tax rate %</i>	<i>15%</i>	<i>30%</i>	<i>26%</i>	<i>30%</i>	<i>28%</i>	<i>28%</i>	<i>34%</i>
Profit after tax, before non-recurring items	1.6m	1.6m	3.2m	1.5m	2.2m	3.7m	2.6m
Non-recurring items (tax benefit in 2005) <sup>1</sup>	2.0m	(0.3m)	1.7m	-	-	-	-
Reported profit after tax	3.6m	1.3m	4.9m	1.5m	2.2m	3.7m	2.6m
<i>Reported EPS ¢</i>	<i>3.9¢</i>	<i>1.2¢</i>	<i>5.1¢</i>	<i>1.4¢</i>	<i>1.9¢</i>	<i>3.3¢</i>	<i>2.2¢</i>
Adjusted profit after tax (add back amortisation after tax) <sup>2</sup>	1.7m	1.7m	3.4m	2.4m	3.3m	5.8m	3.7m
<i>Adjusted EPS before amortization ¢</i>	<i>1.8¢</i>	<i>1.8¢</i>	<i>3.6¢</i>	<i>2.2¢</i>	<i>2.9¢</i>	<i>5.7¢</i>	<i>3.1¢</i>

1. One-off tax adjustments, principally historical losses in 2005 brought to account under AIFRS.

2. Profit after tax before non recurring items, add back amortization of acquire intangible assets after tax. i.e. for 2007 1<sup>st</sup> half, add back \$3.7m=\$2.6m+(\$1.5m- 30% tax)

## Valuation Consideration

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

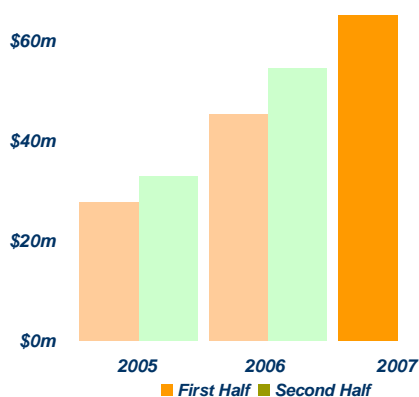
- > Use valuation benchmarks such a Enterprise Valuation to EBITDA, the latter profit measure being before depreciation and amortisation; and
- > Calculate adjusted (core or normalised) profit and EPS numbers which add-back amortisation (and non-recurring items) after tax.

For Talent2, the amortisation adjustment relates to "amortisation of acquired intangible assets". This reflects in the main the acquisition of NPS and its intellectual property (IP), which under the AIFRS accounting standards is subject to amortisation over a period not exceeding eight years.

## Group Results

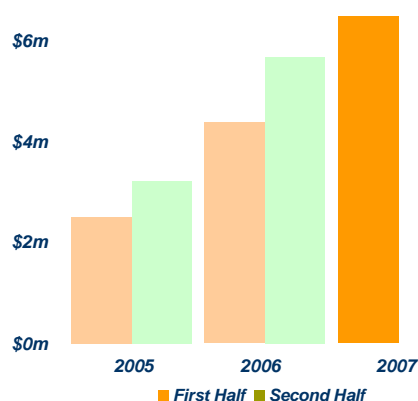
### Revenues

43% Growth on First Half last year



### EBITDA

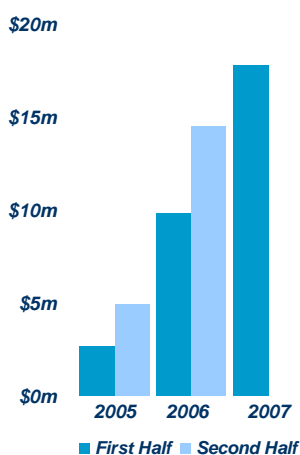
48% Growth on First Half last year



## Revenues by Segment

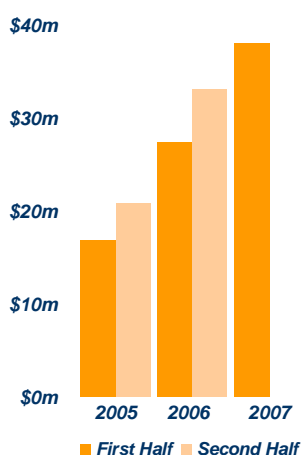
### Managed Services

82% First Half Growth



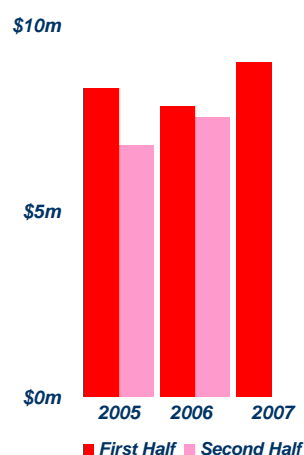
### Recruitment

39% First Half Growth



### Technology

15% First Half Growth



## Outlook

- > In 2007, Talent2 expects revenue and profit growth in each segment of the group as well as increased margins and cashflow.
- > Talent2 is planning to expand its reach in Asia. It is also establishing offices in the UK and representative offices in USA to service business development and candidate sourcing for the Asia-Pacific markets.

## 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.
30-Aug-02	Announces Andrew Banks appointed as a non-executive Director.
26-Sep-02	Announces MBI as a substantial shareholder with a relevant interest of 41.667m shares (23.5%) and 41.667m convertible notes (19.0%). The combined effective (diluted) interest is 32%.
26-Jun-03	Announces acquisition of executive recruitment business "mb2" (later renamed Talent2) and Andrew Banks to become Group Managing Director.
29-Sep-03	EGM: Approves acquisition of mb2. Following acquisition, MBI's interest increases to 45% from 32%. Geoff Morgan appointed as a non-executive Director.
12-Nov-03	Announces a change in name for the newly acquired business from mb2 to Talent2.
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
8-Feb-06	Release of Interim 2006 accounts
27-Jun-06	EGM: Shareholders approve 3c Capital Repayment subject to ATO approval
1-Aug-06	Special Dividend Payment: 3c per share
9-Aug-06	Release of preliminary 2006 accounts
22-Aug-06	Hans Neilson appointed as a non-executive Director
4-Oct-06	Ken Allen appointed as new non-executive Chairman. Mary Beth Bauer moves to Deputy Chairman
15-Nov-06	Repayment of 3c per share return of capital
12-Feb-07	Release of Interim 2007 accounts

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

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