

28 August 2009

Rubicor: Full year results to 30 June 2009

Financial Summary	30 June 2009	30 June 2008	Change
Revenue	\$317m	\$367m	-14%
NDR (Gross Margin)	\$78.5m	\$104.0m	-25%
Underlying EBITDA ¹	\$8.0m	\$24.7m	-68%
Statutory EBITDA	\$5.7m	\$24.7m	-77%
Underlying NPAT ^{1 & 2}	\$(2.8)m	\$11.1m	n/a
Statutory NPAT	\$(44.0)m	\$1.9m	n/a
Underlying EPS ^{1 & 2}	(2.6)c	10.5c	n/a
Operating cash flow ³	\$16.7m	\$21.0m	-20%

Rubicor Group Limited (“Rubicor”) (ASX:RUB) today announced full year underlying EBITDA¹ of \$8.0 million, within the range of \$7.5 to \$8.3 million announced to the market in May 2009. Underlying NPAT^{1&2} was a loss of \$2.8 million. Statutory NPAT was a loss of \$44 million, of which \$32 million resulted from impairment of non-current assets.

Ms Jane Beaumont, CEO of Rubicor, said: “The results are naturally disappointing and reflect the inevitable impact of the sharp and strong deterioration in business conditions in the financial year. During these challenging economic times we have focussed on performance efficiency, cost savings and operational leverage. In the fourth quarter the company produced an underlying operational profit, a clear indication that operational costs have been correctly aligned to current trading conditions.”

Performance

Revenue decreased by 14 per cent over the prior comparative period. Permanent revenue was down 29 per cent as recruitment has been severely impacted by widespread caution on employing new staff. Contracting and temporary business has been more robust, with revenue down 10 per cent. Given market conditions, revenue has held up comparatively well; however the greater exposure to permanent revenue has significantly impacted EBITDA.

Costs reduced by 11 per cent during the year. The cost reduction program identified \$12.0 million of annualised savings. These were fully effective from July 1 2009, other than some final property releases in September. Significant items amounted to \$2.3 million, largely relating to redundancy, premises relocation and refinance advisory costs.

¹ Before significant items of \$2.3m (\$1.6m after tax) largely relating to redundancy, premises relocation and refinance advisory costs.

² Before amortisation of intangibles (\$6.3m), notional interest on deferred payments for business acquisitions under IFRS (\$1.7m) and impairment of non-current assets (\$32.4m).

³ Before interest and taxation.

Operating cash flow in the year was \$16.7 million compared to \$21.0 million in the prior year. Conversion of EBITDA to cash flow continues to be very strong and highlights the strength of the underlying business operations.

Vendor Payments

In these challenging economic conditions it was pleasing to note that the Rubicor acquisition model has proven itself to be responsive to the conditions. As the direct result of the structure of the model Rubicor has been able to reduce future vendor liabilities by \$28.9 million.

Because a large portion of vendor payments are deferred at acquisition and because these deferred payments are linked to the future performance of the businesses, the amounts owing to vendors have reduced in line with the lower earnings performance in each business.

Asset Impairment

Rubicor has undertaken extensive reviews of the carrying value of its assets, in particular the goodwill associated with business acquisitions. As a consequence, the carrying value of goodwill on the balance sheet has declined by \$61.0 million to \$68.1 million. This is due to a \$28.9 million reduction in vendor liabilities outlined above and an impairment charge of \$32.1 million.

Capital Management and Debt Refinancing

Prudent capital management and debt refinancing have been priorities in this challenging environment. The Directors confirm that there will be no final dividend for the financial year.

Rubicor continues to operate with the support of its banker, who has waived covenant breaches at 31 December 2008 and at 30 June 2009. It is pleasing to announce that subsequent to the year-end the bank has positively revised the debt facilities by extending Rubicor's term facilities until 31 July 2010, revising covenants and reducing amortisation. This extension is a positive step in a comprehensive refinancing process and Rubicor expects to make further announcements in this regard in the future.

Co-location and Operating Leverage

One of the primary areas of cost savings has been the co-location of operating businesses in major centres. This program has provided immediate rental and shared services savings and the benefits of client leverage opportunities continue to be identified.

The operating businesses are increasingly collaborating in their drive for new revenue by offering additional specialist capabilities of sister companies and/or whole-of-business solutions to meet the diverse needs of major clients. In this financial year Rubicor has won contracts from two top twenty ASX-listed companies by combining the expertise of several businesses under one national mandate.

Business Evaluation

Rubicor's business mix has historically leaned more towards permanent recruitment. As markets improve, the demand for temporary and contract staff is expected to increase before permanent recruitment. Rubicor has been focussing on improving capability and candidate pools for temporary and contract work and is targeting an increase in the mix of temporary and contract staff.

In 2009 Rubicor undertook a sectoral review, identifying where growth opportunities are expected. The Company is implementing measures to ensure it is well positioned to take advantage of recruitment opportunities in the growth sectors identified as well as meeting increasing demand in traditional areas of expertise.

Outlook

Looking to the future, Ms Beaumont said: "We remain cautious of the short-term outlook, although fourth quarter trading was positive.

"Our performance review has resulted in our cost base being aligned to market conditions and current demand. Additionally we are developing our temporary and contract business and positioning ourselves to take advantage of recruitment opportunities in growth sectors as well as traditional areas.

"We are confident that permanent demographic changes will ensure the outlook remains positive for established, specialist recruiters, such as Rubicor, with close ties to clients and a strong candidate base."

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