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Rubicor: Full year results to 30 June 2010

31 August 2010

Financial Highlights	FY 2010	FY 2009	Change	HY2 2010	HY1 2010	Change
	30/06/10	30/06/09		30/06/10	31/12/09	
Total Revenue	$ 280.6m	$ 316.8m	(11)%	$144.1m	$136.5m	6%
NDR (Gross Margin)	$ 62.6m	$ 78.5m	(20)%	$ 32.9m	$ 29.7m	11%
Underlying EBITDA [1]	$ 9.2m	$ 8.0m	15%	$ 5.7m	$ 3.5m	63%
Statutory EBITDA	$ 9.0m	$ 5.7m	58%	$ 5.6m	$ 3.4m	65%
Underlying NPAT [1&2]	$ (1.8)m	$ (2.8)m		$ (0.5)m	$ (1.3)m	
Statutory NPAT	$ (8.3)m	$ (44.0)m		$ (3.3)m	$ (5.0)m	
Underlying EPS [1&2]	(1.6)c	(2.6)c		(0.5)c	(1.1)c	
Operating cash flow [3]	$ 10.8m	$ 16.7m	(35)%	$ 10.3m	$ 0.5m	large

Rubicor Group Limited (ASX:RUB) today announced full year statutory EBITDA of $9.0 million (or $9.2 million before significant items), representing a 58 per cent improvement over financial year 2009 and ahead of the range announced to the market in June 2010. After interest expense and taxation, an underlying loss of $1.8 million and a statutory loss of $8.3 million were recorded.

Commenting on the results, Ms Jane Beaumont, CEO of Rubicor, said, “Following on from our half year results, we have continued to see forward momentum in our numbers compared to the low base experienced during the GFC. Underscoring this improvement are two key factors. Firstly as economic activity and the demand for jobs have accelerated in many sectors of the domestic economy, Rubicor has positioned itself to take advantage of this growth. Secondly and as importantly, Rubicor’s operating profit has been enhanced by the realisation of benefits from consultant productivity, efficiency and cost management programmes implemented last year.”

Performance

Overall revenue decreased from $317 million to $281 million. The year-on-year comparison masks an encouraging trend this financial year, as revenue recorded for the first half of the 2009 financial year was generated before the full impact of the GFC. Looking at the half-on-half numbers in fiscal 2010, revenue has grown by six per cent in the second half reflecting improving conditions and jobs growth in some sectors of the economy, in particular in mining & resources, engineering, I.T. and finance & accounting, which Rubicor has exploited.

Importantly, this year’s results demonstrate strong growth at the EBITDA line, both half on half and in comparison to fiscal 2009, as the benefits of the consultant productivity and cost management programmes have been realised.

Rubicor further trimmed consultant numbers this year, after a substantial reduction in fiscal 2009. At 30 June 2010 the total number of consultants was 259, down from the peak of 422. Consultant efficiency improved with

1. Before significant items FY10:$0.2 million; FY 09: $2.3 million ($1.6 million after tax) relating to redundancy, premises relocation and refinance advisory costs
2. Before amortisation of intangibles, notional interest on deferred payments for business acquisitions under IFRS, and impairment of non-current assets
3. Before interest and taxation

consultant costs as a percentage of net revenue dropping from nearly 50 per cent in the second half of fiscal 2009 to an average of 42 per cent in this financial year. Rubicor is targeting an overall cost ratio at or below 40 per cent. Further, and importantly consultant productivity continued to improve throughout the second half, thus the improved efficiency results.

Effective cost management has also continued in other key areas including the progressive outsourcing of the IT environment. Rubicor is also successfully sourcing candidates in more cost effective ways, expanding the use of on-line social networking sites. From the programmes introduced last year, actual savings of $15.2 million were achieved in fiscal 2010, against an annual estimate of $12.0 million.

As a result of consultant productivity and other cost savings, EBITDA as a percentage of net revenue doubled from a low of seven per cent in the second half of fiscal 2009 to 14 per cent in the second half of fiscal 2010.

Capital Management and Debt Refinancing

Prudent capital management and debt refinancing continue as key priorities for Rubicor and the Directors have decided not to declare a dividend in this financial year. Operating cash flow for the year was $10.8 million reflecting continued strength in the conversion of EBITDA to cash flow.

Rubicor continues to operate with the support of its bankers. In September 2009, the bank extended the term facilities to 31 July 2010, eased covenants and reduced amortisation costs. Additionally the bank funded earn-out payments of $1.7 million and $4.7 million in July and November 2009 respectively.

The bank has extended debt facilities through to 31 July 2011. Quarterly amortisation has increased as a result and this will be offset by a reduction in interest rate margins and fees, such that the overall impact will be earnings positive and cash flow neutral.

Goodwill Impairment

No reduction in carrying value of goodwill is deemed necessary in this financial year, after extensive review and an impairment charge of $32 million in financial year 2009.

Outlook

Commenting on the near-term outlook, Ms Jane Beaumont said, “We experienced improved demand in the second half of the 2010 financial year and this has continued into the new financial year. This is encouraging for the short term. With economic indicators showing solid employment demand, we are well positioned to optimise the opportunities presented by the stronger economic environment in which we are now operating.

The key objectives remain to optimise operating performance, increase cash generation to reduce debt, and maximise group profitability. Leveraging existing business, through exploiting high growth sectors and geographies, continues to present significant opportunity and remains the focus for revenue growth for 2011.

Retention of our employees is key to our success. Throughout 2011 we will strengthen our capability through training and development programs for consultants and business leaders.

“We will focus on working closely with our businesses, taking advantage of opportunities for expansion as they arise and investing in additional consultants where appropriate. Technology driven optimisation programs have been introduced to deliver further efficiencies in both front and back offices.

"We believe that permanent demographic changes in Australia will, over the longer-term, ensure the outlook remains positive for the recruitment industry. Skills shortages in many sectors, together with the overall ageing of the population, will see increasing demand for our services to source and provide quality candidates. Established, specialist recruiters, such as Rubicor, with close ties to markets and with a strong candidate base will be in increasing demand as employers compete for talent." Ms Beaumont concluded.

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